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Form <b>990</b>  Department of the Treasury Internal Revenue Service	<b>Return of Organization Exempt From Income Tax</b>  <b>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</b>	OMB No 1545-0047 <div> <div>2012</div> <div>Open to Public Inspection</div> </div>
	▶ 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>B</b> Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization TANNER MEDICAL CENTER		<b>D</b> Employer identification number  58-1790149
	Doing Business As		
	Number and street (or P O box if mail is not delivered to street address) 705 DIXIE STREET Suite	Room/suite	<b>E</b> Telephone number  (770) 836-9580
	City or town, state or country, and ZIP + 4 CARROLLTON, GA 30117		
			<b>G</b> Gross receipts \$ 290,223,505
	<b>F</b> Name and address of principal officer LOY M HOWARD CEO 705 DIXIE STREET CARROLLTON, GA 30117		<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No" attach a list (see instructions)

<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) <input type="checkbox"/> (Insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		<b>H(c)</b> Group exemption number <input type="text"/>	
<b>J Website:</b> <input type="text"/> WWW.TANNER.ORG			
<b>K</b> Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other <input type="text"/>		<b>L</b> Year of formation 1988	<b>M</b> State of legal domicile GA

## Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities TO PROVIDE A CONTINUUM OF QUALITY HEALTHCARE SERVICES WITHIN OUR RESOURCE CAPABILITIES TO SERVE AS A LEADER IN A COLLABORATIVE EFFORT WITH THE COMMUNITY TO PROVIDE HEATH EDUCATION, SUPPORT SERVICES			
	2 Check this box <input type="checkbox"/> 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	13
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	9
	5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	1,742
6	Total number of volunteers (estimate if necessary)	6	148	
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	509,867	
b	Net unrelated business taxable income from Form 990-T, line 34	7b		
Revenue	8	Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9	Program service revenue (Part VIII, line 2g)	1,034,703	1,255,998
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	183,094,526	189,231,918
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	6,255,032	6,300,426
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	43,948,890	46,726,760
			234,333,151	243,515,102
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)	104,427,257	106,443,127
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b	Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	98,173,165	99,331,895
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	202,600,422	205,775,022
	19	Revenue less expenses Subtract line 18 from line 12	31,732,729	37,740,080
	Net Assets or Fund Balances			Beginning of Current Year
20		Total assets (Part X, line 16)	377,671,558	399,507,027
21		Total liabilities (Part X, line 26)	156,486,698	143,466,450
22		Net assets or fund balances Subtract line 21 from line 20	221,184,860	256,040,577

## 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.

<b>Sign Here</b>	***** Signature of officer			2014-05-13 Date	
	CAROL CREWS CFO Type or print name and title				
<b>Paid Preparer Use Only</b>	Print/Type preparer's name		Preparer's signature		Date
	Check <input type="checkbox"/> if self-employed			PTIN	
	Firm's name ▶ KPMG LLP			Firm's EIN ▶	
	Firm's address ▶ 300 North Greene Street Suite 400 Greensboro, NC 27401			Phone no (336) 275-3394	

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

Part III

Statement of Program Service Accomplishments

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

☐

1

Briefly describe the organization’s mission

TO PROVIDE A CONTINUUM OF QUALITY HEALTHCARE SERVICES WITHIN OUR RESOURCE CAPABILITIES TO SERVE AS A LEADER IN A COLLABORATIVE EFFORT WITH THE COMMUNITY TO PROVIDE HEATH EDUCATION, SUPPORT SERVICES, AND CARE FOR THE COUNTY AND SURROUNDING AREA

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

☐ Yes ☒ No

If “Yes,” describe these new services on Schedule O

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

☒ Yes ☐ No

If “Yes,” describe these changes on Schedule O

4

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

4a

(Code ) (Expenses \$ 155,117,783 including grants of \$ ) (Revenue \$ 234,573,878 )

Tanner Medical Center provides healthcare to the population of northwest Georgia and east Alabama Medical services include inpatient, outpatient, and ancillary services As a not for profit corporation, Tanner provides services to patients regardless of their ability to pay for these services See Schedule O

4b

(Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )

4c

(Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )

4d

Other program services (Describe in Schedule O )




















(Expenses \$ including grants of \$ ) (Revenue \$ )

4e

Total program service expenses ▶ 155,117,783

Form 990 (2012)

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10 Yes	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	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	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		No
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> 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	Yes	
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	Yes	
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		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <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	<b>Section 501(c)(3) organizations.</b> 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? <b>Note.</b> 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.	157	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	1,742
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		2b	Yes
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?		3a	Yes
b If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.		3b	Yes
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a	No
b If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a	No
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b	No
c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		5c	
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		6a	No
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b	
7 Organizations that may receive deductible contributions under section 170(c).			
a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		7a	No
b If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b	
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c	No
d If "Yes," indicate the number of Forms 8282 filed during the year.		7d	
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e	No
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f	No
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g	
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h	
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8	
9 Sponsoring organizations maintaining donor advised funds.			
a Did the organization make any taxable distributions under section 4966?		9a	
b Did the organization make a distribution to a donor, donor advisor, or related person?		9b	
10 Section 501(c)(7) organizations. Enter			
a Initiation fees and capital contributions included on Part VIII, line 12.		10a	
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		10b	
11 Section 501(c)(12) organizations. Enter			
a Gross income from members or shareholders.		11a	
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.		13a	
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		13b	
c Enter the amount of reserves on hand.		13c	
14a Did the organization receive any payments for indoor tanning services during the tax year?		14a	No
b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		14b	

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year . . . . .	13	
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O		
b	Enter the number of voting members included in line 1a, above, who are independent . . . . .	9	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . . . . .	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .	5	No
6	Did the organization have members or stockholders? . . . . .	6	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? . . . . .	7a	No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . .	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body? . . . . .	8a	Yes
b	Each committee with authority to act on behalf of the governing body? . . . . .	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O . . . . .	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	GA
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> 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 LEE SHERSETH CFO 705 DIXIE STREET CARROLLTON, GA (770) 836-9580	

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** 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

<b>1b</b>	<b>Sub-Total</b>			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A</b>			
<b>d</b>	<b>Total (add lines 1b and 1c)</b>	4,978,706	3,063,711	857,001

**2** Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 72

		Yes	No
3	Did the organization list any <b>former</b> 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) Name and business address	(B) Description of services	(C) Compensation
ROBINS MORTON GROUP , 400 SHADES CREEK PARKWAY BIRMINGHAM AL 35209	CONSTRUCTION	8,958,716
LABORATORY CORPORATION OF AMERICA , PO BOX 12140 BURLINGTON NC 27216	LAB SERVICES	2,262,176
ARAMARK , 10510 TWIN LAKES PARKWAY CHARLOTTE NC 28269	CLINICAL ENGINEERING	1,875,970
PREMIER INC , 5882 COLLECTIONS CENTER DR CHICAGO IL 60693	HEALTHCARE QUALITY	1,785,171
J SMITH LANIER CO , 300 WEST 10TH STREET WEST POINT GA 31833	INSURANCE	1,753,223

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 ►157

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	1,255,998				
	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 . . . . .		1,255,998				
Program Service Revenue			Business Code					
	2a	NET PATIENT REVENUE	623000	188,705,030	188,705,030			
	b	REFERENCE LAB	621500	508,888	35,070	473,818		
	c	PHYSICIAN BILLING SERVICES	541200	18,000		18,000		
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f . . . . .		189,231,918				
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .		6,591,909	555,313	18,049	6,018,547	
	4	Income from investment of tax-exempt bond proceeds . . .		0				
	5	Royalties . . . . .		0				
	6a	Gross rents	(i) Real	(ii) Personal				
		b	Less rental expenses					
		c	Rental income or (loss)	0	0			
		d	Net rental income or (loss) . . . . .		0			
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
		b	Less cost or other basis and sales expenses	46,414,249	2,671			
		c	Gain or (loss)	46,450,757	257,646			
		d	Net gain or (loss) . . . . .	-36,508	-254,975			
	8a	Gross income from fundraising events (not including \$ of contributions reported on line 1c) See Part IV, line 18 . . . . .	a					
	b	Less direct expenses . . . . .	b					
	c	Net income or (loss) from fundraising events . . .		0				
	9a	Gross income from gaming activities See Part IV, line 19 . . . . .	a					
	b	Less direct expenses . . . . .	b					
	c	Net income or (loss) from gaming activities . . .		0				
	10a	Gross sales of inventory, less returns and allowances . . .	a					
	b	Less cost of goods sold . . . . .	b					
	c	Net income or (loss) from sales of inventory . . .		0				
	Miscellaneous Revenue		Business Code					
	11a	SHARED SERVICE REVENUE	621990	41,745,281	41,745,281			
	b	CAFETERIA	624200	1,230,418			1,230,418	
c	WELLNESS	623990	217,877			217,877		
d	All other revenue . . . . .		3,533,184	3,533,184				
e	Total. Add lines 11a-11d . . . . .		46,726,760					
12	Total revenue. See Instructions . . . . .		243,515,102	234,573,878	509,867	7,175,359		

