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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)	OMB No 1545-0047 2012 Open to Public Inspection
	▶ The organization may have to use a copy of this return to satisfy state reporting requirements	

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 COBB HOSPITAL INC		D Employer identification number 58-0968382
	Doing Business As		E Telephone number (770) 792-5023
	Number and street (or P O box if mail is not delivered to street address) 805 Sandy Plains Road Suite	Room/suite	
	City or town, state or country, and ZIP + 4 Marietta, GA 300666340		G Gross receipts \$ 317,624,894
	F Name and address of principal officer REYNOLD J JENNINGS 805 Sandy Plains Road Marietta, GA 300666340		
I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () ◀(Insert no) ☐ 4947(a)(1) or ☐ 527		H(a) Is this a group return for affiliates? ☐ Yes ☒ No	
J Website: ▶ www.wellstar.org		H(b) Are all affiliates included? ☐ Yes ☐ No If "No," attach a list (see instructions)	
		H(c) Group exemption number ▶	

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities <u>To provide world-class charitable healthcare to the community</u>		
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	18
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	14
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	2,565
	6 Total number of volunteers (estimate if necessary)	6	200
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
b Net unrelated business taxable income from Form 990-T, line 34	7b	0	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	0	0
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	312,941,906	311,114,035
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	13,150	-367,715
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	5,625,666	6,510,859
		318,580,722	317,257,179
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	136,487,616	137,373,481
	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)	151,642,508	154,174,207
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	288,130,124	291,547,688
	19 Revenue less expenses Subtract line 18 from line 12	30,450,598	25,709,491
	Net Assets or Fund Balances		Beginning of Current Year
20 Total assets (Part X, line 16)		188,291,475	198,251,107
21 Total liabilities (Part X, line 26)		126,800,535	120,234,733
22 Net assets or fund balances Subtract line 21 from line 20		61,490,940	78,016,374

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			2014-05-14 Date			
	JAMES M SWARTZ VP ACCOUNTING 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 ► PricewaterhouseCoopers LLP					Firm's EIN ►	
	Firm's address ► 2001 MARKET ST SUITE 1700 PHILADELPHIA, PA 19103					Phone no (267) 330-3000	

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

Part III Statement of Program Service Accomplishments

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

1	Briefly describe the organization's mission
	TO CREATE AND DELIVER HIGH QUALITY HOSPITAL, PHYSICIAN AND OTHER HEALTHCARE RELATED SERVICES THAT IMPROVE THE HEALTH AND WELL-BEING OF THE INDIVIDUALS AND COMMUNITIES WE SERVE

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

As discussed herein, Cobb Hospital, Inc (an affiliate of Wellstar Health System, Inc) operates as a charitable organization consistent with the requirements of Internal Revenue Code Section 501(c)(3) and the "community benefit standard" of IRS Revenue Ruling 69-545. In this regard, the governing body of the organization and/or its parent is composed of prominent citizens in the community, medical staff privileges in the hospital are available to all qualified physicians in the area consistent with the size and nature of the facility, the hospital operates a full-time emergency room open to all regardless of ability to pay, the hospital provides care to the needy members of the community consistent with its charity care policy regardless of their ability to pay for these services. The hospital's excess funds are generally applied to expansion and replacement of existing facilities and equipment, amortization of indebtedness, improvement of patient care, community benefits activity, and charity care. Cobb Hospital reinvested a total of approximately \$13.0 million in capital expenditures for equipment upgrades and other capital improvements to better serve the community. Cobb Hospital was organized in 1984. The hospital affiliated with the Northwest Georgia Health System in 1993. In 1994, Northwest Georgia Health System helped form the PROMINA Health System and changed its name to Promina Northwest Health System. In 1998, Promina Northwest changed its name to Wellstar Health System and is now totally independent of Promina. Cobb Hospital is subordinate to, and subject to the authority of Wellstar Health System and its governing boards including the Hospital Authority of Cobb County. Cobb Hospital provides a full range of inpatient and outpatient services characteristic of a community hospital. The hospital is licensed to operate 382 beds and is presently staffed to operate 370 beds. The original hospital was constructed in 1968 and several major structural additions have happened since that time. The following stats constitute the overall program services provided during the reporting period ended June 30, 2013: Adult Discharges-19,523; Med/Surg Short Stay days-5,526; Emergency Room Visits (incl pediatric ER)-105,234; Outpatient Surgical Cases-7,163; Inpatient Surgical Cases-3,899; Outpatient Procedures Non-ED OP Radiology-54,351; GI Laboratory-1,528; Total FTEs (paid)-1,932; Community Benefit Reporting Community Outreach-\$1,019,877; Unreimbursed Charity Care (at cost)-\$25,599,335; Medicaid Shortfalls (at cost)-\$8,093,370; Total-\$33,692,705. As an affiliate of Wellstar Health System, Cobb Hospital participates in many community and educational programs for the overall health and benefit of the area that they serve. Some examples of those programs are: Community Health/Education--screenings and educational opportunities such as defensive driving for teens (offered at a minimal cost or at no cost), smoking cessation, heart smart school, CPR and others. System-wide over 54,000 residents from the community participated in these various screenings. More than 65,000 students learned about important health topics through our elementary and adolescent school health programs. The Public Relations department notifies the public of these offerings by publishing a quarterly mailer to community residents which costs the system over \$80,000. Community Activities--sponsors blood drives, provides funding to school health programs for medical and dental preventive care. Community Events--Wellstar has an annual day for the Latino community geared at screenings and educational activities on a variety of health issues specifically for the Hispanic community. Sponsorships: A group of employees also participated in the annual "Relay for Life" an event to raise funds and awareness for cancer research and prevention (held in conjunction with the American Cancer Society). System-wide a total of \$22,000 was raised to support cancer research, education and patient services. Efforts are planned to expand this support in the coming years. Recognition and Accomplishments: Cobb Hospital and Kennestone Hospital operate full-service clinics on the respective campuses to provide health related services to uninsured and underinsured who might not otherwise receive care. In FY2013 the clinics served a combined 8,000 patient visitors at a cost of almost \$2.8 million. A clinic for senior wellness also opened in Cobb County. WellStar Cobb Hospital is ranked in the US News and World Report's Best Hospitals in Atlanta. The hospital was ranked as ninth in Atlanta and 15th in the state of Georgia in this annual report. Only nine hospitals were chosen from Atlanta's 60 institutions. WellStar Cobb and Kennestone Hospitals received the United Total Joint Replacement Specialty Center Designation in recognition of the quality care in their respective units. Both hospitals received three-star ratings which is the highest possible. The hospitals met extensive quality and outcomes criteria based on nationally recognized medical standards and expert advice. In addition the total hip and knee joint replacement programs are certified by the Joint Commission. In October 2012 WellStar completed the systemwide implementation of a new cleaning process called Xenex. The process uses ultraviolet light technology/machines to decontaminate rooms in five to 12 minutes. This includes patient rooms, emergency departments, public restrooms, supply rooms and nursing stations. Independent studies and lab samples have shown that the system is 20 times more effective than regular cleaning protocols for eliminating bacteria and many other organisms. All hospitals have a least one machine in operation. WellStar Cobb Hospital received four Joint Commission Disease-Specific Certifications (some mentioned previously). The hospital was recertified for hip replacement, knee replacement and primary stroke and received an initial certification for spinal surgery. The hospital has to demonstrate compliance with consensus-based national standards, effective use of appropriate, evidence-based clinical practice guidelines and collection and analysis of a minimum of four performance measures specific to the specialty care provided. WellStar Cobb expanded the innovative STAT Cancer Clinic concept that previously was only available at Kennestone Hospital. In this clinic patients see all members of the treatment and support team in one place and in one afternoon for an initial diagnosis. These clinics are the only true multidisciplinary services of their kind in metro Atlanta. With specialists in thoracic surgery, pulmonary, medical and radiation oncology the patient is guided through a treatment protocol that happens in days, not weeks or months. WellStar Cobb Hospital experienced such great success with the daVinci Surgical system that it was able to add a second system during the reporting period. The state of the art minimally invasive technology is used by gynecologic, urologic, thoracic, colorectal and general surgeons. The surgeons are able to work through smaller incisions, less pain for the patient, and faster recoveries with this technology. The Partnership for Health and Accountability of the Georgia Hospital Association presented two of its prestigious Quality and Patient Safety Awards to WellStar Cobb Hospital. One award relates to the timely and appropriate administration of antibiotics and the second relates to re-engineering discharge. Cobb Hospital also was presented with the Circle of Excellence Award for hospitals that demonstrate a sustained commitment to quality and safety having won multiple awards over the previous five years. To better serve behavioral health patients who visit WellStar Douglas Hospital's Emergency Department, the system began using an innovative technology to offer telemedicine. The technology is provided in a partnership with TeleHealth and allows psychiatrists at WellStar Cobb Hospital to securely and conveniently evaluate Douglas patients and expedite their discharge. With the success of the pilot program the system plans to expand to Paulding Hospital, which, like Douglas Hospital does not have on-site psychiatrists. WellStar Kennestone Hospital launched an initiative called Best In Georgia (BIG) with a goal to improve patient safety and well-being across the system. A multidisciplinary team of physicians and other team members meets on a monthly basis to elevate performance measures at the hospital. As many consumers research healthcare performance measures in sources such as Health Grades, and US News and World Report it is important to focus on raising the hospitals position in the public. Cobb, Douglas, Paulding and Windy Hill hospitals have also joined in this initiative. Cobb Hospital has instituted an inpatient medical stabilization service called New Vision. This service for adults with drug, alcohol and related health issues is a medically supervised, three-day hospital stay which

[illegible][illegible]

4d Other program services (Describe in Schedule O)
(Expenses \$ _____ including grants of \$ _____) (Revenue \$ _____)

4e	Total program service expenses ▶	250,900,375
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Part IV

Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)?	2	No
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 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	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, 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	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI 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? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		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? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
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)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		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? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 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.		
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.		
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		
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.		
2b	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).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?		No
3b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.		
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)?		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?		No
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
5c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
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?		No
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
7a	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?		No
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8822?		No
7d	If "Yes," indicate the number of Forms 8822 filed during the year.		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
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?		
9	Sponsoring organizations maintaining donor advised funds.		
9a	Did the organization make any taxable distributions under section 4966?		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter		
10a	Initiation fees and capital contributions included on Part VIII, line 12.		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		
11	Section 501(c)(12) organizations. Enter		
11a	Gross income from members or shareholders.		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
13a	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.		
13b	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.		
13c	Enter the amount of reserves on hand.		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		No
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		

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	18	
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			
1b	Enter the number of voting members included in line 1a, above, who are independent	14	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	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	Yes
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
7b	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		
8a	The governing body?	8a	Yes
8b	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
10b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes
11b	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
12b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
12c	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?		
15a	The organization's CEO, Executive Director, or top management official	15a	Yes
15b	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
16b	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	JAMES M SWARTZ 805 SANDY PLAINS ROAD Marietta, GA (770) 792-5023

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

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 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

[illegible]

Part VII

(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			
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								2,434,070	18,796,110	2,051,233

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 ▶92

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

Section B. Independent Contractors

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

(A)	(B)	(C)
Name and business address	Description of services	Compensation
Martin General Contracting Inc , 3633 Ivy Gulledge Rd DALLAS GA 30132	General Contracting	1,694,699
Quest Diagnostics , PO BOX 740736 ATLANTA GA 30384	LAB SERVICES	922,620
Batchelor and Kimball Inc , PO Box 70 LITHONIA GA 30058	MAINTENANCE	1,261,317
NATIONAL MEDICAL CARE DBA RCC MARIE , PO Box 101518 ATLANTA GA 303921518	Medical Services	924,000
Quantum Radiology , 598 Nancy Street Suite 100 MARIETTA GA 30060	Diagnostic Services	541,229

