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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

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 07-01-2012 , 2012, and ending 06-30-2013

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

C Name of organization
Piedmont Hospital Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
1968 PEACHTREE ROAD NW
Suite

City or town, state or country, and ZIP + 4
ATLANTA, GA 30309

D Employer identification number
58-0566213

E Telephone number
(404)425-1303

G Gross receipts $ 833,235,108

F Name and address of principal officer
Dr Patrick M Battey
1968 PEACHTREE ROAD NW
ATLANTA, GA 30309

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 PIEDMONT ORG

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1905 | **M** State of legal domicile GA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
TO PROVIDE HEALTHCARE MARKED BY COMPASSION AND SUSTAINABLE EXCELLENCE IN A PROGRESSIVE ENVIRONMENT, GUIDED BY PHYSICIANS, DELIVERED BY EXCEPTIONAL PROFESSIONALS, AND INSPIRED BY THE COMMUNITIES WE SERVE

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	15
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	9
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	4,012
6	Total number of volunteers (estimate if necessary)	**6**	395
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	5,814,166
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-3,199,803

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	2,206,036	5,481,947
	9 Program service revenue (Part VIII, line 2g)	719,031,160	768,031,002
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	22,476,129	1,029,735
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	12,336,889	9,698,892
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	756,050,214	784,241,576
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	269,452	367,628
	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)	247,684,057	272,221,418
	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)	387,630,113	479,354,987
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	635,583,622	751,944,033
	19 Revenue less expenses Subtract line 18 from line 12	120,466,592	32,297,543

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	1,973,577,308	2,884,534,057
	21 Total liabilities (Part X, line 26)	1,397,259,921	2,271,981,101
	22 Net assets or fund balances Subtract line 21 from line 20	576,317,387	612,552,956

Part II Signature Block

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

Sign Here

▶ Signature of officer — 2014-05-15 Date

▶ CHARLIE HALL Treasurer
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶ ERNST & YOUNG US LLP			Firm's EIN ▶	
Firm's address ▶ 55 IVAN ALLEN BLVD SUITE 1000 ATLANTA, GA 30308			Phone no (404) 874-8300	

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

TO PROVIDE HEALTHCARE MARKED BY COMPASSION AND SUSTAINABLE EXCELLENCE IN A PROGRESSIVE ENVIRONMENT, GUIDED BY PHYSICIANS, DELIVERED BY EXCEPTIONAL PROFESSIONALS, AND INSPIRED BY THE COMMUNITIES WE SERVE

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations 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 $ 623,071,128 including grants of $ 367,628) (Revenue $ 770,249,209)

PIEDMONT HOSPITAL ("PH") IS A 488-BED FACILITY THAT HAS BEEN SERVING THE CITY OF ATLANTA IN FULTON COUNTY, GEORGIA, FOR MORE THAN A CENTURY OVER 1,000 PRIMARY CARE AND SPECIALTY PHYSICIANS ON THE MEDICAL STAFF MEET THE PROFESSIONAL CLINICAL NEEDS OF CHILDREN, ADULTS, AND SENIORS WITHIN THE CITY AND THE GREATER METROPOLITAN ATLANTA MARKET, REGARDLESS OF ANY INDIVIDUAL'S ABILITY TO PAY FOR SERVICES FOR THE YEAR ENDED JUNE 30, 2013, THE HOSPITAL HAD 25,131 IN-PATIENT ADMISSIONS WITH A TOTAL OF 142,610 DAYS OF IN-PATIENT HOSPITALIZATION ER VISITS TOTALED 48,524 AND OUTPATIENT VISITS TOTALED 259,151 SURGICAL SERVICES WERE PROVIDED TO 22,763 PATIENTS

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 ▶ 623,071,128

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, 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	Yes	
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI and XII*	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 and XII 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, Parts I and IV*	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 United States? *If "Yes," complete Schedule F, Parts 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 United States? *If "Yes," complete Schedule F, Parts 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 (see instructions)*	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 hospital facilities? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to any government or organization 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**	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, line 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 lines 24b through 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, highest 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 employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *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 direct or indirect 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**	Yes	
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**		No
b	If 'Yes' to line 35a, 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**		
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 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	0		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c		
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	4,012		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)		2b	Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .		3a	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, securities account, or other financial 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 as charitable contributions? . . .		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.** See the instructions for additional information the organization must report on Schedule O		13a		
b	Enter the 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 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** 15		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	**1b** 9		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**		No
6	Did the organization have members or stockholders?	**6**	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	**8a**	Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**		No

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

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

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶ GA

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

☐ Own website ☐ Another's website ☑ Upon request ☐ Other (explain in Schedule O)

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 during the tax year

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization

▶ MARIE GAFFNEY 2727 PACES FERRY RD BLDG 2 STE 70 ATLANTA, GA (678) 842-6007

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 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 organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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) Dr Carol T Aitcheson Board member	1 0 39 0	X						0	590,537	29,250
(2) Dr Letha Yurko Griffin Board member	1 0 0 0	X						0	0	
(3) Mr Gary T Jones Board member	1 0 0 0	X						0	0	
(4) Dr Bryant Wilson Board Member/Physician	6 0 34 0	X						71,794	713,677	16,120
(5) Dr Philip Brachman Board member	1 0 0 0	X						0	0	
(6) Mr Shouky Shaheen Board member	1 0 0 0	X						0	0	
(7) Dr Patrick M Battey Board Member	1 0 39 0	X						0	518,946	27,685
(8) Mr Leslie A Donahue President and CEO	55 0 0 0	X		X				863,581	0	135,729
(9) Dr Hewitt W Matthews Board member	1 0 0 0	X						0	0	
(10) Mr Douglas Stuart Board Member	1 0 0 0	X						0	0	
(11) Dr Robert Miller Board member	1 0 0 0	X						0	0	
(12) Dr Adrian Douglass Board Member	1 0 39 0	X						0	375,789	37,396
(13) Dr Harry M McFarling III Chairman/Physician	6 0 2 0	X		X				49,840	12,000	
(14) Mr Walter Perrin Board Member	1 0 0 0	X						0	0	
(15) Mr William Lingınfelter Board Member	1 0 0 0	X						0	0	
(16) Mr Charlie Hall Treasurer	1 0 54 0			X				0	681,955	185,689
(17) Mr Jay D Mitchell Secretary	1 0 54 0			X				0	591,859	78,751

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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) Mr Thomas Arnold CFO	54 0 1 0				X			426,559	0	57,730
(19) Dr William Knopf Chief Operating Officer	55 0 0 0				X			1,202,392	0	22,296
(20) Mr Hildred Robinson Chief Nursing Officer	55 0 0 0					X		270,323	0	19,798
(21) Mr Jyoti Prempeh VP of Clinical Support Svcs	55 0 0 0					X		211,749	0	19,031
(22) Mr Mark Cohen Chief Quality Officer	55 0 0 0					X		515,408	0	27,851
(23) Mr Paul Herd Medical Director	55 0 0 0					X		242,415	0	14,240
(24) Ms Sarah Mullis Dir of Pharmacy Utilization	55 0 0 0					X		208,062	0	8,702
(25) Ms Debbie Gramling Former Secretary	0 0 55 0						X	0	153,231	14,589
(26) Ms Denise Ray Former Chief Operating Officer	0 0 55 0						X	0	496,507	62,678
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								4,062,123	4,134,501	757,535

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 ▶ 219

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
ALLIANCE LAUNDRY AND TEXTILE SERVIC , 7990 Second Flags Drive Suite A AUSTELL GA 30168	LAUNDRY SERVICES	2,127,432
JACKSON NURSE PROFESSIONALS LLC , PO BOX 404118 ATLANTA GA 30384	NURSE STAFFING	1,558,520
SKANSKA USA BUILDING INC , 55 Ivan Allen Jr Blvd Ste 600 ATLANTA GA 30308	CONSTRUCTION	1,258,788
TRINITY HEALTHCARE STAFFING GROUP , PO BOX 823473 PHILADELPHIA PA 19182	STAFFING	1,166,045
RADIOLOGY ASSOCIATES OF ATLANTA , 1984 PEACHTREE RD STE 505 ATLANTA GA 30309	RADIOLOGY SERVICES	1,131,230
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 ▶ 40		

Part VIII Statement of Revenue

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

				(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	190,859			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	5,291,088			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f			5,481,947			
Program Service Revenue			Business Code				
	2a	HEALTHCARE SERVICES	622110	757,286,357	757,286,357		
	b	OUTSIDE LAB	621511	5,707,836		5,707,836	
	c	PARKING	812930	3,329,459			3,329,459
	d	OTHER OPERATING REVENUE	621999	1,707,350	1,707,350		
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		768,031,002			
	3	Investment income (including dividends, interest, and other similar amounts)		1,063,178			1,063,178
	4	Income from investment of tax-exempt bond proceeds		0			
	5	Royalties		0			
			(i) Real	(ii) Personal			
	6a	Gross rents	13,587,585				
	b	Less rental expenses	8,039,919				
	c	Rental income or (loss)	5,547,666	0			
	d	Net rental income or (loss)			5,547,666	5,441,336	106,330	
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	40,665,869	254,301			
	b	Less cost or other basis and sales expenses	40,283,218	670,395			
	c	Gain or (loss)	382,651	-416,094			
	d	Net gain or (loss)			-33,443			-33,443
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a					
	b	Less direct expenses	b					
	c	Net income or (loss) from fundraising events			0			
	9a	Gross income from gaming activities See Part IV, line 19	a					
	b	Less direct expenses	b					
	c	Net income or (loss) from gaming activities			0			
	10a	Gross sales of inventory, less returns and allowances	a					
	b	Less cost of goods sold	b					
	c	Net income or (loss) from sales of inventory			0			
		Miscellaneous Revenue		Business Code				
	11a	CAFETERIA		722310	2,609,321			2,609,321
	b	FITNESS CENTER		713940	844,706			844,706
	c	COFFEE CART		722310	158,603			158,603
	d	All other revenue			538,596			538,596
	e	**Total.** Add lines 11a–11d			4,151,226			
	12	**Total revenue.** See Instructions			784,241,576	764,435,043	5,814,166	8,510,420

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)

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	188,954	188,954		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	178,674	178,674		
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4 Benefits paid to or for members	0			
5 Compensation of current officers, directors, trustees, and key employees	2,272,652	2,141,065	131,587	0
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7 Other salaries and wages	224,645,581	211,638,602	13,006,979	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	0			
9 Other employee benefits	30,654,746	28,879,836	1,774,910	
10 Payroll taxes	14,648,439	13,800,294	848,145	
11 Fees for services (non-employees)				
a Management	1,845,857		1,845,857	
b Legal	509,699		509,699	
c Accounting	0			
d Lobbying	134,032	134,032		
e Professional fundraising services See Part IV, line 17	0			
f Investment management fees	0			
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	35,830,199	33,580,537	2,249,662	
12 Advertising and promotion	3,765,564		3,765,564	
13 Office expenses	30,536,207	30,387,502	148,705	
14 Information technology	12,451,316	9,338,487	3,112,829	
15 Royalties . .	0			
16 Occupancy	8,921,281	7,394,588	1,526,693	
17 Travel	361,607	322,248	39,359	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	124,335	111,729	12,606	
20 Interest	14,689,439		14,689,439	
21 Payments to affiliates	62,485,926		62,485,926	
22 Depreciation, depletion, and amortization	34,615,832	25,961,874	8,653,958	
23 Insurance	5,188,532		5,188,532	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a MEDICAL SUPPLIES AND DRUGS	172,036,336	172,036,336		
b BAD DEBT EXPENSE	59,575,379	59,575,379		
c GEORGIA PROVIDER FEE	9,434,884	9,434,884		
d LAB FEES	4,642,424	4,642,424		
e All other expenses	22,206,138	13,323,683	8,882,455	
25 **Total functional expenses.** Add lines 1 through 24e	751,944,033	623,071,128	128,872,905	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		223,570,037	1	179,195,524
	2	Savings and temporary cash investments		0	2	0
	3	Pledges and grants receivable, net		1,252,711	3	59,116
	4	Accounts receivable, net		107,911,134	4	176,890,266
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		5,998,619	7	260,170
	8	Inventories for sale or use		12,647,625	8	15,107,732
	9	Prepaid expenses and deferred charges		3,620,797	9	4,905,417
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 747,456,640			
	b	Less accumulated depreciation	10b 513,513,287	254,027,002	10c	233,943,353
	11	Investments—publicly traded securities		414,632,303	11	466,785,381
	12	Investments—other securities See Part IV, line 11		2,392,130	12	3,022,130
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		15,761,021	14	15,641,421
	15	Other assets See Part IV, line 11		931,763,929	15	1,788,723,547
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		1,973,577,308	16	2,884,534,057
Liabilities	17	Accounts payable and accrued expenses		45,614,594	17	40,071,103
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		463,905,000	20	455,390,000
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		72,517,169	23	70,802,103
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		815,223,158	25	1,705,717,895
	26	**Total liabilities.** Add lines 17 through 25		1,397,259,921	26	2,271,981,101
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		539,592,810	27	573,494,534
	28	Temporarily restricted net assets		14,293,843	28	16,349,828
	29	Permanently restricted net assets		22,430,734	29	22,708,594
		Organizations that do not follow SFAS 117 (ASC 958), 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		576,317,387	33	612,552,956
	34	Total liabilities and net assets/fund balances		1,973,577,308	34	2,884,534,057

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	784,241,576
2	Total expenses (must equal Part IX, column (A), line 25)	2	751,944,033
3	Revenue less expenses Subtract line 2 from line 1	3	32,297,543
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	576,317,387
5	Net unrealized gains (losses) on investments	5	2,663,356
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	1,598,438
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-323,768
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	612,552,956

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
	If 'Yes,' check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
	If 'Yes,' check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separate basis			
c	If "Yes," to line 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?	2c	Yes	
	If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O			
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

2012

Open to Public Inspection

Name of the organization
Piedmont Hospital Inc

Employer identification number
58-0566213

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 described in **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 - Non-functionally integrated

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

Part II **Support Schedule for Organizations Described in Sections 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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
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 2012 (line 6, column (f) divided by line 11, column (f)) **14**

15 Public support percentage for 2011 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2012.** 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—2011.** If the organization did not check a 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—2012.** 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—2011.** 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 Section 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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 2012 (line 8, column (f) divided by line 13, column (f))	15	
16	Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2012** (line 10c, column (f) divided by line 13, column (f))	17	
18	Investment income percentage from **2011** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2012.** 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—2011.** 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.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

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SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ **Complete if the organization is described below.** ▶ **Attach to Form 990 or Form 990-EZ.**
▶ **See separate instructions.**

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	**Employer identification number**
Piedmont Hospital Inc	58-0566213

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

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ **Yes** ☐ **No**

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

	For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.	(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		134,032
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?		No	
j	Total Add lines 1c through 1i			134,032
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1 Also, complete this part for any additional information

Identifier	Return Reference	Explanation
Lobbying Activities	SCHEDULE C, PART II-B, LINE 1(G)	HEALTH CARE POLICY IS CRITICAL TO ALL AMERICANS, AND PIEDMONT HOSPITAL BELIEVES THAT HEALTH CARE PROVIDERS MUST PARTICIPATE IN SHAPING HEALTH CARE POLICY BY INTERACTING WITH NATIONAL, STATE, AND LOCAL REPRESENTATIVES AND THEIR STAFF MEMBERS TO HELP THEM BETTER UNDERSTAND THE COMPLEXITIES AND RAMIFICATIONS OF KEY HEALTH CARE POLICIES INCLUDING, WITHOUT LIMITATION, THOSE RELATED TO UNINSURED AND INDIGENT PATIENT NEEDS, AS WELL AS THE IMPORTANCE OF ASSURING THE DELIVERY OF COST-EFFICIENT, QUALITY HEALTH CARE DURING FISCAL YEAR 2013, PIEDMONT HOSPITAL ENGAGED A CONTRACT LOBBYIST TO REPRESENT THE INTERESTS OF PIEDMONT HEALTHCARE (EIN 58-1503902), PIEDMONT HOSPITAL (58-0566213), AND RELATED ENTITIES BEFORE FEDERAL, STATE, AND LOCAL ELECTED OFFICIALS AND REGULATORS

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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, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Piedmont Hospital Inc

Employer identification number
58-0566213

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 can 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 education) ☐ Preservation of an historically important land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

2 Complete lines 2a through 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, and not on a historic structure listed in the National Register	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIII, 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 (ASC 958), 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 XIII, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116 (ASC 958), 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 (ASC 958) 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 acquisition, 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 XIII

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 XIII 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 XIII Check here if the explanation has been provided in Part XIII . . . . . ☐

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

		(a) Current year	(b) Prior year	b (c) Two years back	(d) Three years back	(e) Four years back
1a	Beginning of year balance	370,849,005	362,297,000	343,861,628	293,945,492	347,223,727
b	Contributions					149,534
c	Net investment earnings, gains, and losses	13,913,440	8,173,300	18,073,893	49,633,360	-53,718,394
d	Grants or scholarships					
e	Other expenditures for facilities and programs					
f	Administrative expenses	279,622	-378,705	-361,479	-282,776	-290,625
g	End of year balance	384,482,823	370,849,005	362,297,000	343,861,628	293,945,492

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as

- a Board designated or quasi-endowment ▶ 100 000 %
- b Permanent endowment ▶ 0 %
- c Temporarily restricted endowment ▶ 0 %

The percentages in lines 2a, 2b, and 2c should equal 100%

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

4 Describe in Part XIII 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		11,747,623		11,747,623
b Buildings		453,504,755	296,192,911	157,311,844
c Leasehold improvements		17,667,312	1,740,664	15,926,648
d Equipment		263,445,911	215,579,712	47,866,199
e Other		1,091,039		1,091,039
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				233,943,353

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) must 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) must 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
(1) BENEFICIAL INT IN PERP TRUST	8,063,922
(2) DUE FROM RELATED PARTIES	1,769,852,191
(3) UNAMORTIZED LOAN DISCOUNT	10,807,434
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	1,788,723,547

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

1 (a) Description of liability	(b) Book value
Federal income taxes	0
DUE TO RELATED PARTIES	1,578,073,981
ACCRUED PENSION COSTS	67,637,999
SELF INSURANCE RESERVES	33,536,029
INTEREST SWAPS	21,644,188
SERP PAYABLE	2,183,549
OTHER DEFERRALS	2,642,149
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	1,705,717,895

2. Fin 48 (ASC 740) Footnote In Part XIII, 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 (ASC 740) Check here if the text of the footnote has been provided in Part XIII ☑

