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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
Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
2669 North Scenic Drive

City or town, state or country, and ZIP + 4
Alamogordo, NM 883110597

D Employer identification number
85-0138775

E Telephone number
(575)439-6100

G Gross receipts $ 103,030,912

F Name and address of principal officer
Robert James Heckert
2669 North Scenic Drive
Alamogordo, NM 883110597

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 gcrmc org

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

L Year of formation 1947

M State of legal domicile NM

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Provision of health care services

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**	10
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	10
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	797
6	Total number of volunteers (estimate if necessary)	**6**	156
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	50,736
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	392,795	398,171
9	Program service revenue (Part VIII, line 2g)	97,905,894	102,068,508
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	451,731	-474,237
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	339,404	102,443
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	99,089,824	102,094,885
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	431,536	2,850,067
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)	43,789,834	47,519,208
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)	55,348,660	75,942,477
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	99,570,030	126,311,752
19	Revenue less expenses Subtract line 18 from line 12	-480,206	-24,216,867

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	154,449,376	138,177,221
21	Total liabilities (Part X, line 26)	58,483,892	66,516,738
22	Net assets or fund balances Subtract line 21 from line 20	95,965,484	71,660,483

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

****** | 2013-05-15
Signature of officer | Date

Peter Seaman Assistant CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶ Lisa Chaffee CPA	Date 2013-05-14	Check if self-employed ▶☐	Preparer's taxpayer identification number (see instructions) P00193453
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ Eide Bailly LLP, 800 Nicollet Mall Ste 1300, Minneapolis, MN 554027033			EIN ▶ 45-0250958 Phone no ▶ (612) 253-6500

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

To exceed the expectations of our guests through extraordinary customer service, exceptional quality care and innovative technology

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 $ 98,157,364 including grants of $ 2,850,067) (Revenue $ 102,017,772)

Otero County Hospital Association d/b/a Gerald Champion Regional Medical Center (GCRMC) provides comprehensive healthcare services through its 99-bed hospital, outpatient ambulatory care facilities, anda multi-specialty physician group GCRMC accounts for more than 80% of hospital admissions in its Otero County primary service area The GCRMC's primary market is the city of Alamogordo with secondary markets expanding to Tularosa, Holloman Air Force Base and Lincoln County The original facility opened in August 1949 and the current medical center is a state of the art, acute care facility that opened in December 1999 The original hospital opened in 1949 with 26 beds Today GCRMC is proud to be a 99-bed acute care facility accredited by DNV, including two distinct PPS units Life Transitions (12 beds starting July 1, 2010) and Inpatient Rehabilitation (12 beds starting July 1, 2011) GCRMC shares a unique relationship with Holloman Air Force Base as the first hospital in the United States where active duty military physicians practice in a civilian hospital This special arrangement allows one facility to meet the combined community and military needs, while serving as a model for the Department of Defense in conserving resources The delivery mechanisms of care at the hospital include both inpatient and outpatient services acute care inpatient through medical/surgical, telemetry, maternal child and 12-bed intensive care units, surgery department supported by pre-admit, outpatient care unit and post-anesthesia care unit, hospital-owned physician practices in the areas of family practice, women's services including obstetrics, gastroenterology and endocrinology, internal medicine, orthopedics and general surgery, inpatient and outpatient CAP certified laboratory services with the capability to perform over 225 different profiles and tests in-house, inpatient and outpatient diagnostic imaging services, including x-ray, 128-slice CT scan, MRI, ultrasound, interventional radiology, radiofrequency ablation and nuclear medicine, inpatient and outpatient comprehensive cardiopulmonary services including behavior sleep medicine, Holter monitoring, event monitoring and impedance cardiography By the end of 2012, GCRMC employed approximately 700 people In addition to those employees, GCMRC contracts for services in various departments such as Pharmacy, Anesthesia, Emergency Services and Hospitalist program The medical staff of GCRMC has 185 medical members consisting of 94 active members and 64 affiliate members GCRMC continues to seek opportunities to expand services and improve quality, with the philosophy of not limiting its potential by the designation of "small community", but rather identifying its scope of service based on community needs Continued progress and expansion has enhanced GCRMC's commitment to strive for outstanding service and quality, acknowledging that its future is not in its buildings or technology, but rather its people To this end we support the people of Otero County with our services and our financial contributions GCRMC has, since its inception in 1949, provided quality medical healthcare regardless of race, creed, sex, national origin, handicap, age, or ability to pay Although reimbursement for services rendered is critical to the operation and stability of GCRMC, it is recognized that not all individuals possess the ability to purchase essential medical services and, further, that our mission is to serve the community with respect to providing healthcare services and healthcare education Therefore, in keeping the GCRMC's commitment to serve our community, we provide Free Care and/or Subsidized Care - care to persons covered by governmental programs at below cost, and health activities and programs to support the community will be considered where the need and/or an individual's inability to pay coexist GCRMC maintains records to identify and monitor the level of charity care it provides These records include the amount of charges foregone for services and supplies furnished under its charity care policy The mount of charges foregone, based on established rates, was $3,883,841 for the year ended June 30, 2012

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** ▶ $ 98,157,364

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2		No
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		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	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *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**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**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**	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
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**	161		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c**	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	797			
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**	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b**	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account 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	10		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	10		
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		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a	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		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

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

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 ▶

Michael Rolph
2669 North Scenic Drive
Alamogordo, NM 88311
(575) 439-6100

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) Norm Arnold Chairman of the Board	10 00	X		X				0	0	0
(2) Bill Mershon Vice President	5 00	X		X				0	0	0
(3) Bill Mayton Secretary	5 00	X		X				0	0	0
(4) Fred Baker Director	5 00	X						0	0	0
(5) Jaime Anderson Director	3 00	X						0	0	0
(6) James Harris Director	3 00	X						0	0	0
(7) Gary Jackson DO Director (Jul-Mar)	2 00	X						0	0	0
(8) Greg Richardson MD Director	5 00	X						0	0	0
(9) Robin French Director	3 00	X						0	0	0
(10) Lisa Thomassie Director	3 00	X						0	0	0
(11) Arthur Austin MD Director, VP of Medical Affairs	40 00	X		X				225,719	0	27,373
(12) Robert James Heckert CEO	40 00			X				349,431	0	0
(13) Morgan Hay CFO	40 00			X				244,741	0	0
(14) Martha Gorman CNO	40 00			X				171,621	0	8,581
(15) Jeffrey Gardner VP of Physician Practice Dev	40 00			X				126,488	0	19,920
(16) George Massoud Physician	40 00					X		392,220	0	30,719
(17) Dennis Worthington Physician	40 00					X		389,923	0	34,367

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) Charles Race Physician	40 00					X		721,984	0	25,688
(19) Stefan Korec Physician	40 00					X		489,882	0	30,990
(20) Joseph Horton Physician	40 00					X		637,439	0	26,917
1b **Sub-Total**										
c **Total from continuation sheets to Part VII, Section A**										
d **Total (add lines 1b and 1c)**								3,749,448	0	204,555

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 ▶ 56

			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
Robins & Morton Group Gateway II Bldg 5500 Maryland Sui Brentwood, TN 37027	Construction	8,577,638
White & Case LLP 633 West Fifth Street Suite 1900 Los Angeles, CA 90071	Legal Counsel	1,914,635
Quantum Healthcare Medical Associates PO BOX 634850 Cincinnati, OH 452654850	Senior Executive Staffing	1,399,447
EmCare Inc 7032 Collections Center Drive Chicago, IL 60693	Staff-Medical	1,198,616
Completerx LTD 3100 South Gessner Houston, TX 77063	Pharmacy	1,184,241

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 ▶ 34

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	330,548			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	67,623			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		398,171			
Program Service Revenue			Business Code				
	2a	Net Patient Service Re	900099	97,769,507	97,769,507		
	b	Other Revenue	900099	1,538,682	1,538,682		
	c	Alamogordo Surgery Ven	621400	1,196,582	1,196,582		
	d	Catering	722320	845,400	794,664	50,736	
	e	Rental income	531120	589,111	589,111		
	f	All other program service revenue		129,226	129,226		
	g	**Total.** Add lines 2a–2f		102,068,508			
	3	Investment income (including dividends, interest and other similar amounts)		17,914			17,914
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real	(ii) Personal			
	6a	Gross rents	429,056				
	b	Less rental expenses	326,613				
	c	Rental income or (loss)	102,443				
	d	Net rental income or (loss)			102,443		102,443
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory		117,263			
	b	Less cost or other basis and sales expenses	527,741	81,673			
	c	Gain or (loss)	-527,741	35,590			
	d	Net gain or (loss)			-492,151		-492,151
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					
	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					
	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					
		Miscellaneous Revenue		Business Code			
	11a						
	b						
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d					
	12	**Total revenue.** See Instructions		102,094,885	102,017,772	50,736	-371,794

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	2,850,067	2,850,067		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	536,580		536,580	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	37,998,493	27,290,367	10,708,126	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	984,057	787,065	196,992	
9	Other employee benefits	5,493,934	4,408,674	1,085,260	
10	Payroll taxes	2,506,144	1,896,648	609,496	
11	Fees for services (non-employees)				
a	Management				
b	Legal	5,429,556		5,429,556	
c	Accounting	134,705		134,705	
d	Lobbying				
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees				
g	Other	22,186,370	17,756,655	4,429,715	
12	Advertising and promotion	95,956	13,566	82,390	
13	Office expenses	7,197,117	4,458,623	2,738,494	
14	Information technology	511,412	27,694	483,718	
15	Royalties . .				
16	Occupancy	1,913,529	484,096	1,429,433	
17	Travel	173,457	56,132	117,325	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	194,579	112,403	82,176	
20	Interest	262,983	262,983		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	9,172,315	9,172,315		
23	Insurance	1,974,619	1,974,619		
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	Medical Supplies	11,782,836	11,782,836		
b	Provision for Bad Debts	8,194,546	8,194,546		
c	Reorganization Costs	5,957,244	5,957,244		
d	Gross Receipt/Sales Tax	558,750	558,750		
e					
f	All other expenses	202,503	112,081	90,422	
25	**Total functional expenses.** Add lines 1 through 24f	126,311,752	98,157,364	28,154,388	0
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing			1	
	2	Savings and temporary cash investments		11,101,383	2	5,486,057
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		13,919,686	4	13,383,375
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		2,765,140	8	2,788,791
	9	Prepaid expenses and deferred charges		2,541,204	9	1,575,612
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 176,110,192			
	b	Less accumulated depreciation	10b 75,074,793	100,972,982	10c	101,035,399
	11	Investments—publicly traded securities		14,344,334	11	10,846,031
	12	Investments—other securities See Part IV, line 11		6,830,021	12	719,393
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets		58,125	14	54,375
	15	Other assets See Part IV, line 11		1,916,501	15	2,288,188
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		154,449,376	16	138,177,221
Liabilities	17	Accounts payable and accrued expenses		18,239,114	17	13,359,288
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		36,955,000	20	
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties		789,778	23	2,962,454
	24	Unsecured notes and loans payable to unrelated third parties			24	
	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		2,500,000	25	50,194,996
	26	**Total liabilities.** Add lines 17 through 25		58,483,892	26	66,516,738
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		95,965,484	27	71,660,483
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		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		95,965,484	33	71,660,483
	34	Total liabilities and net assets/fund balances		154,449,376	34	138,177,221

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	102,094,885
2	Total expenses (must equal Part IX, column (A), line 25)	2	126,311,752
3	Revenue less expenses Subtract line 2 from line 1	3	-24,216,867
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	95,965,484
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-88,134
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	71,660,483

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
Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Employer identification number
85-0138775

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 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
Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Employer identification number
85-0138775

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Term endowment ▶

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		3,237,050		3,237,050
b Buildings		103,163,282	28,144,552	75,018,730
c Leasehold improvements				
d Equipment		59,902,350	44,672,792	15,229,558
e Other		9,807,510	2,257,449	7,550,061
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				101,035,399

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	
Liabilities Subject to Compromise	50,194,996
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	50,194,996

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	102,094,885
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	126,311,752
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	-24,216,867
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	-88,134
9	Total adjustments (net) Add lines 4 - 8	9	-88,134
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-24,305,001