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 ►26

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					
	f	All other contributions, gifts, grants, and similar amounts not included above 1f					
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f	0				
Program Service Revenue			Business Code				
	2a	PATIENT REVENUE	621990	311,087,064	311,087,064		
	b	PATIENT EDUCATION	621990	26,755	26,755		
	c	MEDICAL RECORDS	621990	216	216		
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f	311,114,035				
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	0				
	4	Income from investment of tax-exempt bond proceeds	0				
	5	Royalties	0				
	6a	(i) Real		27,605			27,605
		(ii) Personal					
		27,605					
	b	Less rental expenses					
	c	Rental income or (loss)	27,605	0			
	d	Net rental income or (loss)		27,605			27,605
	7a	(i) Securities					
		(ii) Other					
	b	Less cost or other basis and sales expenses		367,715			
	c	Gain or (loss)		-367,715			
	d	Net gain or (loss)		-367,715			-367,715
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a	0			
	b	Less direct expenses b					
	c	Net income or (loss) from fundraising events					
	9a	Gross income from gaming activities See Part IV, line 19	a	0			
	b	Less direct expenses b					
c	Net income or (loss) from gaming activities						
10a	Gross sales of inventory, less returns and allowances	a	0				
b	Less cost of goods sold b						
c	Net income or (loss) from sales of inventory						
Miscellaneous Revenue		Business Code					
11a	CAFETERIA		1,964,015			1,964,015	
b	PARKING		769,540			769,540	
c	PHARMACY REVENUE		3,259,437			3,259,437	
d	All other revenue		490,262			490,262	
e	Total. Add lines 11a-11d		6,483,254				
12	Total revenue. See Instructions		317,257,179	311,114,035		6,143,144	

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.	0			
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	1,722,150	1,508,259	213,891	
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.	108,468,492	94,992,735	13,475,757	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	8,896,606	7,791,648	1,104,958	
9	Other employee benefits.	10,334,591	9,051,035	1,283,556	
10	Payroll taxes.	7,951,642	6,964,048	987,594	
11	Fees for services (non-employees):				
a	Management.	0			
b	Legal.	10,623		10,623	
c	Accounting.	0			
d	Lobbying.	0			
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).	12,399,434	11,656,129	743,305	
12	Advertising and promotion.	45,995	35,269	10,726	
13	Office expenses.	13,287,234	12,703,261	583,973	
14	Information technology.	0			
15	Royalties.	0			
16	Occupancy.	3,625,906	339,274	3,286,632	
17	Travel.	90,957	58,296	32,661	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	60,454	37,579	22,875	
20	Interest.	21,526		21,526	
21	Payments to affiliates.	55,787,428	48,858,629	6,928,799	
22	Depreciation, depletion, and amortization.	13,376,809	5,196,862	8,179,947	
23	Insurance.	2,492,479		2,492,479	
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	REPAIRS & MAINTENANCE	5,019,312	3,850,363	1,168,949	
b	MEDICAL SUPPLIES	47,753,957	47,674,104	79,853	
c	OTHER EXPENSES	202,093	182,884	19,209	
d					
e	All other expenses				
25	Total functional expenses. Add lines 1 through 24e.	291,547,688	250,900,375	40,647,313	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)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		7,025	1	6,125
	2	Savings and temporary cash investments		27,596	2	39,723
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		51,290,559	4	59,767,668
	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		0	7	0
	8	Inventories for sale or use		6,174,822	8	6,632,769
	9	Prepaid expenses and deferred charges		1,576,039	9	3,737,204
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a274,639,211			
	b	Less accumulated depreciation	10b155,852,814	119,382,073	10c	118,786,397
	11	Investments—publicly traded securities		0	11	0
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		9,833,361	15	9,281,221
	16	Total assets. Add lines 1 through 15 (must equal line 34)		188,291,475	16	198,251,107
Liabilities	17	Accounts payable and accrued expenses		19,872,593	17	15,299,565
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		0	20	0
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	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		29,459	23	27,748
	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		106,898,483	25	104,907,420
	26	Total liabilities. Add lines 17 through 25		126,800,535	26	120,234,733
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		61,490,940	27	78,016,374
	28	Temporarily restricted net assets		0	28	0
	29	Permanently restricted net assets		0	29	0
	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		61,490,940	33	78,016,374
	34	Total liabilities and net assets/fund balances		188,291,475	34	198,251,107

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	317,257,179
2	Total expenses (must equal Part IX, column (A), line 25)	2	291,547,688
3	Revenue less expenses Subtract line 2 from line 1	3	25,709,491
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	61,490,940
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-9,184,057
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	78,016,374

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? 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		No
2b	Were the organization's financial statements audited by an independent accountant? 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	Yes	
2c	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? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
3b	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		

Additional Data

Software ID:

Software Version:

EIN: 58-0968382

Name: COBB HOSPITAL INC

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week (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			
AVRIL P BECKFORD MD TRUSTEE	2 0 48 0	X						0	433,483	22,804
RANDALL BENTLEY JR TRUSTEE	1 0 5 0	X						0	19,122	0
OTIS BRUMBY III TRUSTEE	1 0 7 0	X						0	4,120	0
SHAN COOPER TRUSTEE	1 0 5 0	X						0	468	0
ROBERT N CROSS MD TRUSTEE	1 0 5 0	X						0	5,166	0
T E RUSTY DURHAM TRUSTEE	1 0 14 0	X						0	37,201	1,410
THOMAS GEARHARD MD TRUSTEE	2 0 48 0	X						0	533,324	70,106
DAVID HAFNER MD TRUSTEE	1 0 5 0	X						0	21,314	0
T FITZ JOHNSON TRUSTEE	1 0 5 0	X						0	10,551	0
CHARLES J JONES TRUSTEE	1 0 5 0	X						0	15,887	0
JANIE MADDOX TRUSTEE CHAIR	1 0 5 0	X						0	16,829	0
GARY A MILLER TRUSTEE VICE CHAIR	1 0 5 0	X						0	3,140	0
STEVEN W OWEIDA MD TRUSTEE	1 0 5 0	X						0	19,041	0
TOM PHILLIPS TRUSTEE	1 0 5 0	X						0	2,599	0
WALTER G ROBINSON TRUSTEE	1 0 5 0	X						0	9,684	0
FRANK ROS TRUSTEE	1 0 5 0	X						0	927	0
W ALLEN SEPARK TRUSTEE	1 0 7 0	X						0	9,168	0
JEFFERY THARP MD TRUSTEE	2 0 48 0	X						0	609,909	65,330
VALERY A AKOPOV MD VP & CHIEF HOSPITALISTS	2 0 48 0			X				0	369,292	30,115
DAVID W ANDERSON EXEC VP HR/OL/CCO	2 0 48 0			X				0	1,009,113	77,916
NICOLE V ASHE VP FINANCE & CFO WMG	2 0 48 0			X				0	229,204	34,796
BARBARA G BALLARD VP HOMECARE & HOSPICE	2 0 48 0			X				0	269,237	41,328
JOSEPH L BRYWCZYNSKI SR VP HEALTH PARKS DEVELOPMENT	2 0 48 0			X				0	321,402	48,393
A JAMES BUDZINSKI EXEC VP and CFO	2 0 50 0			X				0	811,452	72,350
DONALD CAMPBELL MD SR VP PHYS EDUC & STUDENT AFF	2 0 48 0			X				0	441,997	54,362

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors										
(A) Name and Title	(B) Average hours per week (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			
LEE RANDOLPH COOK VP MEDICINE & BEHAVIORAL HLTH	2 0 48 0			X				0	378,589	54,807
BARBARA B COREY SR VP MANAGED CARE	2 0 48 0			X				0	437,376	49,536
BRUCE A DEAN VP REAL ESTATE & DEP GEN COUNS	2 0 48 0			X				0	289,509	48,725
SARATH DEGALA VP REVENUE CYCLE MANAGEMENT	2 0 48 0			X				0	124,354	10,914
MARCIA DELK-PAYNE MD SR VP MED AFFAIRS & CQO	2 0 48 0			X				0	537,139	47,333
CAROL S EDWARDS VP CARDIAC SERVICES	2 0 48 0			X				0	172,501	27,149
KENNETH D ETHERIDGE VP FINANCE & HOSPITAL CFO	50 0 0 0			X				255,939	0	25,385
CLARENCE HARLEE EVINS JR VP REVENUE CYCLE	2 0 48 0			X				0	198,801	22,150
MICHAEL L GRAUE EXEC VP & COO	2 0 48 0			X				0	704,412	82,434
ELIZABETH A HOFFMANN VP BUDGET & ANALYSIS	2 0 48 0			X				0	242,637	16,592
ROBERT D JANSEN EXEC VP & PRES MEDICAL GROUP	2 0 48 0			X				0	651,191	66,994
REYNOLD J JENNINGS PRESIDENT & CEO	2 0 50 0			X				0	1,571,726	64,901
CHRISTOPHER M KANE SR VP STRATEGIC PLAN & BUS DEV	2 0 48 0			X				0	478,493	45,700
BETH KOST VP COMPLIANCE/CHIEF PRIV OFCR	2 0 48 0			X				0	279,215	24,478
KENNETH C KUNZE MD SR VP CHIEF MEDICAL OFFICER	2 0 48 0			X				0	1,125,716	76,665
ELLEN LANGFORD VP & COO MED GRP	2 0 48 0			X				0	312,399	39,496
LOUIS W LITTLE SR VP POST ACUTE & HOSP PRES	2 0 48 0			X				0	356,956	40,332
ROBERT MANDLER VP DIAGNOSTIC OUTREACH	2 0 48 0			X				0	273,344	47,743
CAROL B MAXWELL VP TALENT ACQUISTION	2 0 48 0			X				0	239,468	20,708
THOMAS W McNAMARA MD VP MEDICAL AFFAIRS	50 0 0 0			X				324,339	0	29,155
KIMBERLY W MENELEE SR VP MARKETING & GOV AFFAIRS	2 0 48 0			X				0	396,281	53,325
JONATHAN B MORRIS MD SR VP & CIO	2 0 48 0			X				0	427,588	43,417
KEM M MULLINS SR VP & HOSPITAL PRESIDENT	48 0 2 0			X				471,889	0	33,388
BRADFORD B NEWTON VP INFO TECH ADMIN	2 0 48 0			X				0	57,854	3,589
ELIZABETH PERSON VP & CNO PATIENT CARE SRVCS	50 0 0 0			X				253,305	0	29,392

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors										
(A) Name and Title	(B) Average hours per week (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			
LEO E REICHERT EXEC VP & GENERAL COUNSEL	2 0 48 0			X				0	611,662	48,028
MICHELLE M ROBINSON VP MARKETING/PR/INT COMMUNICAT	2 0 48 0			X				0	201,213	28,691
DEBORAH ROEGGE DE VITA VP WOMEN & NEWBORN SERVICES	2 0 48 0			X				0	266,969	18,003
CHRISTOPHER B SCULLEN VP PULMONARY OPERATIONS	2 0 48 0			X				0	200,049	10,678
JEFFERY D STANLEY VP PHARMACY & SYSTEM COORD	2 0 48 0			X				0	60,671	5,109
MICHAEL R STREETMAN VP INFO TECH OPERATIONS	2 0 48 0			X				0	76,243	6,493
JAMES M SWARTZ VP ACCOUNTING	2 0 48 0			X				0	226,256	30,541
MARY L TAVERNARO VP HUMAN RESOURCES OPERATIONS	2 0 48 0			X				0	243,135	24,803
ADAM C THOMPSON VP SURGERY	2 0 48 0			X				0	191,828	22,669
ANTHONY M TRUPIANO SR VP SUPPLY CHAIN	2 0 48 0			X				0	327,328	35,439
MARY L WESLEY SR VP NURSING SRVCS & CNE	2 0 48 0			X				0	383,494	37,702
ROBIN WILSON MD SR VP CHIEF INNOVATION OFFICER	2 0 48 0			X				0	462,855	43,631
ILONA L WOZNIAK VP OPERATIONS & HOSP COO	50 0 0 0			X				285,491	0	13,867
CHESTER A ZBOROWSKI VP HEALTH PARKS OPERATIONS	2 0 48 0			X				0	137,711	15,717
PETER JUNGBLUT MD SR VP & MEDICAL DIRECTOR	2 0 48 0			X				0	0	0
VERONICA MARTIN VP & CHIEF NURSING OFFICER	50 0 0 0			X				0	0	0
RICK SIEGEL VP CARDIO SERVICE LINE	2 0 48 0			X				0	0	0
KRISTYN GREIFER MD VP POPULATION HLTH MGMT	2 0 48 0			X				0	0	0
JOSEPH W HERZBERG AVP HUMAN RESOURCES	50 0 0 0					X		192,859	0	33,608
ALLAN M HOFFMAN MD EXEC DIR COMMUNITY CLINICS	50 0 0 0					X		184,892	0	25,334
BILLY A REID DIR PHARMACY	50 0 0 0					X		163,653	0	21,514
TERRY L PALMISANO EXEC DIR NURSING	50 0 0 0					X		155,175	0	20,929
WILLIAM GONZALEZ MANAGER PHARMACY	50 0 0 0					X		146,528	0	28,514
CHARLES 'PETE' WOOD FORMER TRUSTEE	0 0 0 0						X	0	13,091	0
RICHARD T LOPES MD FORMER SR VP & PRES WMG	0 0 0 0						X	0	480,426	19,938

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors										
(A) Name and Title	(B) Average hours per week (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			
GREGORY L SIMONE MD FORMER PRES & CEO	0 0 0 0						X	0	226,763	23,597
BONNIE L WILSON FORMER EXEC VP & GEN COUNSEL	0 0 0 0						X	0	227,237	13,210

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
COBB HOSPITAL INC

Employer identification number
58-0968382

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 33¹/₃% 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 33¹/₃% 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?