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.	3,980,071		3,980,071	0
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	0			
7	Other salaries and wages.	71,799,518	55,505,379	16,294,139	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	3,046,276	2,275,350	770,926	
9	Other employee benefits.	22,334,930	21,652,547	682,383	
10	Payroll taxes.	5,282,332	4,004,845	1,277,487	
11	Fees for services (non-employees):				
a	Management.	202,817	192,317	10,500	
b	Legal.	636,933		636,933	
c	Accounting.	402,757		402,757	
d	Lobbying.	105,000		105,000	
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	560,591		560,591	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	22,671,125	16,070,672	6,600,453	
12	Advertising and promotion.	940,633	82,459	858,174	
13	Office expenses.	30,358,882	29,689,880	669,002	
14	Information technology.	4,812,301		4,812,301	
15	Royalties.	0			
16	Occupancy.	5,353,355	2,978,816	2,374,539	
17	Travel.	127,834	60,960	66,874	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	563,989	112,807	451,182	
20	Interest.	4,059,775		4,059,775	
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	16,025,509	13,165,135	2,860,374	
23	Insurance.	1,734,040	6,219	1,727,821	
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 AND MAINTENANCE	3,911,344	3,821,417	89,927	
b	MISCELLANEOUS	3,817,648	2,815,494	1,002,154	
c	PROVIDER TAX	2,363,076	2,363,076		
d	OTHER - FOUNDATION SUPPORT	320,410	320,410		
e	All other expenses	363,876		363,876	
25	<b>Total functional expenses.</b> Add lines 1 through 24e.	205,775,022	155,117,783	50,657,239	0
26	<b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> 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		360,027	1	634,144
	2	Savings and temporary cash investments		33,349,320	2	22,040,016
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		16,328,622	4	22,646,719
	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		2,990,966	7	2,977,148
	8	Inventories for sale or use		2,684,954	8	3,252,372
	9	Prepaid expenses and deferred charges		4,714,859	9	1,244,949
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a302,043,014			
	b	Less accumulated depreciation	10b140,361,605	140,304,431	10c	161,681,409
	11	Investments—publicly traded securities		175,630,148	11	184,646,156
	12	Investments—other securities See Part IV, line 11		304,532	12	384,114
	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		1,003,699	15	0
	16	Total assets. Add lines 1 through 15 (must equal line 34)		377,671,558	16	399,507,027
Liabilities	17	Accounts payable and accrued expenses		28,862,385	17	24,602,956
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		109,595,234	20	105,873,510
	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		518,283	22	443,372
	23	Secured mortgages and notes payable to unrelated third parties		0	23	0
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		17,510,796	25	12,546,612
	26	Total liabilities. Add lines 17 through 25		156,486,698	26	143,466,450
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		215,504,439	27	256,040,577
	28	Temporarily restricted net assets		4,051,933	28	0
	29	Permanently restricted net assets		1,628,488	29	0
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> 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		221,184,860	33	256,040,577
	34	Total liabilities and net assets/fund balances		377,671,558	34	399,507,027

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	243,515,102
2	Total expenses (must equal Part IX, column (A), line 25) . . . . .	2	205,775,022
3	Revenue less expenses Subtract line 2 from line 1 . . . . .	3	37,740,080
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	4	221,184,860
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	-2,884,363
9	Other changes in net assets or fund balances (explain in Schedule O) . . . . .	9	
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	256,040,577

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 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> 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 <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> 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 <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> 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: 58-1790149

Name: TANNER MEDICAL CENTER

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			
STEVE ADAMS BOARD MEMBER	1 0 2 0	X								
LARRY BOGGS BOARD MEMBER	1 0 1 0	X								
JOHN BURSON III MD BOARD MEMBER	1 0 1 0	X								
JERRY CLAYTON BOARD MEMBER	1 0 1 0	X								
MARY COVINGTON BOARD MEMBER	1 0 2 0	X								
DANIEL JACKSON BOARD MEMBER	1 0 1 0	X								
STEPHEN KAHLER MD BOARD MEMBER	1 0 1 0	X								
JEFF LINDSEY DMD BOARD MEMBER	1 0 1 0	X								
ROBERT PITTS MD BOARD MEMBER	1 0 1 0	X								
NITA PRICE BOARD MEMBER	1 0 1 0	X								
TIMOTHY WARREN BOARD MEMBER	1 0 2 0	X								
GELON WASDIN BOARD MEMBER	1 0 2 0	X								
LOY HOWARD CEO	23 0 18 0	X		X				1,030,996	762,040	206,510
LEE SHERSETH CFO	23 0 17 0			X				343,439	253,846	50,592
LARRY STEED COO	23 0 17 0			X				351,910	260,108	43,928
MARIA RUSSO CIO	23 0 17 0			X				233,261	172,410	43,066
DENISE TAYLOR CDO	23 0 17 0			X				190,597	140,877	31,489
WILLIAM WATERS MD CMO	23 0 17 0			X				364,068	269,093	51,964
WAYNE SENFELD SR VP, BUS DEV	23 0 17 0			X				126,073	93,184	9,409
DEBORAH HOLLENSTEIN VP, PR MARKETING	23 0 17 0				X			106,733	78,889	30,196
CYNTHIA MASTERS VP, SERVICE INTEGRATION	23 0 17 0				X			129,531	95,740	19,112
DEBORAH MATTHEWS ADMINISTRATOR	40 0				X			273,934	0	21,328
CAROL CREWS VP, FINANCE	23 0 17 0				X			100,276	74,117	25,551
STEPHANIE YATES VP, COMPLIANCE	23 0 17 0				X			102,937	76,083	29,233
SUSAN FOX VP, TMG	10 0 30 0				X			42,940	128,820	19,635

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			
LINDA CONNER DON	40 0				X			218,727	0	26,425
DENENE COFIELD OR DIRECTOR	23 0 17 0				X			99,384	73,458	24,847
VIVIAN BARR HR DIRECTOR	23 0 17 0				X			97,828	72,308	17,073
DAVID THORNHILL IMAGING DIRECTOR	23 0 17 0				X			90,270	66,722	20,242
MIKE ALEXANDER ADMIN, HIGGINS	40 0				X			0	230,981	31,927
LELAND GUSTAFSON PHYSICIAN	40 0					X		200,347	0	30,168
JAKE CHESSER MEDICAL PHYSICIST	40 0					X		207,743	0	30,630
LYNN BARRETT PHARMACY DIRECTOR	23 0 17 0					X		100,472	74,262	27,751
JANE HORNSBY CHIEF SONOGRAPHER	40 0					X		193,291	0	25,743
TOMMY FREEMAN ULTRASOUND TECH	40 0					X		183,492	0	29,904
DALE DREILING SR VP, TMG	23 0 17 0						X	190,457	140,773	10,278

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 TANNER MEDICAL CENTER	Employer identification number 58-1790149
---------------------------------------------------	----------------------------------------------

Part I

Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is (For lines 1 through 11, check only one box )

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E )
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state \_\_\_\_\_
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II )
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II )
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 9

☐

An organization that normally receives (1) more than 33<sup>1</sup>/<sub>3</sub>% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33<sup>1</sup>/<sub>3</sub>% 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 IIIPart III

Support Schedule for Organizations Described in Section 509(a)(2)  
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2012. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support tests—2011. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶		

**Part IV** **Supplemental Information.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization TANNER MEDICAL CENTER	Employer identification number  58-1790149
---------------------------------------------------	--------------------------------------------------

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

1	Provide a description of the organization’s direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$ _____
3	Volunteer hours	_____

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

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$ _____
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$ _____
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If “Yes,” describe in Part IV	

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$ _____
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities	▶ \$ _____
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$ _____
4	Did the filing organization file <b>Form 1120-POL</b> for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization’s funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

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

Part II-A

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

- A
- Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)															
c Total lobbying expenditures (add lines 1a and 1b)															
d Other exempt purpose expenditures															
e Total exempt purpose expenditures (add lines 1c and 1d)															
f Lobbying nontaxable amount Enter the amount from the following table in both columns															
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g Grassroots nontaxable amount (enter 25% of line 1f)															
h Subtract line 1g from line 1a If zero or less, enter -0-															
i Subtract line 1f from line 1c If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes	<input type="checkbox"/> No												

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)	(b)	
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		105,000
j	Total. Add lines 1c through 1i.			105,000
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912.			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912.			
d	If the filing organization incurred a section 4912 tax, did it file Form 720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
LOBBYING EXPENDITURES	Schedule C, Part II-B, Line 11	A portion of the annual membership fees paid to the Georgia Hospital association is used for lobbying expenses to support and voice hospital concerns at the state level. In addition, Tanner pays Azimuth Consulting, Inc. to facilitate an ongoing relationship with members of the legislative body to support or oppose various legislative issues concerning the healthcare industry. Massey, Watson, Bowers, & Hembree, LLC are also retained to help Tanner in the area of public affairs support with the State of Georgia.