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	102,379,567
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	1,237,674		
e	Add lines **2a** through **2d**			2e	1,237,674
3	Subtract line **2e** from line **1**			3	101,141,893
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	952,992		
c	Add lines **4a** and **4b**			4c	952,992
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	102,094,885

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

1	Total expenses and losses per audited financial statements			1	126,684,568
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	372,816		
e	Add lines **2a** through **2d**			2e	372,816
3	Subtract line **2e** from line **1**			3	126,311,752
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	0
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	126,311,752

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
Description of Uncertain Tax Positions Under FIN 48	Part X	The Medical Center is organized as a New Mexico nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) The Medical Center is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS In addition, the Medical Center is subject to net income that is derived from business activities that are unrelated to its exempt purpose, if any The Medical Center believes it has appropriate support for any tax positions taken affecting its annual filing requirement, and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements The Medical Center would recognize further accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense, if such interest and penalties are incurreed The Medical Center's historical Federal and state tax returns are subject to examiniation by tax authorities
Part XI, Line 8 - Other Adjustments		ASV Book/K-1 Income Difference -88,436 White Sands Book/K-1 Income Difference -7,044 AIC Book/K-1 Income Difference 7,346 Total to Schedule D, Part XI, Line 8 -88,134
Part XII, Line 2d - Other Adjustments		Book Income ASV LLC 1,108,146 Book Income Imaging Center, LLC 129,127 Book Income White Sands, LLC 401
Part XII, Line 4b - Other Adjustments		Rental Expenses Recorded as Expense for financial statements -326,613 Tax K-1 Income ASV LLC 1,196,582 Tax K-1 Income Imaging Center, LLC 121,781 Tax K-1 Income White Sands LLC 7,445 Catering/Bistro Expenses Recorded as Expense for Financial Statements -46,203
Part XIII, Line 2d - Other Adjustments		Rental expenses recorded as revenue for Form 990 326,613 Catering/Bistro Expenses Recorded as Expense for Financial Statements 46,203

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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
Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Employer identification number
85-0138775

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		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
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)			1,875,938		1,875,938	1 590 %
b Medicaid (from Worksheet 3, column a)			1,038,725	624,591	414,134	0 350 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Charity Care and Means-Tested Government Programs			2,914,663	624,591	2,290,072	1 940 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			5,351		5,351	0 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			38,933,465	14,838,483	24,094,982	20 400 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j **Total** Other Benefits			38,938,816	14,838,483	24,100,333	20 400 %
k **Total.** Add lines 7d and 7j			41,853,479	15,463,074	26,390,405	22 340 %

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			154,791		154,791	0 130 %
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development			246,326		246,326	0 210 %
9	Other			2,286,444		2,286,444	1 940 %
10	**Total**			2,687,561		2,687,561	2 280 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1			No
2	Enter the amount of the organization's bad debt expense	2	8,194,546		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	143,598		
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	23,733,557
6	Enter Medicare allowable costs of care relating to payments on line 5	6	26,221,827
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-2,488,270

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	1 Alamogordo Surgery Ventures	Outpatient Surgery Center	40 500 %	0 %	59 500 %
2	2 Alamogordo Imaging Center	Outpatient Radiology Center	29 500 %	0 %	70 500 %
3	3 White Sands Health Care Systems LLC	Physician Hospital Organization	50 000 %	0 %	50 000 %
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	Gerald Champion Regional Medical Center 2669 North Scenic Drive Alamogordo, NM 88311	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)

Gerald Champion Regional Medical Center

Name of Hospital Facility:

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		No
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 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 000000000000%			
	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? **2**

	Name and address	Type of Facility (Describe)
1	Scenic View Outpatient Surgery Center 2351 25th Street Alamogordo, NM 88311	Outpatient Surgery
2	Alamogordo Imaging Center 2539 Medical Dr Ste 1010 Alamogordo, NM 883108720	Outpatient Radiology
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
		Part I, Line 3c The organization uses the Federal Poverty Guidelines when determining free and discounted care An individual is eligible for free care if their family income is at or below 200% of the Federal Poverty Levels and they are eligible for discounted care if their family income is above 200% but not more than 300% of the Federal Poverty Levels Patients whose family income exceeds 300% of the federal poverty levels may be eligible to receive discounted rates on a case-by-case basis based on their specific circumstances Determining family need is also based on an application process which takes into account the patient's available assets and all other financial resources available to the patient

Identifier	ReturnReference	Explanation
		Part I, Line 7 The organization used the following to determine the costs for Part I, Line 7 Row a Charity Care was converted to cost using a cost to charge ratio from the cost accounting system The cost accounting system addresses all patient segments Row b Amounts were calculated from internal records Row e Amount reported is based on the actual dollars spent in the activities reported Row g Amounts reported are based on the Medicare Cost Report figures

Identifier	ReturnReference	Explanation
		Part I, Line 7g Part I, Line 7g includes $26,100,314 of costs attributable to a Physician Clinic

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A), but subtracted for purposes of calculating the percentage in this column is $8,194,546

Identifier	ReturnReference	Explanation
		Part II Gerald Champion helps to promote the health of the communities that it serves through the recruitement of physicians and other providers The Hospital also supports several organizations throughout the community that encourage and promote the overall health of the community

Identifier	ReturnReference	Explanation
		Part III, Line 4 Financial Statement Bad Debt Expense Footnote Patient accounts receivable are reduced by an allowance for doubtful accounts In evaluating the collectability of accounts receivable, the Medical Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts For receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely) For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Medical Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts The organization estimated the percentage of bad debt that is attributed to charity care by applying the percentage of charity care to total revenues to total bad debt at cost Therefore the organization estimates that 1 75% of the bad debt expense at cost is attributable to patients eligible under the organization's charity care policy Care is given to individuals regardless of their ability to pay, and therefore this is a community benefit Discounts and payments are taken into account when determining bad debt expense

Identifier	ReturnReference	Explanation
		Part III, Line 8 Medicare allowable cost is based on the Medicare cost report The Medicare cost report is completed based on the rules and regulations set forth by Centers for Medicare and Medicaid Services

Identifier	ReturnReference	Explanation
		Part III, Line 9b GCRMC has implemented a number of different Policy and Procedure statements to govern the details of how its collection practices are implemented and how discounting and collection policies apply to various classes of patients In general, all patient account guarantors who request financial assistance are asked to provide detailed information regarding their income and assets For patients who qualify for charity and who are cooperating in good faith to resolve their hospital bills, GCRMC may offer extended payment plans to eligible patients, will not impose wage garnishments or liens on primary residences, will not send unpaid bills to collection agencies, and will cease all collection efforts

Identifier	ReturnReference	Explanation
Gerald Champion Regional Medical Center		Part V, Section B, Line 13g GCRMC provides a summary of the financial assistance policy on the hospital website and attached to billing invoices The hospital also posts a summary in emergency and waiting rooms as well as the facility's admissions offices GCRMC will add summary notice of financial assistance to statements

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Management at GCRMC enlisted the services of Saurage Strategic Marketing Research to complete a quantitative tracking study in 2011 In 2012, a strategic planning meeting for FY 13, 14 and 15 was held and utilized components of the community health needs assessment Members consisted of physicians, community members and management Three strategies were 1 Be number one in quality and service in our region2 Have the best healthcare talent in the region3 Evaluate and adapt to serve the health care needs of our community

Identifier	ReturnReference	Explanation
		Part VI, Line 3 The hospital has a Charity Care Policy - Gerald Champion Regional Medical Center ("GCRMC") will provide understandable, written guidelines to staff and patients relative to how the hospital evaluates and determines 1) a patient's eligibility for charity care, 2) an uninsured patient's eligibility for discounts, and 3) a patient's eligibility for alternate payment plans The Charity Care Policy is posted in the emergency room and throughout the entire hospital The patients are also informed through direct communication with financial counselors and these policies are explained in detail to guarantors who advise GCRMC that they are unable to pay their account or need help in structuring an affordable payment plan for their account This hospital shall render services to all members of the community who are in need of medical care regardless of the ability of the patient to pay for such services Charity care and discounts for the uninsured will be available for medically necessary hospital care provided to persons who meet the financial and documentation criteria defined in this policy Determinations hereunder will be based solely on the patient's ability to pay and will not be made on the basis of age, sex, race, creed, disability, sexual orientation or national origin GCRMC provides financial assistance to patients based on their income, assets, and needs Through our financial counseling services we assist patients with obtaining financial coverage or low-cost health insurance, or work with patients to arrange a manageable payment plan Uninsured patients are eligible for a 25% discount A 25% discount is applied to the total charges of a Self Pay Patient at the time of service or the 1st billing Notice will be sent at the time of the 1st billing informing the patient/guarantor that an additional 10% will be deducted if the account is paid within 30 days of the date of service

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Otero County Hospital Association d/b/a Gerald Champion Regional Medical Center ("GCRMC") activities are conducted on its 66-acre campus located in Alamogordo, New Mexico Alamogordo is approximately 89 miles north of El Paso, Texas and 209 miles southe ast of Albuquerque, New Mexico GCRMC owns and operates a 123-bed acute care hospital (the "Hospital") on the campus The Hospital is a one-story building (with a two-story patient tower described below) with approximately 294,000 square feet Other facilities that the Hospital owns located on the campus include 2 medical office buildings, Complex A and B th at have an outpatient surgery center and an imaging center owned and operated by limited l iability companies in which GCRMC has an interest GCRMC also owns six facilities located off the campus that are either leased to independent primary care/specialty care providers or occupied by employed physicians GCRMC's primary service area is Northwestern Otero Co unty from which 84% of its admissions originate GCRMC is the sole community provider in i ts primary service area with the nearest tertiary care hospital located approximately 70 m iles from the Hospital The delivery mechanisms of care at the Hospital include both inpat ient and outpatient services 24-hour staffed Level III Trauma Emergency Department, acute care inpatient through Medical/Surgical (10-bed Intensive Care Unit), Telemetry, Maternal Child, 12-bed gero-psych, and 12-bed inpatient rehabilitation, Surgery Department support ed by Pre-admit, Outpatient Care Unit and Post-Anesthesia Care Unit, hospital-owned physic ian practices in the areas of family practice, women's services including obstetrics, orth opedics, nephrology, internal medicine, gero-psych outpatient, pediatrics, gastroenterolog y and endocrinology, Pathologist, certified laboratory services with the capability to per form over 225 different profiles and tests in-house, inpatient and outpatient diagnostic i maging services, including x-ray, 128-slice and 16-slice CT scan, MRI, ultrasound, interve ntional radiology, radiofrequency ablation and nuclear medicine, inpatient and outpatient comprehensive cardiopulmonary services including behavior sleep medicine, Holter Monitorin g, Event Monitoring and Impedance Cardiography GCRMC and the HAFB 49th Medical Group, a gr oup of approximately 15 military providers and support staff from the HAFB, have enjoyed a close working relationship, and have had shared coverage arrangements Such arrangements included laboratory and x-ray services in a disaster, obstetrical coverage, and coverage f or the HAFB 49th Medical Group when they were deployed for Desert Storm in 1991 Following Desert Storm and the return of the HAFB 49th Medical Group, the DoD made the decision to leave all the obstetrical services with GCRMC and the local obstetricians As of 2012, 3,9 00 active military and 5,000 dependents are located at the HAFB In addition, the German A ir Force ("GAF") utilizes HAFB as a training facility and has 480 active military and 790 dependents GCRMC's primary service area (the "PSA") is 30 miles in Northwestern Otero Coun ty from which approximately 84% of GCRMC's admissions originate Located in southeastern N ew Mexico, Otero County encompasses 6,627 square miles and includes the cities of Alamogor do and Tularosa According to U S Census, the population of Otero County has grown by ove r 3,400 people since 2000 to 65,703 in 2011 The Hospital is the only acute care hospital w ithin the PSA and is a Sole Community Provider The acute care hospitals that GCRMC consid ers its main competitors that draw from the PSA are Mountain View Regional Medical Center and Memorial Medical Center both located approximately 75 miles west of Alamogordo in Las Cruces, New Mexico Management of GCRMC estimates that the market share of admissions to t he MountainView Regional Medical Center and Memorial Medical Center from the PSA average 1 0% and 5%, respectively The secondary service area covers a substantial portion of the re mainder of Otero County, as well as the south central portion of Lincoln County The secon dary service area includes Ruidoso, the population of which was estimated to be 8,029 in 2 010 according to the U S Census Bureau The tertiary service area covers a small portion of Otero County and Chaves County There are no other major medical centers within Otero C ounty During the fiscal year ended June 30, 2012, management of GCRMC estimates that appr oximately 84% of inpatients and 93% of total patients seen at GCRMC come from Otero County Approximately 3 5% of inpatients come from Lincoln County GCRMC has experienced a slight decline in Medicare Market Share in its PSA since 2009 As of calendar year 2011, GCRMC h ad an approximate 56% market share of Medicare inpatient volume in the PSA This represent s a 1 3% decline since 2009 For the fiscal year ended June 30, 2012, MountainView Regiona l Medical Centre and Memorial Medical Center combi