(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?

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)
- | | Yes | No |
|----------|-----|----|
| 11g(i) | | |
| 11g(ii) | | |
| 11g(iii) | | |
- | (i) Name of supported organization | (ii) EIN | (iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions)) | (iv) Is the organization in col (i) listed in your governing document? | | (v) Did you notify the organization in col (i) of your support? | | (vi) Is the organization in col (i) organized in the U S ? | | (vii) Amount of monetary support |
|------------------------------------|----------|--|--|----|---|----|--|----|----------------------------------|
| | | | Yes | No | Yes | No | Yes | No | |
| | | | | | | | | | |
| | | | | | | | | | |
| Total | | | | | | | | | |
- For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990EZ.

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2012

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 IIISupport 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

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
COBB HOSPITAL INC

Employer identification number
58-0968382

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
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

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

▶ \$ _____

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2012

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part 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					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2

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

a

Board designated or quasi-endowment

b

Permanent endowment

c

Temporarily restricted endowment

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No

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		4,336,556		4,336,556
b Buildings		135,682,842	67,739,134	67,943,708
c Leasehold improvements		4,462,326	2,632,292	1,830,034
d Equipment		129,313,869	85,481,388	43,832,481
e Other		843,618		843,618
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				118,786,397

Schedule D (Form 990) 2012

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
Uncertain Tax Position	SCHEDULE D PART X Line 2	The following is a footnote from the combined financial statements of Wellstar Health System, Inc. and Affiliates related to the reporting of the organization's liability for uncertain tax positions under FIN 48: "Wellstar and all but one of its affiliates have been recognized as exempt from Federal income tax under Internal Revenue Code Section 501 (a) as organizations described in Section 501 (c) (3) and therefore, related income is generally not subject to Federal or state income tax. Community Assurance Corporation is a controlled foreign corporation not subject to Federal tax. Wellstar applies FASB ASC 740, Income Taxes, which addresses accounting for uncertainties in income tax positions. It also provides guidance on when tax positions are recognized in an entity's financial statements and how the values of these positions are determined. There is no impact on Wellstar's combined financial statements as a result of the application of ASC 740."

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
COBB HOSPITAL INC

Employer identification number
58-0968382

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 <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care ☐ 100% ☐ 150% ☐ 200% ☒ Other <u>125 %</u> b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 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"?	3a Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4 Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5a Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b Yes	
b	If "Yes," did the organization make it available to the public?	5c	No
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a Yes	
		6b Yes	

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)			25,499,335		25,499,335	8 750 %
b Medicaid (from Worksheet 3, column a)			54,229,296	46,135,926	8,093,370	2 780 %
c Costs of other means-tested government programs (from Worksheet 3, column b) .						
d Total Financial Assistance and Means-Tested Government Programs .			79,728,631	46,135,926	33,592,705	11 530 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1,019,877		1,019,877	0 350 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j Total. Other Benefits			1,019,877		1,019,877	0 350 %
k Total. Add lines 7d and 7j .			80,748,508	46,135,926	34,612,582	11 880 %

Part II

Community Building Activities

Complete this table 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					
10	Total					

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

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

16,099,452

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

2,173,297

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

99,986,470

6

Enter Medicare allowable costs of care relating to payments on line 5.

6

111,071,421

7

Subtract line 6 from line 5. This is the surplus (or shortfall).

7

-11,084,951

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				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—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	COBB HOSPITAL 3950 AUSTELL ROAD AUSTELL,GA 30106	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)

COBB HOSPITAL

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 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
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 <u>12</u>		
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? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
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	No
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 <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>125</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes		
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes		
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes		
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? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes		
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? If "No," indicate why	Yes	
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? If "Yes," explain in Part VI		No
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? If "Yes," explain in Part VI		No

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
Publication of Community Benefit Report	Sch H Part I Line 6a	Cobb Hospital, Inc is an affiliate of Wellstar Health System, Inc which on an annual basis issues a community benefit report This report is subsequently distributed in and around the five county service area of the health system
Cost to Charge Ratio	Sch H Part I Line 7	For purposes of the IRS Form 990 Schedule H, Wellstar Health System and Affiliates (including Cobb Hospital) have estimated the current year cost to charge ratio for each hospital as it is reported in the annual community benefit report and as it will be reported in the state's Annual Hospital Financial Survey

Identifier	ReturnReference	Explanation
Footnote on Bad Debt and Rationale for Community Benefit	Sch H Part III Line 4	The following footnote is detailed in the Wellstar Health System, Inc. and Affiliates Financial Statements related to bad debt or uncollectible accounts "During 2011, Wellstar adopted the provisions of FASB Accounting Standards Update (2011-07), Healthcare Entities (Topic 954) ASU 2011-07 requires the reclassification of the provision for uncollectible accounts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts) " "Wellstar recognizes patient service revenue associated with services provided to patients with third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for community financial aid, Wellstar recognizes revenue on the basis of its discounted rates for services provided. On the basis of historical experience, a significant portion of Wellstar's uninsured patients are unable or unwilling to pay for the services provided. Thus, Wellstar records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided." Subsequent to the end of the reporting period a propensity to pay review of patient accounts often results in prior year bad debt accounts which are deemed eligible for the organization's financial assistance policy. Those bad debt accounts are reclassified as charity and thus our rationale for including in community benefit.
Medicare Shortfalls	Schedule H Part III Line 8	Cobb Hospital is a provider of inpatient and outpatient services to Medicare program beneficiaries at determined rates. Without the participation in the Medicare program these patients may not have had convenient access to those services. The Medicare shortfall on line 7 represents the uncompensated difference between the expected reimbursement and the Medicare charges for those services stated at cost. We determine a cost to charge ratio for Medicare patients as part of the annual filing of the Medicare cost report.

Identifier	ReturnReference	Explanation
Collection Practices	Schedule H Part III Sec C Line 9b	The policy written for collection practices that applies to all Wellstar Health System entities incorporates guidelines for personnel in the admissions and patient access areas to be trained in identifying patients that might qualify for financial assistance. It is also the policy of all Wellstar facilities to have at least one employee or contractor available at all times, especially in the hospitals with emergency rooms, who can provide assistance with the paperwork necessary to help patients who would qualify for governmental and other assistance programs.
Hospital Description	Schedule H Part V	Cobb Hospital is a general acute care hospital providing a full range of services, is licensed to operate 382 beds, and is presently staffed to operate 370 beds. It is located on an approximately 55-acre campus in Austell, Georgia and is housed within a complex of connected buildings containing a total square footage in excess of 599,000 square feet. The original hospital was constructed in 1968 and major structural additions have been made in several phases since that time. The hospital provides medical, surgical, obstetrical, pediatric, rehabilitative, and psychiatric inpatient care and outpatient care, including emergency services. The Cobb Hospital Women's Center operates 20 labor and delivery rooms, 40 post partum rooms, 6 antipartum rooms and a resource center and classrooms offering educational opportunities.

Identifier	ReturnReference	Explanation
Needs Assessment	Schedule H Part VI Line 2	Wellstar Health System (and affiliates) is a key stakeholder in MAPP, Mobilizing for Action through Planning and Partnerships MAPP, developed by the National Association of County and City Health Officials (NACCHO) in collaboration with the CDC, provides a structured guidance on creating and implementing a community-wide strategic planning process focused on improving the health and safety of our population Through MAPP, a broad collection of community partners and residents come together to identify and prioritize health and safety issues and to identify resources for addressing them The process results in an actionable community health improvement plan (CHIP) for measurable improvements in the community's health and quality of life as well as a scorecard for implementation and evaluation The resulting community plan does not focus on one agency or community health challenge, rather, MAPP provides a long-term strategy that addresses the multiple factors that affect health in the community Community involvement throughout the creation and the implementation of a health improvement plan results in creative solutions to community health problems with an improved focus on priorities, reduced duplication of services, increased collaboration on projects and activities, and increased capacity to garner additional resources Moreover, continuous community involvement leads to community ownership of the process Community ownership, in turn, increases the credibility and sustainability of the health improvement efforts
Patient Education of Eligibility for Assistance	Sch H Part VI Line 3	Cobb Hospital provides its patients with hospital personnel or contracted personnel who are trained in all aspects of governmental programs, payments plans, charity discounts, and other financial assistance offered to assist them in their hospital bills If the patient is eligible for federal or state assistance programs, a staff member is knowledgeable in the steps necessary to qualify those individuals If a patient is indigent or charity eligible they will be offered assistance through the hospital's charity and indigent care policy including the state's indigent care trust fund If the patient has no other insurance and fails to qualify for indigent care assistance, the financial counselor can then offer the patient an opportunity to accept a payment plan with discounted payment options based on their ability to pay immediately or over time All patient are afforded these opportunities

Identifier	ReturnReference	Explanation
Community Information	Sch H Part VI Line 4	Cobb Hospital is one of five hospitals that are affiliated with the parent corporation, Wellstar Health System. The primary service area of the system is located in the Northwest Georgia area and receives the majority of its patients from one of five counties (Cherokee, Cobb, Douglas, Bartow and Paulding). Generally about 85% to 90% of the patient volume comes from this service area although other health systems have a presence in the area as well. Demographically the region is one of the fastest growing in the state as well as the country and the expansion of the services for the patient population reflects a desire to offer healthcare "closer to home" since Wellstar is considered a part of a larger metropolitan Atlanta market. Economically the region is strong in per capita income but given recent trends a rise in the uninsured and indigent population has occurred.
Promotion of Community Health	Schedule H Part VI Line 5	As stated in the Wellstar Health System, Inc and Affiliates audited financial statements for the period ended June 30, 2013, Cobb Hospital (an affiliate of Wellstar Health System, Inc.) operates as a charitable organization consistent with the requirements of Internal Revenue Code Sect 501 (c) (3) and the "community benefit standard" of IRS Ruling 69-545. In this regard the governing body of the organization and/or its parent is composed of prominent citizens in the community, medical staff privileges in the hospital are available to all qualified physicians in the area consistent with the size and nature of the facility, the hospital operates a full-time emergency room open to all regardless of ability to pay, and the hospital provides care to the needy members of the community consistent with its charity care policy. The hospital's excess funds are generally applied to expansion and replacement of existing facilities and equipment, amortization of indebtedness, improvement of patient care, community benefit activities, and charity care. Cobb Hospital committed approximately \$13.3 million in capital expenditures for the year to meet those needs.