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

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

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

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

Part XIII 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, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
INTENDED USES FOR ENDOWMENT FUNDS	SCHEDULE D, PART V, LINE 4	ASSETS LIMITED AS TO USE PRIMARILY INCLUDE ASSETS UNDER INDENTURE AGREEMENTS AND DESIGNATED ASSETS SET ASIDE BY THE BOARD OF DIRECTORS FOR FUTURE CAPITAL ACQUISITIONS THE BOARD RETAINS CONTROL OF DESIGNATED ASSETS AND MAY AT ITS DISCRETION SUBSEQUENTLY USE THESE ASSETS FOR OTHER PURPOSES
ASC 740 FOOTNOTE (FKA FIN 48)	SCHEDULE D, PART X, LINE 2	THE COMPANY ACCOUNTS FOR INCOME TAXES UNDER THE PROVISIONS OF THE INCOME TAXES TOPIC OF ASC (ASC 740) UNDER THE REQUIREMENTS OF ASC 740, TAX-EXEMPT ORGANIZATIONS MAY BE REQUIRED TO RECORD AN OBLIGATION AS THE RESULT OF A TAX POSITION THEY HAVE HISTORICALLY TAKEN ON VARIOUS TAX EXPOSURE ITEMS THERE WERE NO MATERIAL UNCERTAIN TAX POSITIONS AS OF JUNE 30, 2013

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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

2012

Open to Public Inspection

Name of the organization
Piedmont Hospital Inc

Employer identification number
58-0566213

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year			
	☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care	3a	Yes	
	☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %			
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other _____ %			
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for 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 financial assistance 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 report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance 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 Financial Assistance at cost (from Worksheet 1)			14,086,272	0	14,086,272	2 040 %
b Medicaid (from Worksheet 3, column a)			21,959,890	16,377,406	5,582,484	0 810 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			9,434,884	1,848,166	7,586,718	1 100 %
d **Total** Financial Assistance and Means-Tested Government Programs			45,481,046	18,225,572	27,255,474	3 950 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			374,302	0	374,302	0 050 %
f Health professions education (from Worksheet 5)			2,730,749	0	2,730,749	0 390 %
g Subsidized health services (from Worksheet 6)			405,859	0	405,859	0 060 %
h Research (from Worksheet 7)			1,586,796	0	1,586,796	0 230 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			427,913	0	427,913	0 060 %
j **Total.** Other Benefits			5,525,619	0	5,525,619	0 790 %
k **Total.** Add lines 7d and 7j			51,006,665	18,225,572	32,781,093	4 740 %

Part II **Community Building Activities** Complete this if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other			4,625	0	4,625	
10 **Total**			4,625	0	4,625	

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

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1	Yes		
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	59,575,379		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3	1,787,261		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	162,228,357
6	Enter Medicare allowable costs of care relating to payments on line 5	6	193,597,928
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-31,369,571
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** (owned 10% or more by officers, directors, trustees, key employees, and physicians—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	PIEDMONT ORTHOPAEDIC	Orthopedic Surgery	15 000 %		85 000 %
2	Digestive Healthcare	Endo/GI Surgery	15 000 %		85 000 %
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
1

	Name, address, and primary website address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	PIEDMONT HOSPITAL INC 1968 PEACHTREE ROAD NW ATLANTA, GA 30309 WWW PIEDMONT ORG	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 or facility reporting groups listed in Part V, Section A)

PIEDMONT HOSPITAL INC

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

			Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)				
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	**1**	Yes	
	If "Yes," indicate what the CHNA report 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 the community health 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 CHNA 20 13			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		No
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report 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 CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☑ Participation in the development of a community-wide plan			
d	☑ Participation in the execution of a community-wide 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 its 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 CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**	Yes	
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	**8a**		No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	**8b**		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $			

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 % If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	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)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☑ The policy was attached to 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 on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 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?	**15**	Yes	
16 Check all of the following 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			
e ☐ Other similar actions (describe in Part VI)			
17 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?	**17**		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)			

Part V Facility Information *(continued)*

18 Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)

- **a** ☐ Notified individuals of the financial assistance policy on admission
- **b** ☐ Notified individuals of the financial assistance policy prior to discharge
- **c** ☐ Notified individuals 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)

Policy Relating to Emergency Medical Care

		Yes	No
19 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?	**19**	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)			

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20 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 its 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)			
21 During the tax year, did the hospital facility charge any FAP-eligible individuals 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?	**21**		No
If "Yes," explain in Part VI			
22 During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual?	**22**		No
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year?

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any 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

8 **Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
1 REQUIRED DESCRIPTIONS	SCHEDULE H, PART VI, LINE 1	PUBLIC AVAILABILITY OF COMMUNITY BENEFIT REPORT SCHEDULE H, PART I, LINE 6A A REPORT ON PIEDMONT HOSPITAL, INC'S ("PH") COMMUNITY BENEFITS IS FOUND WITHIN PIEDMONT HEALTHCARE, INC'S (PIEDMONT HOSPITAL'S SOLE MEMBER) ANNUAL REPORT, WHICH IS WIDELY DISTRIBUTED TO THE PUBLIC BOTH THROUGH PRINTED COPIES MADE AVAILABLE TO COMMUNITY MEMBERS UPON REQUEST AND THROUGH PUBLICATION ON THE PIEDMONT HEALTHCARE WEBSITE ADDITIONALLY, THE REPORT WAS MAILED TO PH AND PIEDMONT HEALTHCARE BOARD MEMBERS, STATE AND LOCAL ELECTED OFFICIALS, AND OTHER KEY STAKEHOLDERS PERCENT OF TOTAL EXPENSE SCHEDULE H, PART I, LINE 7(F) THE DENOMINATOR USED FOR THE CALCULATION OF COLUMN (F), PERCENT OF TOTAL EXPENSE, WAS THE AMOUNT OF TOTAL FUNCTIONAL EXPENSES ON FORM 990, PART IX, LINE 25, COLUMN (A) of $751,944,033, LESS BAD DEBT EXPENSE OF $59,575,379 FROM FORM 990, PART IX, LINE 24(B) FINANCIAL ASSISTANCE AND CERTAIN OTHER COMMUNITY BENEFITS AT COST SCHEDULE H, PART I, LINE 7 A RATIO OF PATIENT CARE COST TO CHARGES, CONSISTENT WITH WORKSHEET 2, WAS USED TO REPORT THE AMOUNTS IN PART I, LINES 7A-7D FOR AMOUNTS ON LINES 7E-7K, ACTUAL EXPENSES FOR EACH COMMUNITY BENEFIT ACTIVITY ARE TRACED AND REPORTED USING THE ORGANIZATION'S COST ACCOUNTING SYSTEM COMMUNITY BUILDING ACTIVITIES SCHEDULE H, PART II PIEDMONT HOSPITAL PROVIDED EDUCATION AROUND CERTAIN PUBLIC HEALTH ISSUES (E G OBESITY) AND PROVIDED SPECIFIC TOOLS TO HELP ENABLE COMMUNITY GROUPS AND COALITIONS TO BEST ADDRESS THOSE ISSUES THESE TOOLS INCLUDE GENERAL EDUCATIONAL MATERIALS AS WELL AS INFORMATION SPECIFIC TO THE LOCAL COMMUNITY, SUCH AS SUGGESTIONS FOR ACTIVITIES AND ACTIONS THE COMMUNITY COULD UNDERTAKE TO HELP ITS RESIDENTS BECOME MORE ACTIVE AND EMPOWERED IN THEIR HEALTH BAD DEBT EXPENSE CALCULATION AND FOOTNOTE SCHEDULE H, PART III, LINE 4 BASED ON PRIOR EXPERIENCE AND CERTAIN DEMOGRAPHICS AND OTHER INFORMATION OBTAINED DURING ADMISSION, THE ORGANIZATION BELIEVES A PORTION OF THE BAD DEBT EXPENSES AT COST IS ATTRIBUTABLE TO PATIENTS THAT WOULD OTHERWISE QUALIFY FOR CHARITY CARE DESPITE ITS BEST EFFORTS TO EDUCATE PATIENTS ABOUT QUALIFYING FOR ITS CHARITY CARE PROGRAM (AS DISCUSSED IN PART IV, QUESTION 3 BELOW), MANY UNINSURED PATIENTS EITHER REFUSE OR FAIL TO COMPLETE A CHARITY CARE APPLICATION OR PROVIDE SUFFICIENT INFORMATION AT THE TIME OF ADMISSION, DURING THEIR STAY, OR AFTER BEING DISCHARGED TO QUALIFY FOR ASSISTANCE UNDER THE ORGANIZATION'S CHARITY CARE POLICY THE AMOUNT REPORTED ON PART III, LINE 3, WAS DETERMINED BY TAKING THE AVERAGE ACCEPTANCE RATE FOR ALL CHARITY CARE APPLICATIONS RECEIVED DURING THE YEAR MULTIPLIED BY THE NUMBER OF DENIALS THAT WERE ATTRIBUTABLE TO INSUFFICIENT INFORMATION THAT TOTAL WAS THEN ADJUSTED DOWNWARD FOR THE ORGANIZATION'S USE OF PRESUMPTIVE ELIGIBILITY WHEN DETERMINING ITS COMMUNITY BENEFITS BAD DEBT EXPENSE FOOTNOTE FROM CONSOLIDATED, AUDITED FINANCIAL STATEMENTS THE PROVISION FOR BAD DEBTS IS BASED UPON MANAGEMENT'S ASSESSMENT OF HISTORICAL AND EXPECTED NET COLLECTIONS CONSIDERING BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTH CARE COVERAGE, AND OTHER COLLECTION INDICATORS PERIODICALLY, MANAGEMENT ASSESSES THE ADEQUACY OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED UPON HISTORICAL WRITE-OFF EXPERIENCE BY PAYER CATEGORY THE RESULTS OF THIS REVIEW ARE THEN USED TO MAKE ANY MODIFICATIONS TO THE PROVISION FOR BAD DEBTS TO ESTABLISH AN APPROPRIATE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES PH PROVIDES CARE TO PATIENTS WHO MEET CERTAIN CRITERIA UNDER ITS CHARITY CARE POLICY WITHOUT CHARGE OR AT AMOUNTS LESS THAN ITS ESTABLISHED RATES AMOUNTS DETERMINED TO QUALIFY AS CHARITY CARE ARE NOT REPORTED AS REVENUE MEDICARE SHORTFALLS AS COMMUNITY BENEFIT SCHEDULE H, PART III, LINE 8 THE AMOUNT REPORTED ON PART III, SECTION B, LINE 6 WAS CALCULATED IN ACCORDANCE WITH THE SCHEDULE H INSTRUCTIONS AND UTILIZING THE ORGANIZATION'S ALLOWABLE MEDICARE COST AS REPORTED IN THE MEDICARE COST REPORT, WHICH IS BASED ON A COST TO CHARGE RATIO HOWEVER, THE ALLOWABLE COSTS IN THE MEDICARE COST REPORT DO NOT REFLECT THE ACTUAL COST OF PROVIDING CARE TO PATIENTS SINCE THE MEDICARE COST REPORT EXCLUDES MANY DIRECT PATIENT CARE COSTS THAT ARE ESSENTIAL TO PROVIDING QUALITY HEALTHCARE FOR MEDICARE PATIENTS FOR EXAMPLE, CERTAIN COVERAGE FEES TO PHYSICIANS, COST OF MEDICARE C AND D, AND OTHER SIMILAR DIRECT PATIENT CARE EXPENSES ARE SPECIFICALLY EXCLUDED FROM ALLOWABLE COST IN THE MEDICARE COST REPORT THE ORGANIZATION BELIEVES THAT PIEDMONT HOSPITAL'S MEDICARE SHORTFALL REPORTED ON PART III, LINE 7 OF SCHEDULE H, SHOULD BE CONSIDERED A COMMUNITY BENEFIT AS THE IRS COMMUNITY BENEFIT STANDARD INCLUDES THE PROVISION OF CARE TO ELDERLY AND MEDICARE PATIENTS IRS REVENUE RULING 69-545 PROVIDES, IN PART, THAT HOSPITALS SERVING PATIENTS WITH GOVERNMENTAL HEALTH INSURANCE, SUCH AS MEDICARE, IS AN INDICATION THE HOSPITAL OPERATES TO PROMOTE HEALTH IN THE COMMUNITY ADDITIONALLY, MEDICARE ACCOUNTED FOR 21 26 PERCENT OF PH'S PATIENT SERVICE REVENUE PH'S POLICY IS TO TREAT MEDICARE PATIENTS, REGARDLESS OF THE EXTENT TO WHICH MEDICARE ACTUALLY PAYS FOR THE TREATMENT FOR MANY SERVICES, MEDICARE'S REIMBURSEMENT IS LESS THAN THE COST OF THE CARE PROVIDED, RESULTING IN SHORTFALLS THAT ARE TO BE ABSORBED BY THE HOSPITAL IN HONOR OF PH'S COMMITMENT TO TREAT ELDERLY PATIENTS MANY OF THESE PATIENTS LIVE ON A LOW, FIXED INCOME, AND WOULD QUALIFY FOR FINANCIAL ASSISTANCE OR OTHER MEANS-TESTED PROGRAMS, ABSENT THEIR ENROLLMENT IN MEDICARE COLLECTION PRACTICES SCHEDULE H, PART III, LINE 9(B) INITIAL SCREENINGS OF ALL INPATIENT, EMERGENCY, AND SURGERY ENCOUNTERS, AS WELL AS MOST OUTPATIENT VISITS, ARE CONDUCTED BY FINANCIAL COUNSELORS IN ORDER TO IDENTIFY ANY AVAILABLE INSURANCE OR OTHER COVERAGE FOR EACH PATIENT COUNSELORS CONTACT PATIENTS AND THEIR FAMILIES DIRECTLY, EITHER IN PERSON OR BY LETTER, TO ASSIST THE FAMILY IN INDENTIFYING ANY PROGRAMS FOR WHICH THE PATIENT/SERVICE MAY QUALIFY (INCLUDING MEDICAID, STATE CHILDREN'S HEALTH INSURANCE PROGRAM ("SCHIP"), PRIVATE OR GOVERNMENT INSURANCE COVERAGE, AND CHARITY ASSISTANCE) IF THE FAMILY CANNOT BE TIMELY LOCATED OR IS UNCOOPERATIVE, RELATED ACCOUNTS ARE TRANSFERRED TO AN INTERNAL COLLECTION DEPARTMENT FOR FURTHER ATTEMPTS TO OBTAIN PAYMENT OR, IF THE PATIENT MAY QUALIFY FOR ASSISTANCE, TO SECURE A FINANCIAL ASSISTANCE APPLICATION THE ORGANIZATION'S DEBT COLLECTION POLICY AND PROCEDURES PROHIBIT ANY COLLECTION EFFORTS FOR THE PORTION OF A PATIENT ACCOUNT BALANCE THAT QUALIFIES FOR FINANCIAL ASSISTANCE UNDER THE ORGANIZATION'S CHARITY CARE POLICY COMMUNITY REPRESENTATION SCHEDULE H, PART V, LINE 3 PIEDMONT HOSPITAL'S MOST RECENT CHNA WAS CONDUCTED IN PARTNERSHIP WITH THE HAYSLETT GROUP, THE LEAD CONVENER OF GEORGIA'S PARTNER UP FOR PUBLIC HEALTH CAMPAIGN THE OVERALL HEALTH NEEDS ASSESSMENT EFFORT WAS LED BY THE PIEDMONT HEALTHCARE COMMUNITY BENEFITS TEAM, AND ASSISTED BY COMMUNITY HEALTH ADVISORS (FOR STAKEHOLDER INTERVIEWS) STAKEHOLDERS WERE CONTINUALLY ENGAGED DURING THIS PROCESS, WITH A PARTICULAR FOCUS ON THOSE GROUPS, ORGANIZATIONS, AND INDIVIDUALS REPRESENTING THE MOST VULNERABLE MEMBERS OF THE HOSPITAL'S COMMUNITY SPECIFICALLY, PIEDMONT HOSPITAL INTERVIEWED REPRESENTATIVES OF LOCAL AND REGIONAL PUBLIC HEALTH ENTITIES, MINORITY POPULATIONS, THE FAITH-BASED COMMUNITIES, LOCAL BUSINESS OWNERS, THE PHILANTHROPIC COMMUNITY, MENTAL HEALTH AGENCIES, ELECTED OFFICIALS, AND OTHER RELEVANT COMMUNITY STAKEHOLDERS ADDITIONALLY, THE HOSPITAL CONDUCTED TWO FOCUS GROUPS MADE UP OF LOW-INCOME AND UNINSURED PATIENTS, AS WELL AS CONSUMER AND PATIENT ADVOCATES REPRESENTING A VARIETY OF VULNERABLE PATIENTS ALL INTERVIEWS, FOCUS GROUPS AND MEETINGS INFORMED THE CHNA PROCESS, INCLUDING THE IDENTIFICATION OF KEY HEALTH PRIORITIES AND DEVELOPMENT OF IMPLEMENTATION PLAN STRATEGIES PUBLIC AVAILABILITY OF CHNA SCHEDULE H, PART V, LINE 5C IN ADDITION TO MAKING ITS CHNA AVAILABLE ON ITS WEBSITE AND BY REQUEST, PIEDMONT HOSPITAL SENT A COPY TO EACH PARTICIPANT IN THE CHNA (ABOUT 200 PEOPLE), DISTRIBUTED THE ASSESSMENT TO COMMUNITY CENTERS AND OTHER LOCATIONS THAT PRIMARILY SERVE AN UNINSURED POPULATION, SENT A COPY TO LEGISLATIVE AND ELECTED OFFICIALS, AND WIDELY DISTRIBUTED THE ASSESSMENT TO OTHER PIEDMONT HEALTHCARE HOSPITALS
2 NEEDS ASSESSMENT	SCHEDULE H, PART VI, LINE 2	DURING FISCAL YEAR 2013, PIEDMONT HOSPITAL CONDUCTED AND RATIFIED A FORMAL NEEDS ASSESSMENT AND IMPLEMENTATION PLAN THE ASSESSMENT BEGAN WITH A REVIEW OF PUBLICLY AVAILABLE HEALTH AND SOCIOECONOMIC DATA THAT WAS THEN COMPILED AND ANALYZED BY THE HAYSLETT GROUP, THE LEAD CONVENER OF GEORGIA'S PARTNER UP FOR PUBLIC HEALTH CAMPAIGN THE OVERALL HEALTH NEEDS ASSESSMENT EFFORT WAS LED BY THE PIEDMONT HEALTHCARE COMMUNITY BENEFITS TEAM, AND ASSISTED BY COMMUNITY HEALTH ADVISORS (FOR STAKEHOLDER INTERVIEWS) STAKEHOLDERS WERE CONTINUALLY ENGAGED DURING THIS PROCESS, WITH A PARTICULAR FOCUS ON THOSE GROUPS, ORGANIZATIONS, AND INDIVIDUALS REPRESENTING THE MOST VULNERABLE MEMBERS OF THE HOSPITAL'S COMMUNITY SPECIFICALLY, PIEDMONT HOSPITAL INTERVIEWED REPRESENTATIVES OF LOCAL AND REGIONAL PUBLIC HEALTH ENTITIES, MINORITY POPULATIONS, THE FAITH-BASED COMMUNITIES, LOCAL BUSINESS OWNERS, THE PHILANTHROPIC COMMUNITY, MENTAL HEALTH AGENCIES, ELECTED OFFICIALS, AND OTHER RELEVANT COMMUNITY STAKEHOLDERS ADDITIONALLY, THE HOSPITAL CONDUCTED TWO FOCUS GROUPS MADE UP OF LOW-INCOME AND UNINSURED PATIENTS, AS WELL AS CONSUMER AND PATIENT ADVOCATES REPRESENTING A VARIETY OF VULNERABLE PATIENTS ALL INTERVIEWS, FOCUS GROUPS AND MEETINGS INFORMED THE CHNA PROCESS, INCLUDING THE IDENTIFICATION OF KEY HEALTH PRIORITIES AND DEVELOPMENT OF IMPLEMENTATION PLAN STRATEGIES THE PIEDMONT HOSPITAL BOARD OF DIRECTORS APPROVED THIS COMMUNITY HEALTH NEEDS ASSESSMENT AND IMPLEMENTATION PLAN TO ADDRESS IDENTIFIED HEALTH ISSUES ON MAY 21, 2013