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  
TANNER MEDICAL CENTER

Employer identification number  
58-1790149

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? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	
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? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	

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

	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	1,935,550	1,593,273	1,359,108	1,134,911
b	Contributions	33,000			5,000
c	Net investment earnings, gains, and losses	198,196	342,277	234,165	224,197
d	Grants or scholarships				
e	Other expenditures for facilities and programs				
f	Administrative expenses				
g	End of year balance	2,166,746	1,935,550	1,593,273	1,359,108

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

76 681 %

c

Temporarily restricted endowment

23 319 %

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	3,548,619		3,548,619
b	Buildings	178,477,197	67,674,634	110,802,563
c	Leasehold improvements	2,206,524	1,465,972	740,552
d	Equipment	107,188,524	71,220,999	35,967,525
e	Other	10,622,150		10,622,150
Total.	Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)			161,681,409

Schedule D (Form 990) 2012





<b>Part XI    Reconciliation of Revenue per Audited Financial Statements With Revenue per Return</b>					
<b>1</b>	Total revenue, gains, and other support per audited financial statements . . . . .	<b>1</b>			
<b>2</b>	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
<b>a</b>	Net unrealized gains on investments . . . . .			<b>2a</b>	
<b>b</b>	Donated services and use of facilities . . . . .			<b>2b</b>	
<b>c</b>	Recoveries of prior year grants . . . . .			<b>2c</b>	
<b>d</b>	Other (Describe in Part XIII ) . . . . .			<b>2d</b>	
<b>e</b>	Add lines <b>2a</b> through <b>2d</b> . . . . .	<b>2e</b>			
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b> . . . . .	<b>3</b>			
<b>4</b>	Amounts included on Form 990, Part VIII, line 12, but not on line <b>1</b>				
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .			<b>4a</b>	
<b>b</b>	Other (Describe in Part XIII ) . . . . .			<b>4b</b>	
<b>c</b>	Add lines <b>4a</b> and <b>4b</b> . . . . .			<b>4c</b>	
<b>5</b>	Total revenue Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 12 ) . . . . .	<b>5</b>			
<b>Part XII    Reconciliation of Expenses per Audited Financial Statements With Expenses per Return</b>					
<b>1</b>	Total expenses and losses per audited financial statements . . . . .	<b>1</b>			
<b>2</b>	Amounts included on line 1 but not on Form 990, Part IX, line 25				
<b>a</b>	Donated services and use of facilities . . . . .			<b>2a</b>	
<b>b</b>	Prior year adjustments . . . . .			<b>2b</b>	
<b>c</b>	Other losses . . . . .			<b>2c</b>	
<b>d</b>	Other (Describe in Part XIII ) . . . . .			<b>2d</b>	
<b>e</b>	Add lines <b>2a</b> through <b>2d</b> . . . . .	<b>2e</b>			
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b> . . . . .	<b>3</b>			
<b>4</b>	Amounts included on Form 990, Part IX, line 25, but not on line <b>1</b> :				
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .			<b>4a</b>	
<b>b</b>	Other (Describe in Part XIII ) . . . . .			<b>4b</b>	
<b>c</b>	Add lines <b>4a</b> and <b>4b</b> . . . . .			<b>4c</b>	
<b>5</b>	Total expenses Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 18 ) . . . . .	<b>5</b>			

**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
ASC 740 DISCLOSURE	Schedule D, Part X	The Medical Center is a not-for-profit corporation that has been recognized as tax-exempt pursuant to section 501(c)(3) of the Internal Revenue Code The Medical Center applies accounting policies that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns These rules require management to evaluate the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained Based on that evaluation, the Medical Center only recognized the maximum benefit of each income tax position that is more than 50% likely of being sustained To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position Should any such penalties and interest be incurred, they would be recognized as operating expenses Effective November 15, 2010, Tanner Medical Center/Villa Ricas tax-exempt status under Internal Revenue Code Section 501(c)(3) was automatically revoked by the Internal Revenue Service (IRS) for failure to file an annual return for three consecutive years Specifically, Tanner Medical Center/Villa Rica was improperly included in the parent entitys group IRS Form 990 for the tax years ended June 30, 2007, 2008, and 2009, rather than also filing a separate return The Medical Center subsequently filed appropriate returns with the IRS for the tax year ended June 30, 2009 relative to Tanner Medical Center/Villa Rica, as well as Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code On August 27, 2013, the IRS approved Tanner Medical Center/Villa Ricas application for exempt status effective July 25, 2012, the posting date of its application The IRS is currently considering approval of the Medical Centers request for retroactive reinstatement of Tanner Medical Center/Villa Ricas tax-exempt status for the period November 15, 2010 through July 24, 2012 Given the nature of the initial revocation of tax-exempt status and the remedies provided to the IRS to-date in accordance with its established reinstatement protocols, the Medical Centers position is that a favorable outcome is more than 50% likely of being sustained Based on the results of management's evaluation, no liability is recognized in the accompanying balance sheet for unrecognized income tax positions Further, no interest or penalties have been accrued or charged to expense as of June 30, 2013 and 2012 or for the years then ended Tanner Medical Group is part of a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code The affiliated business services provided are, however, subject to unrelated business income taxes and a Form 990-T, Exempt Organization Business Income Tax Return is filed for these services As of 2013 and 2012, Tanner Medical Group has not recorded income tax expense due to net operating losses

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**  
TANNER MEDICAL CENTER

**Employer identification number**  
58-1790149

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  <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> 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  <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> 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 . . . . .  <input checked="" type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> 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) . . . . .			15,315,865		15,315,865	7 440 %
b Medicaid (from Worksheet 3, column a) . . . . .			25,541,425	19,548,309	5,993,116	2 910 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .						
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . . . . .			40,857,290	19,548,309	21,308,981	10 350 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .			1,047,653		1,047,653	0 510 %
f Health professions education (from Worksheet 5) . . . . .			26,351		26,351	0 010 %
g Subsidized health services (from Worksheet 6) . . . . .						
h Research (from Worksheet 7) . . . . .			393,693		393,693	0 190 %
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .						
j <b>Total.</b> Other Benefits . . . . .			1,467,697		1,467,697	0 710 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			42,324,987	19,548,309	22,776,678	11 060 %

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		11,009		11,009	0.010 %
2	Economic development		50,852		50,852	0.020 %
3	Community support		7,208		7,208	0.010 %
4	Environmental improvements					
5	Leadership development and training for community members		8,658		8,658	0.010 %
6	Coalition building					
7	Community health improvement advocacy		27,770		27,770	0.010 %
8	Workforce development		977,444		977,444	0.470 %
9	Other					
10	Total		1,082,941		1,082,941	0.530 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?

1

Yes

2

Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

12,815,680

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

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

50,678,611

6

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

6

53,266,942

7

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

7

-2,588,331

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

9b

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	TANNER MEDICAL CENTER INC 705 DIXIE STREET CARROLLTON,GA 30117	X	X					X		SKILLED NURSING FACILITY	

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)

TANNER MEDICAL CENTER INC

Name of hospital facility or facility reporting group

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 . . . . . If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>13</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 Yes	
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 <input checked="" type="checkbox"/> Hospital facility's website		
b <input checked="" type="checkbox"/> Available upon request from the hospital facility		
c <input type="checkbox"/> 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 <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input checked="" type="checkbox"/> Execution of the implementation strategy		
c <input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
e <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input checked="" type="checkbox"/> Prioritization of health needs in its community		
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> 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		
<b>9</b> 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?		<b>9</b>	Yes		
<b>10</b> 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		<b>10</b>	Yes		
<b>11</b> 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>200</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>11</b>	Yes		
<b>12</b> Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)		<b>12</b>	Yes		
<b>a</b> <input checked="" type="checkbox"/> Income level					
<b>b</b> <input checked="" type="checkbox"/> Asset level					
<b>c</b> <input checked="" type="checkbox"/> Medical indigency					
<b>d</b> <input checked="" type="checkbox"/> Insurance status					
<b>e</b> <input checked="" type="checkbox"/> Uninsured discount					
<b>f</b> <input checked="" type="checkbox"/> Medicaid/Medicare					
<b>g</b> <input checked="" type="checkbox"/> State regulation					
<b>h</b> <input type="checkbox"/> Other (describe in Part VI)					
<b>13</b> Explained the method for applying for financial assistance? . . . . .		<b>13</b>	Yes		
<b>14</b> 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)		<b>14</b>	Yes		
<b>a</b> <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website					
<b>b</b> <input type="checkbox"/> The policy was attached to billing invoices					
<b>c</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms					
<b>d</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices					
<b>e</b> <input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility					
<b>f</b> <input checked="" type="checkbox"/> The policy was available upon request					
<b>g</b> <input type="checkbox"/> Other (describe in Part VI)					
Billing and Collections					
<b>15</b> 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? . . . . .		<b>15</b>	Yes		
<b>16</b> 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					
<b>a</b> <input type="checkbox"/> Reporting to credit agency					
<b>b</b> <input type="checkbox"/> Lawsuits					
<b>c</b> <input type="checkbox"/> Liens on residences					
<b>d</b> <input type="checkbox"/> Body attachments					
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)					
<b>17</b> 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? . . . . .				<b>17</b>	No
If "Yes," check all actions in which the hospital facility or a third party engaged					
<b>a</b> <input type="checkbox"/> Reporting to credit agency					
<b>b</b> <input type="checkbox"/> Lawsuits					
<b>c</b> <input type="checkbox"/> Liens on residences					
<b>d</b> <input type="checkbox"/> Body attachments					
<b>e</b> <input type="checkbox"/> 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	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> 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	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input checked="" type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> 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?