Identifier	ReturnReference	Explanation
		ned had a 19 0% of total Medicare market share in the PSA, remaining consistent with the fiscal year ended June 30, in 2011 The majority of these volumes relate to invasive cardiology (e g cardiac catheterization treatment), a service not provided at the Hospital

Identifier	ReturnReference	Explanation
		Part VI, Line 5 The business and affairs of GCRMC are subject to the overall governance and direction of its Board of Directors The Board of Directors currently includes 10 members Each member is appointed by the Board of Directors and serves a three-year term in a self-perpetuating board The Board of Directors fills vacancies that may occur Officers of the Board of Directors include a Chairman, Vice Chairman, and Secretary/Treasurer The Board of Directors are business people of the primary service area, with no other connection GCRMC's medical staff is organized into Divisions of Medicine, Medical Subspecialties, Surgery and Outpatient Services In addition to specialized medical/surgical services provided by both employed and contracted physicians and medical groups, GCRMC also offers emergency medical services, including a helicopter service which is not owned by GCMRC but is on-site 24 hours a day GCRMC employs around-the-clock hospitalists, (i e , physicians who devote their professional time to the care of hospitalized patients) The hospital extends medical staff privileges to all qualified physicians in the community Surplus funds are re-invested into the purchase of capital equipment, electronic medical record software, and continuing education for clinical staff including physicians GCRMC views the position of sole provider as a significant commitment to the overall health and well-being of the community Not satisfied with just providing healthcare, the challenges to overcome are to have a positive effect on the quality of life experience in our community With this in mind, the organization strives to facilitate and share opportunities to educate and motivate a philosophy of wellness The primary target is the disease process that we know can be eliminated or improved by changing or modifying human behavior As with any community, the population served has a variety of educational background The drive is to develop programs that target the needs and understanding of the community Physicians/Providers are utilized to provide open forums that present health related issues, i e arthritis, nephrology, neurology, orthopedic issues, etc followed by questions and time for individual discussion This type of program is offered with a free lunch, educational materials, and if appropriate, free screenings, such as glucose or blood pressure There is an average of 90 participants in each of these seminars The organization is very community-minded in its efforts to promote health Staff participates in Health Fairs in the public schools Flu shots are distributed to community members At GCRMC, we feel it is important to embrace community needs that promote good citizenship As an organization we support employee involvement in outside activities through contributions, dedicated time and sponsorship Administration and staff members serve on community boards, dedicating many hours of support to those organizations The following classes are provided for the community in our conference room center Diabetic Education, Narcotics Anonymous, Childbirth Classes, New Baby Class and CPR/Basic Life Support to name a few GCRMC has been a top supporter of the United Way which provides money for many of the local community organizations An annual Health Fair is held at the hospital each year We augment the annual health fair with onsite mini health screenings throughout the year This is offered to businesses, civic organizations and churches with minimal to no charge We offer free blood pressure screenings on a walk-in basis with educational materials in both Spanish and English This allows us to address the high rate of hypertension in our community, its significant effect on other diseases, and an overall wellness picture GCRMC partners with the American Cancer Society to offer the Look Good Feel Good Program and the Gift Closet The program is housed off campus in a leased building and has brought a highly valued service to our community The Gift Closet provides free wigs, prosthesis, supplies, education and support to cancer patients and their families The opportunity to utilize our speaker's bureau is available to any organization in the community A presentation regarding health related topics can be prepared with limited notice to meet the needs of the organization The wealth of knowledge in our organization allows us to create an appropriate fit for the requested need

Identifier	ReturnReference	Explanation
		Part VI, Line 6 n/a

Identifier	ReturnReference	Explanation
Reports Filed With States	Part VI, Line 7	NM

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

Grants and Other Assistance to Organizations, Governments and Individuals in the United States

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Employer identification number
85-0138775

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . ☑ Yes ☐ No

2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed . . . . . ▶ ☐

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) Alamogordo Public Schools1211 Hawaii Ave Alamogordo, NM 88310	85-6000100	Government		6,800	FMV	Qty 2, 12x12 two sided MDO panel signs on 25' pressure treated utility poles	Public Health
(2) American Cancer Society2120 1st Ave Alamogordo, NM 88310	84-1316555	501(c)(3)	16,715				Public Health
(3) County of Otero - Unrestricted Donation1000 New York Ave Room 101 Alamogordo, NM 88310	85-6000236	Government	50,000				Public Health
(4) County of Otero - Restricted1001 New York Ave Room 101 Alamogordo, NM 88310	85-6000236	Government	43,743				Public Health
(5) Otero County Economic Development Council1301 N White Sands Blvd Alamogordo, NM 88310	85-0304073	501(c)(3) PF	10,000				Economic Development
(6) Presbyterian Medical Services Chaparral NM ClinicPO Box 112 Carrizozo, NM 88301	85-0206810	501(c)(3)	200,004				Public Health
(7) Presbyterian Medical Services Sacramento Mountain CenterPO BOX 686 Cloudcraft, NM 88317	85-0206810	501(c)(3)	100,000				Public Health
(8) United Way of Otero County1601 E 10th Street Suite B Alamogordo, NM 88310	85-0197559	501(c)(3)	19,303				Public Health
(9) Zia Therapy Center900 First Street Alamogordo, NM 88310	85-0199135	501(c)(3)	30,158				Public Health
(10) City of Alamogordo 1376 East 9th Street Alamogordo, NM 88310	85-6000099	Government	2,286,444				Public Health
(11) Globus Relief1775 West 1500 South Salt Lake City, UT 84104	84-1369453	501(c)(3)		73,972	Cost	Medical Waste	Public Health

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ▶ 9

3 Enter total number of other organizations listed in the line 1 table . . . . . ▶ 0

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

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

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

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 The organization only gave grants to government organizations and tax exempt organizations

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 85-0138775
Name: Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Alamogordo Public Schools1211 Hawaii Ave Alamogordo,NM 88310	85-6000100	Government		6,800	FMV	Qty 2, 12x12 two sided MDO panel signs on 25' pressure treated utility poles	Public Health
American Cancer Society2120 1st Ave Alamogordo,NM 88310	84-1316555	501(c)(3)	16,715				Public Health

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
County of Otero - Unrestricted Donation1000 New York Ave Room 101 Alamogordo, NM 88310	85-6000236	Government	50,000				Public Health
County of Otero - Restricted1001 New York Ave Room 101 Alamogordo, NM 88310	85-6000236	Government	43,743				Public Health

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Otero County Economic Development Council1301 N White Sands Blvd Alamogordo, NM 88310	85-0304073	501(c)(3) PF	10,000				Economic Development
Presbyterian Medical Services Chaparral NM Clinic PO Box 112 Carrizozo, NM 88301	85-0206810	501(c)(3)	200,004				Public Health

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Presbyterian Medical Services Sacramento Mountain CenterPO BOX 686 Cloudcraft, NM 88317	85-0206810	501(c)(3)	100,000				Public Health
United Way of Otero County1601 E 10th Street Suite B Alamogordo, NM 88310	85-0197559	501(c)(3)	19,303				Public Health

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Zia Therapy Center 900 First Street Alamogordo, NM 88310	85-0199135	501(c)(3)	30,158				Public Health
City of Alamogordo 1376 East 9th Street Alamogordo, NM 88310	85-6000099	Government	2,286,444				Public Health

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
Globus Relief1775 West 1500 South Salt Lake City, UT 84104	84-1369453	501(c)(3)		73,972	Cost	Medical Waste	Public Health

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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
Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Employer identification number
85-0138775

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**		No
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		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) Arthur Austin MD	(i)	225,323	0	396	11,589	16,486	253,794	0
	(ii)	0	0	0	0	0	0	0
(2) Robert James Heckert	(i)	342,171	0	7,260	0	0	349,431	0
	(ii)	0	0	0	0	0	0	0
(3) Morgan Hay	(i)	244,741	0	0	0	0	244,741	0
	(ii)	0	0	0	0	0	0	0
(4) Martha Gorman	(i)	171,003	0	618	8,581	629	180,831	0
	(ii)	0	0	0	0	0	0	0
(5) George Massoud	(i)	391,991	0	229	12,500	18,819	423,539	0
	(ii)	0	0	0	0	0	0	0
(6) Dennis Worthington	(i)	388,322	1,205	396	12,500	22,569	424,992	0
	(ii)	0	0	0	0	0	0	0
(7) Charles Race	(i)	721,726	0	258	12,500	13,890	748,374	0
	(ii)	0	0	0	0	0	0	0
(8) Stefan Korec	(i)	457,516	32,036	330	12,500	19,192	521,574	0
	(ii)	0	0	0	0	0	0	0
(9) Joseph Horton	(i)	637,371	0	68	12,500	15,119	665,058	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Line 3	The CEO and CFO are paid by an unrelated management company, Quorum Health Resources

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Employer identification number
85-0138775

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	City of Alamogordo	85-6000099	011457AJ7	11-15-2007	30,465,000	Hospital Improvement, Expansion, to refund bonds issued 12/30/97 & 10/20/05		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds defeased				
3	Total proceeds of issue	30,751,345			
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	268,746			
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	19,594,204			
11	Other spent proceeds	10,888,395			
12	Other unspent proceeds				
13	Year of substantial completion	2007			

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

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

Part IV Arbitrage

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

Part V Procedures To Undertake Corrective Action

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

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation
Schedule K, Part II, Line 3		The total proceeds of issues does not equal the issue price reported in Part I due to $286,345 worth of interest income earned during the construction phase that has been added to the bond initial issue price
Schedule K, Part II, Line 11		The other spent proceeds was the amount used to retire the bonds issued in 1997 and 2005

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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
Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Employer identification number
85-0138775

Identifier	Return Reference	Explanation
New Program Services	Form 990, Part III, line 2	The Hospital added in-patient dialysis services during the fiscal year, as well as in-patient rehabilitation services, based on an expressed community need Both of these services are related to the Hospital's exempt purpose to provide healthcare services to the community it serves
Changes in Program Services	Form 990, Part III, line 3	On August 16, 2011, the Medical Center (the Debtor) filed petition for relief under Chapter 11 of the federal bankruptcy laws in the United States Bankruptcy Court for the District of New Mexico (Bankruptcy Court) A Plan of Reorganization was submitted to the Bankruptcy Court and approved on August 7, 2012
	Form 990, Part VI, Section A, line 1	Joint Finance/Executive Committee consists of the Board Chair, Vice President, Secretary and three other Directors The Joint Finance/Executive Committee has the authority to act on behalf of the governing body, when specifically arranged The Board will then ratify the actions in the following Board of Director's meeting
	Form 990, Part VI, Section A, line 3	The organization's CEO and CFO are employees of Quorum Health Resources, an unrelated management company
	Form 990, Part VI, Section A, line 7a	Directors shall be elected in the manner, and at the times, prescribed in the Bylaws of the Corporation
	Form 990, Part VI, Section B, line 11	The return is reviewed by the CEO and CFO prior to filing
	Form 990, Part VI, Section A, Line 6	On February 3, 2011, the duration of the corporation was made perpetual, and henceforth, this corporation shall be a non-membership corporation
	Form 990, Part VI, Section A, Line 8b	The Joint Finance/Executive Committee has the authority to act on behalf of the governing board, when specifically arranged The Board will then ratify the actions in the following Board of Director's meeting
	Form 990, Part VI, Section B, line 12c	Each officer, director, and key employee is required to fill out a conflict of interest disclosure annually The forms are initially reviewed by the CFO If any conflicts exist, they are reviewed by the Board of Directors A person with a conflict is restricted from voting on related matters
	Form 990, Part VI, Section B, line 15	The organization's CEO and CFO are employed by Quorum Health Resources (QHR) The organization's Board of Directors approves the contract with QHR annually based on comparability data In addition, the Joint Finance Committee reviews and approves monthly invoices to the organization for management fees from QHR In regards to other officers and key employees, the organization used multiple national and regional salary surveys to determine if/when our positions are showing a need for adjustment Each position within the hospital is compared to any available data from the surveys If a position shows a need to move to the next pay grade, the hospital determines the hourly amount all of the individual employees within that position need to move
	Form 990, Part VI, Section C, line 19	The governing documents, conflict of interest policy and financial statement are all available upon request
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	ASV Book/K-1 Income Difference -88,436 White Sands Book/K-1 Income Difference -7,044 AIC Book/K-1 Income Difference 7,346 Total to Form 990, Part XI, Line 5 -88,134