Identifier	ReturnReference	Explanation
3 PATIENT EDUCATION OF ASSISTANCE ELIGIBILITY	SCHEDULE H, PART VI, LINE 3	PIEDMONT HEALTHCARE UNDERSTANDS THAT NOT EVERYONE WILL HAVE THE ABILITY TO PAY THEIR HOSPITAL BILL DUE TO THEIR INSURANCE STATUS OR A LIMITED INCOME, AND BECAUSE OF THIS, PIEDMONT HOSPITAL OFFERS FINANCIAL ASSISTANCE TO QUALIFYING PATIENTS INFORMATION ABOUT AND CONTACT NUMBERS FOR FINANCIAL ASSISTANCE ARE PROVIDED IN NOTICES INSERTED IN PATIENT BILLS AND POSTED IN EMERGENCY ROOMS, IN THE CONDITIONS OF ADMISSION FORM, AT ADMITTING AND REGISTRATION DEPARTMENTS, AT HOSPITAL BUSINESS OFFICES, AT PATIENT FINANCIAL SERVICES OFFICES THAT ARE LOCATED ON FACILITY CAMPUSES, AND AT OTHER PUBLIC PLACES THE HOSPITAL MAY ELECT, INCLUDING LOCAL LOW-COST CLINICS PRIMARILY TREATING UNINSURED POPULATIONS PIEDMONT HOSPITAL ALSO PUBLISHES AND WIDELY PUBLICIZES A SUMMARY OF THIS FINANCIAL ASSISTANCE CARE POLICY ON ITS FACILITY WEBSITE, WHICH INCLUDES A LINK TO THE FULL POLICY AND APPLICATION REFERRAL OF PATIENTS FOR FINANCIAL ASSISTANCE MAY BE MADE BY ANY STAFF OR MEDICAL STAFF MEMBER AT THE HOSPITAL, INCLUDING PHYSICIANS, NURSES, FINANCIAL COUNSELORS, SOCIAL WORKERS, CASE MANAGERS, CHAPLAINS, AND RELIGIOUS SPONSORS A REQUEST FOR FINANCIAL ASSISTANCE MAY BE MADE BY THE PATIENT OR A FAMILY MEMBER, CLOSE FRIEND, OR ASSOCIATE OF THE PATIENT, SUBJECT TO APPLICABLE PRIVACY LAWS
4 COMMUNITY INFORMATION	SCHEDULE H, PART VI, LINE 4	PIEDMONT HOSPITAL IS LOCATED IN FULTON COUNTY, AND ITS PRIMARY SERVICE COMMUNITIES ARE FULTON COUNTY AND NEARBY DEKALB COUNTY IN 2012, APPROXIMATELY 1 6 MILLION PEOPLE LIVED IN FULTON AND DEKALB COUNTIES, WITH THE MAJORITY RESIDING IN FULTON BOTH ARE URBAN COMMUNITIES, AND TOGETHER COMPRISE THE CITY OF ATLANTA IN BOTH COUNTIES, ABOUT 27 PERCENT OF ADULTS WAS UNINSURED IN 2012, AND OF THOSE INSURED, ABOUT ONE-THIRD RELY ON PUBLIC ASSISTANCE OF THE PRIVATELY INSURED, AN ESTIMATED ONE-THIRD IS UNDERINSURED APPROXIMATELY 14 PERCENT OF THE OVERALL ADULT POPULATION IN BOTH COUNTIES REPORTED THEY WERE UNABLE TO SEE A DOCTOR IN 2012 DUE TO COST AND, THAT YEAR, 13 PERCENT REPORTED THEY WERE IN POOR OR FAIR HEALTH, A FIGURE HIGHER THAN THE NATIONAL BENCHMARK OF 10 PERCENT REPORTING THAT LOW LEVEL OF HEALTH ABOUT 8 PERCENT OF ADULT RESIDENTS IN FULTON COUNTY HAVE BEEN DIAGNOSED WITH DIABETES, WHICH IS AN AMOUNT SLIGHTLY LOWER THAN GEORGIA'S AVERAGE OF 10 PERCENT VIOLENCE IS A SIGNIFICANT ISSUE IN BOTH FULTON AND DEKALB COUNTIES, WITH RATES THAT THAT SOAR ABOVE BOTH STATE AND NATIONAL BENCHMARKS IN DEKALB COUNTY, THERE WERE ABOUT 746 VIOLENT CRIME INCIDENTS PER EVERY 100,000 RESIDENTS IN 2012 THAT SAME YEAR, IN FULTON COUNTY, THERE WERE 953 VIOLENT CRIME INCIDENTS PER EVERY 100,000 RESIDENTS, A FIGURE MORE THAN DOUBLE THE STATE AVERAGE AND MORE THAN 13 TIMES THE NATIONAL AVERAGE THE TEEN BIRTH RATE IN FULTON AND DEKALB COUNTIES IS 47 BIRTHS PER 1,000 TEENAGED WOMEN AND 48 BIRTHS PER 1,000 TEENAGED WOMEN, RESPECTIVELY COMPARED TO THE NATIONAL AVERAGE OF ONLY 21 BIRTHS PER 1,000 TEENAGED WOMEN, THIS FIGURE IS EXTREMELY HIGH FOR BOTH COUNTIES ONE IN FIVE ADULTS ARE NOTABLY PHYSICALLY INACTIVE IN BOTH COUNTIES, AND ONE IN FOUR IS OBESE ACCESS TO HEALTHY FOODS COULD BE AN ISSUE AS ABOUT 7 PERCENT OF FULTON COUNTY'S POPULATION DOES NOT LIVE WITHIN CLOSE PROXIMITY OF A GROCERY STORE THAT SELLS FRESH FRUIT AND VEGETABLES, AND APPROXIMATELY HALF OF THE COUNTY'S RESTAURANTS ARE FAST FOOD ESTABLISHMENTS

Identifier	ReturnReference	Explanation
5 PROMOTION OF COMMUNITY HEALTH	SCHEDULE H, PART VI, LINE 5	PIEDMONT HOSPITAL ACTIVELY PROMOTES THE HEALTH OF ITS COMMUNITY THROUGH COMMUNITY-BASED HEALTH SCREENINGS, EDUCATIONAL ACTIVITIES, THE OPERATION OF A 24-HOUR EMERGENCY DEPARTMENT AVAILABLE TO THE ENTIRE COMMUNITY, THE OPERATION OF AN EMERGENCY ROOM OPEN TO ALL MEMBERS OF THE COMMUNITY WITHOUT REGARD TO ABILITY TO PAY, A GOVERNANCE BOARD COMPOSED OF COMMUNITY MEMBERS, USE OF SURPLUS REVENUE FOR FACILITIES IMPROVEMENT, PATIENT CARE, AND MEDICAL TRAINING, EDUCATION, AND RESEARCH, THE PROVISION OF INPATIENT HOSPITAL CARE FOR ALL PERSONS IN THE COMMUNITY ABLE TO PAY, INCLUDING THOSE COVERED BY MEDICARE AND MEDICAID, AND AN OPEN MEDICAL STAFF WITH PRIVILEGES AVAILABLE TO ALL QUALIFYING PHYSICIANS
6 AFFILIATED HEALTH CARE SYSTEM	SCHEDULE H, PART VI, LINE 6	THE ORGANIZATION IS PART OF AN INTEGRATED HEALTHCARE DELIVERY SYSTEM ("SYSTEM") SERVING THE HEALTHCARE NEEDS OF NORTH GEORGIA AND, SPECIFICALLY, THE METROPOLITAN ATLANTA AREA THE SYSTEM EXISTS TO PROVIDE PROGRESSIVE HEALTHCARE MARKED BY COMPASSION AND SUSTAINABLE EXCELLENCE TO ALL MEMBERS OF ITS COMMUNITY COMMUNITY BENEFITS ARE GENERATED THROUGH THE PROVISION OF CHARITY CARE, GOVERNMENT-SPONSORED PROGRAMS (SUCH AS MEDICAID AND MEDICARE), MEDICAL RESEARCH, MEDICAL EDUCATION, COMMUNITY HEALTH IMPROVEMENT SERVICES, DONATIONS TO OTHER NONPROFIT HEALTH CARE PROVIDERS, AND MANY OTHER COMMUNITY SERVICE ACTIVITIES IN FISCAL YEAR 2013, THE PIEDMONT HEALTHCARE SYSTEM INCLUDED FIVE FULL-SERVICE HOSPITALS, A PHILANTHROPIC FOUNDATION, A CARDIOVASCULAR RESEARCH INSTITUTE, A PHYSICIAN NETWORK, AMBULATORY SURGERY CENTERS, AND OTHER HEALTH CARE PROVIDERS, ALL OF WHICH FALL UNDER THE COMMON CONTROL OF PIEDMONT HEALTHCARE, INC , PIEDMONT HOSPITAL'S SOLE MEMBER THE SYSTEM'S FIVE HOSPITALS ARE PIEDMONT HOSPITAL, A 488-BED ACUTE TERTIARY CARE FACILITY IN ATLANTA, PIEDMONT FAYETTE HOSPITAL, A 157-BED, ACUTE-CARE COMMUNITY HOSPITAL IN FAYETTEVILLE, PIEDMONT MOUNTAINSIDE HOSPITAL, A 42-BED COMMUNITY HOSPITAL IN JASPER, PIEDMONT NEWNAN HOSPITAL, A 136-BED, ACUTE-CARE COMMUNITY HOSPITAL IN NEWNAN, AND PIEDMONT HENRY HOSPITAL, A 215-BED ACUTE-CARE COMMUNITY HOSPITAL IN STOCKBRIDGE AS PART OF THE PIEDMONT HEALTHCARE SYSTEM, CERTAIN AFFILIATES MAKE GRANTS AND/OR CONTRIBUTIONS TO OTHER RELATED NONPROFIT AFFILIATES TO HELP FINANCIALLY SUPPORT AND/OR FUND WORTHY COMMUNITY BENEFITS ACTIVITIES

Identifier	ReturnReference	Explanation
7 STATE OF FILING OF COMMUNITY BENEFIT REPORT	SCHEDULE H, PART VI, LINE 7	PIEDMONT HOSPITAL IS NOT REQUIRED TO FILE A COMMUNITY BENEFIT REPORT, HOWEVER THE HOSPITAL IS REQUIRED TO FILE WITH THE GEORGIA DEPARTMENT OF COMMUNITY HEALTH INFORMATION ON ITS INDIGENT AND CHARITY CARE, AS WELL AS ITS MEDICAID AND MEDICARE SHORTFALLS

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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

2012

Open to Public Inspection

Name of the organization
Piedmont Hospital Inc

Employer identification number
58-0566213

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. Part II can be duplicated 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) AMERICAN HEART ASSOCIATION GREATER SOUTHEAST AFFILIATE PO BOX DES MOINES,IA 503402900	13-5613797	501(c)(3)	80,000				HEART WALK SPONSORSHIP
(2) THE LEUKEMIA & LYMPHOMA SOCIETY 3715 NORTHSIDE PARKWAY BLDG 400 S ATLANTA,GA 30327	13-5644916	501(C)(3)	15,000				"LIGHT THE NIGHT" EVENT SPONSORSHIP
(3) CENTRAL ATLANTA PROGRESS INC 50 Hurt Plaza Atlanta,GA 30303	58-0969893	501(c)(4)	10,000				SUPPORT
(4) GEORGE WEST MENTAL HEALTH FOUNDATION 1961 N Druid Hills Rd Atlanta,GA 30329	58-1489941	501(c)(3)	10,000				BOL/SPONSORSHIP
(5) GEORGIA ORGANICS INC 200A Ottley Dr Atlanta,GA 30324	58-2345310	501(c)(3)	7,500				SPONSORSHIP FARM RX
(6) GEORGIA PROFESSIONALS HEALTH PROGRAM INC 1034 WINDING RIDGE COURT DUNWOODY,GA 30338	27-4592137	501(c)(3)	8,000				SPONSORSHIP
(7) MARCH OF DIMES FOUNDATION 1776 PEACHTREE ST NW STE 100 Atlanta,GA 30309	13-1846366	501(c)(3)	16,500				NURSE OF THE YEAR EVENT

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ▶ 6

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

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. Part III can be duplicated 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
(1) Tuition Reimbursement	71	178,674			

Part IV **Supplemental Information.**

Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information

Identifier	Return Reference	Explanation
MONITORING THE USE OF GRANT FUNDS	SCHEDULE I, PART I, LINE 2	SPONSORSHIPS MONEY IS GIVEN TO CHARITABLE ORGANIZATIONS WHICH PRIMARILY PROMOTE HEALTH CARE CAUSES OCCASIONALLY, MONEY IS GIVEN TO CHARITABLE ORGANIZATIONS WHICH ARE NOT HEALTHCARE ORGANIZATIONS THESE ORGANIZATIONS PROMOTE OTHER WORTHY CAUSES IN THE SURROUNDING COMMUNITY THE GRANTS ARE ADMINISTERED THROUGH THE ORGANIZATION'S PUBLIC RELATIONS DEPARTMENT TUITION REIMBURSEMENT THE ORGANIZATION'S HUMAN RESOURCES DEPARTMENT APPROVES REQUESTS FOR TUITION REIMBURSEMENT IF THERE IS A QUESTION CONCERNING THE JOB RELATEDNESS OF A COURSE, THE DIRECTOR OF HUMAN RESOURCES WILL CONSULT THE EDUCATION DIRECTOR AND THE INDIVIDUAL APPLICANT'S DEPARTMENT DIRECTOR TOGETHER THEY WILL MAKE A RECOMMENDATION THE DIRECTOR OF HUMAN RESOURCES WILL HAVE RESPONSIBILITY FOR ASSURING THAT THE TUITION REIMBURSEMENT REQUEST MEETS THE STANDARDS SET FORTH IN THE ORGANIZATION'S TUITION REIMBURSEMENT POLICY STATEMENT IF THE EMPLOYEE DISAGREES WITH THE DIRECTOR OF HUMAN RESOURCES' EVALUATION, THE EMPLOYEE MAY TAKE THE REQUEST TO HIS/HER ADMINISTRATIVE REPRESENTATIVE FINAL APPROVAL FOR ELIGIBILITY OF TUITION REIMBURSEMENT RESTS WITH ADMINISTRATION

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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

2012

Open to Public Inspection

Name of the organization
Piedmont Hospital Inc

Employer identification number
58-0566213

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 or provision of all of the expenses described above? If "No," complete Part III to explain	**1b**	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**	Yes	
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III			
	☐ Compensation committee	☐ Written employment contract		
	☐ Independent compensation consultant	☐ Compensation survey or study		
	☐ Form 990 of other organizations	☐ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		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 Regulations 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 duplicate copies if additional space is 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, applicable column (D) and (E) amounts for that individual

(A) Name and Title	**(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 as deferred in prior Form 990
	(i) Base compensation	**(ii)** Bonus & incentive compensation	**(iii)** Other reportable compensation				
See Additional Data Table							

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II
Also complete this part for any additional information

Identifier	Return Reference	Explanation
OTHER COMPENSATION ITEMS	SCHEDULE J, PART I, LINE 1A	EXPENSES FOR FIRST-CLASS TRAVEL ARE PAID ON BEHALF OF CERTAIN EXECUTIVES THESE ITEMS ARE NOT REPORTED ON THE EMPLOYEE'S FORM W-2, HOWEVER, THE COMPANY IS REIMBURSED FOR ANY PERSONAL EXPENSES INCURRED BY THE EMPLOYEE THE FOLLOWING EMPLOYEES RECEIVED DISCRETIONARY SPENDING ACCOUNTS IN FIXED AMOUNTS DETERMINED BY JOB LEVEL THESE SPENDING ACCOUNTS WERE INCLUDED IN EACH EMPLOYEE'S TAXABLE WAGES CHARLIE HALL LESLIE DONAHUE JAY MITCHELL THOMAS ARNOLD
COMPENSATION OF THE CEO/EXECUTIVE DIRECTOR	SCHEDULE J, PART I, LINE 3	THE COMPENSATION FOR THE PRESIDENT/CEO OF PIEDMONT HOSPITAL IS SET BY THE ENTITY'S PARENT, PIEDMONT HEALTHCARE, INC PLEASE SEE THE SCHEDULE O NARRATIVE FOR FORM 990, PART VI, SECTION B, LINE 15A & 15B FOR ADDITIONAL INFORMATION
SUPPLEMENTAL COMPENSATION INFORMATION	SCHEDULE J, PART I, LINES 4B	The following employees participated in a supplemental nonqualified retirement plan, but did not receive current year payments Charlie Hall Leslie Donahue Jay Mitchell Thomas Arnold Mark Cohen

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 58-0566213
Name: Piedmont Hospital Inc