1

Name and address	Type of Facility (describe)
1TANNER MEDICAL CENTER SUBACUTE CARE 705 DIXIE STREET CARROLLTON,GA 30117	SKILLED NURSING FACILITY
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
COSTING METHODOLOGY	SCHEDULE H, PART I, LINE 7	CHARITY CARE AND CERTAIN OTHER COMMUNITY BENEFIT COSTS WERE DETERMINED USING DATA FROM THE AUDITED FINANCIAL STATEMENTS AND MEDICARE AND MEDICAID COST REPORTS PART I, LINE 7, COLUMN F THIS IS THE PERCENTAGE OF NET COMMUNITY BENEFIT OF TOTAL FUNCTIONAL EXPENSES OF TANNER MEDICAL CENTER
COMMUNITY BUILDING ACTIVITIES	SCHEDULE H, PART II	Tanner provides the funding for a 24-hour information hotline, provided free to callers The Hotline - 770-214-2273 - provides callers with information on physicians and specialists, and provides referrals to medical staff based on a caller's needs, location and insurance information The line also provides callers with information on a wide range of free health education classes and health screenings provided by Tanner, and allows callers to register for classes and events over the phone In addition to the 24-hour hotline, Tanner also provides a web site, www.tanner.org, with a free, extensive health library with articles covering a range of subjects, from medical tests and procedures to symptoms, conditions and more Visitors can also access free online health assessments, health news, healthy recipes and more To improve access to medical care in the region, Tanner continued its work to recruit more physicians to practice in the area, enabling patients to choose from a greater number of providers in an expanded field of specialties In addition, Tanner supports the University of West Georgia's Nursing Program, West Central Tech and Georgia Highland's medical programs on an annual basis

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE	Schedule H, Part III, Line 4	EXCERPT FROM THE FINANCIAL STATEMENTS - THE SYSTEM INCURRED BAD DEBT EXPENSE, VALUED AT ESTABLISHED CHARGES, OF \$12,815,680 AND \$28,862,327 FOR YEARS ENDED JUNE 30, 2013 AND 2012, RESPECTIVELY
MEDICARE	Schedule H, Part III, Line 8	AMOUNTS REPORTED ON SCHEDULE B ARE BASED ON THE MEDICARE COST REPORTS

Identifier	ReturnReference	Explanation
COLLECTION PRACTICES	Schedule H, Part III, Line 9B	<p>Patients that qualify for a charity write off are only held responsible for the portion remaining after write off Patients that qualify as indigent receive a 100% write off and are not responsible Patients approved for financial assistance receive a Letter of Notification that is good for one year from the determination date Interest free installment plans are available to all patients and payment amounts are determined by the patient's disposable wages and ability to pay Needs Assessment Tanner Medical Center, Inc conducts a study of its service area to determine locations where access to medical care is limited, as well as to determine the appropriate number of primary care and specialty providers based on the needs of the communities that Tanner serves The organization also works closely with community partners with similarly-aligned missions, including partnering with the Carroll County Health Department in community-wide vaccination programs and providing financial assistance to sponsor further research into specific community needs Tanner also works closely with two local clinics that provide low-cost and free medical services to area residents who could not otherwise afford care Patient Education of Eligibility for Assistance Tanner patients are provided with information pertaining to the organization's charity/indigent program at the time of registration Any self-pay or under-insured patients must meet criteria for indigent care in order to have the cost of their care written off by the system Patients are interviewed and financial statements are prepared Patients who meet the criteria for Medicaid eligibility are referred to an outside vendor for assistance Charity patients are defined as falling between 125 to 200 percent of the federal poverty guidelines, indigent patients are defined as falling below the 125 percent federal poverty guidelines and receive a 100 percent write off Translation assistance is provided for patients as needed Community Information Carroll County is located in the west central section of Georgia, along the Georgia-Alabama state line It is home to a growing state university with an enrollment of more than 11,000 students The county has a population of just more than 110,000 residents Most recently, growth in the area has been hampered by the economic impact from the lingering recession, and housing prices have fallen more than 20 percent The county's unemployment rate is at 8.2 percent, higher than the state or national rates Regionally, Carroll County is an economic center with seven incorporated municipalities Health of Community in Relation to Exempt Purpose Tanner Medical Center, Inc is committed to providing care for every member of the community it serves, regardless of ability to pay That care will be provided in advanced facilities with a focus on patient satisfaction and achievement of best possible outcomes During the year, Tanner provided free health screenings to almost 5200 residents More health education was provided through Tanner's sponsorship of the "Community Voice" radio program on a local station, which featured a number of physicians and health professionals discussing and taking calls on a wide range of subjects Tanner hosted educational events focusing on cancer, heart disease and other diseases, and provided instructional classes to teach CPR, safe babysitting and more to almost 11,000 attendees Tanner staff provided free vision screenings to more than 260 Pre-K students and organized local blood drives with over 725 community participants Over 5,000 people attended programs on health and wellness topics through Tanner's speakers program Tanner's website <a href="http://www.tanner.org">www.tanner.org</a> was viewed almost 1.2 million times by residents The website contains a wealth of wellness and health information, including free health quizzes and sources to find a physician Tanner's Harmony for Healing music therapy program offered over 170 performances to audiences of patients, their families, staff and members of the community</p>
AFFILIATED HEALTH CARE SYSTEM		<p>TANNER MEDICAL CENTER, INC IS A HEALTHCARE SYSTEM PROVIDING INPATIENT, OUTPATIENT, AND EMERGENCY CARE SERVICES TO RESIDENTS OF WEST GEORGIA AND SURROUNDING AREAS TANNER MEDICAL CENTER PROVIDES COMPREHENSIVE HEALTH CARE SERVICES THROUGH THE OPERATION OF A 180-BED ACUTE CARE HOSPITAL AND A 20-BED SKILLED NURSING FACILITY IN CARROLLTON, GEORGIA COMMUNITY BENEFIT REPORT The Tanner Medical Center community benefit report, filed in Georgia, can be found on the web at <a href="http://www.tanner.org/Main/HealthyLivingmagazine.aspx">http://www.tanner.org/Main/HealthyLivingmagazine.aspx</a></p>

Identifier	ReturnReference	Explanation
INPUT FROM REPRESENTATIVES OF THE COMMUNITY	SCHEDULE H, PART V, SECTION B, LINE 3	Along with the large-scale effort to collect data from community surveys during Phase Two, the community benefit team also conducted community focus groups throughout Tanner Health System's primary service area of Carroll, Haralson and Heard counties. The focus groups for Tanner Medical Center/Carrollton consisted of community leaders, public officials, school officials, philanthropic organizations, businesses and a wide range of social service organizations. Additionally, two key informant interviews were held: one with Jack Birge, MD, chairman of the Carroll County Board of Public Health, and another with Cherry Toney, a certified nurse practitioner practicing in two rural primary care clinics in Carroll County and a clinic in Heard County. These focus groups and interviews provided more in-depth information regarding the leading health issues and priorities in the area, as well as the opportunity to identify potential partners for future collaborations to address the health issues found in the community. For further public health input, the assessment was reviewed by representatives from the Centers for Disease Control and Prevention (CDC) and the Georgia Department of Public Health (DPH), including the DPH's commissioner and state health officer, Brenda Fitzgerald, MD.
NEEDS NOT ADDRESSED	SCHEDULE H, PART V, SECTION B, LINE 7	Community focus group participants voiced concerns regarding access to dental care services. While not directly addressed in Tanner's Implementation Strategy, Tanner will continue to partner with local dentists and oral surgeons to provide urgent dental care in the health system's emergency departments and clinics, along with working collaboratively with providers, social service and community organizations to promote routine dental care. Tanner also provides financial assistance to a local indigent clinic, the Rapha Clinic, which provides dental care to those without insurance or the means to afford such care.