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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
Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Employer identification number
85-0138775

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

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
(1) Alamogordo Surgery Venture LLC 2351 25th Street Alamogordo, NM 88310 06-1791828	Outpatient Surgery Center	NM	N/A	Related	1,196,499	565,415	Yes				No	40 500 %

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

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

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

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

		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	Yes	
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
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	Yes	
l Performance of services or membership or fundraising solicitations by related organization(s)	1l		No
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1m		No
n Sharing of paid employees with related organization(s)	1n		No
o Reimbursement paid to related organization(s) for expenses	1o	Yes	
p Reimbursement paid by related organization(s) for expenses	1p	Yes	
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) Alamogordo Surgery Venture LLC	A	456,680	General Ledger
(2) Alamogordo Surgery Venture LLC	C	1,231,000	General Ledger
(3) Alamogordo Surgery Venture LLC	I	0	General Ledger
(4) Alamogordo Surgery Venture LLC	K	6,965,006	General Ledger
(5) Alamogordo Surgery Venture LLC	O	6,965,006	General Ledger
(6) Alamogordo Surgery Venture LLC	P	199,651	General Ledger

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: 85-0138775
Name: Otero Co Hospital Assoc DBA Gerald Champion Regional Medical Center

Form 990, Schedule R, Part V - Transactions With Related Organizations

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	Alamogordo Surgery Venture LLC	A	456,680	General Ledger
(2)	Alamogordo Surgery Venture LLC	C	1,231,000	General Ledger
(3)	Alamogordo Surgery Venture LLC	I	0	General Ledger
(4)	Alamogordo Surgery Venture LLC	K	6,965,006	General Ledger
(5)	Alamogordo Surgery Venture LLC	O	6,965,006	General Ledger
(6)	Alamogordo Surgery Venture LLC	P	199,651	General Ledger

Consolidated Financial Statements
June 30, 2012 and 2011

Otero County Hospital Association
d/b/a Gerald Champion Regional Medical Center
(Debtor-in-Possession)

Gerald Champion Regional Medical Center
(Debtor-in-Possession)
Table of Contents
June 30, 2012 and 2011

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Otero County Hospital Association
d/b/a Gerald Champion Regional Medical Center
Alamogordo, New Mexico

We have audited the accompanying consolidated balance sheets of Otero County Hospital Association d/b/a Gerald Champion Regional Medical Center (Medical Center) 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 consolidated financial statements are the responsibility of management Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over financial reporting Accordingly, we do not express such an opinion An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, 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 the Medical Center, as of June 30, 2012 and 2011, and the results of its operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

As discussed in Note 2 to the consolidated financial statements, the Medical Center filed for Chapter 11 reorganization under the bankruptcy code This was done primarily as a result of significant lawsuits, which are disclosed in Note 17 Finally, the Medical Center's confirmed Plan of Reorganization, including issuance of Series 2012A Hospital Improvement and Refunding Revenue Bonds and settlement of lawsuits and pre-petition liabilities, are disclosed in Note 20

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As discussed in Note 19, the Medical Center adopted Accounting Standards Update 2011-07, *Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which changed the presentation of the provision for bad debt expenses and related disclosures

Eide Bailly LLP

Fargo, North Dakota
September 28, 2012

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	2012	2011
Current Assets		
Cash and cash equivalents	$ 5,610,537	$ 11,210,206
Assets limited as to use	690,000	6,622,882
Receivables		
Patient, net of estimated uncollectibles of $22,920,000 in 2012 and $22,043,000 in 2011	13,383,375	13,869,675
Estimated third-party payor settlements	324,838	487,943
Other	1,561,065	1,004,797
Supplies	2,788,791	2,765,140
Prepaid expenses	1,606,038	2,203,028
Total current assets	25,964,644	38,163,671
Assets Limited as to Use	10,157,119	13,814,020
Property and Equipment, Net	101,715,024	101,805,145
Other Assets		
Noncurrent prepaid expenses	-	354,487
Investment in affiliates	315,332	308,626
Deferred financing costs, net of accumulated amortization of $77,043 in 2012 and $61,635 in 2011	385,219	400,627
Other intangible assets, net of accumulated amortization of $20,625 in 2012 and $16,875 in 2011	54,375	58,125
Total other assets	754,926	1,121,865
Total assets	$ 138,591,713	$ 154,904,701

See Notes to Consolidated Financial Statements

Gerald Champion Regional Medical Center
(Debtor-in-Possession)
Consolidated Balance Sheets
June 30, 2012 and 2011

	2012	2011
Liabilities Not Subject to Compromise		
Current Liabilities		
Current maturities of long-term debt	$ 772,198	$ 976,796
Accounts payable	7,959,583	6,727,424
Construction and retainage payables	298,332	5,967,882
Accrued expenses		
Salaries and wages	1,283,681	1,279,118
Vacation	3,027,270	2,652,213
Payroll taxes	414,065	206,724
Interest	-	4,746
Other	194,528	924,957
Total current liabilities	13,949,657	18,739,860
Other Long-Term Liabilities	-	2,500,000
Long-Term Debt, Less Current Maturities	2,342,393	37,060,139
Liabilities Subject to Compromise (A)	50,156,939	-
Total liabilities	66,448,989	58,299,999
Unrestricted Net Assets		
Gerald Champion Regional Medical Center	71,741,483	95,965,484
Noncontrolling interests in ASV	401,241	639,218
Total unrestricted net assets	72,142,724	96,604,702
Total liabilities and net assets	$ 138,591,713	$ 154,904,701

(A) Liabilities subject to compromise consist of the following	
Secured Series 2007A and Series 2007B Bonds (B)	$ 36,300,000
Secured note payable, 7% (B)	266,435
Secured capital lease obligations (B)	342,526
Personal Injury Claims Settlement (Note 17)	7,500,000
Trade and other miscellaneous claims	5,747,978
	$ 50,156,939

(B) The secured debt in this case should be considered, due to various factors, subject to compromise

Gerald Champion Regional Medical Center
(Debtor-in-Possession)
Consolidated Statements of Operations and Changes in Net Assets
Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted Revenues, Gains, and Other Support		
Patient service revenue (net of contractual adjustments and discounts)	$ 97,769,507	$ 102,764,504
Provision for bad debts	(8,194,546)	(7,837,782)
Net patient service revenue less provision for bad debts	89,574,961	94,926,722
Other revenue	3,389,593	2,187,401
Total revenues, gains, and other support	92,964,554	97,114,123
Expenses		
Salaries and wages	39,839,496	36,992,246
Employee benefits	9,433,404	8,700,401
Professional fees and purchased services	19,326,056	16,049,286
Utilities	6,966,879	6,002,513
Supplies and other	15,063,218	15,277,750
Insurance	2,061,085	1,181,679
Leases and rentals	1,386,770	1,240,858
Taxes	735,440	201,508
Interest	439,657	230,239
Depreciation and amortization	9,360,041	7,427,197
Other	2,440,145	2,173,143
Total expenses	107,052,191	95,476,820
Operating Income (Loss)	(14,087,637)	1,637,303
Other Income (Losses)		
Reorganization costs (Note 2)	(5,957,244)	(863,070)
Contribution to the City of Alamogordo (Note 17)	(2,286,444)	-
Investment income (loss)	(380,299)	5,551,233
Gain (loss) on sale of property and equipment	34,646	(10,370)
Total other income (loss), net	(8,589,341)	4,677,793
Revenues in Excess of (Less Than) Expenses	(22,676,978)	6,315,096
Distributions to Noncontrolling Interests in ASV	(1,785,000)	(1,874,250)
Increase (Decrease) in Unrestricted Net Assets	(24,461,978)	4,440,846
Net Assets, Beginning of Year	96,604,702	92,163,856
Net Assets, End of Year	$ 72,142,724	$ 96,604,702

Gerald Champion Regional Medical Center
(Debtor-in-Possession)
Consolidated Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Operating Activities		
Change in net assets	$ (24,461,978)	$ 4,440,846
Adjustments to reconcile change in net assets to net cash from operating activities before reorganization items		
Depreciation and amortization	9,360,041	7,427,197
Contribution to the City of Alamogordo	2,286,444	-
Net realized gains and losses on investments	527,724	(2,649,646)
Change in unrealized gains and losses on investments	-	(2,234,372)
Loss (gain) on disposal of property and equipment	(34,646)	10,370
Gain from investment in affiliates included in investment income	(129,528)	(203,021)
Distributions to noncontrolling interests in ASV	1,785,000	1,874,250
Changes in assets and liabilities		
Patient accounts receivable, net	486,300	(942,856)
Other accounts receivable	(201,781)	(232,558)
Supplies	(23,651)	(198,727)
Prepaid expenses	596,990	(880,609)
Accounts payable	6,961,580	4,495,741
Accrued expenses	4,870,343	1,571,529
Net amounts due to third-party payors	163,105	(2,271,888)
Net Cash From Operating Activities	2,185,943	10,206,256
Investing Activities		
Construction and purchase of property and equipment	(8,802,422)	(28,117,032)
Proceeds from sale of property and equipment	117,263	4,713
Distributions from affiliates	122,822	230,509
Proceeds from the sale of assets limited as to use	19,835,141	24,203,549
Cash invested in assets limited as to use	(10,773,082)	(6,273,292)
Net Cash From (Used For) Investing Activities	499,722	(9,951,553)
Financing Activities		
Decrease in construction payables	(5,669,550)	-
Distributions to noncontrolling interests in ASV	(1,785,000)	(1,874,250)
Proceeds from long term-debt issuance	525,000	675,342
Principal payments on long-term debt	(1,355,784)	(1,177,090)
Net Cash Used For Financing Activities	(8,285,334)	(2,375,998)
Net Change in Cash and Cash Equivalents	(5,599,669)	(2,121,295)
Cash and Cash Equivalents, Beginning of Year	11,210,206	13,331,501
Cash and Cash Equivalents, End of Year	$ 5,610,537	$ 11,210,206

	2012	2011
Supplemental Schedule of Cash Flow Information		
Cash paid for interest	$ 444,403	$ 235,221
Noncash Disclosure of Investing Activity		
Increase in construction payable for construction of property and equipment	$ -	$ 4,773,372
Noncash Disclosure of Investing and Financing Activities		
Property and equipment acquired through issuance of capital lease agreements	$ 2,817,401	$ 502,981

Note 1 - Organization and Significant Accounting Policies

Organization and Principles of Consolidation

Otero County Hospital Association, d/b/a Gerald Champion Regional Medical Center (Medical Center) is a 99-bed acute care hospital located in Alamogordo, New Mexico The Medical Center has a management agreement with Quorum Health Resources, LLC (QHR), a healthcare management company, to supervise and direct the daily operations of the Medical Center The agreement expires December 15, 2012 The agreement calls for the payment of an annual fee plus reimbursement of salaries, travel, and other expenses

The accompanying consolidated financial statements include the accounts and transactions of the Medical Center and its majority-owned subsidiary, Alamogordo Surgery Venture, LLC (ASV), collectively referred to as the Medical Center All significant intercompany balances and transactions have been eliminated The noncontrolling shareholder interests in ASV are reported as a component of the Medical Center's unrestricted net assets (Note 10)