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Mr Charlie Hall	(I)	0	0	0	0	0	0	
	(II)	419,345	138,502	124,108	159,774	25,915	867,644	
Dr Carol T Aitcheson	(I)	0	0	0	0	0	0	
	(II)	577,988	0	12,549	15,000	14,250	619,787	
Dr Bryant Wilson	(I)	71,794	0	0	0	0	71,794	
	(II)	549,384	133,800	30,493	0	16,120	729,797	
Mr Thomas Arnold	(I)	293,773	84,605	48,181	38,702	19,028	484,289	
	(II)	0	0	0	0	0	0	
Dr Patrick M Battey	(I)	0	0	0	0	0	0	
	(II)	513,629	0	5,317	15,000	12,685	546,631	
Mr Leslie A Donahue	(I)	532,039	216,212	115,330	108,989	26,740	999,310	
	(II)	0	0	0	0	0	0	
Dr Adrian Douglass	(I)	0	0	0	0	0	0	
	(II)	360,494	2,875	12,420	24,222	13,174	413,185	
Dr William Knopf	(I)	949,540	250,000	2,852	15,000	7,296	1,224,688	
	(II)	0	0	0	0	0	0	
Mr Hildred Robinson	(I)	194,223	46,998	29,102	11,300	8,498	290,121	
	(II)	0	0	0	0	0	0	
Mr Jay D Mitchell	(I)	0	0	0	0	0	0	
	(II)	408,181	134,332	49,346	57,676	21,075	670,610	
Mr Jyoti Prempeh	(I)	162,485	41,123	8,141	9,939	9,092	230,780	
	(II)	0	0	0	0	0	0	
Mr Mark Cohen	(I)	455,098	44,063	16,247	24,375	3,476	543,259	
	(II)	0	0	0	0	0	0	
Mr Paul Herd	(I)	242,415	0	0	14,240	0	256,655	
	(II)	0	0	0	0	0	0	
Ms Sarah Mullis	(I)	178,392	14,230	15,440	2,898	5,804	216,764	
	(II)	0	0	0	0	0	0	
Ms Debbie Gramling	(I)	0	0	0	0	0	0	0
	(II)	139,951	9,260	4,020	2,995	11,594	167,820	0
Ms Denise Ray	(I)	0	0	0	0	0	0	0
	(II)	340,934	96,161	59,412	43,121	19,557	559,185	0

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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 Part VI.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Piedmont Hospital Inc

Employer identification number
58-0566213

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	DEVELOPMENT AUTHORITY OF FULTON COUNTY	58-1639487	359900ZX8	11-24-2009	248,554,761	See Part VI - Supplemental Info		X		X		X
B	HOSPITAL AUTHORITY OF FAYETTE COUNTY	58-2629223	31222TAJ2	11-24-2009	79,849,335	See Part VI - Supplemental Info		X		X		X
C	COWETA COUNTY DEVELOPMENT AUTHORITY	58-1057672	223658PW9	10-27-2010	99,459,357	Construct and Equip a New Hospital		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	15,490,000	13,005,000	0	
2	Amount of bonds legally defeased	0	0	0	
3	Total proceeds of issue	299,999,726	78,404,371	99,459,357	
4	Gross proceeds in reserve funds	0	0	0	
5	Capitalized interest from proceeds	0	0	0	
6	Proceeds in refunding escrows	0	0	0	
7	Issuance costs from proceeds	7,212	1,885	0	
8	Credit enhancement from proceeds	0	0	0	
9	Working capital expenditures from proceeds	0	0	0	
10	Capital expenditures from proceeds	0	0	99,459,357	
11	Other spent proceeds	299,992,514	78,402,486	0	
12	Other unspent proceeds	0	0	0	
13	Year of substantial completion	2009	2009	2012	

		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		X			X		
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		
16	Has the final allocation of proceeds been made?	X		X		X			
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X			

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X		X		X			
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X		X			
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0%		0%		0%		%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	%		%		%		%	
6	Total of lines 4 and 5	%		%		%		%	
7	Does the bond issue meet the private security or payment test?		X		X		X		
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?		X		X		X		
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?	X		X		X			

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X		X		
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?	X		X		X			
b	Exception to rebate?		X		X		X		
c	No rebate due?		X		X		X		
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?	X		X			X		
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X		X		
b	Name of provider	0		0		0			
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								

Part IV Arbitrage *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X		X		
b	Name of provider	0		0		0			
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X		X		X		
7	Has the organization established written procedures to monitor the requirements of section 148?	X		X		X			

Part V Procedures To Undertake Corrective Action

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has 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?	X		X		X			

Part VI Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).

Identifier	Return Reference	Explanation
DEVELOPMENT AUTHORITY OF FULTON COUNTY BONDS ISSUED 11/24/2009	SCHEDULE K, PART I, LINE A	ON NOVEMBER 24, 2009, PIEDMONT HEALTHCARE, INC , (PIEDMONT HOSPITAL'S SOLE MEMBER, EIN 58-1503902) ENTERED INTO A BOND ISSUANCE AGREEMENT WITH THE DEVELOPMENT AUTHORITY OF FULTON COUNTY CONSISTING OF THE FOLLOWING SERIES SERIES 2009A, CUSIP # 359900ZX8, ISSUE PRICE $166,454,761 (FIXED RATE) SERIES 2009B, CUSIP # 359900ZY6, ISSUE PRICE $70,000,000 (VARIABLE RATE) SERIES 2009C, CUSIP # NONE, ISSUE PRICE $62,100,000 (FIXED RATE) THE ISSUE WAS USED TO REFUND BONDS ISSUED ON 04/07/1999, 06/14/2001, 04/13/2003, 12/15/2005, AND 12/13/2007 THE 2009C BONDS WERE USED TO REPAY A LINE OF CREDIT (SUN TRUST NOTE) THAT FUNDED CONSTRUCTION AND RENOVATION PROJECTS
HOSPITAL AUTHORITY OF FAYETTE COUNTY BONDS ISSUED 11/24/2009	SCHEDULE K, PART I, LINE B	ON NOVEMBER 24, 2009, PIEDMONT HEALTHCARE, INC , (PIEDMONT HOSPITAL'S SOLE MEMBER, EIN 58-1503902) ENTERED INTO A BOND ISSUANCE AGREEMENT WITH THE HOSPITAL AUTHORITY OF FAYETTE COUNTY CONSISTING OF THE FOLLOWING SERIES SERIES 2009A, CUSIP # 31222TAJ2, ISSUE PRICE $36,204,335 (FIXED RATE) SERIES 2009B, CUSIP # 31222TAH6, ISSUE PRICE $36,645,000 (VARIABLE RATE) SERIES 2009C, CUSIP # NONE, ISSUE PRICE $7,000,000 (FIXED RATE) THE ISSUE WAS USED TO REFUND BONDS ISSUED ON 04/07/1999, 06/14/2001, 04/13/2003, 12/15/2005, AND 12/13/2007 THE 2009C BONDS WERE USED TO REPAY A LINE OF CREDIT (SUN TRUST NOTE) THAT FUNDED CONSTRUCTION AND RENOVATION PROJECTS
TOTAL PROCEEDS OF ISSUE	SCHEDULE K, PART II, LINE 3, COLUMNS A & B	THE 2009 BOND ISSUES LISTED IN COLUMNS A & B OF PART I ARE COMBINED ON THE FORM 8038 FILED BY PIEDMONT HOSPITAL HOWEVER, FOR PURPOSES OF SCHEDULE K REPORTING, PIEDMONT HOSPITAL HAS BROKEN OUT THE BOND ISSUED BASED ON THE AUTHORITY (I E FAYETTE OR FULTON) THAT ISSUED THE BONDS CONSEQUENTLY, THE REPORTING IN COLUMNS A & B WILL NOT TIE TO THE FORM 8038 FILED WITH THE IRS AT THE TIME OF ISSUANCE

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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

2012

Open to Public Inspection

Name of the organization
Piedmont Hospital Inc

Employer identification number
58-0566213

Identifier	Return Reference	Explanation
NUMBER OF FORMS 1099 FILED	FORM 990, PART V, LINE 1A	
ORGANIZATION'S SOLE MEMBER	FORM 990, PART VI, SECTION A, LINE 6	PIEDMONT HEALTHCARE, INC , (EIN 58-1503902) IS THE SOLE MEMBER OF PIEDMONT HOSPITAL, INC ("PH")
ELECTION OF GOVERNING BODY	FORM 990, PART VI, SECTION A, LINE 7A	THE BOARD OF PIEDMONT HEALTHCARE APPOINTS THE MEMBERS OF THE BOARD OF DIRECTORS OF PIEDMONT HOSPITAL
DECISIONS OF GOVERNING BODY	FORM 990, PART VI, SECTION A, LINE 7B	PIEDMONT HOSPITAL'S BOARD POLICIES AND DECISIONS MUST BE FILED, IMMEDIATELY AFTER ADOPTION , WITH THE SECRETARY OF THE PIEDMONT HEALTHCARE BOARD OF DIRECTORS SUCH POLICIES AND DECI SIONS OF THE PIEDMONT HOSPITAL BOARD OF DIRECTORS ARE NOT SUBJECT TO THE APPROVAL OF OR RA TIFICATION BY THE PIEDMONT HEALTHCARE BOARD, BUT SHOULD THE NEED ARISE, THEY MAY BE RESCIN DED BY THE PIEDMONT HEALTHCARE BOARD THROUGH A MAJORITY VOTE OF ITS DIRECTORS
990 REVIEW PROCESS	FORM 990, PART VI, SECTION B, LINE 11B	INFORMATION NEEDED TO PREPARE PIEDMONT HOSPITAL'S FORM 990 IS COMPILED BY INDIVIDUALS IN T HE ORGANIZATION'S FINANCE DEPARTMENT THE INFORMATION IS REVIEWED BY PH'S CONTROLLER AND V P/CFO THE 990 IS THEN PREPARED INTERNALLY BY PIEDMONT HEALTHCARE, INC 'S TAX COMPLIANCE M ANAGER AND SUBMITTED TO AN EXTERNAL TAX PREPARER FOR REVIEW PRIOR TO FILING, COPIES OF FO RM 990 ARE PROVIDED TO THE BOARD OF DIRECTORS OF PIEDMONT HEALTHCARE, INC , THE ORGANIZATI ON'S SOLE MEMBER, FOR BOARD REVIEW
CONFLICT OF INTEREST POLICY	FORM 990, PART VI, SECTION B, LINE 12C	COMPLIANCE WITH THE ORGANIZATION'S CONFLICT OF INTEREST POLICY IS MONITORED AND ENFORCED B Y ORGANIZATION MANAGEMENT IN COORDINATION WITH PIEDMONT HEALTHCARE'S SENIOR VICE PRESIDENT OF COMPLIANCE ALL SENIOR LEADERS, BOARD MEMBERS, PHYSICIAN EMPLOYEES, NURSE PRACTITIONER S/PHYSICIAN ASSISTANTS AND EMPLOYEES AND NON-EMPLOYEES ENGAGED IN RESEARCH ARE REQUIRED TO ANNUALLY DISCLOSE ALL MATTERS WHICH COULD POTENTIALLY CONSTITUTE A CONFLICT OF INTEREST MATTERS DISCLOSED UNDER THE POLICY MUST BE REVIEWED IN WRITING BY THE PIEDMONT HEALTHCARE CONFLICT OF INTEREST COMMITTEE IN ORDER TO DETERMINE WHETHER A CONFLICT EXISTS AND, IF SO, WHETHER TO ELIMINATE OR MANAGE THE CONFLICT ALL BOARD MEMBERS AND EMPLOYEES OF PIEDMONT HOSPITAL ARE PROVIDED TRAINING ON CONFLICT OF INTEREST ISSUES, INCLUDING REPORTING REQUIRE MENTS, AT NEW-EMPLOYEE ORIENTATION AND AT LEAST ANNUALLY THEREAFTER NONCOMPLIANCE WITH TH E CONFLICT OF INTEREST POLICY MUST BE REPORTED TO PIEDMONT HEALTHCARE'S SENIOR VICE PRESID ENT OF COMPLIANCE FOR INVESTIGATION, AND REMEDIAL STEPS MUST BE TAKEN AS APPROPRIATE UNDER THE PIEDMONT HEALTHCARE DISCIPLINARY POLICIES
EXECUTIVE COMPENSATION	FORM 990, PART VI, SECTION B, LINES 15A & 15B	COMPENSATION FOR EXECUTIVES OF PIEDMONT HOSPITAL IS SET BY THE BOARD OF DIRECTORS OF PIEDM ONT HEALTHCARE, INC THE PIEDMONT HEALTHCARE, INC , BOARD OF DIRECTORS EXECUTIVE PERFORMAN CE AND COMPENSATION COMMITTEE ("THE COMMITTEE") IS COMPOSED OF AT LEAST THREE MEMBERS, SER VING TERMS OF THREE YEARS, AND THE MAJORITY OF WHICH ARE COMMUNITY DIRECTORS WHO GENERALLY DO NOT HAVE CONFLICTS OF INTEREST RELATED TO FULFILLMENT OF THE DUTIES AS OUTLINED BELOW THE COMMITTEE HAS BEEN AUTHORIZED BY THE PIEDMONT HEALTHCARE BOARD OF DIRECTORS TO PERFOR M THE FOLLOWING FUNCTIONS -SELECT AN EXTERNAL EXECUTIVE COMPENSATION CONSULTANT ("THE CON SULTANT") THE COMMITTEE CURRENTLY UTILIZES TOWERS WATSON FOR EXECUTIVE COMPENSATION CONSU LTING SERVICES -WORK WITH THE PRESIDENT/CEO TO FORMULATE AND IMPLEMENT ANNUAL PERFORMANCE OBJECTIVES THE COMMITTEE MEETS ANNUALLY WITH PIEDMONT HEALTHCARE'S CEO AND KEY SENIOR EX ECUTIVES -TO REVIEW AND APPROVE EXECUTIVE PERFORMANCE OBJECTIVES FOR THE FISCAL YEAR -AN NUALLY ASSESS PRESIDENT/CEO PERFORMANCE THE COMMITTEE MEETS ANNUALLY WITH THE CEO AND KEY SENIOR EXECUTIVES -TO REVIEW THE ACCOMPLISHMENTS OF THE EXECUTIVE PERFORMANCE OBJECTIVES AFTER THE CLOSE OF THE FISCAL YEAR -ASSESS AND IMPLEMENT POLICIES REGARDING PRESIDENT/CE O PERFORMANCE AND COMPENSATION THE COMMITTEE HAS DEVELOPED AN EXECUTIVE COMPENSATION PHIL OSOPHY AND REVIEWS THE PHILOSOPHY ANNUALLY THE COMMITTEE SEEKS INPUT AND GUIDANCE FROM TH E CONSULTANT TO ENSURE THAT THE PHILOSOPHY IS REASONABLE AND COMPARABLE TO THAT OF SIMILAR ORGANIZATIONS -APPPROVE LONG- AND SHORT-TERM GOALS TO BE USED IN CONNECTION WITH EXECUTIV E STAFF COMPENSATION PROGRAM AS RECOMMENDED BY THE PRESIDENT/CEO AND VALIDATED BY THE COMP ENSATION CONSULTANT THE COMMITTEE MEETS ANNUALLY WITH THE CEO AND KEY SENIOR EXECUTIVES A S WELL AS THE CONSULTANT TO REVIEW SALARY ADJUSTMENTS AND INCENTIVE PAY FOR THE CEO, SENIO R EXECUTIVES, AND EXECUTIVES THROUGHOUT THE ORGANIZATION THE COMMITTEE MEETS WITH THE CON SULTANT ANNUALLY TO RECEIVE INPUT AND RECOMMENDATIONS TO ENSURE THAT SALARY ADJUSTMENTS, I NCENTIVES, AND BENEFITS ARE REASONABLE AND COMPARABLE TO THOSE OF LIKE ORGANIZATIONS -PER FORM ANY TASKS RELATED TO EXECUTIVE PERFORMANCE AND COMPENSATION, INCLUDING BUT NOT LIMITE D TO, APPROVAL OF EXECUTIVE EMPLOYMENT CONTRACTS, AND EXECUTIVE BENEFITS THE COMMITTEE SE EKS INPUT FROM THE CONSULTANT, AS WELL AS EXTERNAL LEGAL ADVISORS, WHEN IT IS NECESSARY TO DEVELOP AND/OR AMEND EXECUTIVE EMPLOYMENT CONTRACTS AND BENEFITS
DISCLOSURE OF GOVERNING, CONFLICT OF INTEREST AND FINANCIAL DOCUMENTS	FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS ARE AVAILABLE U PON REQUEST THESE DOCUMENTS SHOULD BE REQUESTED FROM PIEDMONT HEALTHCARE, INC'S LEGAL COU NSEL
RECONCILIATION OF NET ASSETS	FORM 990, PART XI, LINE 9	CHANGES TO NET ASSETS REPORTED ON PART XI, LINE 9 ARE COMPRISED OF BOOK/TAX DIFFERENCES O F $(2,657,614) RELATED TO TIMING OF REVENUE RECOGNITION, NET CHANGES IN TEMPORARILY RESTRI CTED FUNDS OF $2,055,985, AND AN INCREASE TO PERMANENTLY RESTRICTED FUNDS OF $277,861

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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

2012

Open to Public Inspection

Name of the organization
Piedmont Hospital Inc

Employer identification number
58-0566213

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

(a) Name, address, and EIN (if applicable) 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
(1) CTMR MANAGEMENT LLC 1968 PEACHTREE RD NW ATLANTA, GA 30309	MEDICAL	GA			PIEDMONT HOS
(2) PCL-II LLC 1968 PEACHTREE RD NW ATLANTA, GA 30309	MEDICAL	GA			PIEDMONT HOS
(3) PIEDMONT WEST AMBULATORY SURGERY CENTER 1800 Howell Mill Rd Ste 200 ATLANTA, GA 30318 26-4422348	SURGERY	GA	5,763,092	12,295,451	PIEDMONT HOS

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to 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 entity? Yes	(g) No
See Additional Data Table							

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) Peachtree OrthopAedic Surgery Center 2001 Peachtree Road NE Suite 705 Atlanta, GA 30309 58-2562721	Orthopedic SuRG	GA	NA	RELATED	641,632	586,397		No	0		No	15 000 %
(2) Digestive Healthcare of Georgia 95 Collier Road NW suite 4075 Atlanta, GA 303091721 58-2406657	Endo / GI surG	GA	NA	RELATED	402,112	153,884		No	0		No	15 000 %