Identifier	ReturnReference	Explanation
CHNA CONDUCTED FOR ALL HOSPITAL FACILITIES	SCHEDULE H, PART V, LINE 4	THE CHNA WAS CONDUCTED FOR ALL HOSPITAL FACILITIES, INCLUDING Tanner Medical Group, Inc TMC/Higgins General Hospital Inc TMC/Villa Rica Hospital, Inc TMC Woodland Family Healthcare, Inc TMC Tanner Neurology Inc TMC Carousel Pediatrics Inc TMC Internal Medicine of Villa Rica TMC Childrens Healthcare of West GA TMC Gastroenterology Associates, Inc TMC Infectious Diseases of West Georgia, Inc TMC West Georgia Behavioral Health TMC West GA Family Medicine, Inc TMC Internal Medicine of Carrollton, Inc TMC Carrollton Family Healthcare, Inc TMC Internal Medicine Associates TMC West Georgia Cardiology, Inc Tanner Medical Group, Inc TMC Home Health, Inc TMC Hospice Care, Inc TMC Occupational Health, Inc TMC Haralson Family Healthcare TMC Tallapoosa Family Healthcare TMC West Georgia Anesthesia Associates, Inc Tanner Intensive Medical Services TMC West Carroll Family Healthcare Tanner Family Healthcare of Franklin TMC Immediate Care Villa Rica OB GYN, Inc TMC Tanner Gynecology, Inc Tanner Primary Care of Heflin Tanner Primary Care of Wedowee, Inc

Schedule J (Form 990)  <div>Department of the Treasury Internal Revenue Service</div>	Compensation Information  For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees  ▶ <b>Complete if the organization answered "Yes" to Form 990, Part IV, question 23.</b>  ▶ <b>Attach to Form 990. ▶ See separate instructions.</b>	OMB No 1545-0047
		2012
		Open to Public Inspection

Name of the organization TANNER MEDICAL CENTER	Employer identification number  58-1790149
---------------------------------------------------	--------------------------------------------------

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				
	<div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div> <div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input checked="" type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>				
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b	Yes		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	Yes		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III				
	<div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Form 990 of other organizations</div></div> <div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div>				
	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			
	<div>a Receive a severance payment or change-of-control payment?</div> <div>b Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div> <div>c Participate in, or receive payment from, an equity-based compensation arrangement?</div>	4a	Yes		
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III	4b	Yes		
		4c		No	
5	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.				
	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				
		6a		No	
a	The organization?	6b		No	
	Any related organization?				
	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
FRINGE OR EXPENSE	SCHEDULE J, PART I, LINE 1A	Social club dues are paid on behalf of several executives, but are approved by the CEO and actual invoices must be submitted prior to reimbursement. These reimbursements are included in the individuals' taxable income.
NON-FIXED PAYMENTS PROVIDED	SCHEDULE J, PART I, LINE 7	The CEO of the organization is eligible to receive incentive compensation in such amount, if any, as determined by the Executive Compensation Committee of the Board in its sole discretion, based on, among other things, the attainment of annual objectives established by the Board.
OTHER ADDITIONAL INFORMATION	SCHEDULE J, PART III	Loy Howard, CEO, participates in an ineligible unfunded 457(F) plan provided to senior executives as set by his employment contract. The plan payments are subject to substantial risk of forfeiture and are conditioned upon the future performance of services. Tanner Medical Center, Inc. Long Term Retention Plan is an unfunded top-hat plan that is provided to Mr. Howard. Vesting occurs in 10% increments yearly and fully vests June 30, 2021. Plan payments are subject to substantial risk of forfeiture and are conditioned upon the future performance of services. Mr. Howard is also eligible for the Tanner Advantage Deferred Compensation Plan which is an eligible unfunded 457(B) top-hat plan available to senior executives and physicians. A contribution equal to the IRS maximum contribution limit for the year is made on Mr. Howard's behalf each year. Contributions for all three plans remain the sole property of Tanner and are subject to the claims of general creditors until distributed to the participant.
SEVERANCE, NONQUALIFIED, AND EQUITY-BASED PAYMENTS	SCHEDULE J, PART I, LINE 4	Severance Nonqualified Equity-Based Loy Howard 0 89,214 0 Dale Dreiling 331,230 0 0
COMPENSATION PROCESS FOR TOP OFFICIAL	SCHEDULE J, PART I, LINE 3	The organization's compensation committee reviews recommendations and approves compensation packages for all senior management. TMC uses an outside nationally known compensation and benefits firm that uses survey information, reviews job standards, etc. for all senior management. The outside firm analyzes comparable compensation data for similarly qualified persons in functionally comparable positions at similarly situated organizations and presents the data to the compensation committee. With respect to deliberations and decisions regarding the compensation arrangement, official minutes are kept. The Executive Assistant to the CEO maintains the minutes. This process last completed in 2013.

Software ID:  
Software Version:  
EIN: 58-1790149  
Name: TANNER MEDICAL CENTER

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				
LOY HOWARD	(i)	479,607	97,910	453,479	61,360	57,383	1,149,739	0
	(ii)	354,492	72,368	335,180	45,353	42,414	849,807	0
LEE SHERSETH	(i)	227,011	57,197	59,231	9,777	19,313	372,529	0
	(ii)	167,790	42,276	43,780	7,227	14,275	275,348	0
LARRY STEED	(i)	249,433	58,895	43,582	10,279	14,980	377,169	0
	(ii)	184,364	43,531	32,213	7,597	11,072	278,777	0
MARIA RUSSO	(i)	178,604	40,564	14,093	8,338	16,425	258,024	0
	(ii)	132,011	29,982	10,417	6,163	12,140	190,713	0
DENISE TAYLOR	(i)	147,006	30,893	12,698	6,337	11,769	208,703	0
	(ii)	108,657	22,834	9,386	4,684	8,699	154,260	0
DALE DREILING	(i)	189,502	0	955	0	5,910	196,367	0
	(ii)	140,067	0	706	0	4,368	145,141	0
WILLIAM WATERS MD	(i)	320,361	26,626	17,081	13,585	16,294	393,947	0
	(ii)	236,788	19,680	12,625	10,041	12,044	291,178	0
WAYNE SENFELD	(i)	107,069	17,077	1,927	0	5,410	131,483	0
	(ii)	79,138	12,622	1,424	0	3,999	97,183	0
DEBORAH HOLLENSTEIN	(i)	92,501	14,232	0	0	17,363	124,096	0
	(ii)	68,370	10,519	0	0	12,833	91,722	0
CYNTHIA MASTERS	(i)	108,688	20,843	0	0	10,989	140,520	0
	(ii)	80,334	15,406	0	0	8,123	103,863	0
DEBORAH MATTHEWS	(i)	233,733	34,201	6,000	0	21,328	295,262	0
	(ii)	0	0	0	0	0	0	0
CAROL CREWS	(i)	87,914	12,362	0	0	14,692	114,968	0
	(ii)	64,980	9,137	0	0	10,859	84,976	0
STEPHANIE YATES	(i)	89,568	13,369	0	0	16,809	119,746	0
	(ii)	66,202	9,881	0	0	12,424	88,507	0
SUSAN FOX	(i)	37,240	5,700	0	0	11,290	54,230	0
	(ii)	111,719	17,101	0	0	8,345	137,165	0
LINDA CONNER	(i)	202,483	16,244	0	0	26,425	245,152	0
	(ii)	0	0	0	0	0	0	0
DENENE COFIELD	(i)	90,255	9,129	0	0	14,287	113,671	0
	(ii)	66,710	6,748	0	0	10,560	84,018	0
VIVIAN BARR	(i)	89,273	8,555	0	0	9,817	107,645	0
	(ii)	65,985	6,323	0	0	7,256	79,564	0
DAVID THORNHILL	(i)	82,703	7,567	0	0	11,639	101,909	0
	(ii)	61,129	5,593	0	0	8,603	75,325	0
MIKE ALEXANDER	(i)	0	0	0	0	0	0	0
	(ii)	198,970	26,011	6,000	0	31,927	262,908	0
LELAND GUSTAFSON	(i)	200,347	0	0	0	30,168	230,515	0
	(ii)	0	0	0	0	0	0	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				
JAKE CHESSER	(i)	200,446	7,297	0	0	30,630	238,373	0
	(ii)	0	0	0	0	0	0	0
LYNN BARRETT	(i)	90,996	9,476	0	0	15,957	116,429	0
	(ii)	67,258	7,004	0	0	11,794	86,056	0
JANE HORNSBY	(i)	190,553	2,738	0	0	25,743	219,034	0
	(ii)	0	0	0	0	0	0	0
TOMMY FREEMAN	(i)	179,837	3,655	0	0	29,904	213,396	0
	(ii)	0	0	0	0	0	0	0

Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
TANNER MEDICAL CENTER

Employer identification number  
58-1790149

Part I

Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	CARROLL CITY-COUNTY HOSPITAL AUTHORITY	58-1790149	144709FK3	03-11-2008	32,970,000	CONSTRUCTION		X		X		X
B	CARROLL CITY-COUNTY HOSPITAL AUTHORITY	58-1790149	144709GC0	08-31-2010	81,569,188	CONSTRUCTION		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	0		0					
2	Amount of bonds legally defeased	0		0					
3	Total proceeds of issue	32,837,800		81,569,188					
4	Gross proceeds in reserve funds	0		0					
5	Capitalized interest from proceeds	0		0					
6	Proceeds in refunding escrows	0		35,910,031					
7	Issuance costs from proceeds	837,414		657,030					
8	Credit enhancement from proceeds	0		0					
9	Working capital expenditures from proceeds	32,000,386		0					
10	Capital expenditures from proceeds	0		45,002,127					
11	Other spent proceeds	0		0					
12	Other unspent proceeds	0		0					
13	Year of substantial completion	2009		2012					
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X		X				
15	Were the bonds issued as part of an advance refunding issue?		X	X					
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X		X				
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X				
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0%		0%		%		%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	%		%		%		%	
6	Total of lines 4 and 5	%		%		%		%	
7	Does the bond issue meet the private security or payment test?		X		X				
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X				
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?		X		X				
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?		X		X				

Part IV

Arbitrage

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

Part IV

Arbitrage (Continued)

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

Part V

Procedures To Undertake Corrective Action

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?		X		X				

Part VI

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

Identifier	Return Reference	Explanation
PART II, LINE 3	0	THE PART I, COLUMN (E) ISSUE PRICE DOES NOT AGREE WITH THE PART II, LINE 3 TOTAL PROCEEDS OF ISSUE DUE TO THE INCLUSION OF INTEREST AND OTHER INVESTMENT EARNINGS ON THE PROCEEDS

Schedule L  
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2012

Open to Public Inspection

▶ 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.