Identifier	ReturnReference	Explanation
Publication of Fin Assistance Policy	Sch H Part V Line 13g	In addition to the other methods of posting the financial assistance policy, the hospital makes available for patients in admissions and outpatient registration areas a brochure including frequently asked questions
Other Info for Community Health Needs Assessment	Part V Section B Line 1j	The Community Health Needs Assessment also provides a list of WellStar Health System CHNA collaborators including individuals, organizations and governmental agencies consulted that contributed special knowledge of medically underserved and low income populations and/or expertise in public health

Identifier	ReturnReference	Explanation
CHNA Input from Community Sources	Part V Section B Line 3	WellStar Cobb Hospital integrated multiple sources of data from national and state web-based data platforms with multiple primary data gathering methods (see list below) As a partner in the strategic planning process utilized by Cobb & Douglas Public Health (CDPH) called Mobilizing for Action through Planning and Partners (MAPP) from the National Association of County and City Health Officials, the hospital leveraged the findings from community health needs assessments conducted for Tax Year 2012 Through a grant by the Centers for Disease Control and Prevention, WellStar Cobb Hospital partnered with CDPH and formed a coalition, Cobb 2020, to conduct its needs assessment via multiple modalities MAPP workgroups, focus groups, surveys, key informant interviews, and implementation teams to act upon identified strategic issues in the community To collect robust data for counties WellStar serves outside of Cobb, WellStar enlisted expertise of county and regional public health officials, independent consultants, and other key informants A listing of collaborators can be found in the Appendix of the hospital facility's CHNA report publicly available at wellstar.org Quantitative Data Sources Include 1 Georgia Department of Public Health, OASIS 2 Centers for Disease Control and Prevention-National Vital Stats 3 Agency for Healthcare Research and Quality (AHRQ) 4 US Census Bureau 5 US Department of Health and Human Services 6 Kaiser Permanente Web-Based CHNA Platform 7 Catholic Health Association CHNA resources 8 County Health Rankings and Roadmaps (Univ of Wisconsin) 9 Healthy People 2020 10 Behavioral Risk Factor Surveillance System (BRFSS) 11 Internal data showing service area zip codes for admission Qualitative Data Sources Include 1 Cobb County Focus Group Report (based on various demographic groups of the zip codes represented) This includes two groups conducted in Spanish and reflecting low-income, low education attainment and medically underserved populations 2 MAPP Assessment Workgroups with representatives from Douglas and Cobb counties conducted four community assessments which helped develop the Cobb 2020 Community Health Improvement Plan This included the 2011 Field Test Local Public Health System Assessment 3 Cobb key informant interview report--this included 20 participants identified by Cobb 2020's Community Strengths and Themes Workgroup to represent different sectors of the community who possessed above average knowledge of the healthcare issues, healthcare system or the community 4 Cobb MAPP Community Survey Report--44 question telephone surveys of 1,233 adults 18-94 performed by the A L Burruss Institute for Public Service and Research at Kennesaw State University (university in the community served by the hospital) 5 Cobb County 2010 --"How Healthy Are We?" 6 Cobb County MAPP Forces of Change Assessment Summary Report 7 Bartow, Cherokee and Paulding County Key Informant interviews of community stakeholders led by Ron Chapman, Principal, Magnetic North, LLC, a third-party consultant
Facility Community Needs Assessment	Part V Section B Line 4	While WellStar Cobb Hospital conducts its own community health needs assessment there may be some overlap with other hospitals in the healthcare system simply because of the geographic constraints and structure of the organization The community served therefore will have common boundaries

Identifier	ReturnReference	Explanation
Explanation of Unaddressed Needs	Part V Section B Line 7	Selection criteria for WellStar Cobb Hospital's prioritized health needs were primarily based upon the bandwidth to build a sustainable community benefit model focused on preventable health behaviors and access to care. Sexually transmitted infections and teen pregnancy are not addressed leaving awareness education with the local school system, family and churches since the health needs are more cultural and societal. Improvement to health needs stemming from socioeconomic and physical environmental such as air quality and transportation, gain traction from public policy and education. A health system can complement efforts to impact policy, but has to rely on public health, state and local municipalities and federal governmental agencies to drive these types of health improvements. Key questions when addressing health needs are, do we have existing facilities and resources dedicated to the health needs showing clear disparities and poor performance? And do we have effective and feasible interventions, a successful solution that has the potential to solve multiple problems, and the opportunity to intervene at the prevention level? WellStar Health System will continue to address these and other questions.
Affiliated Health Care System	Part VI Line 6	WellStar Health System, Inc., as the parent corporation, and Cobb Hospital, Douglas Hospital, Kennestone Hospital, Paulding Medical Center and Windy Hill Hospital provide a variety of health care and related services to the community. In addition a nursing home, two residential hospice facilities, an assisted living facility and a group of multiple physicians provide a full continuum of care to the area we serve.

Identifier	ReturnReference	Explanation
CHNA Implementation Strategy	Schedule H Part VI Item 2	In order to access the proposed Community Health Needs Assessment Implementation Strategy for Cobb Hospital, Inc , a link has been established at www.wellstar.org under the "about us" tab of the website

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
COBB HOSPITAL INC

Employer identification number
58-0968382

Part I	Questions Regarding Compensation		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☒ 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		No
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	Yes	
3	Indicate which, if any, of the following the 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	Yes	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	5a		No
b	Any related organization?	5b		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	6a		No
b	Any related organization?	6b		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in 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
Non-Fixed Payments	Form 990 Schedule J Part 1 Line 7	As part of the Wellstar Executive Compensation Philosophy a performance pay plan was instituted several years ago whereby the Wellstar Board of Trustees approves an annual incentive plan which consists of several performance goals or factors that upon attainment will result in payouts to eligible plan participants (manager level employees and above) Those factors are People goal for employee turnover Customer Service goal for employee engagement Quality & Safety goal for clinical excellence and patient satisfaction Financial goal for attaining a positive operating margin Confirmation of achieving these payout triggers is typically received through the annual external audit process and approved by the Board of Trustees at that time In addition the incentive program has now been extended to all WellStar team members (non-manager level)on a somewhat smaller scale
Severance Benefits		Pursuant to their respective employment agreements, the following groups of officers are entitled to severance payments based on their base salary and wages at that time in the event of certain identified circumstances The officers with a severance payment period of 24 months as per their contractual agreement are David Anderson Reynold Jennings The officers with a severance payment period of 18 months as per their respective agreements are Joseph Brywczyński, A James Budzinski, Donald Campbell MD, Barbara Corey, Marcia Delk MD, Michael Graue, T Mark Haney, Robert Jansen MD, Peter Jungblut MD, Christopher Kane, Kenneth Kunze MD, Lou Little, Richard Lopes MD, Kimberly Menefee, Jonathan Morris MD, Leo E Reichert, Ron Strachan, Anthony Trupiano, Mary L Wesley, Robin Wilson MD The officers with a severance payment period of 12 months as per their agreement Valery Akopov, Nicole Ashe, Barbara Ballard, Randy Cook, Bruce Dean, Sarath Degala, Carol Edwards, Kenneth D Etheridge, Lee Evins, Kristyn Greifer, MD, Elizabeth Hoffmann, Beth Kost, Ellen Langford, Robert Mandler, Carol Maxwell, Veronica Martin, Thomas W McNamara, MD, Bradford Newton, Elizabeth Person, Michelle M Robinson, Deborah Roegge deVita, Christopher Scullen, Rick Siegel, Jeffery Stanley, Michael Streetman, James M Swartz, Mary L Tavernaro, Adam C Thompson, Ilona L Wozniak, Chester Zborowski The following officers received severance pay during the period Gregory L Simone \$250,360, Bonnie Wilson \$240,446, Richard T Lopes, MD \$500,363 and Ronald Strachan \$104,106
Other Compensation	Form 990 Schedule J Part 1 Line 1b and 2	While Wellstar Health System and its affiliates do not have a written policy regarding payment or reimbursement of the items listed in Part 1 Line 1a, the organization follows IRS guidelines in the payment of any of these items to individuals listed in Form 990 Part VII Section A These items are added as taxable wages on the individual's Form W-2 as appropriate
Compensation Exceptions		On Schedule J of IRS Form 990 the following individuals were employed as officers of Wellstar Health System and its Affiliates during the reporting period but did not have salary and benefits in the calendar year for which this schedule applies Peter Jungblut, MD, Guillermo Pierluisi, MD, Veronica Martin, Rick Siegel, and Kristyn Greifer, MD

Software ID:
Software Version:
EIN: 58-0968382
Name: COBB 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				
AVRIL P BECKFORD MD	(i)	0	0	0	0	0	0	0
	(ii)	391,098	34,682	7,703	22,804	0	456,287	0
THOMAS GEARHARD MD	(i)	0	0	0	0	0	0	0
	(ii)	374,127	149,896	9,301	44,344	25,762	603,430	0
JEFFERY THARP MD	(i)	0	0	0	0	0	0	0
	(ii)	453,052	144,219	12,638	47,325	18,005	675,239	0
CHARLES 'PETE' WOOD	(i)	0	0	0	0	0	0	0
	(ii)	0	0	13,091	0	0	13,091	0
VALERY A AKOPOV MD	(i)	0	0	0	0	0	0	0
	(ii)	289,320	49,819	30,153	20,530	9,585	399,407	0
DAVID WANDERSON	(i)	0	0	0	0	0	0	0
	(ii)	396,057	113,256	499,800	63,675	14,241	1,087,029	0
NICOLE V ASHE	(i)	0	0	0	0	0	0	0
	(ii)	197,655	24,868	6,681	14,552	20,244	264,000	0
BARBARA G BALLARD	(i)	0	0	0	0	0	0	0
	(ii)	221,400	39,137	8,700	16,066	25,262	310,565	0
JOSEPH L BRYWCZYNSKI	(i)	0	0	0	0	0	0	0
	(ii)	252,245	58,357	10,800	32,749	15,644	369,795	0
A JAMES BUDZINSKI	(i)	0	0	0	0	0	0	0
	(ii)	507,658	147,371	156,423	54,844	17,506	883,802	0
DONALD CAMPBELL MD	(i)	0	0	0	0	0	0	0
	(ii)	313,078	71,586	57,333	40,224	14,138	496,359	0
LEE RANDOLPH COOK	(i)	0	0	0	0	0	0	0
	(ii)	253,643	53,103	71,843	37,847	16,960	433,396	0
BARBARA B COREY	(i)	0	0	0	0	0	0	0
	(ii)	280,236	80,891	76,249	34,459	15,077	486,912	0
BRUCE A DEAN	(i)	0	0	0	0	0	0	0
	(ii)	210,603	37,339	41,567	33,613	15,112	338,234	0
MARCIA DELK-PAYNE MD	(i)	0	0	0	0	0	0	0
	(ii)	352,282	90,990	93,867	44,131	3,202	584,472	0
CAROL S EDWARDS	(i)	0	0	0	0	0	0	0
	(ii)	166,152	0	6,349	22,617	4,532	199,650	0
KENNETH D ETHERIDGE	(i)	190,939	26,445	38,555	14,901	10,484	281,324	0
	(ii)	0	0	0	0	0	0	0
CLARENCE HARLEE EVINS JR	(i)	0	0	0	0	0	0	0
	(ii)	157,714	33,371	7,716	11,150	11,000	220,951	0
MICHAEL L GRAUE	(i)	0	0	0	0	0	0	0
	(ii)	532,619	157,139	14,654	51,672	30,762	786,846	0
ELIZABETH A HOFFMANN	(i)	0	0	0	0	0	0	0
	(ii)	199,287	34,650	8,700	10,108	6,484	259,229	0

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
ROBERT D JANSEN	(i)	0	0	0	0	0	0	0
	(ii)	519,908	118,865	12,418	46,463	20,531	718,185	0
REYNOLD J JENNINGS	(i)	0	0	0	0	0	0	0
	(ii)	981,858	562,478	27,390	64,901	0	1,636,627	0
CHRISTOPHER M KANE	(i)	0	0	0	0	0	0	0
	(ii)	321,428	74,695	82,370	24,938	20,762	524,193	0
BETH KOST	(i)	0	0	0	0	0	0	0
	(ii)	230,396	40,119	8,700	16,456	8,022	303,693	0
KENNETH C KUNZE MD	(i)	0	0	0	0	0	0	0
	(ii)	581,156	100,435	444,125	68,643	8,022	1,202,381	0
ELLEN LANGFORD	(i)	0	0	0	0	0	0	0
	(ii)	193,742	33,394	85,263	34,854	4,642	351,895	0
LOUIS W LITTLE	(i)	0	0	0	0	0	0	0
	(ii)	233,362	58,935	64,659	24,451	15,881	397,288	0
RICHARD T LOPES MD	(i)	0	0	0	0	0	0	0
	(ii)	480,426	0	0	19,938	0	500,364	0
ROBERT MANDLER	(i)	0	0	0	0	0	0	0
	(ii)	208,264	35,125	29,955	33,059	14,684	321,087	0
CAROL B MAXWELL	(i)	0	0	0	0	0	0	0
	(ii)	209,071	28,397	2,000	14,177	6,531	260,176	0
THOMAS W McNAMARA MD	(i)	279,016	36,623	8,700	18,511	10,644	353,494	0
	(ii)	0	0	0	0	0	0	0
KIMBERLY W MENEFEE	(i)	0	0	0	0	0	0	0
	(ii)	264,110	9,000	123,171	36,736	16,589	449,606	0
JONATHAN B MORRIS MD	(i)	0	0	0	0	0	0	0
	(ii)	346,239	72,286	9,063	22,886	20,531	471,005	0
KEM M MULLINS	(i)	239,706	100,000	132,183	23,951	9,437	505,277	0
	(ii)	0	0	0	0	0	0	0
ELIZABETH PERSON	(i)	215,622	28,981	8,702	15,022	14,370	282,697	0
	(ii)	0	0	0	0	0	0	0
LEO E REICHERT	(i)	0	0	0	0	0	0	0
	(ii)	456,629	133,697	21,336	25,403	22,625	659,690	0
MICHELLE M ROBINSON	(i)	0	0	0	0	0	0	0
	(ii)	172,139	24,268	4,806	12,162	16,529	229,904	0
DEBORAH ROEGGE DE VITA	(i)	0	0	0	0	0	0	0
	(ii)	185,959	32,087	48,923	11,698	6,305	284,972	0
CHRISTOPHER B SCULLEN	(i)	0	0	0	0	0	0	0
	(ii)	163,084	28,265	8,700	10,296	382	210,727	0
GREGORY L SIMONE MD	(i)	0	0	0	0	0	0	0
	(ii)	226,763	0	0	9,581	14,016	250,360	0