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" to 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	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) PIEDMONT MEDICAL CARE CORPORATION 2727 PACES FERRY RD SUITE 1-1100 ATLANTA, GA 30339 58-2092768	HEALTHCARE	GA	NA	C-CORP	0	0	0 %		No
(2) THE PIEDMONT CLINIC INC 2727 PACES FERRY ROAD SUITE 1-1100 ATLANTA, GA 30339 58-2005358	HEALTHCARE	GA	NA	C-CORP	0	0	0 %		No
(3) PIEDMONT HEART INSTITUTE PHYSICIANS INC 95 COLLIER ROAD NW STE 2045 ATLANTA, GA 30309 26-0593850	HEALTHCARE	GA	NA	C-CORP	0	0	0 %		No
(4) AMSTER MCRAE INSURANCE COMPANY PO BOX 1159 GRAND CAYMAN, GRAND CAYMAN KY1-1102 CJ 98-0427603	Related InsurANCE	CJ	NA	C-CORP	0	0	0 %		No

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

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

		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 or **(iv)** rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c		No
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Dividends from related organization(s)	1f		
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j	Yes	
k Lease of facilities, equipment, or other assets from related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations for related organization(s)	1l		No
m Performance of services or membership or fundraising solicitations by related organization(s)	1m		No
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n		No
o Sharing of paid employees with related organization(s)	1o		No
p Reimbursement paid to related organization(s) for expenses	1p	Yes	
q Reimbursement paid by related organization(s) for expenses	1q	Yes	
r Other transfer of cash or property to related organization(s)	1r		No
s Other transfer of cash or property from related organization(s)	1s		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-s)	(c) Amount involved	(d) Method of determining amount involved

Part VI **Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" to 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 section 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	

Software ID:
Software Version:
EIN: 58-0566213
Name: Piedmont Hospital Inc

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation
DISREGARDED ENTITIES	SCHEDULE R, PART I, LINE 1	CTMR MANAGEMENT, LLC, AND PCL-II, LLC, OPERATE AS DEPARTMENTS OF PIEDMONT HOSPITAL AND ARE INCORPORATED INTO THE HOSPITAL'S BOOKS AND RECORDS SEPARATE BOOKS AND RECORDS ARE NOT MAINTAINED FOR THE LIMITED LIABILITY COMPANIES AND ASSETS AND INCOME CANNOT BE READILY DETERMINED AS SUCH, COLUMNS (D) AND (E) IN PART I HAVE BEEN LEFT BLANK FOR THESE TWO ENTITIES

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CONSOLIDATED FINANCIAL STATEMENTS

Piedmont Healthcare, Inc. and Affiliates
Years Ended June 30, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP

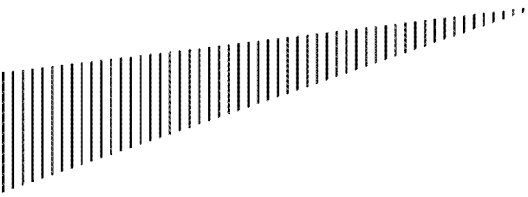
ERNST & YOUNG

Piedmont Healthcare, Inc. and Affiliates

Consolidated Financial Statements

Years Ended June 30, 2013 and 2012

Contents



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Report of Independent Auditors

The Board of Directors
Piedmont Healthcare, Inc and Affiliates

We have audited the accompanying consolidated financial statements of Piedmont Healthcare, Inc and Affiliates (PHC), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U S generally accepted accounting principles, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits We conducted our audits in accordance with auditing standards generally accepted in the United States Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control Accordingly, we express no such opinion An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Piedmont Healthcare, Inc and Affiliates at June 30, 2013 and 2012, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U S generally accepted accounting principles

Ernst & Young LLP

October 25, 2013

Piedmont Healthcare, Inc. and Affiliates

Consolidated Balance Sheets

	June 30	
	2013	**2012**
	(In Thousands)	
Assets		
Current assets		
Cash and cash equivalents	**$ 160,674**	$ 204,596
Patient accounts receivable, net of allowance for doubtful accounts of $142,671 in 2013 and $97,933 in 2012	**246,918**	207,317
Other current assets	**67,596**	62,711
Total current assets	**475,188**	474,624
Investments and assets limited as to use	**510,277**	453,236
Property and equipment, net	**837,502**	825,258
Self-insurance investments	**39,068**	35,638
Beneficial interest in perpetual trust	**8,064**	7,939
Other assets	**108,837**	85,965
Total assets	**$ 1,978,936**	$ 1,882,660

	June 30	
	2013	**2012**
	(In Thousands)	
Liabilities and net assets		
Current liabilities		
Current portion of long-term debt	**$ 9,830**	$ 9,830
Accounts payable and accrued expenses	**189,068**	170,910
Estimated third-party payor settlements	**28,198**	24,880
Current portion of self-insurance reserves	**17,029**	14,743
Total current liabilities	**244,125**	220,363
Long-term debt, net of current portion	**499,146**	508,723
Medical office building financing obligation	**44,997**	44,528
Note payable to a bank	**41,689**	43,744
Self-insurance reserves	**50,768**	49,885
Accrued pension cost	**13,407**	67,638
Other long-term liabilities	**59,971**	64,919
Net assets:		
Unrestricted	**981,823**	838,683
Temporarily restricted	**20,301**	21,746
Permanently restricted	**22,709**	22,431
Total net assets	**1,024,833**	882,860
Total liabilities and net assets	**$ 1,978,936**	$ 1,882,660

See accompanying notes.

Piedmont Healthcare, Inc. and Affiliates

Consolidated Statements of Operations

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Unrestricted revenue, gains, and other support.		
Patient service revenue	**$ 1,742,694**	$ 1,485,458
Provision for bad debt	**(198,870)**	(125,032)
Net patient service revenue	**1,543,824**	1,360,426
Other revenue	**53,288**	54,696
Contribution received in acquisition of Piedmont Henry	**–**	77,087
Total revenue, gains, and other support	**1,597,112**	1,492,209
Expenses		
Salaries and benefits	**858,042**	736,162
Supplies and other expenses	**620,837**	527,860
Depreciation and amortization	**90,580**	74,506
Interest	**26,423**	20,055
Loss on assets held for sale	**–**	6,618
Total expenses	**1,595,882**	1,365,201
Operating income	**1,230**	127,008
Nonoperating income (expense):		
Investment income	**56,755**	338
Loss from equity investment	**(3,240)**	–
Change in fair value of interest rate swaps	**13,296**	(18,716)
Gain from extinguishment of debt	**–**	6,039
	66,811	(12,339)
Excess of revenue, gains, and other support over expenses	**68,041**	114,669
Net assets released from restrictions used for purchase of property and equipment	**12,375**	77
Pension adjustments	**63,920**	(72,773)
Other	**(1,196)**	(429)
Change in unrestricted net assets	**$ 143,140**	$ 41,544

See accompanying notes.

Piedmont Healthcare, Inc. and Affiliates

Consolidated Statements of Changes in Net Assets

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Unrestricted net assets.		
Excess of revenues, gains, and other support over expenses	**$ 68,041**	$ 114,669
Net assets released from restrictions used for purchase of property and equipment	**12,375**	77
Pension adjustments	**63,920**	(72,773)
Other	**(1,196)**	(429)
Change in unrestricted net assets	**143,140**	41,544
Temporarily restricted net assets		
Contributions	**12,885**	3,648
Net assets released from restrictions used for purchase of property and equipment	**(12,375)**	(77)
Net assets released from restrictions used for operations	**(2,285)**	(23)
Other	**330**	(989)
Change in temporarily restricted net assets	**(1,445)**	2,559
Permanently restricted net assets.		
Contributions	**–**	25
Change in beneficial interest in perpetual trust	**125**	(362)
Other	**153**	20
Change in permanently restricted net assets	**278**	(317)
Change in net assets	**141,973**	43,786
Net assets at beginning of year	**882,860**	839,074
Net assets at end of year	**$ 1,024,833**	$ 882,860

See accompanying notes.

Piedmont Healthcare, Inc. and Affiliates

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Operating activities		
Change in net assets	**$ 141,973**	$ 43,786
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	**90,580**	74,506
Net change in unrealized gains (losses) on investments	**(13,950)**	26,153
Change in beneficial interest in perpetual trust	**(125)**	362
Provision for bad debt	**198,870**	125,032
Pension adjustments	**(63,920)**	72,773
Contribution received in acquisition of Piedmont Henry	**–**	(77,086)
Loss on assets held for sale	**–**	6,618
Change in fair value of interest rate swaps	**(13,296)**	18,716
Restricted contributions	**(12,885)**	(3,673)
(Increase) decrease in		
Patient accounts receivable	**(238,471)**	(128,314)
Other current assets	**(4,885)**	(4,779)
Other assets	**(17,893)**	1,274
(Decrease) increase in.		
Accounts payable and accrued expenses	**18,158**	24,723
Estimated third-party payor settlements	**3,318**	5,555
Self-insurance reserves	**3,169**	7,201
Accrued pension cost	**9,689**	(47,558)
Other long-term liabilities	**8,348**	2,113
Net cash provided by operating activities	**108,680**	147,402
Investing activities		
Increase in investments classified as trading	**(46,521)**	(12,137)
Capital expenditures	**(100,834)**	(145,783)
Acquisitions, net of cash acquired	**(6,500)**	(6,156)
Net cash used in investing activities	**(153,855)**	(164,076)

Piedmont Healthcare, Inc. and Affiliates

Consolidated Statements of Cash Flows (continued)

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Financing activities		
Restricted contributions	**$ 12,885**	$ 3,673
Proceeds from note payable to a bank	**–**	44,819
Proceeds from debt	**–**	41,480
Payments on note payable to a bank	**(2,055)**	(1,075)
Payments of indebtedness	**(9,577)**	(66,423)
Net cash provided by financing activities	**1,253**	22,474
Net (decrease) increase in cash and cash equivalents	**(43,922)**	5,800
Cash and cash equivalents at beginning of year	**204,596**	198,796
Cash and cash equivalents at end of year	**$ 160,674**	$ 204,596

See accompanying notes.

Piedmont Healthcare, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2013

1. Organization and General

The Board of Directors of Piedmont Healthcare, Inc. and Affiliates (collectively, PHC) appoints the governing boards of.

- Piedmont Atlanta Hospital, Inc (the Hospital) The Hospital, located in Atlanta, Georgia, is a not-for-profit acute care hospital providing inpatient, outpatient, and emergency care services primarily for residents of the Atlanta metropolitan area Admitting physicians are primarily practitioners in the local area

- Piedmont Fayette Hospital, Inc. (Fayette). Fayette, located in Fayetteville, Georgia, is a not-for-profit acute care hospital providing inpatient, outpatient, and emergency care services primarily for residents of Fayette County

- Piedmont Mountainside Hospital, Inc (Mountainside). Mountainside, located in Jasper, Georgia, is a not-for-profit acute care hospital providing inpatient, outpatient, and emergency care services primarily for residents of Pickens County

- Piedmont Newnan Hospital, Inc (Newnan) Newnan, located in Newnan, Georgia, is a not-for-profit acute care hospital providing inpatient, outpatient, and emergency care services primarily for residents of Coweta County

- Piedmont Henry Hospital (Henry) Henry, located in McDonough, Georgia, is a not-for-profit acute care hospital providing inpatient, outpatient, and emergency care services primarily for residents of Henry County.

- Piedmont Medical Care Corporation (PMCC) PMCC is a taxable, not-for-profit entity whose purpose is to develop a primary care network for the benefit of the PHC affiliates

- Piedmont Heart Institute Physicians, Inc (PHIP) PHIP is a taxable, not-for-profit entity whose purpose is to provide an integrated cardiovascular healthcare delivery program for the benefit of the PHC affiliates

- Piedmont Heart Institute, Inc (PHI) PHI is a not-for-profit entity whose purpose is to provide cardiovascular research services for the benefit of the PHC affiliates

- Amster-McRae Insurance Company (AMIC) AMIC was incorporated on December 10, 2003, under the laws of the Cayman Islands AMIC insures the hospital professional liability and commercial general liability risks of PHC and certain PHC affiliates

1. Organization and General (continued)

- Piedmont Clinic, Inc (the Clinic) The Clinic is a physician-hospital organization whose purpose is to negotiate contracts with various managed care payors for the PHC affiliates.

- Piedmont West Ambulatory Surgery Center, LLC (PWASC) PWASC, located in Atlanta, Georgia, is a multi-specialty ambulatory surgery center. Prior to November 30, 2012, PWASC was 79% owned by the Hospital On November 30, 2012, PWASC became 100% owned by the Hospital

- Piedmont Healthcare Foundation, Inc. (the Foundation). The Foundation's primary purpose is to raise funds for PHC

2. Significant Accounting and Reporting Policies

A summary of the significant accounting and reporting policies followed by PHC in the preparation of its consolidated financial statements is presented below

Principles of Consolidation

The consolidated financial statements include the accounts of Piedmont Healthcare, Inc , the Hospital, PWASC, the Foundation, PMCC, the Clinic, Fayette, Mountainside, AMIC, Newnan, PHIP, PHI, and Henry All significant intercompany transactions and accounts have been eliminated in consolidation

Use of Estimates

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

2. Significant Accounting and Reporting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks, and investments in highly liquid debt instruments with maturities of three months or less when purchased, excluding amounts limited as to use PHC invests cash not required for immediate operating needs principally with major financial institutions with strong credit ratings By policy, the amount of credit exposure to any one institution is limited, and such investments are generally not collateralized

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets Investment income or loss (including unrealized and realized gains and losses on investments, interest and dividends) is included in the excess of revenue, gains, and other support over expenses unless the income or loss is restricted by donor or law. PHC accounts for investment transactions on a settlement-date basis Substantially all of PHC's investment portfolio is classified as trading, with unrealized gains and losses included in excess of revenue, gains, and other support over expenses Fair values are based on quoted market prices if available, or estimated using quoted market prices for similar securities PHC invests in alternative investments These alternative investments provide PHC with a proportionate share of the fair value of the fund returns PHC accounts for its ownership interests in the alternative investments based upon the equity method. Accordingly, PHC's share of the alternative investments' income or loss, both realized and unrealized, is recognized as investment income Alternative investments held by the noncontributory defined benefit plan are accounted for at fair value The cost of substantially all securities sold is based on the average cost method

PHC classifies investments with maturities of less than one year from the balance sheet date when purchased as short-term and investments with maturities of greater than one year from the balance sheet date when purchased as long-term.

Assets Limited as to Use

These assets are limited as to use by debt instruments or designations by PHC's governing board or the donor for plant replacement, expansion of certain facilities, purchase of equipment, and payment of certain future debt service requirements The investment objectives for assets limited as to use are substantially the same as those for investments whose use is not limited.

2. Significant Accounting and Reporting Policies (continued)

Inventory

Inventories are valued at the lower of cost (first-in, first-out method) or market Inventories consist primarily of pharmaceuticals and medical supplies and are recorded within other current assets in the accompanying consolidated balance sheets

Property and Equipment

Property and equipment acquisitions are recorded at cost, with the exception of donated items which are recorded at fair value at the date of donation Expenditures for renewals and improvements are charged to the property accounts For properties sold or retired, the cost and related accumulated depreciation are removed from the property accounts Any resulting gains or losses are included in other revenue Replacements, maintenance, and repairs that do not improve or extend the life of the respective assets are charged to operations Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The estimated useful lives are 10–25 years for land improvements, 15–40 years for buildings and fixtures, and 3–20 years for equipment

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

Software and Software Development Costs

Software and software development costs include costs incurred by PHC to develop software for internal use primarily in medical records maintenance, physician order entry, and clinical documentation

2. Significant Accounting and Reporting Policies (continued)

Costs of software developed for internal use are accounted for in accordance with the provisions of Accounting Standards Codification (ASC) 350-40, *Internal Use Software*. In accordance with ASC 350-40, internal and external costs incurred to develop internal use computer software during the application development stage are capitalized Application development stage costs generally include software configuration, coding, installation of hardware and testing Costs of significant upgrades and enhancements that result in additional functionality are also capitalized

All other costs incurred in connection with an internal software project, including maintenance, minor upgrades, enhancements, and training, are expensed as incurred. Capitalized software costs are amortized on a straight-line basis over the estimated useful lives of the related software applications (3-12 years)

Long-Lived Assets

PHC periodically reviews long-lived assets, such as property and equipment, to determine whether any impairment exists. Management believes that the long-lived assets in the accompanying consolidated balance sheets are appropriately valued at June 30, 2013 and 2012

Other Assets

Other assets include goodwill of $57,236,000 and $52,112,000 at June 30, 2013 and 2012, respectively In accordance with ASC 350, *Intangibles – Goodwill and Other*, the Hospital evaluates its goodwill annually for potential impairment.

Beneficial Interest in Perpetual Trust

PHC is the beneficiary of six separate endowments held in trust by a local bank, with fair values at June 30, 2013 and 2012 aggregating $8,064,000 and $7,939,000, respectively The beneficial interest at June 30, 2013 and 2012 has been recorded in long-term assets at fair value, and the change in value has been recorded as a change in permanently restricted net assets

Vacation Policy

PHC accrues employee vacation pay as earned by the employee

2. Significant Accounting and Reporting Policies (continued)

Advertising Costs

Advertising costs are expensed as incurred and approximated $10,071,000 and $4,381,000 for the years ended June 30, 2013 and 2012, respectively

Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by PHC is restricted by the donor for a specific time period or purpose Permanently restricted net assets have been restricted by donors to be maintained by PHC in perpetuity, which include endowment funds Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowment funds, are used in accordance with the donors' wishes, primarily to purchase equipment and to provide charity care and other health and educational services Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted

Net Patient Service Revenue, Accounts Receivable, and Allowance for Doubtful Accounts

PHC's presentation of the provision for bad debt at the reporting entity level is based on an entity-wide assessment of significance

PHC has agreements with third-party payors that provide for payments to PHC at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, and include estimated retroactive revenue adjustments under reimbursement agreements with third-party payors due to future audits, reviews, and investigations Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations

2. Significant Accounting and Reporting Policies (continued)

Net patient service revenue is summarized below

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Patient service charges	**$ 5,653,784**	$ 4,581,160
Less contractual adjustments and other deductions	**3,911,090**	3,095,702
Patient service revenue	**1,742,694**	1,485,458
Less provision for bad debt	**198,870**	125,032
Net patient service revenue	**$ 1,543,824**	$ 1,360,426

Recognition of net revenue (gross charges less contractual adjustments) is dependent on factors such as proper completion of medical charts following a patient visit, medical coding of charts and processing charts through PHC's billing systems and verification of patient representations at the time services are rendered as to the payors responsible for payment of PHC's services Net revenue is recorded based on the information known at the time of entering this information into PHC's billing system and this information is subject to change For example, patient payor information may change following an initial attempt to bill for services due to a change in payor status Such changes in payor status have an impact on recorded net revenue due to differing payors being subject to different contractual provision amounts These changes in net revenue are recognized in the period that the changes in payor become known

The provision for bad debt is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage, and other collection indicators Periodically, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category The results of this review are then used to make any modifications to the provision for bad debt to establish an appropriate allowance for uncollectible receivables

2. Significant Accounting and Reporting Policies (continued)

Patient service revenue, net of contractual allowances and self-pay discounts and before the provision for bad debt, recognized from major payor sources are as follows.