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 Estimates also affect the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates

Income Taxes

The Medical Center is organized as a New Mexico nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) The Medical Center is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS In addition, the Medical Center is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose, if any The ASV is a limited liability corporation for which the income is taxed to the respective members in their tax returns and, therefore, no income tax expense has been recorded in the consolidated financial statements

The Medical Center believes it has appropriate support for any tax positions taken affecting its annual filing requirements, and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements The Medical Center would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense, if such interest and penalties are incurred The Medical Center's historical Federal and state tax returns are subject to examinations by tax authorities

Fair Value Measurement

The Medical Center has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date Level 2 inputs are other than quoted prices included within Level 1 that are observable for the related asset or liability Level 3 inputs are unobservable inputs related to the asset or liability

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less, excluding assets limited as to use

Patient Receivables

Patient receivables are uncollateralized patient and third-party payor obligations Payments of patient receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim

Patient accounts receivable are reduced by an allowance for doubtful accounts In evaluating the collectability of accounts receivable, the Medical Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts For receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely) For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Medical Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts

During fiscal year 2012, the Medical Center made significant changes to the estimate of allowance for doubtful accounts for self-pay patients The changes were a result of improved availability of historical data, as well as negative trends experienced in the collection of amounts from self-pay patients The net result of the change in estimate was to reduce the allowance for doubtful accounts by approximately 6 percent from June 30, 2012 to June 30, 2011 The Medical Center's self-pay write-offs increased approximately $1,660,000 from 2012 to 2011

The Medical Center does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write offs from third-party payors The Medical Center has not significantly changed its charity care or uninsured discount policies during fiscal years 2012 or 2011 During fiscal year 2012, the Medical Center's patient activity related to its charity care and uninsured discount policies significantly decreased (Note 3)

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market

Investments and Investment Income

Investments in equity securities and exchange traded funds with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet Investments in cash and money markets or certificates of deposit are measured at historical cost, plus any accrued interest, which is considered a reasonable estimate of fair value Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in revenues in excess of (less than) expenses unless the income or loss is restricted by donor or law

Other investments consisting of unconsolidated limited partnership interests are recorded at estimated fair value Investments in limited partnerships are valued at the quoted market price for securities for which market quotations are readily available or estimated fair value as determined in good faith by the investment manager under the general supervision of the board of managers for the related funds Those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the difference could be material The cost of investments sold is determined using the specific identification method

The equity method of accounting for investments is used when the Medical Center has a 20 percent to 50 percent interest in other entities Under the equity method, original investments are recorded at cost and adjusted by the Medical Center's share of undistributed earnings or losses of the entity

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board of Directors for future capital improvements and assets held by a trustee under the bond indenture agreements Assets limited as to use that are available for obligations classified as current liabilities are reported in current assets

Property and Equipment

Property and equipment acquisitions in excess of $1,000 are capitalized and recorded at cost Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment Amortization is included in depreciation and amortization in the financial statements The estimated useful lives of property and equipment are as follows

Land improvements	5-30 years
Buildings and fixed equipment	5-30 years
Equipment	3-20 years
Equipment under capital leases	3-5 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net assets and are excluded from revenues in excess of expenses unless explicit donor stipulations specify how the donated assets must be used Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service

Deferred Financing Costs

Deferred financing costs are amortized over the period the related obligation is outstanding using the straight line method, which approximates the effective interest method Amortization of deferred financing costs is included in depreciation and amortization in the consolidated financial statements

Other Intangible Assets

Intangible assets consisted of a noncompete agreement, patient records, and goodwill associated with the purchase of a physician practice Intangible assets are recorded at cost and amortized using a straight line method The noncompete agreement is being amortized over 20 years, the term of the related agreement

Self-funded Health Insurance

The Medical Center self-funds health benefits for eligible employees and their dependents Health insurance expense is recorded on an accrual basis An accrued liability which estimates claims incurred but not yet paid, is recorded at year-end The Medical Center has stop loss insurance to cover catastrophic claims

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific time period or purpose Permanently restricted net assets have been restricted by donors to be maintained by the Medical Center in perpetuity At June 30, 2012 and 2011, the Medical Center did not have any temporarily or permanently restricted net assets

Revenues in Excess of (Less Than) Expenses

Revenues in excess of (less than) expenses excludes changes in the fair value of interest rate swaps considered effective hedging instruments, transfers of assets to and from related parties for other than goods and services, and contributions for long-lived assets, including assets acquired using contributions which were restricted by donors

Patient Service Revenue (Net of Contractual Adjustments and Discounts)

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

The Medical Center recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered, as noted above For uninsured patients that do not qualify for charity care, the Medical Center recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy) On the basis of historical experience, a significant portion of the Medical Center's uninsured patients will be unable or unwilling to pay for the services provided Thus, the Medical Center records a significant provision for bad debts related to uninsured patients in the period the services are provided Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized for the years ended June 30, 2012 and 2011 from these major payor sources, is as follows

	2012	2011
Patient service revenue (net of contractual adjustments and discounts)		
Third-party payors	$ 84,320,420	$ 90,634,242
Self-pay	13,449,087	12,130,262
Total all payors	$ 97,769,507	$ 102,764,504

Charity Care

To fulfill its mission of community service, the Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue

Donor-restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets When donor stipulated time restrictions or purpose restrictions are met or accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations and changes in net assets as net assets released from restrictions Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the consolidated statement of operations and changes in net assets

Advertising Costs

The Medical Center expenses advertising costs as they are incurred

Electronic Health Records Incentive Payments

The American Recovery and Reinvestment Act of 2009 (ARRA) amended the Social Security Act to establish incentive payments under the Medicare and Medicaid programs for certain hospitals and professionals that meaningfully use certified Electronic Health Records (EHR) technology

The Medical Center is eligible for incentive payments from both Medicare and Medicaid for hospital services The Medicare incentive payments will be paid out over four years on a transitional schedule For eligible physicians, the Medical Center may choose to participate in either the Medicare or Medicaid program and change once during the process These incentive payments will be paid out over six years on a transitional schedule To qualify for the EHR incentive payments, hospitals and physicians must meet designated EHR meaningful use criteria, which includes attestation that they have used certified EHR technology, satisfied the meaningful use objectives, and specify the EHR reporting period This attestation is subject to audit by the federal government or its designee The EHR incentive payment to hospitals for each payment year is calculated as a product of (1) an initial amount, (2) the Medicare or Medicaid share, and (3) a transition factor applicable to that payment year

The Medical Center recognizes EHR incentive payments as revenue when there is reasonable assurance that the Medical Center will comply with the conditions attached to the incentive payments The amount of EHR incentive payments recognized is based on management's best estimate and those amounts are subject to change with such changes impacting the period in which they occur EHR incentive payments are included in other operating revenue in the accompanying consolidated financial statements

Reclassifications

Reclassifications have been made to the June 30, 2011 consolidated financial statements to make it conform to the current year presentation These reclassifications had no effect on previously reported operating results or changes in net assets

Note 2 - Petition for Relief Under Chapter 11

On August 16, 2011, the Medical Center (the Debtor) filed petition for relief under Chapter 11 of the federal bankruptcy laws in the United States Bankruptcy Court for the District of New Mexico (Bankruptcy Court) The voluntary petition for relief are the result of the actual and potential long-term costs and burdens of certain malpractice lawsuits filed against the Medical Center stemming from certain procedures (Note 17) no longer performed at the Medical Center The ASV is not included within the scope of the reorganization proceedings

Under Chapter 11, certain claims against the Debtor in existence before the filing of the petition for relief under the federal bankruptcy laws are stayed while the Debtor continues business operations as Debtor-in-possession These claims are reflected in the June 30, 2012 consolidated balance sheet as liabilities subject to compromise Additional claims (liabilities subject to compromise) may arise after the filing date resulting from rejection of executory contracts, including leases, and from the determination by the court (or agreed to by parties in interest) of allowed claims for contingencies and other disputed amounts Claims secured against the Debtor's assets (secured claims) also are stayed, although the holders of such claims have the right to move the court for relief from the stay Secured claims are secured primarily by liens on the Debtor's property, plant, and equipment

The Debtor received approval from the Bankruptcy Court to pay or otherwise honor certain of its pre-petition obligations, including employee wages The Debtor has also continued to make its regularly scheduled pre-petition long-term debt obligation payments In addition, the Debtor received approval to continue to operate, including making post-petition payments, without separate approval The Medical Center has classified expenditures directly related to the reorganization as nonoperating expenses in the consolidated statements of operations and changes in net assets

The following are condensed balance sheets of Otero County Hospital Association, d/b/a Gerald Champion Regional Medical Center as of June 30, 2012 and 2011

	2012	2011
Current Assets	$ 25,826,804	$ 38,111,716
Assets Limited as to Use	10,157,119	13,814,020
Property and Equipment, Net	101,035,399	100,972,982
Other Assets	1,157,899	1,550,692
Total assets	$ 138,177,221	$ 154,449,410
Liabilities Not Subject to Compromise		
Current liabilities	$ 13,981,486	$ 19,075,079
Other long-term liabilities	-	2,500,000
Long-term debt, less current maturities	2,340,256	36,908,847
Liabilities Subject to Compromise	50,194,996	-
Total liabilities	66,516,738	58,483,926
Unrestricted Net Assets	71,660,483	95,965,484
Total liabilities and net assets	$ 138,177,221	$ 154,449,410

The following are condensed statements of operations and changes in net assets of Otero County Hospital Association, d/b/a Gerald Champion Regional Medical Center for the years ended June 30, 2012 and 2011

	2012	2011
Unrestricted Revenues, Gains, and Other Support	$ 93,421,584	$ 97,570,803
Operating Expenses	110,246,334	99,101,306
Operating loss	(16,824,750)	(1,530,503)
Other Income (Losses)		
Reorganization costs	(5,957,244)	(863,070)
Contribution to the City of Alamogordo	(2,286,444)	-
Investment income and other	763,437	6,829,120
Total other income (loss), net	(7,480,251)	5,966,050
Revenues in Excess of (Less Than) Expenses and Increase (Decrease) in Unrestricted Net Assets	(24,305,001)	4,435,547
Net Assets, Beginning of Year	95,965,484	91,529,937
Net Assets, End of Year	$ 71,660,483	$ 95,965,484

Note 3 - Charity Care

The Medical Center provides health care services to patients who meet certain criteria under its charity care policy at amounts less than established rates Since the Medical Center does not pursue collection of these amounts, they are not reported as patient service revenue The estimated cost of providing these services was approximately $1,876,000 and $2,450,000 for the years ended June 30, 2012 and 2011, calculated by multiplying the ratio of cost to gross charges for the Medical Center by the gross uncompensated charges associated with providing charity care to its patients

Note 4 - Patient Service Revenue (Net of Contractual Adjustments and Discounts)

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates A summary of the payment arrangements with major third-party payors follows

Medicare. Inpatient acute care services and outpatient services provided 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 The Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare fiscal intermediary The Medical Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2008

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology The Medical Center is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audit thereof by the Medicaid fiscal intermediary The Medical Center has an agreement with White Sands Health Care Systems, LLC (White Sands), a related party, to negotiate the reimbursement rates for inpatient and outpatient services with the third party payors involved in the State of New Mexico's Medicaid managed care program, Salud The Medical Center's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through the year ended June 30, 2008

Blue Cross. Inpatient services provided to Blue Cross subscribers are paid at prospectively determined rates per discharge Outpatient services are reimbursed at outpatient payment fee screens or at charges less a prospectively determined discount The prospectively determined discount is not subject to retroactive adjustment

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

Revenue from Medicare and Medicaid program accounted for approximately 40% and 14% of the Medical Center's net patient service revenue for the year ended June 30, 2012 and 39% and 15% for the year ended June 30, 2011. Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Patient service revenue (net of contractual adjustments and discounts) increased for the years ended June 30, 2012 and 2011 by approximately $782,000 and $1,896,000 due to changes in estimates and final settlements of prior year cost reports.