Name of the organization  
TANNER MEDICAL CENTER

Employer identification number  
58-1790149

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	Yes	No
(1) DR JOHN BURSON	BOARD MEMBER	PURCHASE PROPERTY	X		1,600,000	443,373		No	Yes		Yes	
Total ▶ \$						443,373						

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
(1) STEVE ADAMS	BOARD MEMBER	209,489	AMBULANCE SERVICE		No
(2) ROBERT PITTS	BOARD MEMBER/PHYSICIAN	197,650	MANAGEMENT SERVICES AGREEMENT		No

**Part V Supplemental Information**

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

Identifier	Return Reference	Explanation
ADDITIONAL INFORMATION	SCHEDULE L, PART II	The organization purchased property from Dr. John Burson, JHB Properties at fair market value of \$1,600,000 and a note payable was established in June 2002. In March 2003, a lump sum payment was made and the note was reduced to \$1,000,000. The balance of the note is \$443,373 as of June 30, 2013 and was subsequently paid in its entirety shortly after year end.
ADDITIONAL INFORMATION	SCHEDULE L, PART IV	Steve Adams, Board Member, owns an ambulance company that provides patient transportation services to the system. The organization follows a specific process to bid out these services via outside legal counsel to ensure these services are at fair market value. Dr. Robert Pitts, Board Member, is a part owner of Carrollton Ear, Nose, and Throat - Tanner Medical Center entered into a Management Services Agreement with Carrollton Ear, Nose, and Throat to provide clinical co-management and physician coverage for the Clinical Program for the purpose of improving the qualitative performance, efficiency, effectiveness and scope of the Clinical Program. Carrollton Ear, Nose, and Throat through its physicians are responsible for continuity of patient care through the development of policies and procedures needed to improve call coverage for all patients. In addition, physicians shall endeavor to continually enhance the quality of service provided to patients with emphasis placed on specific quality performance measures that are reviewed quarterly with Medical Staff Management and reported annually.



**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  
TANNER MEDICAL CENTER**Employer identification number**

58-1790149

Identifier	Return Reference	Explanation
ADDITIONAL INFORMATION	FORM 990, PART III, LINE 4A	As of June 30, 2013, Tanner Medical Center, Inc. is a regional healthcare provider with more than 300 physicians representing 35 unique medical specialties. Tanner provides a wide range of comprehensive medical services for residents in a region of west Georgia and east Alabama. Tanner's facilities include the 202-bed acute care Tanner Medical Center/Carrollton, The Roy Richards, Sr. Cancer Center, Tanner Heart and Vascular Center, Tanner Breast Health, The Tanner Advanced Wound Center, employee assistance program (Tanner EAP) and more. More information on Tanner Medical Center, Inc. is available in the health system's annual community benefit report, which can be downloaded at <a href="http://www.tanner.org/main/healthlivingmagazine.aspx">http://www.tanner.org/main/healthlivingmagazine.aspx</a> . Tanner Medical Center, Inc. is a not-for-profit healthcare system. The medical center provides inpatient, outpatient and emergency care services to residents of west Georgia and surrounding areas. Admitting physicians are primarily practitioners in the local area and employed physicians. Tanner Medical Center, Inc. includes the following: Tanner Medical Center/Carrollton, established to provide comprehensive healthcare services through the operation of a 180-bed acute care hospital and a 20-bed skilled nursing facility in Carrollton, Georgia. Tanner Medical Center, Inc. is responsible for allocating resources and for approving budgets, major contracts and debt financing for all entities.

Identifier	Return Reference	Explanation
ORGANIZATIONS PROCESS TO REVIEW FORM 990	Form 990, Part VI, Line 11B	The organization's VP of Finance gathers information for the Form 990 and consults with the CFO and compliance officer on certain matters. A draft copy is reviewed by the VP of Finance and CFO for accuracy. The final version is presented to the Executive Committee for review and questions. The Chairman of the Executive Committee then presents this at the next board meeting to the full Board. The 2012 Form 990 (FYE June 30, 2013) was presented to the Board after filing due to time constraints.

Identifier	Return Reference	Explanation
ENFORCEMENT OF CONFLICTS POLICY	Form 990, Part VI, Line 12c	The policy covers all employees, suppliers, medical staff and volunteers. Conflicts are reviewed by the compliance officer for resolution. The compliance officer then consults with the executive team and the CEO for final resolution. Per the policy, any person with a conflict will excuse themselves from the decision making process completely. Board members physically leave the room when discussions occur that are potential conflicts. Tanner bids out service and if a company owned by a board member chooses to bid, there are additional steps for transparency, such as advertising the bidding process in the newspaper. All services are compared to fair market value. Transactions involving any potential conflict of interest are handled by the attorney to make sure all steps are taken to comply with the conflict of interest policy.

Identifier	Return Reference	Explanation
GOVERNING DOCUMENTS DISCLOSURE	Form 990, Part VI, Line 19	The organization makes available its governing documents, conflict of interest policy and financial statements to members of the public who make their request at the administrative office of the organization

Identifier	Return Reference	Explanation
SIGNIFICANT CHANGES TO PROGRAM SERVICES	FORM 990, PART III, LINE 3	Tanner Medical Center, Inc ceased operations of the Skilled Nursing Facility during the 2013 fiscal year

Identifier	Return Reference	Explanation
COMPENSATION PROCESS FOR TOP OFFICIAL	FORM 990, PART VI, LINE 15	The organization's compensation committee reviews recommendations and approves compensation packages for all senior management TMC uses an outside nationally known compensation and benefits firm that uses survey information, reviews job standards, etc for all senior management The outside firm analyzes comparable compensation data for similarly qualified persons in functionally comparable positions at similarly situated organizations and presents the data to the compensation committee With respect to deliberations and decisions regarding the compensation arrangement, official minutes are kept The Executive Assistant to the CEO maintains the minutes This process last completed in 2013

SCHEDULE R  
(Form 990)

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

Name of the organization  
TANNER MEDICAL CENTER

Employer identification number  
58-1790149

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) TANNER MEDICAL FOUNDATION INC  705 DIXIE STREET  CARROLLTON, GA 30117 58-1790152	FOUNDATION	GA	501(c)(3)	11B	NA		No
(2) TANNER HEALTH SERVICES  705 DIXIE STREET  CARROLLTON, GA 30117 58-1790151	HEALTHCARE	GA	501(c)(3)	9	TMC	Yes	

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) Dispropportionate 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	

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) TMCWEST GEORGIA CARDIOLOGY INC  705 DIXIE STREET CARROLLTON, GA 30117 58-2555827	HEALTHCARE	GA	TMC	C			100 000 %	Yes	
(2) TMCINTERNAL MEDICINE ASSOCIATES  705 DIXIE STREET CARROLLTON, GA 30117 58-2453300	HEALTHCARE	GA	TMC	C			100 000 %	Yes	
(3) TMCBUCHANAN FAMILY HEALTHCARE  705 DIXIE STREET CARROLLTON, GA 30117 58-2502339	HEALTHCARE	GA	TMC	C			100 000 %	Yes	
(4) TMCWEST GEORGIA PEDIATRICS INC  705 DIXIE STREET CARROLLTON, GA 30117 58-2362405	HEALTHCARE	GA	TMC	C			100 000 %	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

Yes

No

No

No

No

No

No

No

Yes

Yes

No

Yes

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) TANNER MEDICAL FOUNDATION INC	1C	1,255,998	FMV
(2) TANNER MEDICAL CENTER GROUP	1Q	41,745,281	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:** 58-1790149  
**Name:** TANNER MEDICAL CENTER

**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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**TANNER MEDICAL CENTER, INC.**

Combined Financial Statements

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

# **TANNER MEDICAL CENTER, INC.**

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

## Independent Auditors' Report

The Board of Directors  
Tanner Medical Center, Inc  
Carrollton, Georgia

We have audited the accompanying combined financial statements of Tanner Medical Center, Inc (the Medical Center), 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 Combined 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 of 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 auditors consider 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 Medical Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and 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 reasonable 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 Tanner Medical Center, Inc. as of June 30, 2013 and 2012, and the results of its operations, changes in its net assets, and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