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Third party payors, net of contractual allowances	**$ 1,570,440**	$ 1,359,262
Self-pay patients, net of discounts	**172,254**	126,196
Patient service revenue	**$ 1,742,694**	$ 1,485,458

PHC records a provision for bad debt in the period services are provided related to self-pay patients For receivables associated with patients who have third-party coverage, PHC analyzes contractually due amounts and provides and an allowance for doubtful accounts and a provision for bad debt, if necessary Accounts receivable are written off after collection efforts have been followed in accordance with PHC's policies The allowance for doubtful accounts was 37% and 32% of accounts receivable after contractual allowances and charity care as of June 30, 2013 and 2012, respectively The increase in the allowance for doubtful accounts as a percentage of accounts receivable after contractual allowances is primarily due to the slight increase in self-pay revenue as a percentage of patient service revenue

Charity Care

PHC provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are not reported as revenue

Excess of Revenue, Gains, and Other Support Over Expenses

The consolidated statements of operations include excess of revenue, gains, and other support over expenses Changes in unrestricted net assets which are excluded from excess of revenue, gains, and other support over expenses, consistent with industry practice, include pension adjustments and contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets)

2. Significant Accounting and Reporting Policies (continued)

Pledges Receivable and Donor-Restricted Gifts

Unconditional promises to give cash and other assets to PHC 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 a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements Current pledges receivable of $68,000 and $1,037,000 are included in other current assets in the accompanying consolidated balance sheets at June 30, 2013 and 2012, respectively Long-term pledges receivable of $169,000 and $152,000 are included in other assets in the accompanying consolidated balance sheets at June 30, 2013 and 2012, respectively.

Interest Expense

PHC incurred interest expense in the amount of $26,423,000 and $20,055,000 for the years ended June 30, 2013 and 2012, respectively, net of amounts capitalized of $7,468,000 for the year ended June 30, 2012 There was no interest capitalized in 2013 Cash paid for interest, net of amounts capitalized, amounted to $26,471,000 and $21,360,000 for the years ended June 30, 2013 and 2012, respectively

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in 2011, for eligible hospitals and professionals that adopt and meaningfully use certified electronic health record (EHR) technology. PHC has recognized approximately $787,000 and $1,100,000 of Medicaid incentive payments and $3,179,000 and $3,504,000 of Medicare incentive payments in other revenue in the accompanying consolidated statements of operations for the years ended June 30, 2013 and 2012, respectively PHC recognizes income related to Medicare and Medicaid incentive payments using a gain contingency model that is based upon when eligible hospitals have demonstrated meaningful use of certified EHR technology for the applicable period, and the cost report information for the full cost report year that will determine the final calculation of the incentive payment is available.

2. Significant Accounting and Reporting Policies (continued)

Income Taxes

Piedmont Healthcare, Inc , the Hospital, the Foundation, Fayette, Mountainside, Newnan, Henry and PHI are organizations exempt from federal income tax pursuant to Section 501(a), as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and state income tax AMIC is exempt from federal and state income tax pursuant to the laws of the Government of the Cayman Islands There is currently no taxation imposed on income or capital gains by the Government of the Cayman Islands If any form of tax legislation were to be enacted, the Company has been granted an exemption until the year 2024. PMCC is a taxable, not-for-profit entity that operated in a net loss position for financial reporting and tax purposes during the years ended June 30, 2013 and 2012. The Clinic is a taxable, not-for-profit entity that operated in a net income position for financial reporting and tax purposes during the years ended June 30, 2013 and 2012 PHIP is a taxable, not-for-profit entity that operated in a net loss position for financial reporting and tax purposes during the years ended June 30, 2013 and 2012 PWASC is a taxable, not-for-profit limited liability company that operated in a net loss position for financial reporting and tax purposes during the years ended June 30, 2013 and 2012. PWASC has no tax provision as all taxable income or loss is reportable by its partners

At June 30, 2013 and 2012, the Hospital (as it relates to unrelated business income), PMCC, the Clinic, and PHIP had net operating loss carryforwards totaling approximately $324,830,000 and $257,345,000, respectively, which expire at various dates between 2019 and 2033 PMCC, the Clinic, and PHIP had net deferred income tax assets totaling approximately $133,946,000 and $107,072,000 at June 30, 2013 and 2012, respectively The net deferred income tax asset, which consisted primarily of net operating loss carryforwards and differences relating to allowances for doubtful accounts and accruals, was offset by a full valuation allowance.

The Company accounts for income taxes under the provisions of the *Income Taxes* Topic of the ASC (ASC 740) Under the requirements of ASC 740, tax-exempt organizations may be required to record an obligation as the result of a tax position they have historically taken on various tax exposure items There were no material uncertain tax positions at June 30, 2013 and 2012

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2012 consolidated financial statements to conform to the fiscal year 2013 presentation Other current liabilities on the consolidated fiscal year 2012 financial statements has been reclassified into accounts payable and accrued liabilities

2. Significant Accounting and Reporting Policies (continued)

on the accompanying 2012 consolidated balance sheet This reclassification had no impact on the results of operations or change in net assets in the accompanying consolidated financial statements

Defined Benefit Pension Plan

PHC accounts for its defined benefit pension plan in accordance with ASC 715, *Compensation – Retirement Benefits* ASC 715 requires an entity to recognize in its statement of financial position an asset for a defined benefit postretirement plan's overfunded status or a liability for a plan's underfunded status, measure a defined benefit postretirement plan's assets and obligations that determine its funded status at the end of the employer's fiscal year, and recognize changes in the funded status of a defined benefit postretirement plan as a separate line item or items within changes in unrestricted net assets, apart from expenses, in the year in which the changes occur PHC employees participate in PHC's trusteed noncontributory defined benefit pension plan (the Plan) The Plan's benefits are based on a combination of years of service and the employee's compensation. PHC's funding policy is to contribute annually to the Plan an amount sufficient to meet the minimum funding standards of Employee Retirement Income Security Act (ERISA), or an amount sufficient to maintain the Plan on a sound actuarial basis, as certified by an enrolled actuary Plan assets consist primarily of common stocks, alternative investments, fixed investments, and cash equivalents On September 20, 2012, the PHC Board of Directors and PHC management approved a freeze of the Plan effective December 31, 2014, whereby participants would cease to accrue further benefits

Subsequent Events

PHC evaluated events and transactions occurring subsequent to June 30, 2013, and through October 25, 2013, the date the consolidated financial statements were available to be issued During this period there were no subsequent events that required recognition in the consolidated financial statements Additionally, there were no nonrecognized subsequent events that required disclosure.

2. Significant Accounting and Reporting Policies (continued)

Recent Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-08, *Intangibles – Goodwill and Other (Topic 350), Testing Goodwill for Impairment* The FASB decided to simplify how companies are required to test goodwill for impairment Companies now have the option to first assess qualitative factors to determine whether it is more likely than not (likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount If after considering the totality of events and circumstances an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it will not have to perform the two-step impairment test The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 Early adoption is permitted The ASU was effective for PHC in the fiscal year ending June 30, 2013, and the adoption did not have a material effect on the consolidated financial statements

In October, 2012, the FASB issued ASU 2012-05 *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* This ASU requires not-for-profit entities to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without the entity imposing any limitations for sale and were converted nearly immediately into cash The ASU is effective for PHC in the fiscal year ending June 30, 2014 Management has not evaluated the impact of this ASU on its consolidated financial statements.

3. Acquisitions and Investment in Joint Venture

Piedmont Henry Hospital

Effective January 1, 2012, PHC entered into an affiliation agreement with Piedmont Henry Hospital (f/k/a Henry Medical Center), whereby it became the sole corporate member of the entity PHC acquired Henry to expand its presence in the southern side of Metro Atlanta Although no consideration was transferred, PHC assumed all the assets and liabilities of Henry at the acquisition date As part of the acquisition, PHC assumed Henry's lease with the Hospital Authority of Henry County The lease covers certain assets and liabilities of Henry at the inception of the lease At the termination of the lease, these assets and liabilities revert back to the Authority In connection with the acquisition and PHC's assumption of the lease, the lease

3. Acquisitions and Investment in Joint Venture (continued)

term was extended to expire in 40 years The total cost of the Henry acquisition has been allocated to the assets acquired and liabilities assumed based upon their respective fair values in accordance with ASC 958-805, *Not-for-Profit Entities – Business Combinations*, and ASC 954-805, *Health Care Entities – Business Combinations*

Based on the purchase price allocation at June 30, 2012, PHC recorded the fair value of all assets acquired and liabilities assumed, resulting in an inherent contribution of approximately $77,087,000 being recorded

A summary of the purchase price allocation, including assumed liabilities, follows (in thousands)

Assets	
Cash	$ 2,721
Net patient accounts receivable	22,149
Other current assets	9,585
Assets limited as to use	20,646
Property and equipment	179,263
Other assets	7,353
Total assets	241,717
Liabilities	
Current liabilities	(49,807)
Long-term debt	(107,378)
Other liabilities	(7,445)
Total liabilities	(164,630)
Contribution received in acquisition of Henry	$ 77,087

3. Acquisitions and Investment in Joint Venture (continued)

The Henry operating results have been included in the consolidated statements of operations since the acquisition date The net revenues, net operating loss and increase in unrestricted net assets attributable to PHC related to the acquired Henry operations for the period from January 1, 2012 through June 30, 2012, were approximately $79,657,000, $6,462,000 and $83,000, respectively The unaudited pro forma combined summary of operations for the year ended June 30, 2012, giving effect to including the acquired Henry operating results as if the acquisition had occurred as of July 1, 2011, follows (in thousands)

Net patient service revenue	$ 1,442,765
Net operating income	38,782
Increase in net assets	30,217

Pro forma adjustments to net operating income (loss) attributable to PHC include adjustments to record Henry's operating results on a consolidated basis, and to record depreciation expense based on the estimated fair value assigned to the long-lived assets acquired These pro forma results are not necessarily indicative of the actual results of operations that would have occurred if the acquisition had occurred on July 1, 2010

Other Acquisitions

Effective May 1, 2013, in order to expand its primary care network, PHC acquired certain assets of Georgia Lung Associates, a physician group consisting of 17 physicians located primarily metropolitan Atlanta, Georgia, for $6,913,000 The purchase price was based upon an independent fair value analysis, and has been allocated to the related assets acquired and liabilities assumed based upon their respective fair values The purchase price paid in excess of the fair value of identifiable net assets of these acquired entities aggregated approximately $5,124,000, and is recorded as goodwill in the accompanying consolidated balance sheets The consolidated financial statements include the accounts and operations of the acquired entity subsequent to the acquisition date

3. Acquisitions and Investment in Joint Venture (continued)

Effective July 29, 2011, in order to expand its primary care network, PHC acquired the assets and certain liabilities of The PAPP Clinic, a physician group consisting of 37 physicians located primarily in Coweta County, Georgia, for $8,953,000 The purchase price was based upon an independent fair value analysis, and has been allocated to the related assets acquired and liabilities assumed based upon their respective fair values The purchase price paid in excess of the fair value of identifiable net assets of these acquired entities aggregated approximately $3,366,000, and is recorded as goodwill in the accompanying consolidated balance sheets The consolidated financial statements include the accounts and operations of the acquired entity subsequent to the acquisition date

Piedmont WellStar HealthPlans. Inc.

In August 2012, PHC formed Phoenix Health Group, Inc (PHG), a wholly-owned subsidiary of PHC Effective December 20, 2012, PHC and WellStar Health System (WHS) entered into a letter of intent to establish a jointly owned health insurance company for the purpose of creating Medicare Advantage, commercial, and self–funded products which are expected to have enrollment no later than January 1, 2014 On April 9, 2013, PHG, PHC and WHS entered into the Piedmont WellStar HealthPlans Shareholders' Joint Venture Agreement (the JV Agreement), and concurrently PHG's name was changed to Piedmont WellStar HealthPlans, Inc (PWHP) The JV Agreement stated that upon the approval of the Commissioner of Insurance, PWHP would issue 118,750 shares of common stock of PWHP to WHS for $11,875,000, constituting a 50% interest in the Company Also, in connection with the JV Agreement, WHS entered into a Loan and Investment Agreement (the Loan Agreement) in the amount of $11,875,000 with PWHP in which WHS loaned that amount to PWHP The Loan Agreement stated that upon approval by the Commissioner of Insurance and satisfaction of all other conditions provided, PWHP shall issue 118,750 shares of common stock of PWHP to WHS in exchange for payment of $11,875,000, which payment shall be made by conversion of the loan The loan was guaranteed by PHC

On June 28, 2013, the Georgia Commissioner of Insurance approved WHS's equity investment in PWHP, and at that time the WHS loan was converted to 118,750 shares of PWHP, As a result, PHC and WHS each became 50% owners of PWHP, with each entity holding 118,750 shares of PWHP common stock At this time, PHFC's guarantee of the loan terminated

3. Acquisitions and Investment in Joint Venture (continued)

Included in nonoperating income in the accompanying consolidated financial statements is a loss of $3,240,000 relating to the operations of PWHP The operations of PWHP are included in the accompanying consolidated financial statements as if PWHP was 50% owned by PHC since its inception in accordance with the single transaction guidance in ASC 810, *Consolidations* PHC's investment in PWHP of $8,635,000 as of June 30, 2013, is included in other assets in the accompanying consolidated financial statements

4. Net Patient Service Revenue

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

Medicare and Medicaid

PHC renders care to patients covered by the Medicare and Medicaid programs Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors Medicare reimburses for outpatient services based on a prospective outpatient payment system similar to the inpatient system

Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment reimbursement methodology Outpatient services are reimbursed under a cost-based methodology PHC is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by PHC and audits thereof by the Medicaid fiscal intermediary

Services rendered under these programs are recorded at established rates and reduced to the estimated amount due from the third-party payors through recording of contractual adjustments and other discounts Because PHC cannot pursue collections for the contractual or discounted amounts, they are not reported as revenue

Net patient service revenue from the Medicare and Medicaid programs accounted for approximately 35% and 3%, respectively, of PHC's net patient service revenue for the year ended June 30, 2013, and 21% and 4%, respectively, of PHC's net patient service revenue for the year ended June 30, 2012 Laws and regulations governing the Medicare and Medicaid programs

4. Net Patient Service Revenue (continued)

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. Net patient service revenue is reported at the estimated net realizable amounts from the Medicare and Medicaid programs for services rendered, and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations

Final settlement has been reached for all Medicare and Medicaid cost reports prior to fiscal year 2009 PHC has recorded amounts due to Medicare and Medicaid of $28,198,000 and $24,880,000 at June 30, 2013 and 2012, respectively, as an estimate of final third-party payor settlements for open cost report years Management recorded a favorable change in estimate related to third-party settlements of $5,003,000 and $6,207,000 for the years ended June 30, 2013 and 2012, respectively The amounts due to Medicare and Medicaid represent management's best estimate of final settlement

Managed Care and Other Payors

PHC has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations The bases for payments to PHC under these agreements include prospectively determined rates per discharge, discounts from established charges, and daily rates

Georgia Provider Payment Agreement Act

Effective July 1, 2010, the State of Georgia imposed a fee on not-for-profit hospitals based on net revenue levels as defined by the State of Georgia Included in supplies and other expenses in the accompanying consolidated statements of operations for the years ended June 30, 2013 and 2012, is approximately $16,355,000 and $14,890,000, respectively, relating to this fee

5. Charity Care and Community Benefits

PHC provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are not reported as revenue or accounts receivable in the accompanying consolidated financial statements

PHC maintains records to identify and monitor the level of charity care it provides These records include the amount of charges forgone for services furnished under its charity care policy The cost of providing this charity care was estimated to be approximately $28,480,000 and $22,581,000 in the years ended June 30, 2013 and 2012, respectively. PHC estimates the direct and indirect costs of providing charity care by applying a cost to gross charges ratio to the gross uncompensated charges associated with providing charity care to patients PHC offers many other wellness and educational services to the community at low and, in some cases, no cost Health fairs are held throughout the year at convenient locations, providing various health screenings, such as blood pressure and cholesterol checks Educational programs are offered for all ages PHC operates 24-hour emergency rooms that provide care to all patients regardless of ability to pay. The costs for these services are included in operating expenses.

6. Investments

Investments and Assets Limited as to Use

The composition of investments and assets limited as to use is set forth in the following table:

	June 30	
	2013	**2012**
	(In Thousands)	
Internally designated for capital acquisition		
Cash and short-term investments	**$ 2,902**	$ 4,965
Corporate obligations	**16,694**	14,908
Fixed income securities	**76,204**	48,917
Corporate stocks	**86,479**	85,631
Mutual funds	**186,580**	203,968
Alternative investments	**120,303**	76,121
	489,162	434,510
Cash and short-term investments	**126**	216
Corporate obligations	**723**	647
Fixed income securities	**3,309**	2,124
Corporate stocks	**3,716**	3,680
Mutual funds	**8,017**	8,765
Alternative investments	**5,224**	3,294
	21,115	18,726
Totals	**$ 510,277**	$ 453,236

Alternative Investments

PHC has $26,486,000 and $24,774,000 invested in the Lighthouse Diversified Fund (LDF) at June 30, 2013 and 2012, respectively, which is included in investments and assets limited as to use in the accompanying consolidated balance sheets At June 30, 2013 and 2012, PHC recorded $1,712,000 as unrealized gains and $290,000 as unrealized losses, respectively, for its proportionate share of the LDF unrealized gains and losses for this investment These unrealized gains and losses are included in investment income in the accompanying consolidated statements of operations

6. Investments (continued)

PHC has $20,487,000 and $17,666,000 invested in Baillie Gifford FDS Fund at June 30, 2013 and 2012, respectively, which is included in investments and assets limited as to use in the accompanying consolidated balance sheets At June 30, 2013 and 2012, PHC recorded $2,627,000 as unrealized gains and $978,000 as unrealized losses, respectively, for its proportionate share of the unrealized gains and losses for this investment These unrealized gains and losses are included in investment income in the accompanying consolidated statements of operations

PHC has $27,144,000 and $12,663,000 invested in Archipelago Holdings Ltd Offshore Fund (AH) at June 30, 2013 and 2012, respectively, which is included in investments and assets limited as to use in the accompanying consolidated balance sheets At June 30, 2013 and 2012, PHC recorded $2,253,000 as unrealized gains and $338,000 as unrealized losses, respectively, for its proportionate share of the AH unrealized gains and losses for this investment These unrealized gains and losses are included in investment income in the accompanying consolidated statements of operations

PHC has $26,514,000 and $24,312,000 invested in Titan Masters International Fund (TM) at June 30, 2013 and 2012, which is included in investments and assets limited as to use in the accompanying consolidated balance sheets At June 30, 2013 and 2012, PHC recorded $2,202,000 and $312,000 as unrealized gains, respectively, for its proportionate share of the TM unrealized gains for this investment These unrealized gains are included in investment income in the accompanying consolidated statements of operations

PHC has $12,396,000 invested in Clarion Lion Properties ING Fund (CLP) at June 30, 2013, which is included in investments and assets limited as to use in the accompanying consolidated balance sheets At June 30, 2013, PHC recorded $396,000 as unrealized gains, for its proportionate share of the CLP unrealized gains for this investment This unrealized gain is included in investment income in the accompanying consolidated statements of operations

PHC has $12,500,000 invested in LSV Emerging Markets Equity Fund (LSV) at June 30, 2013, which is included in investments and assets limited as to use in the accompanying consolidated balance sheets There were no unrealized gains or losses attributable to this investment in the year ended June 30, 2013, since the investment was purchased on June 28, 2013

During fiscal year 2012, PHC liquidated its investment in Federal Street Associates Offshore Fund, and recognized a loss of $863,000 This realized loss is included in investment income in the accompanying consolidated statements of operations.