A summary of patient service revenue and contractual adjustments and discounts for the years ended June 30, 2012 and 2011 is as follows:

	2012	2011
Total patient service revenue	$ 221,635,061	$ 216,567,431
Contractual adjustments and discounts		
Hospital		
Medicare	(51,454,558)	(50,185,001)
Medicaid	(22,923,597)	(23,562,007)
Tricare	(13,377,037)	(11,863,363)
Blue Cross	(5,094,350)	(5,515,836)
Other	(18,515,303)	(17,154,415)
Physician practices	(12,500,709)	(5,522,305)
Total contractual adjustments and discounts	(123,865,554)	(113,802,927)
Patient service revenue (net of contractual adjustments and discounts)	$ 97,769,507	$ 102,764,504

Note 5 - Investments and Investment Income

Assets Limited as to Use

The composition of assets limited as to use at June 30, 2012 and 2011 is shown in the following table Investments in cash and cash equivalents and certificates of deposit are stated at historical cost due to the nearness to maturity, which is considered an approximate of fair value All other investments are stated at fair value

	2012	2011
By Board for Expansion and Replacement		
Cash and cash equivalents	$ 10,000,000	$ -
Certificates of deposit	101,679	2,659,430
Mutual funds	-	10,975,943
Mondrian Global Fixed Income Fund, L P	-	1,687,846
Aetos Capital Funds, LLC		
Multi-Strategy Arbitrage Fund	-	1,366,091
Distressed Investment Strategies Fund	-	946,332
Long/Short Strategies Fund	-	2,044,131
	10,101,679	19,679,773
Interest receivable	1,088	48,168
Less amount shown as current	-	(5,967,882)
	10,102,767	13,760,059
Under Bond Indenture for Debt Service		
Cash and cash equivalents	744,352	708,961
Less amount shown as current	(690,000)	(655,000)
	54,352	53,961
Total noncurrent assets limited as to use	$ 10,157,119	$ 13,814,020

Investment Income

Investment income and gains and losses on assets limited as to use, cash and cash equivalents, and other investments consist of the following for the years ended June 30, 2012 and 2011

	2012	2011
Other income		
Interest and dividend income	$ 17,897	$ 464,194
Change in unrealized gains and losses on investments	-	2,234,372
Realized gains (losses) on investments, net	(527,724)	2,649,646
Income from investment in affiliates (Note 7)	129,528	203,021
	$ (380,299)	$ 5,551,233

Note 6 - Property and Equipment

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

	2012		2011	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 3,237,050	$ -	$ 2,965,786	$ -
Land improvements	3,711,195	1,943,019	3,262,938	1,702,222
Buildings and fixed equipment	103,163,282	28,144,552	74,371,784	23,148,859
Equipment	64,710,412	46,279,506	59,913,378	42,341,460
Construction in progress	3,260,162	-	28,483,800	-
	$ 178,082,101	$ 76,367,077	$ 168,997,686	$ 67,192,541
Net property and equipment		$ 101,715,024		$ 101,805,145

Depreciation expense for the years ending June 30, 2012 and 2011 totaled $9,340,883 and $7,279,559

Construction in progress at June 30, 2012 represents costs for information technology upgrades and various smaller projects The estimated cost to complete these projects is approximately $1,290,000, which is currently financed with cash from operations

Note 7 - Investment in Affiliates

The Medical Center's ownership interest in affiliated companies, with the respective investment basis at June 30, 2012 and 2011, are as follows

	2012		2011	
	Ownership	Balance	Ownership	Balance
Alamogordo Imaging Center, LLC	29 54%	$ 114,940	27 10%	$ 108,635
White Sands Community Health	50 00%	200,392	50 00%	199,991
		$ 315,332		$ 308,626

The Medical Center's share of income or loss from these affiliates recorded as investment income was a gain of $129,528 and $203,021 for the years ended June 30, 2012 and 2011 (Note 4)

The Medical Center leases a building to Alamogordo Imaging Center, LLC under a long term lease agreement which calls for monthly payments of $11,092 through February 2015 During the years ended June 30, 2012 and 2011, the Medical Center recorded rental revenue totaling approximately $133,000 under the terms of this lease

Unaudited, condensed financial information for these entities as of and for the years ended June 30, 2012 and 2011 is as follows

	2012		2011	
	White Sands Community Health (unaudited)	Alamogordo Imaging Center (unaudited)	White Sands Community Health (unaudited)	Alamogordo Imaging Center (unaudited)
Total assets	$ 401,700	$ 353,285	$ 405,740	$ 586,766
Total liabilities	542	134,556	705	183,939
Equity	401,158	218,729	405,035	402,828
Total revenues	121,463	2,326,834	125,160	1,356,490
Total expenses	125,341	1,868,842	125,801	989,143

Note 8 - Leases

The Medical Center leases certain equipment under noncancelable long-term lease agreements Certain leases have been recorded as capital leases and others as operating leases Total lease expense for the years ended June 30, 2012 and 2011 for all operating leases was $1,386,770 and $1,240,858

Note 9 - Long-term Debt

	2012	2011
Hospital Improvement and Refunding Revenue Bonds		
Series 2007A Bonds (1)		
Variable rate bonds, interest due monthly, principal due in varying annual installments commencing July 2019 to July 2037	$ 30,465,000	$ 30,465,000
Series 2007B Bonds (1)		
Taxable variable rate bonds, interest due monthly, principal due in varying annual installments to July 2018	5,835,000	6,490,000
7% note payable, due in monthly installments of $6,587 including interest to June 2016, secured by building	266,435	324,595
7 875% note payable, due on demand If no demand is made, due in monthly installments of $5,014 including interest to November 2026, secured by building (2)	513,933	-
7% note payable, due in monthly installments of $13,096 including interest to June 2013, secured by substantially all assets of Alamogordo Surgery Venture, LLC and guaranteed by the Medical Center	152,137	292,157
Capital lease obligations	2,791,047	465,183
	40,023,552	38,036,935
Less current maturities	(772,198)	(976,796)
Long term debt, less current maturities	$ 39,251,354	$ 37,060,139

(1) The Series 2007A Bonds consist of tax-exempt bonds with a maximum variable interest rate based on the U S Dollar SIFMA Municipal Swap Index variable rate, plus 15 basis points, not to exceed the lesser of 12% per annum or the maximum rate permitted by law The interest rate in effect as of June 30, 2012 and 2011 was 30% and 145%

The Series 2007B Bonds consist of taxable bonds with a maximum variable interest rate based on 102% of the one-month LIBOR variable rate, not to exceed the lesser of 12% per annum or the maximum rate permitted by law The interest rate in effect as of June 30, 2012 and 2011 was 33% and 209%

(2) The demand note payable interest rate will reset on November 21, 2016 and 2021 The interest rate on these reset dates will be based on an adjusted prime rate, provided, however, that the rate will not be lower than 7 875% or higher than 11 8% The maturities of the note payable were assumed using scheduled maturities, but it may be due on demand

Long-term debt maturities are as follows

Year Ending June 30,	Amount
2013	$ 1,648,789
2014	1,604,123
2015	1,636,028
2016	1,303,583
2017	1,049,383
Thereafter	32,781,646
Total	$ 40,023,552

Long-term debt maturities are shown based on expected payments under current agreements, except as noted below

Under the terms of the Revenue Bonds, the Medical Center is required to satisfy certain measures of performance In connection with the petition for relief under Chapter 11, the Medical Center obtained temporary modifications to these measures through November 15, 2012, at the latest As of and for the year ended June 30, 2012, the Medical Center did not meet certain modified financial covenants Due to the stay associated with claims against the Debtor in existence before the filing of the petition for relief under Chapter 11, no modifications have been made regarding effects of departures from these covenants

Note 10 - Ownership Interests in ASV

The effects of changes in the Medical Center's ownership interest in ASV on the Medical Center's net assets are as follows

	Total	Medical Center	Noncontrolling Interests
Net Asset Balance, July 1, 2010	$ 92,163,856	$ 91,529,937	$ 633,919
Revenues in excess of expenses	6,315,096	4,435,547	1,879,549
Distributions to noncontrolling shareholders	(1,874,250)	-	(1,874,250)
Change in net assets	4,440,846	4,435,547	5,299
Net Assets Balance, June 30, 2011	96,604,702	95,965,484	639,218
Revenues in excess of expenses	(22,676,978)	(24,224,001)	1,547,023
Distributions to noncontrolling shareholders	(1,785,000)	-	(1,785,000)
Change in net assets	(24,461,978)	(24,224,001)	(237,977)
Net Assets Balance, June 30, 2012	$ 72,142,724	$ 71,741,483	$ 401,241

Note 11 - Defined Contribution Plan

The Medical Center has a voluntary defined contribution pension plan under which employees may elect to become participants upon reaching age 18 and completion of one year of service (1,000 hours) Eligible employees may contribute up to 100% of their eligible annual compensation to the plan (limited to an annual maximum of $15,500) The Medical Center contributes annually to the plan 5% of compensation for each eligible participant Employer and employee contributions are deposited with the plan trustee who invests the plan assets Total employer contributions made to the defined contribution pension plan for the years ended June 30, 2012 and 2011 was $1,014,495 and $1,401,968

Note 12 - Concentrations of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are insured under third-party payor agreements The mix of receivables from third-party payors and patients at June 30, 2012 and 2011 was as follows

	2012	2011
Medicare	36%	29%
Medicaid	11%	18%
Blue Cross	7%	7%
Commercial insurance	5%	7%
Champus	6%	9%
Other third-party payors and patients	35%	30%
	100%	100%

The Medical Center's cash balances are maintained in various bank deposit accounts At various times during the year, the balance of these deposits may be in excess of federally insured limits

Note 13 - Functional Expenses

The Medical Center provides health care services to residents within its geographic location Expenses related to providing these services by functional class for the years ended June 30, 2012 and 2011 are as follows

	2012	2011
Patient healthcare services	$ 87,489,343	$ 79,075,443
General and administrative	19,562,848	16,401,377
	$ 107,052,191	$ 95,476,820

Note 14 - Labor Agreement

At June 30, 2012, approximately 18% of the Medical Center's employees are working under a collective bargaining agreement The collective bargaining agreement is effective through July 13, 2013

Note 15 - Fair Value of Assets

Assets measured at fair value on a recurring basis at June 30, 2011 are as follows

	Quoted Prices Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds			
Small cap equities	$ 942,204	$ -	$ -
Natural resources equities	3,529,061	-	-
Intermediate term fixed income	6,504,678	-	-
Alternative investments			
Mondrian Global Fixed Income Fund, L P	-	1,687,846	-
Aetos Capital Funds, LLC			
Multi-Strategy Arbitrage Fund	-	-	1,366,091
Distressed Investment Strategies Fund	-	-	946,332
Long/Short Strategies Fund	-	-	2,044,131
Total assets	$ 10,975,943	$ 1,687,846	$ 4,356,554

Mutual funds and exchange traded funds were valued using quoted market prices The fair value of alternative funds measured using Level 2 inputs was based on quoted market prices for underlying or similar securities The fair value of alternative investments measured using Level 3 inputs was based on the Medical Center's pro-rata interest in the net assets of the alternative investment funds as determined by the Fund's investment manager Information such as restrictions on or illiquidity was considered in determining fair value

Considerable judgment is required to interpret the factors used to develop estimates of fair value Accordingly, the estimates may not be indicative of the amounts the Medical Center could realize in a current market exchange and the differences could be material to the financial statements The use of different factors or estimation methodologies could have a significant effect on the estimated fair value

The following is a reconciliation of activity for 2012 and 2011 for assets measured at fair value based upon significant unobservable (non-market) information

	Alternative Investments
Balance, June 30, 2010	$ 4,052,547
Unrealized gains	304,007
Redemptions	(196,960)
Purchases	196,960
Balance, June 30, 2011	4,356,554
Redemptions	(4,356,554)
Balance, June 30, 2012	$ -

Note 16 - Fair Value of Financial Instruments

Financial instruments measured at fair value in the consolidated balance sheets are noted in Note 15 The Medical Center considers the carrying amount of significant classes of financial instruments in the consolidated balance sheets, including cash and cash equivalents and certificates of deposit included in cash and cash equivalents and assets limited as to use, accounts receivable, accounts payable, construction payables, and accrued expenses to be reasonable estimates of fair value due to their length of maturity at June 30, 2012 and 2011