March 7, 2014

**TANNER MEDICAL CENTER, INC.**

Combined Balance Sheets

June 30, 2013 and 2012

<b>Assets</b>	<b>2013</b>	<b>2012</b>
Current assets		
Cash and cash equivalents	\$ 18,070,756	29,380,182
Assets limited as to use – current portion	5,801,294	5,746,193
Patient accounts receivable, net of allowance for doubtful accounts of \$45,670,000 in 2013 and \$36,530,000 in 2012	40,223,157	31,385,310
Estimated third-party payor settlements	—	605,327
Inventories	5,349,263	4,705,877
Other current assets	2,044,825	3,964,061
Total current assets	<u>71,489,295</u>	<u>75,786,950</u>
Assets limited as to use		
Internally designated	185,030,270	174,272,818
Held by trustee under indenture for debt obligations	5,801,294	5,746,193
Assets limited as to use – current portion	<u>(5,801,294)</u>	<u>(5,746,193)</u>
Noncurrent assets limited as to use	185,030,270	174,272,818
Property and equipment, net	238,363,321	209,111,791
Interest in net assets of Tanner Medical Foundation, Inc	7,518,380	7,604,466
Physician notes receivable and other	2,977,148	3,295,498
Bond issue cost, net	1,000,673	1,068,454
Goodwill and intangible assets	4,762,951	6,015,821
Total assets	<u><u>\$ 511,142,038</u></u>	<u><u>477,155,798</u></u>

See accompanying notes to combined financial statements



<b>Liabilities and Net Assets</b>	<b>2013</b>	<b>2012</b>
Current liabilities		
Current portion of long-term debt	\$ 3,545,726	3,444,911
Accounts payable	9,132,059	16,297,460
Accrued salaries	22,843,036	22,009,411
Other accrued expenses	3,030,604	3,076,667
Estimated third-party payor settlements	4,135,281	—
Total current liabilities	<u>42,686,706</u>	<u>44,828,449</u>
Long-term debt, net of current portion		
Notes and leases payable	362,646	443,373
Revenue certificates payable	102,408,510	106,225,233
Total long-term debt, net of current portion	<u>102,771,156</u>	<u>106,668,606</u>
Total liabilities	<u>145,457,862</u>	<u>151,497,055</u>
Net assets		
Unrestricted	359,967,594	319,978,322
Temporarily restricted	4,055,094	4,051,933
Permanently restricted	1,661,488	1,628,488
Total net assets	<u>365,684,176</u>	<u>325,658,743</u>
Total liabilities and net assets	<u>\$ 511,142,038</u>	<u>477,155,798</u>

**TANNER MEDICAL CENTER, INC.**

Combined Statements of Operations

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted revenues, gains, and other support		
Net patient service revenue (net of provision for uncollectible accounts of \$28,003,201 in 2013 and \$28,862,327 in 2012)	\$ 353,627,742	340,834,995
Other revenue	<u>7,776,434</u>	<u>7,906,928</u>
Total revenues, gains, and other support	<u>361,404,176</u>	<u>348,741,923</u>
Expenses		
Salaries	153,943,832	148,414,037
Employee benefits	38,313,179	38,798,875
Contracted services	15,129,089	11,275,430
Purchased services	21,650,777	20,912,030
Supplies and drugs	49,717,972	51,513,476
Insurance	2,880,477	2,863,077
Depreciation and amortization	24,872,834	20,253,334
Interest	4,059,775	3,266,705
Other	<u>26,761,601</u>	<u>26,750,615</u>
Total expenses	<u>337,329,536</u>	<u>324,047,579</u>
Operating income	<u>24,074,640</u>	<u>24,694,344</u>
Other income (loss)		
Contributions and other	44,092	94,466
Other than temporary impairment of investments	—	(5,865,435)
Investment income	7,241,021	6,060,508
Net unrealized gains on investments	7,962,345	7,409,162
Loss on disposal of assets	<u>(304,014)</u>	<u>(464,905)</u>
Total other income	<u>14,943,444</u>	<u>7,233,796</u>
Excess of revenues over expenses	39,018,084	31,928,140
Change in interest in net assets of Tanner Medical Foundation, Inc	(122,247)	(1,689,406)
Net unrealized losses on other-than-trading investments	—	(316,539)
Net unrealized gains on investments recharacterized as trading	—	(7,409,162)
Contributions and transfers from affiliated entities	<u>1,093,435</u>	<u>1,396,132</u>
Increase in unrestricted net assets	<u>\$ 39,989,272</u>	<u>23,909,165</u>

See accompanying notes to combined financial statements

**TANNER MEDICAL CENTER, INC.**

Combined Statements of Changes in Net Assets

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted net assets		
Excess of revenues over expenses	\$ 39,018,084	31,928,140
Change in interest in net assets of Tanner Medical Foundation, Inc	(122,247)	(1,689,406)
Net unrealized losses on other-than-trading investments	—	(316,539)
Net unrealized gains on investments recharacterized as trading	—	(7,409,162)
Contributions and transfers from affiliated entities	1,093,435	1,396,132
Change in unrestricted net assets	<u>39,989,272</u>	<u>23,909,165</u>
Temporarily restricted net assets		
Change in interest in net assets of Tanner Medical Foundation, Inc	<u>3,161</u>	<u>1,868,471</u>
Permanently restricted net assets		
Change in interest in net assets of Tanner Medical Foundation, Inc	<u>33,000</u>	<u>38,215</u>
Change in net assets	40,025,433	25,815,851
Net assets, beginning of year	<u>325,658,743</u>	<u>299,842,892</u>
Net assets, end of year	<u>\$ 365,684,176</u>	<u>325,658,743</u>

See accompanying notes to combined financial statements

**TANNER MEDICAL CENTER, INC.**

Combined Statements of Cash Flows

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating activities		
Change in net assets	\$ 40,025,433	25,815,851
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Loss on disposal of assets	304,014	464,905
Contributions and transfers from affiliated entities	(1,093,435)	(1,396,132)
Depreciation and amortization	24,872,834	20,253,334
Forgiveness of physician notes receivable	1,173,000	1,404,000
Provision for uncollectible accounts	28,003,201	28,862,327
Net realized and unrealized (gains) losses on investments	(10,889,868)	6,218,482
Change in interest in net assets of Tanner Medical Foundation, Inc	86,086	(217,280)
Increase in patient accounts receivable	(36,841,048)	(25,422,591)
Decrease in other current assets	1,275,850	2,163,812
(Decrease) increase in accounts payable	(7,165,401)	4,200,733
Increase in other accrued expenses	436,938	3,160,234
Decrease (increase) in estimated third-party pay or settlements	4,740,608	(1,185,612)
Increase in physician notes receivable	(854,650)	(1,180,952)
Decrease in other assets	67,781	258,955
Net cash provided by operating activities	<u>44,141,343</u>	<u>63,400,066</u>
Investing activities		
Purchases of property and equipment	(52,319,758)	(66,121,198)
Proceeds from sale of property and equipment	237,685	—
Proceeds from sale of investments	91,228,106	75,310,775
Purchase of investments	<u>(91,150,791)</u>	<u>(71,347,729)</u>
Net cash used in investing activities	<u>(52,004,758)</u>	<u>(62,158,152)</u>
Financing activity – repayments of long-term debt	<u>(3,446,011)</u>	<u>(3,349,514)</u>
Net decrease in cash and cash equivalents	<u>(11,309,426)</u>	<u>(2,107,600)</u>
Cash and cash equivalents, beginning of year	<u>29,380,182</u>	<u>31,487,782</u>
Cash and cash equivalents, end of year	\$ <u>18,070,756</u>	\$ <u>29,380,182</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 4,784,000	4,866,000
Noncash disclosure information		
Liabilities assumed for additions to property and equipment	\$ —	2,757,653

See accompanying notes to combined financial statements

## **TANNER MEDICAL CENTER, INC.**

### **Notes to Combined Financial Statements**

June 30, 2013 and 2012

#### **(1) Summary of Significant Accounting Policies**

##### ***(a) Organization***

Tanner Medical Center, Inc. (the Medical Center) is a not-for-profit healthcare system providing inpatient, outpatient, and emergency care services to residents of West Georgia and surrounding areas. Admitting physicians are primarily practitioners in the local area and employed physicians.

The Medical Center is located in Carrollton, Georgia and is the holding company for the following entities:

- Tanner Medical Center/Carrollton, established to provide comprehensive healthcare services through the operation of a 180-bed acute care hospital and a 21-bed inpatient rehabilitation facility in Carrollton, Georgia.
- Tanner Medical Center/Villa Rica, established to provide comprehensive healthcare services through the operation of a 40-bed acute care hospital and Willowbrook at Tanner/Villa Rica, a 52-bed psychiatric facility, both in Villa Rica, Georgia.
- Tanner Medical Center/Higgins General Hospital, established to provide comprehensive health care and swing bed services through the operation of a 25-bed critical access hospital in Bremen, Georgia.
- Tanner Medical Group, established to operate physician practices in West Georgia and Eastern Alabama.

The Medical Center is responsible for allocating resources and for approving budgets, major contracts, and debt financing for all entities listed above.

##### ***(b) Principles of Combination***

The accompanying combined financial statements include the accounts of Tanner Medical Center, Inc., Tanner Medical Center/Carrollton, Tanner Medical Center/Villa Rica, Willowbrook at Tanner/Villa Rica, Tanner Medical Center/Higgins General Hospital, Tanner Medical Group, and certain auxiliary activities. All significant intercompany transactions have been eliminated.