6. Investments (continued)

Investment Income

Investment income for investments and assets limited as to use is comprised of the following

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Interest income	**$ 24,584**	$ 14,910
Net realized and unrealized gain (loss) on investments	**32,262**	(14,225)
Other loss	**(91)**	(347)
Investment income	**$ 56,755**	$ 338

7. Property and Equipment

A summary of property and equipment follows.

	June 30	
	2013	**2012**
	(In Thousands)	
Land and land improvements	**$ 55,984**	$ 55,784
Buildings and fixtures	**919,912**	897,468
Equipment	**624,727**	539,452
	1,600,623	1,492,704
Less accumulated depreciation	**(786,722)**	(698,737)
	813,901	793,967
Construction-in-progress	**23,601**	31,291
Property and equipment, net	**$ 837,502**	$ 825,258

Depreciation and amortization expense for the years ended June 30, 2013 and 2012 amounted to approximately $90,580,000 and $74,506,000, respectively Amortization of capitalized software costs of approximately $6,626,000 and $840,000 is included in depreciation and amortization expense in the accompanying consolidated statements of changes in net assets for the years ended June 30, 2013 and 2012, respectively

7. Property and Equipment (continued)

At June 30, 2013, the remaining commitment for software and construction contracts and remodeling PHC's facilities approximated $16,713,746.

During fiscal 2012, PHC completed construction of the new Piedmont Newnan hospital In May 2012, the operations of Newnan were transferred to the new hospital At that time, the old hospital building and certain assets that were not transferred to the new building were written down to fair value less estimated cost to sell, resulting in a loss of approximately $6,618,000 The building and related assets of $3,890,000 are classified as held for sale and are included in other current assets in the accompanying consolidated balance sheets at June 30, 2013. Sale of the assets is expected to occur within one year

In August 2006, Fayette entered into a ground lease with Piedmont Fayette Medical Office Building, LLC (PFB), whereby Fayette is leasing real property to PFB In accordance with ASC 840, *Leases*, Fayette was considered the owner of the Medical Office Building (Fayette MOB) during the construction period and is considered the owner thereafter due to Fayette's continuing involvement in the Fayette MOB. Accordingly, the value of the building and the construction notes paid by the developer are included in the accompanying consolidated financial statements At June 30, 2013, the value included in buildings and fixtures amounted to approximately $14,809,000, and the related Medical Office Building financing obligation approximated $15,955,000. At June 30, 2012, the value included in buildings and fixtures amounted to approximately $14,413,000, and the related Medical Office Building financing obligation approximated $15,858,000.

In August 2005, the Hospital entered into a ground lease with Piedmont Physicians Plaza, L P (PPP), whereby the Hospital is leasing real property to PPP In accordance with ASC 840, the Hospital was considered the owner of the Medical Office Building (Piedmont MOB) during the construction period and is considered the owner thereafter due to the Hospital's continuing involvement in the MOB Accordingly, the cost of the building and the related financing obligation are included in the Hospital's consolidated financial statements At June 30, 2013, the net book value of the Piedmont MOB included in buildings and fixtures amounted to approximately $18,028,000, and the related Medical Office Building financing obligation approximated $29,042,000 At June 30, 2012, the net book value of the Piedmont MOB included in buildings and fixtures amounted to approximately $21,572,000, and the related Medical Office Building financing obligation approximated $28,670,000

7. Property and Equipment (continued)

Capitalized software and software development costs were as follows

	June 30	
	2013	**2012**
	(In Thousands)	
Capitalized software	**$ 66,813**	$ 37,785
Accumulated amortization	**7,466**	840
Capitalized software, net	**$ 59,347**	$ 36,945

Based on the amortizable capitalized assets that have been placed into service at June 30, 2013, the estimated amortization expense for the succeeding five fiscal years and thereafter is as follows (in thousands)

Year ended June 30	
2014	$ 7,958
2015	6,192
2016	5,152
2017	4,612
2018	4,168
Thereafter	14,647
	$ 42,729

8. Long-Term Debt

Long-term debt consists of the following (in thousands)

	June 30 2013	2012
Series 2010, fixed interest rates from 4 50% to 5 00%, interest payments due semi-annually, payable through 2045	**$ 100,000**	$ 100,000
Series 2009A, fixed interest rates from 4 375% to 5 25%, interest payments due semi-annually, payable through 2024	**208,140**	208,140
Series 2009B, variable interest rates (0 07% and 0 18% at June 30, 2013 and 2012, respectively), interest payments due monthly, payable through 2034	**100,055**	102,300
Series 2009C, variable interest rates (0 82% and 0 85% at June 30, 2013 and 2012, respectively), interest payments due monthly, payable through 2019	**47,195**	53,465
Series 2004, stated fixed interest rates from 4 00% to 5 00%, interest payments due semi-annually, payable through 2034	**59,772**	60,212
Series 1997, stated fixed interest rate of 5 10%, interest payments due semi-annually	**–**	875
Unamortized original issue discount, net	**(6,186)**	(6,439)
	508,976	518,553
Less current maturities	**(9,830)**	(9,830)
	$ 499,146	$ 508,723

On October 27, 2010, the Coweta County Development Authority issued $100,000,000 in Revenue Bonds Series 2010 (the Series 2010 Bonds) on behalf of PHC The proceeds of the Series 2010 Bonds were used to construct a replacement hospital for Newnan The Series 2010 Bonds have been issued on a tax-exempt basis and are secured under a master trust indenture with all members of the Obligated Group (Piedmont Healthcare, Inc and all of its subsidiaries exclusive of AMIC) which provides for, among other things, the deposit of revenue with the master trustee in the event of certain defaults, pledges of accounts receivable, pledges not to encumber property and limitations on additional borrowings

On November 24, 2009, the Development Authority of Fulton County and the Hospital Authority of Fayette County issued $304,345,000 and $79,540,000, respectively, ($383,885,000 collectively) in Revenue Bonds Series 2009A, 2009B and 2009C (the Series 2009 Bonds) on behalf of PHC The proceeds of the Series 2009 Bonds were used primarily to redeem previously

8. Long-Term Debt (continued)

outstanding Series 2007, Series 2005, Series 2001, and Series 1999 Revenue Bonds, and fully repay a line of credit totaling approximately $65,000,000 The Series 2009 Bonds have been issued on a tax-exempt basis and are secured under a master trust indenture with all members of the Obligated Group (Piedmont Healthcare, Inc and all of its subsidiaries exclusive of AMIC) which provides for, among other things, the deposit of revenue with the master trustee in the event of certain defaults, pledges of accounts receivable, pledges not to encumber property and limitations on additional borrowings

The Series 2009B Bonds may be put to PHC at the option of the bondholder In connection with the Series 2009B Bonds, PHC entered into letter of credit agreements totaling approximately $106,188,000 to secure the Series 2009B Bonds. The letters of credit expire November 15, 2015, at which time PHC will be required to either extend the existing letters of credit or obtain an acceptable replacement letter of credit All fees payable under the letter of credit agreements are the responsibility of PHC

In connection with the acquisition of Henry effective January 1, 2012, PHC assumed responsibility for payment of the Authority's outstanding revenue certificates through the lease agreement described in Note 3

In April 2004, the Hospital Authority of Henry County issued $60,000,000 Revenue Certificates, Series 2004 (the 2004 Bonds) The certificates were used primarily to finance construction, renovation and equipping of certain additions and improvements to Henry and related facilities, and to finance a portion of Henry's capital equipment purchases for a period not to exceed three years At the acquisition date, the stated value of the Series 2004 Bonds approximated $57,980,000, but they were recorded at their fair value of $60,266,000 At June 30, 2013 and 2012, the stated value of the Series 2004 Bonds approximated $57,540,000 and $57,980,000, respectively, and the carrying value approximated $59,772,000 and $60,212,000, respectively

In December 1999, the Hospital Authority of Henry County issued $51,955,000 Revenue Certificates, Series 1999 (the Series 1999 Bonds) The certificates were used primarily to finance construction, renovation and equipping of certain additions and improvements to Henry and related facilities, and to refund a portion of the Authority's outstanding revenue certificates Series 1997 At the acquisition date, the stated value of the Series 1999 Bonds approximated $44,370,000, but they were recorded at their fair value of $51,164,000 The Series 1999 certificates were fully refunded in March 2012, with the proceeds from a note payable from a bank (see below) PHC incurred a gain on extinguishment of debt of approximately $6,039,000 in connection with the refunding of the Series 1999 certificates

8. Long-Term Debt (continued)

In November 1997, the Hospital Authority of Henry County issued $26,500,000 Revenue Certificates, Series 1997 (the Series 1997 Bonds) The certificates were used primarily to finance construction, renovation and equipping of certain additions and improvements to Henry and related facilities, and to refund the Authority's outstanding revenue certificates Series 1992A At the acquisition date, the stated value of the Series 1997 Bonds approximated their fair value of $875,000 The Series 2007 Bonds were paid in full in accordance with their payment schedule on July 1, 2012

The Series 2004 certificates are payable from and secured by a first lien on and pledge of the gross revenues derived by the Authority from the operations of Henry Additionally, payment of principal and interest when due is insured by a municipal bond insurance policy.

At the option of Henry, the Series 2004 certificates maturing on after July 1, 2015 are subject to early redemption at any time not earlier than July 1, 2014, at prices up to 101% of the principal, plus accrued interest to the redemption date

Henry is required to maintain a sinking fund account sufficient to meet maturing principal and interest payments. Such deposits into this account are included with assets limited as to use in the accompanying consolidated financial statements

Scheduled principal payments on the Series 2010, Series 2009 and Series 2004 Bonds are as follows (in thousands)

Year ended June 30	
2014	$ 9,830
2015	10,425
2016	10,490
2017	11,370
2018	11,495
Thereafter	459,320
	$ 512,930

As previously noted, the scheduled principal payments differ from the carrying value, as the Series 2004 Bonds were recorded at fair value at the time of PHC's acquisition of Henry

8. Long-Term Debt (continued)

Note Payable to a Bank

Effective February 1, 2012, PHC entered into a note payable with a bank The proceeds of the note totaling approximately $44,819,000 were used to repay Henry's Series 1999 Bonds The note bears interest at a fixed rate of 1 8% per annum payable monthly Principal payments on the note are due as follows $2,170,000 due July 1, 2014, $2,295,000 due July 1, 2015, $2,425,000 due July 1, 2016, and the remaining principal due July 1, 2017

Line of Credit

During fiscal year 2010, PHC entered into a line of credit for $70,000,000 with a local bank, with an interest rate based on 30-day LIBOR plus 0 75% and a maturity date of December 31, 2011 During fiscal year 2012, PHC entered into an amendment to the line of credit, which reduced available borrowings to $1,000,000 and extended the maturity to December 31, 2012 On December 17, 2012, PHC entered into an amendment to the line of credit which extended the maturity to December 31, 2015, and revised the interest rate to LIBOR plus 0.60%. There were no outstanding borrowings on the line of credit at June 30, 2013 or 2012

Interest Rate Swap Agreements

PHC has seven interest rate swap agreements that are not accounted for as cash flow hedges These interest rate swaps are primarily utilized to economically hedge PHC's exposure to changing interest rates under its debt obligations. The change in value of the interest rate swaps is reported as a component of nonoperating income (expense) in the period it occurs At June 30, 2013 and 2012, the total notional amount of PHC's interest rate swaps was approximately $136,020,000 and $151,907,000, respectively

These interest rate swap agreements expose PHC to credit losses in the event of nonperformance by the counterparty to the financial instruments The counterparty is a creditworthy financial institution, and PHC management believes the counterparty will be able to fully satisfy its obligations under the contracts

8. Long-Term Debt (continued)

PHC's interest rate swaps are reported at fair value in the accompanying consolidated balance sheets as follows.

	June 30	
	2013	**2012**
	(In Thousands)	
Other long-term liabilities	**$ 21,608**	$ 34,904

The effects of PHC's interest rate swaps on the accompanying consolidated statements of operations are as follows

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Gain (loss) recognized in nonoperating expense	**$ 13,296**	$ (18,716)
Loss recognized in supplies and other expenses	**(4,765)**	(4,879)
	$ 8,531	$ (23,595)

9. Medical Office Buildings

As discussed in Note 7, PHC is considered the owner of the Fayette MOB and the Piedmont MOB for financial reporting purposes. In accordance with ASC 840, *Leases*, PHC has reflected the operations of the Piedmont and Fayette MOB's in its consolidated financial statements, which resulted in other income of approximately $5,271,000, interest expense of $5,295,000, and other operating expense of $2,052,000 for the year ended June 30, 2013, and other income of approximately $6,131,000, interest expense of $5,209,000 and other expense of $695,000 for the year ended June 30, 2012

10. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets available primarily for capital purchases, education and geriatric services were $20,301,000 and $21,746,000 at June 30, 2013 and 2012, respectively.

10. Temporarily and Permanently Restricted Net Assets (continued)

Permanently restricted net assets are as follows, with a description of how the investment income is to be used:

	June 30	
	2013	**2012**
	(In Thousands)	
Support of education	**$ 507**	$ 507
Beneficial interest in perpetual trust	**8,064**	7,939
Support of specific services	**14,138**	13,985
	$ 22,709	$ 22,431

11. Employee Benefits

Pension Plan

PHC has a trusteed noncontributory defined benefit pension plan (the Plan) covering a portion of PHC employees The Plan's benefits are based on a combination of years of service and the employee's compensation PHC's funding policy is to contribute annually to the Plan an amount sufficient to meet the minimum funding standards of ERISA, or an amount sufficient to maintain the Plan on a sound actuarial basis, as certified by an enrolled actuary. Plan assets consist primarily of common stocks, alternative investments, guaranteed investment contracts, and cash equivalents

On September 20, 2012, the Plan was amended to reflect a hard freeze as of December 31, 2014 Therefore, no further benefit accruals will be provided after that date for additional credited service or earnings In addition, all participants will become fully vested as of December 31, 2014. The Company recorded a one-time noncash curtailment charge of $22,000 in connection with this amendment

11. Employee Benefits (continued)

The following amounts have not yet been recognized in the net periodic cost, and are recognized as a reduction to unrestricted net assets.

	June 30 2013	June 30 2012
	(In Thousands)	
Actuarial losses	**$ 41,766**	$ 105,661
Prior service cost	**–**	25
Total	**$ 41,766**	$ 105,686

Changes in the Plan's obligations and assets caused the following changes in unrestricted net assets

	Year Ended June 30 2013	Year Ended June 30 2012
	(In Thousands)	
Amortization of prior service cost	**$ 25**	$ 144
Amortization of loss	**5,976**	443
Net actuarial gain (loss) during the year	**28,042**	(73,360)
Curtailment	**29,877**	–
Total	**$ 63,920**	$ (72,773)

The prior service cost and unrecognized loss included in unrestricted net assets, and expected to be recognized in net periodic pension cost during the year ended June 30, 2014, are $0 and $1,097,000, respectively

11. Employee Benefits (continued)

The following table presents a reconciliation of the beginning and ending balances of the Plan's projected benefit obligation, the fair value of plan assets, the funded status of the Plan, and the accumulated benefit obligation

	June 30	
	2013	**2012**
	(In Thousands)	
Change in benefit obligations		
Projected benefit obligation, beginning of year	**$ 361,229**	$ 286,386
Service cost	**10,742**	10,063
Interest cost	**16,191**	16,571
Benefits paid	**(27,327)**	(6,158)
Actuarial (gain) loss	**(19,209)**	54,367
Curtailment	**(29,877)**	–
Projected benefit obligation, end of year	**$ 311,749**	$ 361,229
Accumulated benefit obligation	**$ 303,969**	$ 322,468
Change in Plan assets		
Fair value of Plan assets, beginning of year	**$ 293,591**	$ 243,963
Employer contributions	**–**	55,000
Actual return on Plan assets	**32,078**	786
Benefits paid	**(27,327)**	(6,158)
Fair value of Plan assets, end of year	**$ 298,342**	$ 293,591
Funded status of the Plan	**$ (13,407)**	$ (67,638)

The underfunded status of the Plan of $13,407,000 and $67,638,000 at June 30, 2013 and 2012, respectively, is recognized in the accompanying consolidated balance sheets as a long-term pension liability No Plan assets are expected to be returned to PHC during the fiscal year ended 2014.

During the year ended June 30, 2013, the Plan offered a bulk lump-sum payment window Benefits paid from the Plan relating to this bulk lump-sum payment window totaled approximately $19,900,000.