Investments in affiliates are investments for which no quoted market prices are available and a reasonable estimate of fair value cannot be determined without incurring excessive costs These investments are recorded using the equity method, with summary financial information disclosed in Note 7

Management has estimated the fair value of bonds payable approximate book value as they are variable rate bonds payable that approximate prevailing market rates Management has estimated the fair value of notes payable and the capitalized lease obligation approximate book value as of June 30, 2012 and 2011 due to the length of maturity and expects any differences to be immaterial

Note 17 - Contingencies

Personal Injury Claims Settlement

From June 2010 to October 2010, the Medical Center was served with lawsuits involving two physicians, one employed and one independent, resulting from certain procedures performed during the 2006 to 2008 time period The employed physician left the Medical Center in November 2008 and the independent physician left in February 2011 The procedures noted above are no longer performed at the Medical Center The lawsuits are covered under the Medical Center's insurance at the time the claims were made, subject to a stated deductible amount per claim, up to a maximum of $8 million For the first 13 months after the initial lawsuits were filed, the Medical center attempted to settle the claims out of court However, once it was established that a settlement could not be reached, the Corporation filed for Chapter 11 reorganization protection (Note 2)

As noted in Note 20, the Plan of Reorganization has been confirmed by the Bankruptcy Court and the Medical Center completed its exit from Chapter 11 in September 2012 As part of the exit from Chapter 11, the Medical Center will settle personal injury claims related to the procedures noted above with payments totaling $7 5 million (payable in equal installments over 36 months) The personal injury settlement is part of a larger settlement totaling payments of $21 million, which includes payments to be paid by QHR and Nautilus Insurance Group, LLC The Medical Center has adequately reserved a liability for this settlement totaling $7 5 million The current portion of the liability was estimated based on the expected monthly installments payable during fiscal year 2013

General Litigation, Claims, and Disputes

The Medical Center is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs The health care industry is subject to numerous laws and regulations of federal, state, and local governments Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously, billed and collected revenues from patient services Management believes that the Medical Center is in substantial compliance with current laws and regulations

Malpractice Insurance

Prior to April 9, 2011, the Medical Center had malpractice insurance coverage to provide protection for professional liability losses on a claims-made and reported basis subject to a limit of $1 million per claim and $3 million annual aggregate limit and additional umbrella coverage of $5 million As of April 9, 2011, the Medical Center added excess liability coverage of $10 million beyond the umbrella coverage for all claims reported after the effective date, except for claims associated with certain specific physicians, as noted above under "Personal Injury Claims Settlement " Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured

Self-Funded Medical Insurance Plan

The Medical Center participates in a self-funded medical insurance plan The terms of the plan call for the reimbursements to the plan administrator for all claims paid, up to a maximum amount of $100,000 per employee per year, and an aggregate maximum based on a percentage of expected plan benefits incurred during the contract period Amounts accrued for outstanding medical claims as of June 30, 2012 and 2011 was approximately $417,000 and $326,000, which is included in trade accounts payable in the accompanying consolidated financial statements

Fairgrounds Road

The Medical Center constructed a portion of an access road, Fairgrounds Road, which reaches from the hospital property on North Scenic Drive to White Sands Boulevard Effective March 6, 2012, the Medical Center contributed Fairgrounds Road to the City of Alamogordo (City), which totaled $2,286,444 In connection with this contribution, the Medical Center agreed to warranty the roadway and all associated appurtenances for a period of one year through March 6, 2013 As no amounts are expected to be incurred in connection with this warranty, the Medical Center did not record a liability as of June 30, 2012

Note 18 - Electronic Health Record Incentive Payments

The Medical Center recognized revenue of approximately $1,500,000 for the year ended June 30, 2012 related to EHR incentive payments These incentive payments are included in other revenue in the accompanying consolidated financial statements

Note 19 - Changes in Accounting Principles

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No 2011-07, *Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, a health care entity may be required to present bad debt expense as a reduction from net patient service revenue, rather than as an operating expense In addition, enhanced disclosures about an organization's policies for recognizing revenue and assessing bad debts are necessary The Medical Center early implemented the provisions of ASU 2011-07 during 2011, as allowable

Note 20 - Subsequent Events

Confirmed Plan of Reorganization

In connection with the Medical Center's petition for relief under Chapter 11 of the federal bankruptcy laws (Note 2), a Plan of Reorganization was submitted to the Bankruptcy Court and approved on August 7, 2012 The Plan of Reorganization had an Effective Date as of the date of issuance of the Series 2012 Bonds (see below) As part of the exit from Chapter 11, the Medical Center will settle personal injury claims with payments totaling $7 5 million (Note 17) In addition to the personal injury settlement, the Medical Center is required to pay a number of pre-Chapter 11 reorganization claims and administrative expenses, which were not related to the personal injury claims, but are owed by the Medical Center

The Medical Center's personal injury claims settlement includes payments to be made in accordance with a Personal Injury Trust Note that is effective on the Effective Date The Personal Injury Trust Note totals $7 5 million and is payable in 36 equal, non-interest bearing monthly installments with the first installment due on the Effective Date The Plan of Reorganization protects the Medical Center from recourse, claims, causes of action, or right of recovery from the Medical Center for actions prior to the petition for relief under Chapter 11, except in unusual circumstances

In addition to the Personal Injury Trust Note, the Medical Center has agreed to settle unsecured claims, estimated at $513,000, in 8 equal quarterly installments, plus interest at 3% and to settle claims with a contractor, estimated at $455,000, in 12 equal monthly installments, plus interest at 5% In addition, vendor cure payments and administrative expenses, estimated at $7,162,000, were paid on the Effective Date

The Plan of Reorganization includes provisions for one rejected executory contract with a vendor In order to cure any penalties associated with the terminated contract, the Medical Center entered into a separate contract which includes a service contract on current equipment and a commitment to purchase equipment and is effective on the Effective Date The commitment totals $1 8 million, with at least $500,000 of equipment purchases made in each of the first two years If adequate purchases are not made, the Medical Center is subject to required minimum payments totaling $1 million with $250,000 payable for each of the first two years

Finally, the Plan of Reorganization included the issuance of revenue bonds through the New Mexico Hospital Equipment Loan Council in order to refinance the Series 2007A notes, fully satisfy Letter of Credit claims, and reimburse the Medical Center for capital expenditures associated with the construction of the new patient tower On September 19, 2012, the Effective Date, the Medical Center issued the Series 2012A Hospital Improvement and Refunding Revenue Bonds (Series 2012A Bonds), which were issued at $71,745,000 with a bond discount of approximately $1 7 million The Series 2012A Bonds are term bonds due in varying annual sinking fund payments beginning in July 2016 to July 2042, bear interest at rates of 4 75% to 5 5%, and are collateralized by a pledge of the Medical Center's revenues and mortgage on property and equipment The proceeds of the Series 2012A Bonds will be used to refund the Series 2007A Bonds totaling approximately $31 1 million, establish a debt service reserve fund of approximately $5 2 million, pay costs of issuance of approximately $1 8 million (of which the Medical Center will directly pay approximately $400,000) and reimburse the Medical Center for capital expenditures totaling approximately $32 3 million

Commitment

On July 27, 2012, the Medical Center entered into an agreement, effective September 1, 2012, with Presbyterian Medical Services (PMS) to support PMS's operation of a Federally Qualified Health Center (FQHC) in the City to provide greater access to primary care in the community This is expected to reduce the Medical Center's emergency room utilization by self-pay and Medicaid patients Under the terms of the agreement, PMS will provide the medical staff and management for the FQHC and the Medical Center will provide the equipment and space at an existing building owned by the Medical Center and having a fair market rental value of approximately $66,000 per year In addition to this infrastructure, the Medical Center will provide an annual grant up to $150,000 per year to PMS with $50,000 paid by the effective date This agreement may be terminated without cause by either party with 180 days' advance written notice to the other party

The Medical Center has evaluated subsequent events through September 28, 2012, the date which the consolidated financial statements were issued

Consolidating and Supplementary Information
June 30, 2012 and 2011

Otero County Hospital Association
d/b/a Gerald Champion Regional Medical Center
(Debtor-in-Possession)

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Consolidating and Supplementary Information

The Board of Directors
Otero County Hospital Association
d/b/a Gerald Champion Regional Medical Center
Alamogordo, New Mexico

We have audited the consolidated financial statements of Otero County Hospital Association d/b/a Gerald Champion Regional Medical Center as of and for the years ended June 30, 2012 and 2011, and our report thereon dated September 28, 2012, which expressed an unqualified opinion on those financial statements, appears on page 1 Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole The consolidating information on pages 28 through 33 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements The supplementary information on page 34 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 consolidating and supplementary information has been subjected to the auditing 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 consolidating and supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole

Eide Bailly LLP

Fargo, North Dakota
September 28, 2012

4310 17th Ave S | PO Box 2545 | Fargo, ND 58108-2545 | T 701 239 8500 | F 701 239 8600 | EOE

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	Hospital	ASV	Total
Current Assets			
Cash and cash equivalents	$ 5,486,057	$ 124,480	$ 5,610,537
Assets limited as to use	690,000	-	690,000
Receivables			
Patient	36,303,508	-	36,303,508
Less allowance for uncollectible accounts	(22,920,133)	-	(22,920,133)
Estimated third-party payor settlements	324,838	-	324,838
Other	1,578,131	561,556	2,139,687
Supplies	2,788,791	-	2,788,791
Prepaid expenses	1,575,612	30,426	1,606,038
Total current assets	25,826,804	716,462	26,543,266
Assets Limited as to Use	10,157,119	-	10,157,119
Property and Equipment, Net	101,035,399	679,625	101,715,024
Other Assets			
Investment in affiliates	718,305	-	718,305
Deferred financing costs, net	385,219	-	385,219
Other intangible assets, net	54,375	-	54,375
Total other assets	1,157,899	-	1,157,899
Total assets	$ 138,177,221	$ 1,396,087	$ 139,573,308

Eliminations	Consolidated
$ -	$ 5,610,537
-	690,000
-	36,303,508
-	(22,920,133)
-	324,838
(578,622)	1,561,065
-	2,788,791
-	1,606,038
(578,622)	25,964,644
-	10,157,119
-	101,715,024
(402,973)	315,332
-	385,219
-	54,375
(402,973)	754,926
$ (981,595)	$ 138,591,713

	Hospital	ASV	Total
Liabilities Not Subject to Compromise			
Current Liabilities			
Current maturities of long-term debt	$ 622,198	$ 150,000	$ 772,198
Accounts payable	8,358,740	222,408	8,581,148
Construction and retainage payables	298,332	-	298,332
Accrued expenses			
Salaries and wages	1,259,854	23,827	1,283,681
Vacation	2,989,113	38,157	3,027,270
Payroll taxes and other	397,809	16,256	414,065
Other	55,440	139,088	194,528
Total current liabilities	13,981,486	589,736	14,571,222
Long-Term Debt, Less Current Maturities	2,340,256	2,137	2,342,393
Liabilities Subject to Compromise	50,194,996	-	50,194,996
Total liabilities	66,516,738	591,873	67,108,611
Unrestricted Net Assets			
Gerald Champion Regional Medical Center	71,660,483	804,214	72,464,697
Noncontrolling interests in ASV	-	-	-
Total unrestricted net assets	71,660,483	804,214	72,464,697
Total liabilities and net assets	$ 138,177,221	$ 1,396,087	$ 139,573,308

Eliminations	Consolidated
$ -	$ 772,198
(621,565)	7,959,583
-	298,332
-	1,283,681
-	3,027,270
-	414,065
-	194,528
(621,565)	13,949,657
-	2,342,393
(38,057)	50,156,939
(659,622)	66,448,989
(723,214)	71,741,483
401,241	401,241
(321,973)	72,142,724
$ (981,595)	$ 138,591,713