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
JAMES M SWARTZ	(i)	0	0	0	0	0	0	0
	(ii)	184,730	32,826	8,700	13,409	17,132	256,797	0
MARY L TAVERNARO	(i)	0	0	0	0	0	0	0
	(ii)	199,674	34,761	8,700	14,330	10,473	267,938	0
ADAM C THOMPSON	(i)	0	0	0	0	0	0	0
	(ii)	155,225	27,353	9,250	8,055	14,614	214,497	0
ANTHONY M TRUPIANO	(i)	0	0	0	0	0	0	0
	(ii)	253,706	62,612	11,010	35,439	0	362,767	0
MARY L WESLEY	(i)	0	0	0	0	0	0	0
	(ii)	302,455	69,297	11,742	27,058	10,644	421,196	0
BONNIE L WILSON	(i)	0	0	0	0	0	0	0
	(ii)	227,237	0	0	9,581	3,629	240,447	0
ROBIN WILSON MD	(i)	0	0	0	0	0	0	0
	(ii)	295,561	155,781	11,513	19,506	24,125	506,486	0
ILONA L WOZNIAK	(i)	243,694	32,517	9,280	11,792	2,075	299,358	0
	(ii)	0	0	0	0	0	0	0
CHESTER A ZBOROWSKI	(i)	0	0	0	0	0	0	0
	(ii)	113,075	2,301	22,335	5,784	9,933	153,428	0
JOSEPH W HERZBERG	(i)	171,777	19,567	1,515	11,577	22,031	226,467	0
	(ii)	0	0	0	0	0	0	0
ALLAN M HOFFMAN MD	(i)	169,154	14,538	1,200	7,922	17,412	210,226	0
	(ii)	0	0	0	0	0	0	0
BILLY A REID	(i)	163,303	350	0	10,050	11,464	185,167	0
	(ii)	0	0	0	0	0	0	0
TERRY L PALMISANO	(i)	146,994	8,181	0	6,517	14,412	176,104	0
	(ii)	0	0	0	0	0	0	0
WILLIAM GONZALEZ	(i)	140,871	5,657	0	9,323	19,191	175,042	0
	(ii)	0	0	0	0	0	0	0

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

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

OMB No 1545-0047
2012
Open to Public Inspection

Name of the organization
COBB HOSPITAL INC

Employer identification number
58-0968382

Part I

Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).
Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No

2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 ▶ \$

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ \$

Part II

Loans to and/or From Interested Persons.
Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?	(i) Written agreement?	
			To	From			Yes	No		Yes	No
Total ▶ \$											

Part III

Grants or Assistance Benefitting Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
See Additional Data Table					

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
BUSINESS TRANSACTIONS WITH INTERESTED PARTIES	SCHEDULE L PART IV	ALL TRANSACTIONS LISTED ON SCHEDULE L PART IV ARE INDIVIDUALS RELATED TO EITHER BOARD MEMBERS OR OFFICERS WHO ARE ALSO EMPLOYEES OF WELLSTAR HEALTH SYSTEM, INC - EIN 58-1649541 ALL SERVICES OR TRANSACTIONS ARE IN THE NORMAL COURSE OF BUSINESS WITHIN THE SYSTEM

Additional Data

Software ID:
Software Version:
EIN: 58-0968382
Name: COBB HOSPITAL INC

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Pamela Etheridge	Wife of Officer	60,897	Employee of Wellstar		No
(2) Greg Fortgang	Son-in-law of Trustee	99,034	Employee of Wellstar		No
(3) Greg Separk	Son of Trustee	23,420	Employee of Wellstar		No
(4) George Fleming	Brother of Officer	65,701	Employee of Wellstar		No
(5) Matthew Maddox	Son of Trustee	67,037	Employee of Wellstar		No
(6) Bonnie Miller	Wife of Trustee	35,100	Employee of Wellstar		No
(7) Jessica Haney	Daughter of Officer	57,127	Employee of Wellstar		No
(8) Greg Kost	Brother-in-law of Officer	47,539	Employee of Wellstar		No
(9) Jennifer Haney	Daughter-in-law of Officer	77,821	Employee of Wellstar		No

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 COBB HOSPITAL INC	Employer identification number 58-0968382
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Identifier	Return Reference	Explanation
990 T Explanation of Filing	Form 990 Part V Line 3	Cobb Hospital generated no unrelated business income for the reporting period. As a result the attached 990T shows no activity. If subsequent review of the books reveals any unreported UBI we will file an amended return for the tax period ended June 30, 2013.

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

Identifier	Return Reference	Explanation
Conflict of Interest Policy	Form 990 Part VI Section B Line 12 a-c	Our conflict of interest policy requires all covered persons to annually review the policy and then complete, sign and return the Conflicts of Interest Survey and Attestation to the Compliance Office. The policy requires an on-going disclosure obligation in the event a conflict arises during the year. The following is our process to regularly and consistently monitor and enforce this policy. Compliance identifies all covered persons who must complete the survey and attestation. Compliance verifies that the survey and attestation is distributed to these persons. Compliance verifies that these persons return a fully completed and signed survey and attestation. Compliance reviews each completed and signed survey and attestation to identify all conflicts listed in the document. All conflicts, potential conflicts and incidences of non-compliance are referred to the Chief Compliance Officer. The CCO takes appropriate action to completely resolve all identified conflicts and incidences of non-compliance.

Identifier	Return Reference	Explanation
Process for determining Exec Compensation	Form 990 Part VI Section B Line 15A & B	Wellstar engages the Hay Group to work with the governing board to review and recommend executive compensation. The executive compensation process at Wellstar is overseen by a committee of independent trustees, which follows a board-approved executive compensation philosophy. The compensation committee consists of five board members and the CEO for the system. In discussions about the compensation for the Chief Executive Officer, the acting CEO will recuse himself from that process but is a non-voting committee member for discussions on all other officers. The executive compensation philosophy empowers the committee to oversee the executive compensation process and administer the executive compensation program on behalf of the full board of trustee of Wellstar, provided, however, the full Board of Trustees evaluates and approves the compensation of the Chief Executive Officer. The philosophy requires annual disclosure of the committee's actions and decisions to the full board, which it has done. The committee is guided by the board-approved philosophy. Overall, the philosophy is intended to reward for organizational and individual performance. When performance is at a predetermined targeted level, the compensation is intended to be at or around the median of compensation paid to similar positions at similar organizations (the "market"). Wellstar's executive compensation philosophy defines the market as being comprised of comparable not-for-profit health care delivery systems, i.e., not-for-profit organizations similar in complexity and scale to Wellstar. To assist the committee in fulfilling its duties, the committee engaged the Hay Group to provide market compensation data to compare to the Wellstar positions whose compensation the committee oversees. The committee uses this data to provide context when making decisions in administering the compensation program. Accurate minutes of the committee's discussion and decisions are recorded during each committee meeting, and reviewed and approved at the following committee meeting.

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

Identifier	Return Reference	Explanation
Compensation	Form 990 Part V Line 2	All compensation amounts reported on Form 990 Part V, Part VII, and Part IX as well as Schedule J represent compensation provided to individuals that provide services to the organization. Likewise, the number of employees reported on Form 990 represent the number of individuals providing services to the organization. All Federal employment tax responsibilities for these individuals (including Federal Employment Tax reporting responsibilities) are handled by Wellstar Health System, Inc (EIN 58-1649541).

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

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

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

Identifier	Return Reference	Explanation
Tax-Exempt Bonds Allocation	Form 990 Part IV Line 24a & Part X	For purposes of the Form 990 reporting, Wellstar Health System, Inc EIN 58-1649541 will list all tax-exempt bonds issued since January 1, 2003 on Schedule K as it typically allocates the proceeds of the bonds to members of the Obligated Group (including the hospitals and physician group) Cobb Hospital, Inc will report this tax exempt bond liability on Part X, Line 25 Other Liabilities

Identifier	Return Reference	Explanation
Other Changes in Net Assets	Form 990 Part XI Line 5	For the reporting period Cobb Hospital, Inc had a change in net assets of (\$9,184,057) related to transfers to affiliates as part of the allocation of income statement and balance sheet transactions over the year

Identifier	Return Reference	Explanation
Bylaws Amendments	Part VI Line 4	During the reporting period the Board of Trustees voted to amend the bylaws for WellStar Health System, Inc. to add an Audit Committee and a Compensation Committee as additional named board committees with authority to act on behalf of the governing body

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
COBB HOSPITAL INC

Employer identification number
58-0968382

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

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	No
(1) CHS Foundation 805 Sandy Plains Road Marietta, GA 30066 58-1649540	Foundation	GA	501 (C) 3	11 TYPE 2	WHS	Yes	
(2) Douglas Hospital Inc 805 Sandy Plains Road Marietta, GA 30066 58-2026750	Healthcare	GA	501 (C) 3	3	WHS	Yes	
(3) Kennestone Hospital Inc 805 Sandy Plains Road Marietta, GA 30066 58-2032904	Healthcare	GA	501 (C) 3	3	WHS	Yes	
(4) Paulding Medical Center Inc 805 Sandy Plains Road Marietta, GA 30066 58-2095884	Healthcare	GA	501 (C) 3	3	WHS	Yes	
(5) Wellstar Foundation 805 Sandy Plains Road Marietta, GA 30066 58-1627413	Foundation	GA	501 (C) 3	11 Type 2	WHS	Yes	
(6) Wellstar Health System 805 Sandy Plains Road Marietta, GA 30066 58-1649541	Healthcare	GA	501 (C) 3	11 Type 2	NA		No

Part III

Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" 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) Kennestone South Parking Deck 805 Sandy Plains Road Marietta, GA 300666340 58-2429775	PARKING	GA	NA	N/A				No			No	
(2) Cobb Hospital Parking Company LLC 805 Sandy Plains Road Marietta, GA 300666340 75-2999669	PARKING	GA	NA	N/A				No			No	

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) Community Assurance Co 3rd Fl Barclays House Shedden Rd George Town, Grand Cayman, BWI CJ 58-1649541	INSURANCE	CJ	WHS INC	C				Yes	

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

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity

b Gift, grant, or capital contribution to related organization(s)

c Gift, grant, or capital contribution from related organization(s)

d Loans or loan guarantees to or for related organization(s)

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

j Lease of facilities, equipment, or other assets to related organization(s)

k Lease of facilities, equipment, or other assets from related organization(s)

l Performance of services or membership or fundraising solicitations for related organization(s)

m Performance of services or membership or fundraising solicitations by related organization(s)

n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

r Other transfer of cash or property to related organization(s)

s Other transfer of cash or property from related organization(s)

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

No

No

No

No

No

No

No

Yes

No

No

No

No

No

No

No

No

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) CHS Foundation Inc	K	207,861	FMV

Schedule R (Form 990) 2012

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

[illegible]

Software ID:
Software Version:
EIN: 58-0968382
Name: COBB 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	
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WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Financial Statements