11. Employee Benefits (continued)

The following table sets forth the components of net periodic benefit cost

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Components of net periodic benefit cost		
Service cost	**$ 10,742**	$ 10,063
Interest cost	**16,191**	16,571
Expected return on Plan assets	**(23,245)**	(19,779)
Amortization of prior service cost	**25**	144
Amortization of net actuarial loss	**5,976**	443
Total net periodic benefit cost	**$ 9,689**	$ 7,442

The actuarial assumptions used in the accounting for the net periodic cost for the Plan were as follows

	Year Ended June 30	
	2013	**2012**
Discount rate	****%**	5 85%
Rate of increase in future compensation levels	**3.00**	3 00
Expected long-term rate of return on Plan assets	**7.75**	7 75

** Prior to the previously discussed plan freeze effective December 31, 2014, and reflected for accounting purposes at September 30, 2012, the discount rate was 4 82% Subsequent to September 30, 2012, the discount rate used was 4 42%

The actuarial assumptions used to determine the year-end benefit obligations for the Plan were as follows

	June 30	
	2013	**2012**
Discount rate	**5.23%**	4 82%
Rate of increase in future compensation levels	**3.00**	3 00

11. Employee Benefits (continued)

In fiscal year 2008, the PHC Board of Directors approved the freezing of the Plan for participation purposes, so that employees hired or rehired on and after July 1, 2008 will not be eligible to participate in the Plan Current participants had the option under the "Choice" program to continue to accrue benefits in the Piedmont Healthcare Retirement Plan, or to participate in the new Piedmont 401(k) plan, which began on January 1, 2009 Approximately 64% of active participants elected to continue to accrue benefits in the defined benefit pension plan

On September 20, 2012, the PHC Board of Directors and PHC management approved a freeze of the Plan effective December 31, 2014, whereby all participants would cease to accrue further benefits after that date

PHC uses fair value as the market-related value of assets in calculating the expected return on Plan assets component of net periodic pension expense for the years ended June 30, 2013 and 2012

No contributions are expected to be paid to the Plan during fiscal year 2014

Benefits expected to be paid in each of the next five fiscal years are as follows fiscal year 2014–$9,129,000, fiscal year 2015–$10,160,000, fiscal year 2016–$11,262,000, fiscal year 2017–$12,440,000, and fiscal year 2018–$13,677,000 For fiscal years 2019–2023, the aggregate benefits expected to be paid are $86,738,000

The following table sets forth the asset allocation for the Plan

	June 30	
	2013	**2012**
Growth/equity securities	**63%**	64%
Hedge funds/private equity	**16**	16
Fixed income securities	**21**	20
	100%	100%

11. Employee Benefits (continued)

The target allocation for the Plan is as follows

	June 30	
	2013	**2012**
Growth/equity securities	**50%**	57%
Hedge funds/private equity	**27**	20
Fixed income securities	**23**	23
	100%	100%

To develop the expected long-term rate of return on assets assumption, PHC considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the Plan's portfolio

The investment strategy of the Plan is to ensure, over the long-term life of the Plan, an adequate pool of assets along with contributions by PHC to satisfy the benefit obligations to participants and beneficiaries. PHC desires to achieve market returns consistent with a prudent level of diversification All investments are made solely in the interest of the Plan's participants and beneficiaries for the exclusive purposes of providing benefits to such participants and their beneficiaries and defraying the expenses related to administering the Plan The target allocation of all assets is to reflect proper diversification in order to reduce the potential of a single security or single sector of securities having a disproportionate impact on the portfolio In an effort to maintain the overall risk level of the portfolio within an acceptable range, the relative mix of asset classes will be rebalanced back toward the target allocations as opportunities permit, but in any event not less often than annually The use of futures and options contracts will be limited to liquid instruments listed and actively traded on major exchanges (except for short-term funds) to over-the-counter options or forward contract positions executed with major dealers No derivatives strategy may be used if it would subject the portfolios to greater variance than would be the case with the physical portfolio under a worst case scenario Short-term funds may use only exchange-traded futures contracts and options–specifically prohibited are any off-exchange instruments and any exotic or structured securities, as well as notes whose interest rate is tied to security with a maturity of more than one year PHC utilizes an outside investment consultant to implement its investment strategy

11. Employee Benefits (continued)

The fair value of financial assets of the Plan measured at fair value on a recurring basis was determined using the following inputs at June 30, 2013 (in thousands).

	Level 1	Level 2	Level 3	Total
Assets at fair value				
Corporate obligations	**$ –**	**$ 6,790**	**$ –**	**$ 6,790**
Fixed income securities	**703**	**–**	**–**	**703**
Corporate stocks	**14,173**	**64**	**–**	**14,237**
Mutual funds	**173,077**	**–**	**–**	**173,077**
Alternative investments	**–**	**103,536**	**–**	**103,536**
Total assets at fair value	**$ 187,953**	**$ 110,390**	**$ –**	**$ 298,343**

The fair value of financial assets of the Plan measured at fair value on a recurring basis was determined using the following inputs at June 30, 2012 (in thousands).

	Level 1	Level 2	Level 3	Total
Assets at fair value				
Corporate obligations	$ –	$ 4,528	$ –	$ 4,528
Fixed income securities	356	–	–	356
Corporate stocks	9,575	156	–	9,731
Mutual funds	175,613	–	–	175,613
Alternative investments	–	98,604	4,759	103,363
Total assets at fair value	$ 185,544	$ 103,288	$ 4,759	$ 293,591

The investments at June 30, 2013 and 2012 were in domestic investments

The Plan invests in alternative investments which provide the Plan with a proportionate share of the fair value of the fund returns The Lighthouse Diversified Fund and the Titan Masters International Fund are funds that invest in other alternative investments (for example, funds of funds) and these are classified as Level 2 financial assets The Baillie Gifford FDS Fund, the LSV Emerging Markets Fund and the JPMCB Extended Duration Fund are funds whose underlying investments are in securities that are publicly traded on U S and overseas exchanges, and these are classified as Level 2 financial assets.

11. Employee Benefits (continued)

The Archipelago Holdings Ltd Offshore Fund is a fund that invests in other alternative investments (for example, funds of funds), and was classified as a Level 3 financial asset as of June 30, 2012, since there is a one-year lock-up period in effect at that time As of June 30, 2013, the lock-up period had expired, so the fund was classified as a Level 2 financial asset

As of June 30, 2013, the Plan's alternative investments do not have restrictions in excess of 90 days related to redemption

The fair values of the securities included in Level 1 were determined through quoted market prices The fair values of Level 2 financial assets for the corporate obligations were determined through evaluated bid prices provided by third-party pricing services where quoted market prices are not available The fair value of Level 2 and Level 3 alternative investments was determined based on the use of net asset value per share as a practical expedient in accordance with ASC 820, *Fair Value Measurement.*

The following is the reconciliation of the beginning and ending balances of Level 3 financial assets measured at fair value on a recurring basis (in thousands)

Balance at June 30, 2012	$	4,759
Transfer to Level 2 upon expiration of lock-up period (as discussed above)		(4,759)
Balance at June 30, 2013	$	–

Deferred Compensation Plan

PHC also offers a nonqualified deferred compensation plan, which is available to certain highly compensated PMCC employees The Plan permits such employees to defer the receipt and taxation of all or a portion of their salary until future years. The deferred compensation is available for distribution to employees upon the election by the employee, provided the distribution election with respect to the deferred amounts has been made for a minimum of one year prior to the date of distribution

11. Employee Benefits (continued)

All deferrals are held as part of PHC's general assets and are subject to the claims of PHC's general creditors. Employees' rights to the payment of benefits under the Plan are equal to those of general and unsecured creditors of the PHC PHC has no liability for losses under the deferred compensation plan

The amounts recorded for the deferred compensation plan are approximately $18,249,000 and $13,365,000, at June 30, 2013 and 2012, respectively, and are recorded within other long-term liabilities in the accompanying consolidated balance sheets

401(k) Plan

PHC offers, as the sponsor, a deferred tax annuity plan (the 401(k) Plan) pursuant to Section 401(k) of the Internal Revenue Code of 1986 covering substantially all employees of PHC PHC contributes 100% of pretax contributions up to the first 3% of eligible pay, and 50% of pretax contributions up to the next 2% into the 401(k) Plan, and may make an additional discretionary contribution. PHC recognized as expense approximately $16,554,000 and $17,760,000 for the years ended June 30, 2013 and 2012, respectively, related to the 401(k) Plan During the years ended June 30, 2013 and 2012, PHC made discretionary contributions to the 401(k) Plan of $6,549,000 and $4,945,000, respectively

12. Concentrations of Credit Risk

PHC grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements The mix of gross receivables from patients and third-party payors was as follows.

	June 30	
	2013	**2012**
Medicare	**26%**	26%
Medicaid	**15**	17
Other third-party payors	**42**	41
Patients	**17**	16
	100%	100%

12. Concentrations of Credit Risk (continued)

PHC recognizes that revenue and receivables from government agencies and third-party payors are significant to its operations, but do not believe that there are significant credit risks associated with these collections

13. Commitments and Contingencies

General and Professional Liability Insurance

PHC has a trusteed self-insurance program for general and professional liability coverage through AMIC AMIC insures PHC with professional liability and commercial general liability risks of PHC affiliates, namely the Hospital, Mountainside, Fayette, Newnan, Henry, PHIP and PMCC, on a claims-made basis for the hospital professional liability and on an occurrence basis for the commercial general liability The insurance policies between PHC and AMIC are $5,000,000 per occurrence and $20,000,000 aggregate annual limit for coverage effective May 1, 2003, subject to a retroactive date of May 1, 2001, and $5,000,000 per occurrence and $19,000,000 aggregate annual limit for coverage effective May 1, 2005, through April 30, 2014. AMIC is consolidated by PHC PHC records the reported and estimated incurred but not reported liability based on an actuarial study at June 30, 2013 and 2012, which amounted to approximately $55,304,000 and $52,617,000, respectively, and is recorded as self-insurance reserves in the accompanying consolidated balance sheets Commercial insurance has been obtained on a claims-incurred basis to provide for excess coverage

The general and professional self-insurance reserves included in the accompanying consolidated balance sheets include estimates of the ultimate costs for claims incurred but not reported through June 30, 2013 and 2012, applicable to the general and professional liability self-insurance plans for PHC PHC has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims Accrued malpractice losses have been discounted at 4% at June 30, 2013 and 2012.

Other Self-Insurance Programs

PHC self-insures a portion of its workers' compensation liability exposure up to $450,000 per and $350,000 per claim at June 30, 2013 and 2012, respectively Reserves for the self-insurance program are established to provide for estimated claims losses and applicable legal expenses for any claims incurred, both reported and unreported, through June 30, 2013, and are recorded in

13. Commitments and Contingencies (continued)

the accompanying consolidated financial statements PHC recorded the reported and estimated incurred but not reported liability for its claims at June 30, 2013 and 2012, which amounted to approximately $6,284,000 and $6,235,000, respectively Commercial insurance has been obtained on a claims-incurred basis to provide for excess coverage

The workers' compensation self-insurance reserves included in the accompanying consolidated balance sheets include estimates of the ultimate costs for claims incurred but not reported through June 30, 2013. PHC has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued workers' compensation losses have been discounted at 4% at June 30, 2013 and 2012

PHC is self-insured for employee health benefits for its subsidiaries with reinsurance for high dollar claims At June 30, 2013 and 2012, PHC recorded $5,372,000 and $5,039,000, respectively, as a liability for health benefit claims within the current portion of self-insurance reserves line item in the accompanying consolidated balance sheets

The employee health benefits self-insurance reserves in the accompanying consolidated balance sheets include estimates of the ultimate costs for claims incurred but not reported through June 30, 2013, applicable to the employee health benefits self-insurance plans PHC has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims Accrued employee health benefits losses have not been discounted due to the short-term nature of the payout of these liabilities

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

PWHP

Under the provisions of the JV Agreement, PHC is required to make additional future capital contributions totaling $17,375,000. Capital contributions are due as follows. $9,325,000 in fiscal year 2014 and $8,050,000 in fiscal year 2015

Operating Leases

PHC leases various equipment and facilities under operating leases expiring at various dates through fiscal year 2024 Total rent expense in fiscal years 2013 and 2012, for all operating leases was $39,887,000 and $38,562,000, respectively.

13. Commitments and Contingencies (continued)

The following is a schedule by year of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year (in thousands).

Year ended June 30	
2014	$ 27,530
2015	28,395
2016	26,614
2017	24,038
2018	21,902
Thereafter	124,570
	$ 253,049

Litigation

PHC is involved in litigation arising in the ordinary course of business After consultation with legal counsel, management estimates that these matters will be resolved without a material adverse effect on PHC's future financial position or results of operations

14. Functional Expenses

PHC does not present expense information by functional classification because its resources and activities are primarily related to providing health care services Further, since PHC receives substantially all of its resources from providing health care services in a manner similar to a business enterprise, other indicators contained in these consolidated financial statements are considered important in evaluating how well management has discharged their stewardship responsibilities.

15. Fair Value of Financial Instruments

PHC follows ASC 820, *Fair Value Measurement*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date ASC 820, *Fair Value Measurement*, establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement), and the lowest priority to unobservable inputs (Level 3 measurement)

15. Fair Value of Financial Instruments (continued)

Certain of the PHC's financial assets and financial liabilities are measured at fair value on a recurring basis, including money market, fixed income and equity instruments, and interest rate swap agreements The three levels of the fair value hierarchy defined by ASC 820, *Fair Value Measurement*, and a description of the valuation methodologies used for instruments measured at fair value are as follows

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that PHC has the ability to access

Level 2 – Financial assets and liabilities whose values are based on pricing inputs which are either directly observable or that can be derived or supported from observable data as of the reporting date Level 2 inputs may include quoted prices for similar assets or liabilities in nonactive markets or pricing models whose inputs are observable for substantially the full term of the asset or liability

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

15. Fair Value of Financial Instruments (continued)

The fair value of financial assets and financial liabilities measured at fair value on a recurring basis was determined using the following inputs at June 30, 2013 (in thousands)

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 160,674	$ –	$ –	$ 160,674
Investments and assets limited as to use				
Cash and cash equivalents	3,028	–	–	3,028
Corporate obligations	1,876	15,541	–	17,417
Fixed income securities	79,513	–	–	79,513
Corporate stocks	90,195	–	–	90,195
Mutual funds	194,597	–	–	194,597
Total investments and assets limited as to use	369,209	15,541	–	384,750
Self-insurance investments				
Corporate obligations	618	12,397	–	13,015
Treasury inflation protection securities	–	6,350	–	6,350
Fixed income securities	1,505	–	–	1,505
Mortgage-backed securities	–	5,756	–	5,756
Mutual funds	12,442	–	–	12,442
Total self-insurance investments	14,565	24,503	–	39,068
Beneficial interest in perpetual trust	–	–	8,064	8,064
Total assets at fair value	$ 544,448	$ 40,044	$ 8,064	$ 592,556
Liabilities				
Interest rate swaps	$ –	$ 21,608	$ –	$ 21,608
Total liabilities at fair value	$ –	$ 21,608	$ –	$ 21,608

15. Fair Value of Financial Instruments (continued)

The fair value of financial assets and financial liabilities measured at fair value on a recurring basis was determined using the following inputs at June 30, 2012 (in thousands).

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 204,596	$ –	$ –	$ 204,596
Investments and assets limited as to use				
Cash and cash equivalents	5,181	–	–	5,181
Corporate obligations	1,184	14,371	–	15,555
Fixed income securities	51,041	–	–	51,041
Corporate stocks	89,311	–	–	89,311
Mutual funds	212,733	–	–	212,733
Total investments and assets limited as to use	359,450	14,371	–	373,821
Self-insurance investments				
Corporate obligations	1,119	7,632	–	8,751
Treasury inflation protection securities	–	5,032	–	5,032
Fixed income securities	7,192	–	–	7,192
Mortgage-backed securities	–	3,444	–	3,444
Mutual funds	11,219	–	–	11,219
	19,530	16,108	–	35,638
Beneficial interest in perpetual trust	–	–	7,939	7,939
Total assets at fair value	$ 583,576	$ 30,479	$ 7,939	$ 621,994
Liabilities				
Interest rate swaps	$ –	$ 34,904	$ –	$ 34,904
Total liabilities at fair value	$ –	$ 34,904	$ –	$ 34,904

15. Fair Value of Financial Instruments (continued)

The investments at June 30, 2013 and 2012, were in domestic investments

Financial assets and financial liabilities are reflected in the accompanying consolidated balance sheets as follows.

	June 30	
	2013	**2012**
	(In Thousands)	
Investments and assets limited as to use measured at fair value	**$ 384,750**	$ 373,821
Alternative investments accounted for under the equity method	**125,527**	79,415
Total investments and assets limited as to use	**$ 510,277**	$ 453,236

See Note 8 for location of interest rate swap liabilities in the accompanying consolidated balance sheets

The fair values of the securities included in Level 1 were determined through quoted market prices The fair value of Level 2 and Level 3 financial assets and liabilities were determined as follows

Corporate Obligations, Treasury-Inflated Protection Securities, and Mortgage-Backed Securities – These Level 2 investments were determined through evaluated bid prices provided by third-party pricing services where quoted market values are not available There is not significant subjectivity in the fair value estimate due to changes in the unobservable inputs

Beneficial Interest in Perpetual Trust – The fair values of these financial assets were determined from the fair value of the underlying assets contributed to the trusts Based on the nature of the underlying assets, there is not significant subjectivity in the fair value estimate due to changes in the unobservable inputs

15. Fair Value of Financial Instruments (continued)

Interest Rate Swaps – The fair values of these financial liabilities interest rate swaps were determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved The analysis reflects contractual terms of the interest rate swaps and uses observable market-based inputs, such as interest rate curves. In addition credit valuation adjustments are included to reflect nonperformance risk PHC pays fixed rates ranging from 3 17% to 4 84%, and receives cash flows based on 67% of one-month LIBOR

The following is the reconciliation of the beginning and ending balances of Level 3 financial assets measured at fair value on a recurring basis (in thousands)

Balance at July 1, 2012	$	7,939
Net realized and unrealized losses		125
Balance at June 30, 2013	$	8,064

The net realized and unrealized losses on the Level 3 assets are included in changes to beneficial interest in perpetual trust within permanently restricted net assets in the accompanying consolidated statements of changes in net assets

The carrying values of patient accounts receivable, pledges receivable, and accounts payable and accrued expenses are reasonable estimates of their fair values due to the short-term nature of these financial instruments The fair value of the PHC's fixed-rate bonds is derived using Level 2 market-observable inputs, such as risk-free rates, yield curves and credit spreads for debt that is actively traded and has similar maturities and credit ratings The fair value of PHC's bonds and note payable approximated $428,904,000, compared to a carrying value of approximately $406,914,000 at June 30, 2013, and approximated $455,542,000, compared to a carrying value of approximately $410,499,000 at June 30, 2012 The carrying value approximates fair value for all other long-term debt at June 30, 2013 and 2012

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