	Hospital	ASV	Total
Unrestricted Revenues, Gains, and Other Support			
Patient service revenue (net of contractual adjustments and discounts)	$ 97,769,507	$ 6,965,006	$ 104,734,513
Provision for bad debts	(8,194,546)	-	(8,194,546)
Net patient service revenue less provision for bad debts	89,574,961	6,965,006	96,539,967
Other revenue	3,846,623	-	3,846,623
Total revenues, gains, and other support	93,421,584	6,965,006	100,386,590
Expenses			
Salaries and wages	38,505,845	1,333,651	39,839,496
Employee benefits	9,027,325	406,079	9,433,404
Professional fees and purchased services	25,520,037	771,025	26,291,062
Utilities and maintenance	6,732,066	234,813	6,966,879
Supplies	14,707,993	355,225	15,063,218
Insurance	2,028,394	32,691	2,061,085
Leases and rentals	1,300,855	542,945	1,843,800
Taxes	735,440	-	735,440
Interest	422,196	17,461	439,657
Depreciation and amortization	9,172,315	187,726	9,360,041
Other	2,093,868	346,277	2,440,145
Total expenses	110,246,334	4,227,893	114,474,227
Operating Income (Loss)	(16,824,750)	2,737,113	(14,087,637)
Other Income (Losses)			
Reorganization costs (Note 2)	(5,957,244)	-	(5,957,244)
Contribution to the City of Alamogordo	(2,286,444)	-	(2,286,444)
Investment income (loss)	727,847	-	727,847
Gain (loss) on sale of property and equipment	35,590	(944)	34,646
Other loss, net	(7,480,251)	(944)	(7,481,195)
Revenues in Excess of (Less Than) Expenses	(24,305,001)	2,736,169	(21,568,832)
Distributions to Shareholders	-	(3,000,000)	(3,000,000)
Decrease in Unrestricted Net Assets	(24,305,001)	(263,831)	(24,568,832)
Net Assets, Beginning of Year	95,965,484	1,068,045	97,033,529
Net Assets, End of Year	$ 71,660,483	$ 804,214	$ 72,464,697

Eliminations	Consolidated
$ (6,965,006)	$ 97,769,507
-	(8,194,546)
(6,965,006)	89,574,961
(457,030)	3,389,593
(7,422,036)	92,964,554
-	39,839,496
-	9,433,404
(6,965,006)	19,326,056
-	6,966,879
-	15,063,218
-	2,061,085
(457,030)	1,386,770
-	735,440
-	439,657
-	9,360,041
-	2,440,145
(7,422,036)	107,052,191
-	(14,087,637)
-	(5,957,244)
-	(2,286,444)
(1,108,146)	(380,299)
-	34,646
(1,108,146)	(8,589,341)
(1,108,146)	(22,676,978)
1,215,000	(1,785,000)
106,854	(24,461,978)
(428,827)	96,604,702
$ (321,973)	$ 72,142,724

	Hospital	ASV	Total
Current Assets			
Cash and cash equivalents	$ 11,101,383	$ 108,823	$ 11,210,206
Assets limited as to use	6,622,882	-	6,622,882
Receivables			
Patient	35,912,876	-	35,912,876
Less allowance for uncollectible accounts	(22,043,201)	-	(22,043,201)
Estimated third-party payor settlements	487,943	-	487,943
Other	1,077,942	733,930	1,811,872
Supplies	2,765,140	-	2,765,140
Prepaid expenses	2,186,751	16,277	2,203,028
Total current assets	38,111,716	859,030	38,970,746
Assets Limited as to Use	13,814,020	-	13,814,020
Property and Equipment, Net	100,972,982	832,163	101,805,145
Other Assets			
Noncurrent prepaid expenses	354,487	-	354,487
Investment in affiliates	737,453	-	737,453
Deferred financing costs, net	400,627	-	400,627
Goodwill and other intangible assets, net	58,125	-	58,125
Total other assets	1,550,692	-	1,550,692
Total assets	$ 154,449,410	$ 1,691,193	$ 156,140,603

Eliminations	Consolidated
$ -	$ 11,210,206
-	6,622,882
-	35,912,876
-	(22,043,201)
-	487,943
(807,075)	1,004,797
-	2,765,140
-	2,203,028
(807,075) -	38,163,671
-	13,814,020
-	101,805,145
-	354,487
(428,827)	308,626
-	400,627
-	58,125
(428,827)	1,121,865
$ (1,235,902)	$ 154,904,701

	Hospital	ASV	Total
Current Liabilities			
Current maturities of long-term debt	$ 835,931	$ 140,865	$ 976,796
Accounts payable	7,361,738	134,704	7,496,442
Construction and retainage payables	5,967,882	-	5,967,882
Accrued expenses			
Salaries and wages	1,260,266	18,852	1,279,118
Vacation	2,618,571	33,642	2,652,213
Payroll taxes	184,737	21,987	206,724
Interest	4,746	-	4,746
Other	841,208	121,806	963,014
Total current liabilities	19,075,079	471,856	19,546,935
Other Long-Term Liabilities	2,500,000	-	2,500,000
Long-Term Debt, Less Current Maturities	36,908,847	151,292	37,060,139
Total liabilities	58,483,926	623,148	59,107,074
Unrestricted Net Assets			
Gerald Champion Regional Medical Center	95,965,484	1,068,045	97,033,529
Noncontrolling interests in ASV	-	-	-
Total unrestricted net assets	95,965,484	1,068,045	97,033,529
Total liabilities and net assets	$ 154,449,410	$ 1,691,193	$ 156,140,603

Eliminations	Consolidated
$ -	$ 976,796
(769,018)	6,727,424
-	5,967,882
-	1,279,118
-	2,652,213
-	206,724
-	4,746
(38,057)	924,957
(807,075)	18,739,860
-	2,500,000
-	37,060,139
(807,075)	58,299,999
(1,068,045)	95,965,484
639,218	639,218
(428,827)	96,604,702
$ (1,235,902)	$ 154,904,701

	Hospital	ASV	Total
Unrestricted Revenues, Gains, and Other Support			
Patient service revenue (net of contractual adjustments and discounts)	$ 102,764,504	$ 7,559,040	$ 110,323,544
Provision for bad debts	(7,837,782)	-	(7,837,782)
Net patient service revenue less provision for bad debts	94,926,722	7,559,040	102,485,762
Other revenue	2,644,081	-	2,644,081
Total revenues, gains, and other support	97,570,803	7,559,040	105,129,843
Expenses			
Salaries and wages	35,691,432	1,300,814	36,992,246
Employee benefits	8,177,634	522,767	8,700,401
Professional fees and purchased services	22,791,240	817,086	23,608,326
Utilities and maintenance	5,796,355	206,158	6,002,513
Supplies and other	14,937,919	339,831	15,277,750
Insurance	1,151,842	29,837	1,181,679
Leases and rentals	1,143,428	554,110	1,697,538
Taxes	201,508	-	201,508
Interest	202,550	27,689	230,239
Depreciation and amortization	7,182,409	244,788	7,427,197
Other	1,824,989	348,154	2,173,143
Total expenses	99,101,306	4,391,234	103,492,540
Operating Income (Loss)	(1,530,503)	3,167,806	1,637,303
Other Income (Losses)			
Reorganization costs (Note 2)	(863,070)	-	(863,070)
Investment income	6,839,490	63	6,839,553
Loss on sale of property and equipment	(10,370)	-	(10,370)
Other income, net	5,966,050	63	5,966,113
Revenues in Excess of Expenses	4,435,547	3,167,869	7,603,416
Distributions to Shareholders	-	(3,150,000)	(3,150,000)
Increase in Unrestricted Net Assets	4,435,547	17,869	4,453,416
Net Assets, Beginning of Year	91,529,937	1,050,176	92,580,113
Net Assets, End of Year	$ 95,965,484	$ 1,068,045	$ 97,033,529

Eliminations	Consolidated
$ (7,559,040)	$ 102,764,504
-	(7,837,782)
(7,559,040)	94,926,722
(456,680)	2,187,401
(8,015,720)	97,114,123
-	36,992,246
-	8,700,401
(7,559,040)	16,049,286
-	6,002,513
-	15,277,750
-	1,181,679
(456,680)	1,240,858
-	201,508
-	230,239
-	7,427,197
-	2,173,143
(8,015,720)	95,476,820
-	1,637,303
-	(863,070)
(1,288,320)	5,551,233
-	(10,370)
(1,288,320)	4,677,793
(1,288,320)	6,315,096
1,275,750	(1,874,250)
(12,570)	4,440,846
(416,257)	92,163,856
$ (428,827)	$ 96,604,702

	2012		
	Inpatient	Outpatient	Total
Patient Service Revenue			
Routine services			
Adults and pediatrics	$ 5,709,875	$ 1,106,177	$ 6,816,052
Nursery	505,971	2,494	508,465
	6,215,846	1,108,671	7,324,517
Ancillary services			
Emergency room	1,704,446	12,136,251	13,840,697
Intensive Care	4,347,813	133,449	4,481,262
Surgical services	7,518,063	20,513,073	28,031,136
Anesthesiology	527,145	2,620,837	3,147,982
Recovery room	933,462	985,525	1,918,987
OB/GYN	2,286,375	201,703	2,488,078
Delivery room	1,357,668	197,334	1,555,002
Pharmacy	8,028,279	15,465,876	23,494,155
IV Solutions	341,976	2,260,855	2,602,831
Laboratory	9,479,564	38,593,130	48,072,694
Blood bank	496,656	363,365	860,021
Central service supplies	1,488,513	3,058,615	4,547,128
Cardiac telemetry	871,354	425,530	1,296,884
Cardiopulmonary	3,866,776	1,739,330	5,606,106
Stress testing	3,924	1,327,213	1,331,137
EKG/EEG	1,069,573	3,520,356	4,589,929
Sleep studies	5,577	3,121,800	3,127,377
Physical therapy	1,291,667	77,514	1,369,181
Radiology	1,410,194	7,687,233	9,097,427
CT scan	2,778,477	14,628,594	17,407,071
MRI	595,581	3,408,376	4,003,957
Ultrasound	607,291	3,597,547	4,204,838
Nuclear imaging	111,539	1,199,270	1,310,809
Ortho/trauma	1,851,137	(26,772)	1,824,365
Life transitions	2,301,999	1,340,894	3,642,893
Other patient revenue	3,017,801	842,619	3,860,420
Physician practices	-	20,482,018	20,482,018
	58,292,850	159,901,535	218,194,385
	$ 64,508,696	$ 161,010,206	225,518,902
Charity care			(3,883,841)
Total patient service revenue			221,635,061
Contractual Adjustments			
Hospital			
Medicare			(51,454,558)
Medicaid			(22,923,597)
Tricare			(13,377,037)
Blue Cross			(5,094,350)
Other			(18,515,303)
Physician practices			(12,500,709)
Total contractual adjustments			(123,865,554)
Net Patient Service Revenue			$ 97,769,507

2011		
Inpatient	Outpatient	Total
$ 6,148,800	$ 733,922	$ 6,882,722
507,051	960	508,011
6,655,851	734,882	7,390,733
2,191,375	14,194,689	16,386,064
4,652,585	116,200	4,768,785
10,136,156	18,213,437	28,349,593
624,834	2,336,423	2,961,257
1,079,399	740,075	1,819,474
2,058,232	146,310	2,204,542
1,043,116	220,720	1,263,836
9,633,914	16,464,898	26,098,812
2,698,119	4,104,113	6,802,232
10,221,496	34,222,814	44,444,310
628,074	419,564	1,047,638
1,902,268	2,416,895	4,319,163
4,089,289	258,127	4,347,416
4,155,811	1,817,237	5,973,048
18,970	1,478,746	1,497,716
1,686,104	4,110,644	5,796,748
7,243	3,309,274	3,316,517
1,715,832	73,727	1,789,559
1,895,385	8,072,874	9,968,259
3,176,897	12,356,740	15,533,637
983,249	4,359,212	5,342,461
794,493	4,256,716	5,051,209
231,353	1,407,150	1,638,503
-	-	-
1,261,079	450,535	1,711,614
48,411	795,000	843,411
-	11,457,859	11,457,859
66,933,684	147,799,979	214,733,663
$ 73,589,535	$ 148,534,861	222,124,396
		(5,556,965)
		216,567,431
		(50,185,001)
		(23,562,007)
		(11,863,363)
		(5,515,836)
		(17,154,415)
		(5,522,305)
		(113,802,927)
		$ 102,764,504