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

The Board of Trustees
WellStar Health System, Inc

Report on the Financial Statements

We have audited the accompanying combined financial statements of WellStar Health System, Inc and affiliates (WellStar), which comprise the combined balance sheets as of June 30, 2013 and 2012, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance 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 combined financial statements that are free from material misstatement, whether due to fraud or error

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly in all material respects, the financial position of WellStar Health System, Inc. and affiliates as of June 30, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Atlanta, Georgia
October 18, 2013

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Balance Sheets

June 30, 2013 and 2012

Assets	<u>2013</u>	<u>2012</u>
	(In thousands)	
Current assets		
Cash and cash equivalents	\$ 17,170	47,716
Patient accounts receivable, less allowance for uncollectible accounts of approximately \$242.9 million and \$196.3 million at June 30, 2013 and 2012, respectively	260,747	225,522
Assets limited as to use – required for current liabilities	8,948	10,081
Other current assets	62,458	51,209
Total current assets	349,323	334,528
Assets limited as to use	800,596	837,538
Property and equipment, net	919,062	747,288
Other assets	73,433	67,558
Total assets	\$ 2,142,414	1,986,912
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 88,563	77,939
Accrued salaries, wages, and benefits	53,309	42,816
Other accrued expenses	33,408	28,612
Current installments of long-term debt and capital lease obligations	7,632	8,539
Total current liabilities	182,912	157,906
Long-term debt and capital lease obligations, excluding current installments	504,289	507,266
Self-insurance reserves	70,829	65,815
Accrued pension liability	94,152	225,000
Other long-term liabilities	46,206	42,448
Total liabilities	898,388	998,435
Net assets		
Unrestricted	1,233,918	980,505
Temporarily restricted	6,140	4,177
Permanently restricted	3,968	3,795
Total net assets	1,244,026	988,477
Commitments and contingencies		
Total liabilities and net assets	\$ 2,142,414	1,986,912

See accompanying notes to combined financial statements

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Statements of Operations

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Unrestricted revenue, gains, and other support		
Patient service revenue, net of contractual allowances and discounts	\$ 1,762,272	1,611,365
Provision for uncollectible accounts	(255,231)	(184,674)
Net patient service revenue	<u>1,507,041</u>	<u>1,426,691</u>
Other revenue	<u>39,833</u>	<u>36,355</u>
Total unrestricted revenue, gains, and other support	<u>1,546,874</u>	<u>1,463,046</u>
Expenses		
Salaries and employee benefits	907,586	828,590
Supplies and other expenses	470,744	442,878
Depreciation and amortization	85,725	79,792
Interest	<u>15,586</u>	<u>14,317</u>
Total expenses	<u>1,479,641</u>	<u>1,365,577</u>
Operating income	67,233	97,469
Nonoperating gains (losses)		
Investment income, net	52,121	3,824
Change in fair value of interest rate swap	8,028	(12,828)
Loss on disposal of property and equipment	(1,105)	(910)
Loss on extinguishment of long-term debt	<u>(6,490)</u>	<u>(1,555)</u>
Unrestricted revenue, gains, and other support in excess of expenses and losses	119,787	86,000
Accrued pension liability adjustments	130,816	(122,637)
Assets released from restriction used for the purchase of property and equipment	169	4,443
Other	<u>2,641</u>	<u>(1,040)</u>
Increase (decrease) in unrestricted net assets	\$ <u><u>253,413</u></u>	<u><u>(33,234)</u></u>

See accompanying notes to combined financial statements

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Statements of Changes in Net Assets

Years ended June 30, 2013 and 2012

	2013	2012
	(In thousands)	
Permanently restricted net assets		
Contributions	\$ 162	75
Inflation adjustment to corpus as required by donor	11	20
Increase in permanently restricted net assets	173	95
Temporarily restricted net assets		
Contributions	2,540	2,465
Net assets released from restrictions	(1,048)	(5,303)
Net investment income (loss)	490	(226)
Fair value adjustment	(19)	(303)
Increase (decrease) in temporarily restricted net assets	1,963	(3,367)
Increase (decrease) in unrestricted net assets	253,413	(33,234)
Increase (decrease) in net assets	255,549	(36,506)
Net assets, beginning of year	988,477	1,024,983
Net assets, end of year	\$ 1,244,026	988,477

See accompanying notes to combined financial statements

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Statements of Cash Flows

Years ended June 30, 2013 and 2012

	2013	2012
	(In thousands)	
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 255,549	(36,506)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	85,725	79,792
Amortization of bond discount, premium, and issue costs	(561)	677
Loss on sale of property and equipment	1,105	910
Net unrealized (gain) loss on trading investments	(23,465)	14,925
Change in fair value of interest rate swap	(8,028)	12,828
Loss on extinguishment of long-term debt	6,490	1,555
Restricted contributions and related investment income	(196)	(100)
Changes in operating assets and liabilities		
Patient accounts receivable	(35,225)	(10,326)
Other current assets	(11,249)	(6,045)
Other assets	(17,098)	3,896
Accounts payable, accrued salaries, wages and benefits, and other accrued expenses	25,696	14,477
Self-insurance reserves	5,014	882
Accrued pension liability	(130,848)	122,620
Other long-term liabilities	12,797	5,920
Net cash provided by operating activities	<u>165,706</u>	<u>205,505</u>
Cash flows from investing activities		
Purchases of property and equipment	(249,435)	(207,286)
Net increase in assets limited as to use	61,540	(123,904)
Distributions from partnerships	290	392
Proceeds from sale of property and equipment	—	61
Healthcare business acquisitions	(582)	(13,894)
Net cash used in investing activities	<u>(188,187)</u>	<u>(344,631)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	122,367	226,708
Principal repayments of long-term debt and capital lease obligations	(8,777)	(11,212)
Refunding of long-term debt	(121,287)	(50,555)
Payment of bond issuance costs	(564)	(180)
Restricted contributions and related investment income	196	100
Net cash (used in) provided by financing activities	<u>(8,065)</u>	<u>164,861</u>
Net (decrease) increase in cash and cash equivalents	(30,546)	25,735
Cash and cash equivalents, beginning of year	<u>47,716</u>	<u>21,981</u>
Cash and cash equivalents, end of year	\$ <u><u>17,170</u></u>	\$ <u><u>47,716</u></u>

See accompanying notes to combined financial statements

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2013 and 2012

(1) Summary of Significant Accounting Policies

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

(a) *Organization and Business*

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

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

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

(b) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenue, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Significant items subject to such estimates and assumptions include the determination of the allowances for uncollectible accounts and contractual adjustments, self-insurance reserves, estimated third-party payor settlements, and the actuarially determined benefit liability related to WellStar's pension plan. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates associated with these programs will change by a material amount in the near term.

(c) *Cash Equivalents*

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

(d) *Investments and Investment Income*

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

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2013 and 2012

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

(e) *Assets Limited as to Use*

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

(f) *Costs of Borrowing*

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

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

(g) *Property and Equipment*

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

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from unrestricted revenue, gains, and other support in excess of expenses and losses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service. Contributions restricted to the purchase of property and equipment or other restricted purposes which restrictions are met within the same year as received are reported as increases in unrestricted net assets in the accompanying combined financial statements

(h) *Inventories*

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

(i) *Other Assets*

Other assets include, among other things, investments in joint ventures and costs in excess of the fair value of the net tangible assets of certain acquired businesses (goodwill). Investments in partnerships are accounted for using the equity method

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2013 and 2012

(j) *Impairment of Long-Lived Assets*

Long-lived assets, such as property and equipment and purchased intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized to the extent that the carrying amount of the asset exceeds its fair value.

(k) *Goodwill*

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

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

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

During 2013, WellStar did not identify any material reporting unit at risk of failing step one of the goodwill impairment test. The fair value of all reporting units is substantially in excess of their carrying value and therefore no impairment loss was recorded in fiscal 2013.

(l) *Temporarily and Permanently Restricted Net Assets*

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

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

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2013 and 2012

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

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

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

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

(n) *Net Patient Service Revenue*

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

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

(o) *Charity Care*

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

During 2012, WellStar adopted the provisions of FASB ASU 2010-23, *Health Care Entities (Topic 954) Measuring Charity Care for Disclosure*. ASU 2010-23 amends ASC Subtopic 954-605, *Health Care Entities – Revenue Recognition* to require that cost be used as the measurement basis for charity care disclosure purposes. The method used to estimate such costs as well as any funds received to offset or subsidize charity services provided should also be disclosed.

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2013 and 2012

(p) *Income Taxes*

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

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

(q) *Contributions*

Unconditional promises to give cash and other assets to WellStar are reported at estimated fair value at the date the promise is received. Conditional promises to give are recognized when the conditions are substantially met while indications of intentions to give are not recorded. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use or timing of use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported as net assets released from restrictions.

(r) *Derivative Instruments and Hedging Activities*

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

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

WellStar does not currently apply hedge accounting to its derivative instrument.

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2013 and 2012

(s) *Asset Retirement Obligations*

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

(t) *Retirement Benefits*

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

(u) *Recently Adopted Accounting Standards*

During 2012, WellStar adopted the provisions of the FASB ASU 2010-24, *Health Care Entities (Topic 952) Presentation of Insurance Claims and Related Insurance Recoveries*. ASU 2010-24 amends ASC Subtopic 954-450, *Health Care Entities – Contingencies*, to clarify that a health care entity should not net insurance recoveries against a related liability and that the claim liability should be determined without consideration of insurance recoveries. The application of ASU 2010-24 for WellStar's fiscal year 2012 did not have a significant financial reporting impact.

During 2013, WellStar adopted the provisions of the FASB ASU 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU 2011-04 amended ASC 820 to converge the fair value measuring guidance in U.S. generally accepted accounting principles and International Financial Reporting Standards. Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. The application of ASU 2011-04 only affects fair value measurement disclosures. Adoption of ASU 2011-04 did not have an effect on Wellstar's fiscal 13 combined balance sheet or the combined statement of operations.

(v) *Subsequent Events*

WellStar has evaluated subsequent events through October 18, 2013, the date the combined financial statements were issued.

(w) *Reclassifications*

Certain reclassifications have been made to the 2012 combined financial statements to conform to the current year presentation.

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2013 and 2012

(2) Assets Limited as to Use

The composition of assets limited as to use follows

	<u>2013</u>	<u>2012</u>
	(In thousands)	
By the Board for capital improvements and other system needs		
Cash and cash equivalents	\$ 15.582	22.849
Asset backed securities	38.637	37.213
Mortgage backed securities	40.498	120.381
Obligations of the U S government and its agencies	131.223	64.760
Corporate debt securities-domestic	143.320	156.761
Corporate debt securities-international	18.411	18.938
Corporate equity securities-domestic	251.095	199.765
Corporate equity securities-international	46.306	53.260
Mutual funds	10.709	6.239
	<u>695.781</u>	<u>680.166</u>
Under self-insurance funding arrangements		
Cash and cash equivalents	2.482	3.544
Mortgage backed securities	12.889	13.365
Obligations of the U S government and its agencies	16.425	20.335
Corporate debt securities-domestic	25.815	18.999
Foreign investments	2.581	3.610
	<u>60.192</u>	<u>59.853</u>
By donor stipulation		
Cash and cash equivalents	5.115	3.273
Foreign investments	269	689
Corporate debt securities-domestic	1.318	1.385
Corporate equity securities-domestic	3.067	2.124
Other	339	501
	<u>10.108</u>	<u>7.972</u>
Under bond indenture agreements – held by trustee		
Cash and cash equivalents	43.463	99.628
	809.544	847.619
Less amounts classified as current assets	8.948	10.081
	<u>\$ 800.596</u>	<u>837.538</u>

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The composition of net investment income follows

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Net investment income included in nonoperating gains		
Net realized gains on investments	\$ 17,486	4,436
Interest and dividend income	11,170	14,313
Net unrealized gain (loss) on trading investments	<u>23,465</u>	<u>(14,925)</u>
	52,121	3,824
Temporarily and permanently restricted net investment income (loss)	<u>501</u>	<u>(206)</u>
	<u>\$ 52,622</u>	<u>3,618</u>

(3) Other Current Assets

The composition of other current assets follows

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Inventories	\$ 29,303	28,865
Prepaid expenses and other current assets	17,659	15,097
Other receivables	<u>15,496</u>	<u>7,247</u>
	<u>\$ 62,458</u>	<u>51,209</u>

(4) Property and Equipment

A summary of property and equipment follows

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Land and land improvements	\$ 115,467	108,673
Buildings and fixtures	658,448	632,947
Equipment	<u>748,232</u>	<u>775,063</u>
	1,522,147	1,516,683
Less accumulated depreciation and amortization	<u>791,307</u>	<u>877,460</u>
	730,840	639,223
Construction in progress	<u>188,222</u>	<u>108,065</u>
	<u>\$ 919,062</u>	<u>747,288</u>

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Construction in progress at June 30, 2013 is principally comprised of costs incurred to complete expansion and renovation projects at various affiliates' facilities. The estimated remaining cost to complete projects in progress through October 2014 is approximately \$283.5 million at June 30, 2013. WellStar's present capital improvements program provides for planned capital expenditures during fiscal years 2014 through 2018 as follows: 2014 – \$299.2 million, 2015 – \$159.4 million, 2016 – \$185.0 million, 2017 – \$89.1 million, 2018 – \$155.6 million.

(5) Other Assets

The composition of other assets follows:

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Goodwill and other intangible assets	\$ 40,718	40,249
Other long-term receivables	22,489	14,243
Investments in partnerships	5,140	5,225
Bond issuance costs	2,970	5,242
Prepaid expenses, long term	2,116	2,599
	<u>\$ 73,433</u>	<u>67,558</u>

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

WellStar entered into an agreement to acquire an ownership interest in a health insurance company in which certain contingencies are required to be met and WellStar has provided a loan pending meeting the contingencies at which time the loan converts to a 50% ownership interest. The loan is included in other long-term receivable net of allowances.

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(6) Long-Term Debt and Capital Lease Obligations

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Hospital authority revenue anticipation refunding and improvement certificates issued in April 2003. Interest rates range from 3.0% to 5.25% per annum. interest payments due semiannually on April 1 and October 1. principal payments due annually April 1, 2004 through 2032	\$ —	118,080
Hospital authority revenue anticipation certificates issued in April 2004. Variable weekly interest rates. interest payments due monthly. principal payments due annually April 1, 2032 through 2034	25,000	25,000
Hospital authority revenue anticipation improvement certificates issued in October 2005. Variable weekly interest rates. interest payments due weekly. principal payments due annually April 1, 2037 through 2040	60,000	60,000
Hospital authority revenue anticipation improvement certificates issued in October 2005. Interest rates range from 4.0% to 6.25% per annum. interest payments due semiannually on April 1 and October 1. Principal payments due annually April 1, 2012 through 2037	56,125	57,200
Hospital authority revenue anticipation certificates issued in April 2006. Variable weekly interest rates. interest payments due monthly. principal payments due annually April 1, 2034 through 2036	25,000	25,000
Hospital authority revenue anticipation refunding and improvement certificates issued in November 2011. Interest rates range from 3.0% to 5.25% per annum. interest payments due semiannually on April 1 and October 1. principal payments due annually April 1, 2012 through 2041	119,605	123,060
Hospital authority revenue anticipation improvement certificates issued in June 2012. Interest rates range from 3.0% to 5.0% per annum. interest payments due semiannually on April 1 and October 1. Principal payments due annually April 1, 2017 through 2042	31,250	31,250
Hospital authority revenue anticipation improvement certificates issued in June 2012. Variable weekly interest rates. interest payments due monthly. principal payments due April 1, 2041 through 2043	68,750	68,750
Hospital authority revenue anticipation improvement certificates issued in November 2012. Interest rates range from 3.0% to 5.25% per annum. interest payments due annually April 1, 2014 through 2032	108,400	—
	<u>494,130</u>	<u>508,340</u>

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	<u>2013</u>	<u>2012</u>
	(In thousands)	
Add unamortized premium	18,598	7,004
Less unamortized discount	<u>(1,223)</u>	<u>(1,575)</u>
Total hospital revenue certificates	511,505	513,769
Various other notes payable and capital lease obligations, with interest rates ranging from 5.00% to 6.00%. Interest and principal payments made monthly or annually, maturing through June 2015	<u>416</u>	<u>2,036</u>
Total long-term debt and capital lease obligations	511,921	515,805
Less current installments	<u>7,632</u>	<u>8,539</u>
	<u>\$ 504,289</u>	<u>507,266</u>

On November 15, 2012, WellStar issued Revenue Anticipation Refunding Certificates Series 2012 in the original principal amount of \$108.5 million to provide funds to refund the Hospital Authority of Cobb County Revenue Anticipation Refunding and Improvement Certificates Series 2003 and to pay for certain costs of issuance. The proceeds of the 2012 Revenue Anticipation Refunding Certificates were deposited in a defeasance trust. The Series 2012 Certificates bear interest at fixed rates and are supported by an intergovernmental contract with Cobb County Kennestone Hospital Authority. In accordance with relevant accounting literature, WellStar recognized a \$6.5 million loss on extinguishment resulting from the write-off of unamortized bond issuance costs, premiums, and discounts associated with the Series 2003 Certificated refunded. The loss is included in unrestricted revenue, gains and other support in excess of expenses and losses in the accompanying 2013 combined statement of operations.

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

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

On November 1, 2011, WellStar issued Revenue Anticipation Refunding and Improvement Certificates, Series 2011, in the original principal amount of \$123.8 million to finance the costs of certain capital improvements, to refund all of the outstanding Series 1999 Certificates and to pay for certain costs of issuance. In accordance with relevant accounting literature, WellStar recognized a \$1.6 million loss on extinguishment resulting from the write-off of associated unamortized bond issuance costs, premiums and discounts related to the Series 1999 Certificates refunded, which is included in unrestricted revenue, gains,

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and other support in excess of expenses and losses in the accompanying 2012 combined statement of operations

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

The 2004 and 2006 revenue certificates bear interest at variable rates and are secured by direct-pay letters of credit expiring August 2015. Interest rates are set weekly by the remarketing agent based upon prevailing rates for the contract period related to the remarketed tranche. In the event a market for variable rate instruments is not sustained, the letter of credit agreements require the bank to purchase the certificates.

The average annual interest rate on WellStar's variable rate obligations approximated 0.16% and 0.19% for the years ended June 30, 2013 and 2012, respectively.

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

WellStar maintains a \$21.0 million revolving line of credit with a bank for routine working capital needs. The facility is secured by deposits with the bank and expires February 15, 2014. WellStar anticipates renewal of this facility at expiration under substantially the same terms and conditions as the existing facility. There were no amounts outstanding under this facility at June 30, 2013 or 2012.

WellStar paid interest of approximately \$15.6 million and \$14.3 million in 2013 and 2012, respectively. Interest capitalized on capital projects was approximately \$1.9 million and \$3.2 million in 2013 and 2012, respectively.

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

2014	\$	7.632
2015		7.580
2016		7.820
2017		8.870
2018		9.780
Thereafter		452.864
		494.546
Add unamortized premium		18.598
Less unamortized discounts		(1.223)
	\$	511.921

(7) Derivative Instruments

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

WellStar's credit risk involves the possible default of the counterparty. Collateral may be required in the future based on WellStar's credit rating, the insurer's credit rating, or market valuations of the swaps. At June 30, 2013 and through the date of these combined financial statements, no such collateral was required.

The swap's fair value, if positive, is included in other assets in the accompanying combined balance sheets. If negative, the swap's fair value is included in other long-term liabilities in the accompanying combined balance sheets. The following is a summary of the derivative outstanding at June 30, 2013 and 2012 (dollar amounts in thousands):

2013						
Related bond issuance	Notional amount	Maturity date	Average variable rate received	Fixed rate paid	Increase in interest expense	Swap fair value
2005	\$ 60.000	April 2040	0.14%	3.45%	\$ 1.972	(12.367)
2012						
Related bond issuance	Notional amount	Maturity date	Average variable rate received	Fixed rate paid	Increase in interest expense	Swap fair value
2005	\$ 60.000	April 2040	0.16%	3.45%	\$ 2.112	(20.395)

(8) Net Patient Service Revenue and Patient Accounts Receivable

Certain affiliates of WellStar have agreements with governmental and other third-party payors that provide for reimbursement to such affiliates at amounts different from established rates. Contractual adjustments

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under third-party reimbursement programs represent the difference between billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- *Medicare* – Inpatient and outpatient services rendered to Medicare program beneficiaries are generally paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, payments for certain other reimbursable items are made at tentative rates, with final settlements determined after submission of annual cost reports and audits by the Medicare fiscal intermediary. The cost reports of all WellStar affiliates have been audited and substantially settled for all fiscal years through June 30, 2007. Net revenue from the Medicare program accounted for approximately 39% and 34% of WellStar's net patient service revenue for the years ended June 30, 2013 and 2012, respectively.
- *Medicaid* – Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services are generally paid based upon cost reimbursement methodologies. WellStar's Medicaid cost reports have been final settled through June 30, 2007 for all WellStar affiliates, except for one affiliate hospital that is final settled through June 30, 2006. Net revenue from the Medicaid program accounted for approximately 15% and 14% of WellStar's net patient service revenue for the years ended June 30, 2013 and 2012, respectively.

During 2013 and 2012, net patient service revenue increased by approximately \$2.9 million and \$142 thousand, respectively, due to changes in estimates for open Medicare and Medicaid cost reports and removal of allowances previously estimated that are no longer necessary as a result of final settlements. WellStar has incorporated the most current and relevant data received from Medicare and Medicaid in the preparation of associated estimates at both June 30, 2013 and 2012. During fiscal 2012, WellStar and its affiliate hospitals entered into a settlement agreement with the Department of Health and Human Services related to its calculation of the Rural Floor Budget Neutrality Adjustment and recognized receipt of the settlement payment, net of fees, totaling \$8.8 million in patient service revenue, net of contractual allowances and discounts in the accompanying combined financial statements.

WellStar's affiliate hospitals participate in the Georgia Medicare Upper Payment Limit (UPL) program for providers participating in the State Medicaid program. WellStar's net reimbursement benefit associated with the program, totaling approximately \$7.3 million and \$4.5 million in fiscal years 2013 and 2012, respectively, is recognized as a reduction in related contractual adjustments in the accompanying combined statements of operations. There can be no assurance that WellStar will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

WellStar's affiliate hospitals participate in the Georgia Indigent Care Trust Fund (ICTF). Under the provisions of the ICTF, Medicaid disproportionate share hospitals (DSH) may contribute funds to be used by the State in the Medicaid Program that are supplemented by Federal funds (combination dollars). The combination dollars are returned to DSH as additional Medicaid inpatient reimbursement. WellStar's net reimbursement benefit associated with the program, totaling approximately \$15.0 million and \$11.0 million in fiscal years 2013 and 2012, respectively, is recognized as additional Medicaid reimbursement and, therefore, is reflected as a reduction in associated contractual adjustments in the accompanying combined statements of operations.

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The State's determination related to WellStar's participation in the fiscal year 2014 plan is currently in process, and the terms of the fiscal year 2014 plan have not been finalized. Accordingly, contributions to the State plan during 2014 and related amounts to be potentially received from Medicaid during 2014 have not been established. There can be no assurance that WellStar will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

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

The composition of net patient service revenue follows:

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Gross patient service revenue, net of charity care charges foregone	\$ 5,167,896	4,556,632
Less provisions for contractual and other adjustments	3,405,624	2,945,267
Less provision for uncollectible accounts	255,231	184,674
Net patient service revenue	<u>\$ 1,507,041</u>	<u>1,426,691</u>

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

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Third party payors	\$ 1,552,960	1,502,154
Self pay	209,312	109,211
Total	<u>\$ 1,762,272</u>	<u>1,611,365</u>

(9) Community Benefits and Uncompensated Care

WellStar maintains records to identify and monitor the level of charity care it provides through its affiliates. These records include the costs and amount of charges foregone for services and supplies furnished under its Community Financial Aid Policy. WellStar owns and operates two indigent clinics located on the campuses of two of its hospitals. In addition, WellStar provides free lab and medical

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imaging services for a local community clinic as well as funding for nurse practitioner services for a disadvantaged population within the community

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

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

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Cost of providing charity care	\$ 85,221	99,452
Unreimbursed cost of providing care to Medicaid beneficiaries	24,335	29,106
Unreimbursed cost of providing care to Medicare beneficiaries	58,092	51,340
Unreimbursed cost of providing care to other patients	52,567	45,077
Cost of other community programs	6,721	6,260
	<u>\$ 226,936</u>	<u>231,235</u>

During 2010, the State of Georgia adopted into law the Provider Payment Agreement Act (the Act). The Act provides that each hospital shall be assessed a provider payment in the amount of 1.45% of net patient service revenue of the hospital based on the annual financial survey filed with the State of Georgia Department of Community Health and such payments be recognized as a community benefit. In fiscal 2013 and 2012, WellStar affiliate hospitals made \$15.5 million and \$14.5 million, respectively, in provider payments and recognized such payments as a reduction in net patient service revenue in the accompanying combined financial statements.

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

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(10) Employee Benefit Plans

(a) Pension Plan

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

On November 1, 2012, WellStar amended the Plan to modify the benefit formula at normal retirement effective as of June 30, 2013.

The changes in the projected benefit obligation as of June 30, 2013 and 2012 follow:

	2013	2012
	(In thousands)	
Projected benefit obligation, beginning of year	\$ 646,509	503,491
Service cost	32,453	25,810
Interest cost	29,424	29,392
Actuarial (gain) loss	(35,813)	100,420
Benefits paid	(14,520)	(12,604)
Plan amendments	(64,699)	—
Projected benefit obligation, end of year	<u>\$ 593,354</u>	<u>646,509</u>

The accumulated benefit obligation at June 30, 2013 and 2012 is \$495.9 million and \$571.8 million, respectively.

The changes in the fair value of plan assets, funded status of the plan, and the status of amounts recognized in WellStar's combined balance sheets as of June 30, 2013 and 2012 follow:

	2013	2012
	(In thousands)	
Fair value of plan assets, beginning of year	\$ 421,509	401,111
Actual return on plan assets	50,003	5,002
Employer contributions	42,210	28,000
Benefits paid	(14,520)	(12,604)
Fair value of assets, end of year	<u>\$ 499,202</u>	<u>421,509</u>
Accrued pension liability – funded status	<u>\$ (94,152)</u>	<u>(225,000)</u>

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The components of net periodic pension cost for 2013 and 2012 follow

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Service cost	\$ 32.453	25.810
Interest cost	29.424	29.392
Expected return on plan assets	(36.373)	(32.784)
Amortization of prior service cost	(5.135)	2
Amortization of net loss	21.809	5.564
	<u>\$ 42.178</u>	<u>27.984</u>

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

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Prior service cost	\$ (59.565)	—
Actuarial loss	146.802	218.053
	<u>\$ 87.237</u>	<u>218.053</u>

WellStar is expected to amortize \$10.6 million of net loss from unrestricted net assets into net periodic pension cost during fiscal 2014 and prior service cost credit of \$(7.7) million

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

	<u>2013</u>	<u>2012</u>
Discount rate	5.40%	4.87%
Rate of compensation increase	3.30	3.30

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

	<u>2013</u>	<u>2012</u>
Discount rate	4.87%	5.91%
Expected return on plan assets	8.00	8.00
Rate of compensation increase	3.30	3.50

Plan Assets

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

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allocation strategies and investment management structure are designed to meet the Plan's investment objectives

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

	Target allocation	Plan assets at June 30	
		2013	2012
Plan assets			
Cash and cash equivalents	—%	4%	4%
Equity securities	50	53	52
Debt securities	40	37	39
International debt and equity securities	10	6	5
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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

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

Cash Flows

WellStar expects to contribute approximately \$21.5 million to the Plan in fiscal 2014.

Expected Future Benefit Payments

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

2014	\$	16.621
2015		18.510
2016		20.836
2017		23.373
2018		26.113
2019 – 2023		177.894

Other Items

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

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(b) *Other Benefits*

WellStar also has a 403(b) defined contribution benefit plan, which covers substantially all employees. Eligible employees may contribute up to 20% of compensation in any one year, subject to a regulatory limit. WellStar makes matching contributions equal to 50% of employees' contributions, not to exceed 4% of total compensation. Employees vest in WellStar contributions on a "cliff" basis after three years of service. WellStar contributed approximately \$7.9 million and \$6.9 million to the plan during the years ended June 30, 2013 and 2012, respectively.

WellStar also sponsors an unfunded postretirement medical plan covering members of the Board of Trustees and their dependents upon retirement from completion of 12 years of Board service. The unfunded status of the plan at June 30, 2013 and 2012 is \$9.5 million and \$10.3 million, respectively, and is included in other long term liabilities in the accompanying combined balance sheets. The plan is measured as of June 30 using a discount rate of 5.40% and 4.87% at June 30, 2013 and 2012, respectively. The assumed healthcare trend rate is 8.5% initially decreasing to an ultimate rate of 5.0%.

(11) **Business and Credit Concentrations**

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

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

	2013	2012
Managed care	37%	39%
Medicare	28	29
Medicaid	16	17
Patients	11	10
Other third-party payors	8	5
	100%	100%

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of accounts receivable, WellStar analyzes its past history and identifies trends for each of its major payor sources of revenue along with current economic factors to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts. Management routinely reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, WellStar analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for uncollectible accounts, if necessary. For receivables associated with self-pay patients, WellStar records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their

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bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts. WellStar did not change its community financial aid policy (which is inclusive of both charity care and discounts for qualifying patients) during fiscal 2013. WellStar does not maintain a material allowance for uncollectible accounts from third party payors nor did it have material write-offs from third party payors during 2013 and 2012.

(12) Self-Insurance Programs

WellStar has established a wholly owned captive insurance company, CAC, for the purpose of self-insuring first-dollar coverage related to general liability, professional liability, and workers' compensation risks on a claims made basis. WellStar funds CAC in amounts as determined by consulting actuaries. General and professional liability risks are self-insured at an underlying annual coverage layer totaling \$2.0 million and \$7.0 million per individual loss, respectively, and \$28.0 million for aggregate claims. Workers' compensation coverage is self-insured for individual claims up to \$500 thousand.

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

Losses for all self-insured coverages are managed through the Risk Management and Claims Committee process. Identified and incurred but not reported losses are accrued based on estimates that incorporate WellStar's past experience, as well as other considerations such as the nature of each claim or incident, relevant trend factors, and advice from consulting actuaries. The identified and estimated incurred but not reported losses included in the accompanying combined balance sheets at both June 30, 2013 and 2012 have been discounted at 2.5%.

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

(13) Asset Retirement Obligations

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

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Notes to Combined Financial Statements

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The following table presents the activity for WellStar's asset retirement obligations and additional cost basis of related assets for the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Balance at beginning of year	\$ 3,564	3,162
New obligations	—	331
Accretion expense	<u>72</u>	<u>71</u>
Balance at the end of year (included in other long-term liabilities)	<u>\$ 3,636</u>	<u>3,564</u>

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Additional cost basis	\$ 1,731	1,731
Accumulated depreciation	<u>(1,091)</u>	<u>(983)</u>
Balance at the end of year (included in property and equipment)	<u>\$ 640</u>	<u>748</u>

(14) Leases

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

Fiscal year	
2014	\$ 15,737
2015	13,514
2016	11,172
2017	10,031
2018	8,138
Thereafter	<u>52,139</u>
	<u>\$ 110,731</u>

Rental expense was approximately \$21.4 million and \$20.0 million for fiscal years 2013 and 2012, respectively.

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(15) Functional Expenses

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

	<u>2013</u>	<u>2012</u>
	(In thousands)	
Healthcare services	\$ 1,064,306	1,030,411
General and administrative	415,335	335,166
	<u>\$ 1,479,641</u>	<u>1,365,577</u>

(16) Fair Value of Financial Instruments

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

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

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

	2013		
	Level 1	Level 2 (In thousands)	Total
By the Board for capital improvements and other system needs			
Cash and cash equivalents	\$ 15,582	—	15,582
Asset backed securities	—	38,637	38,637
Mortgage backed securities	—	40,498	40,498
Obligations of the U S government and its agencies	131,223	—	131,223
Corporate debt securities-domestic	—	143,320	143,320
Corporate debt securities-international	—	18,411	18,411
Corporate equity securities-domestic	251,095	—	251,095
Corporate equity securities- international	46,306	—	46,306
Mutual funds	10,709	—	10,709
	<u>454,915</u>	<u>240,866</u>	<u>695,781</u>
Under self-insurance funding arrangement			
Cash and cash equivalents	2,482	—	2,482
Mortgage backed securities	—	12,889	12,889
Obligations of the U S government and its agencies	16,425	—	16,425
Corporate debt securities-domestic	—	25,815	25,815
Foreign investments	—	2,581	2,581
	<u>18,907</u>	<u>41,285</u>	<u>60,192</u>
By donor stipulation			
Cash and cash equivalents	5,115	—	5,115
Foreign investments	—	269	269
Corporate debt securities-domestic	—	1,318	1,318
Corporate equity securities-domestic	3,067	—	3,067
Other	—	339	339
	<u>8,182</u>	<u>1,926</u>	<u>10,108</u>
Under bond indenture agreements – held by trustee			
Cash and cash equivalents	43,463	—	43,463
	<u>\$ 525,467</u>	<u>284,077</u>	<u>809,544</u>

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Notes to Combined Financial Statements

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

The carrying amounts of all applicable asset and liability financial instruments reported in the combined balance sheets (except various debt and derivative instruments) approximate their estimated fair values, in all material respects, at June 30, 2013 and 2012. Fair value of a financial instrument is defined as the amount which would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date.

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The fair values of WellStar's various debt instruments have been estimated using Level 2 inputs, such as interest rates currently available to WellStar for borrowings having similar character, collateral, and duration. The aggregate fair value of such instruments approximates \$506.7 million and \$534.6 million at June 30, 2013 and 2012, respectively. No adjustment for such fair value measurements is reflected or required in the accompanying combined balance sheets.

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

The fair value hierarchy of pension plan assets at June 30, 2013 and 2012 follows:

	2013		
	Level 1	Level 2 (In thousands)	Total
Cash and cash equivalents	\$ 20.764	—	20.764
Mortgage and other asset-backed securities	—	39.343	39.343
Obligations of the U.S. government and its agencies	56.114	257	56.371
Corporate debt securities-domestic	—	87.635	87.635
Corporate debt securities-international	—	3.788	3.788
Corporate equity securities-domestic	263.238	—	263.238
Corporate equity securities-international	28.063	—	28.063
	<u>\$ 368.179</u>	<u>131.023</u>	<u>499.202</u>

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

(17) Endowment

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

Endowment net assets and classification of related unappropriated income at June 30, 2013 and 2012 follow (in thousands):

	2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted net assets	\$ —	947	3,968	4,915
	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted net assets	\$ —	491	3,795	4,286

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

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The change in endowment net assets and related income classifications for the year ended June 30, 2013 and 2012 follows (in thousands)

2013				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Beginning of year	\$ —	491	3,795	4,286
Contributions	—	—	162	162
Other	—	(37)	—	(37)
Investment return				
Interest and dividend income	—	89	—	89
Net appreciation	—	404	11	415
	—	493	11	504
End of year	\$ —	947	3,968	4,915

2012				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Beginning of year	\$ —	716	3,700	4,416
Contributions	—	—	75	75
Other	—	(37)	—	(37)
Investment return				
Interest and dividend income	—	91	—	91
Net appreciation (depreciation)	—	(279)	20	(259)
	—	(188)	20	(168)
End of year	\$ —	491	3,795	4,286

(18) Information Technology Contract

WellStar has entered into a software and services agreement with a major information technology vendor. The agreement generally commits WellStar to the purchase of a variety of information technology products and services from this vendor for a defined payment stream over the term of the contract. Certain software license and support fees totaling approximately \$16.5 million were capitalized during fiscal 2013 with recognition of an associated liability related to WellStar's acquisition of these intangible assets. Other contract costs are evaluated for capitalization or expense recognition under relevant accounting literature as associated products and/or services are provided.

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Notes to Combined Financial Statements

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The following table summarizes the future payment commitments by year under the contract as of June 30, 2013

		Capitalized software obligation
		<u>(In thousands)</u>
Payable in fiscal year		
2014	\$	3,157
2015		3,157
2016		3,157
2017		<u>2,894</u>
Total		12,365
Less amounts representing interest at 3.38%		<u>816</u>
Total obligation	\$	<u><u>11,549</u></u>

Interest expense incurred under the agreement in fiscal 2013 was approximately \$454 thousand