##### ***(c) Formation of Medical Center and Leases Between Related Entities***

Effective July 1, 1988, under a plan of reorganization, the Carroll City-County Hospital Authority (the Carroll Authority), which owns and previously operated Tanner Medical Center, d/b/a Tanner Medical Center/Carrollton and Tanner Medical Center/Villa Rica, leased Tanner Medical Center and its related facilities, along with a transfer of all other assets and liabilities, to Tanner Medical Center, Inc., a corporation which was created to lease and operate Tanner Medical Center and its related facilities for the benefit of the general public.

The initial term of the lease was for forty (40) years. The lease was amended in 2008 to extend its term until 2048. Lease payments made by Tanner Medical Center, Inc. comprise the debt service obligations associated with the leased properties. The Carroll Authority acts as a conduit debt issuer of revenue anticipation certificates (note 8) for the benefit of Tanner Medical Center, Inc. The

## **TANNER MEDICAL CENTER, INC.**

### **Notes to Combined Financial Statements**

June 30, 2013 and 2012

Carroll Authority has issued such certificates and then concurrently loaned the proceeds to Tanner Medical Center, Inc., secured by the Medical Center's master note in favor of the trustee for the certificates. The terms of the related agreements provide that Tanner Medical Center, Inc. is effectively directly obligated for the certificates, and therefore, the certificates are recorded on the Medical Center's combined balance sheet.

The lease may be terminated at an earlier date by the mutual consent of the Carroll Authority and Tanner Medical Center, Inc. as well as by reason of default by either party under the lease agreement. Upon termination of the lease, Tanner Medical Center, Inc. is obligated to reconvey, transfer, and reassign to the Carroll Authority the leased property as then existing, plus its assets, as then existing, subject to any debt and liabilities as may be applicable thereto.

**(d) *Lease and Transfer Agreement with the Hospital Authority of the City of Bremen and County of Haralson***

During 1998, the Hospital Authority of the City of Bremen and County of Haralson (the Bremen Authority) entered into a lease and transfer agreement with Tanner Medical Center, Inc., which became effective on October 1, 1998. The purpose and intent of the agreement was to transfer control over all the real property, operating assets, and existing Higgins General Hospital operations to Tanner Medical Center, Inc. from the Bremen Authority. The original lease was terminated and a new lease was entered into by the parties effective December 1, 2000. The term of the new lease is forty (40) years. The lease may be terminated at an earlier date by the mutual consent of the Bremen Authority and Tanner Medical Center, Inc.

In consideration for leasing the real property and transfer of all the existing hospital operations from the Bremen Authority to Tanner Medical Center, Inc., the Medical Center fulfilled a commitment to provide at least \$9 million to fund enhancements at the Higgins General Hospital and/or to fund the cost of maintenance, licensing, rentals, or repairs related to such enhancements.

**(e) *Use of Estimates***

The preparation of combined financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, 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 allowances for doubtful accounts and contractual adjustments, reserves for employee healthcare and workers' compensation claims, accrued professional and general liability costs, and estimated third-party settlements.

In addition, 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 related to these programs will change by a material amount in the near term.

## **TANNER MEDICAL CENTER, INC.**

### **Notes to Combined Financial Statements**

June 30, 2013 and 2012

**(f) *Cash and Cash Equivalents***

Cash and cash equivalents include highly liquid instruments with an original maturity of three months or less, excluding amounts limited as to use by the Medical Center's board of directors (the Board), management, or donor designation and amounts included in certain debt reserve funds

**(g) *Inventories***

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

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

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

Assets limited as to use primarily include assets held by trustees under indenture agreements, and designated assets set aside by the Board for future capital improvements and debt service requirements, over which the Board retains control and which may subsequently be used for other purposes at the Board's discretion. Amounts that are required to meet current debt service obligations of the Medical Center are included in assets limited as to use – current portion in the combined balance sheet

Investment income (including net realized gains on investments, interest, and dividends) and unrealized gains and losses are included in other income in the excess of revenues over expenses unless the income is restricted by donor or law

The Medical Center transferred all of its investment securities included in the other-than-trading classification to the trading classification effective June 30, 2012. The cumulative unrealized holding gains and losses were reclassified and included in excess of revenues over expenses at the time of transfer

**(i) *Property and Equipment***

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Equipment under capital lease obligations is amortized on a straight-line basis over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the combined statements of operations. Interest cost incurred on borrowed funds during the period of construction of qualifying capital assets is capitalized as a component of the cost of acquiring those assets. The Medical Center capitalized interest cost of \$469,552 and \$1,627,110, respectively, during the fiscal years ended June 30, 2013 and 2012.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire

## **TANNER MEDICAL CENTER, INC.**

### **Notes to Combined Financial Statements**

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long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

#### **(j) *Impairment of Long-lived Assets***

Long-lived assets 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. Assets to be disposed of are separately presented in the combined balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale are presented separately in the appropriate asset and liability sections of the combined balance sheet.

#### **(k) *Goodwill and Intangible Assets***

Goodwill is the amount by which purchase price exceeds the fair value of net assets acquired. Goodwill is not amortized, but is reviewed at least annually for impairment, as well as whenever events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. An impairment charge is recorded if the carrying value of the goodwill exceeds its fair value.

The Medical Center applies the provisions of Accounting Standards Update (ASU) 2011-08, *Intangibles—Goodwill and Other (Topic 350)* that permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test required by ASU 2010-07, *Not-for-Profit Entities—Mergers and Acquisitions*. If an entity concludes, based on the qualitative assessment, that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, the entity is not required to perform the two-step impairment test for that reporting unit. The Medical Center has elected June 30 as its annual impairment assessment date. The Medical Center completed its annual goodwill impairment assessment and concluded that no impairment charge was required for the years ended June 30, 2013 and 2012.

#### **(l) *Beneficial Interest in Net Assets of Foundation***

The Medical Center accounts for the activities of its affiliate Tanner Medical Foundation, Inc. (the Foundation) in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 958-20, *Not-For-Profit Entities—Financially Interrelated Entities* (ASC 958-20). ASC 958-20 established reporting standards for transactions in which a donor makes a contribution to a not-for-profit organization, which accepts the assets on behalf of or transfers these assets to a beneficiary, which is specified by the donor. The Foundation accepts donated assets on behalf of and transfers these assets to the Medical Center.



## **TANNER MEDICAL CENTER, INC.**

### **Notes to Combined Financial Statements**

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**(m) *Deferred Financing Costs***

Costs related to the issuance of long-term debt are deferred and amortized using the straight-line method, which approximates the effective-interest method, over the term of the related debt agreement

**(n) *Temporarily and Permanently Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Medical Center in perpetuity.

**(o) *Excess of Revenues Over Expenses***

The combined statements of operations includes excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues over expenses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, interests in affiliated organizations, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

**(p) *Net Patient Service Revenue***

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

**(q) *Charity Care***

The Medical Center's operating entities provide care to patients who meet certain criteria under their charity care policies without charge or at amounts less than their established rates. Charity services are defined as those for which patients have the obligation to pay but do not have the ability to do so. Because the Medical Center does not pursue collection of amounts determined to qualify as charity/indigent care, such amounts are not included in net patient service revenue. During fiscal 2012, the Medical Center 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* and requires 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 care services provided should be disclosed.

**(r) *Endowments***

Endowments are provided to the Medical Center on a voluntary basis by individuals and private organizations. Permanent endowments require that the principal of the endowment be retained in

## **TANNER MEDICAL CENTER, INC.**

### **Notes to Combined Financial Statements**

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perpetuity. If a donor has not provided specific instructions, state law permits the Board to authorize for expenditure the net appreciation of the investments of endowment funds.

**(s) Donor Restricted Gifts**

Unconditional promises to give cash and other assets to the Medical Center are reported at fair value at the date the promise is received. Conditional promises to give and indications to give are reported at fair value at the date the conditions are substantially met, or, in the case of intentions to give, the date the underlying assets are received. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined statements of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the combined statements of operations.

**(t) Estimated Malpractice and Other Self-insurance Costs**

The provisions for estimated medical malpractice claims and other claims under self-insurance plans include estimates of the ultimate costs for both reported claims and claims incurred, but not reported.

**(u) Income Taxes**

The Medical Center is a not-for-profit corporation that has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

The Medical Center applies accounting policies that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the Medical Center only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses.

Effective November 15, 2010, Tanner Medical Center/Villa Rica's tax-exempt status under Internal Revenue Code Section 501(c)(3) was automatically revoked by the Internal Revenue Service (IRS) for failure to file an annual return for three consecutive years. Specifically, Tanner Medical Center/Villa Rica was improperly included in the parent entity's group IRS Form 990 for the tax years ended June 30, 2007, 2008, and 2009, rather than also filing a separate return. The Medical Center subsequently filed appropriate returns with the IRS for the tax year ended June 30, 2009 relative to Tanner Medical Center/Villa Rica, as well as Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*. On August 27, 2013, the IRS approved Tanner Medical Center/Villa Rica's application for exempt status effective July 25, 2012, the posting date of its application. The IRS is currently considering approval of the Medical Center's

## **TANNER MEDICAL CENTER, INC.**

### **Notes to Combined Financial Statements**

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request for retroactive reinstatement of Tanner Medical Center/Villa Rica's tax-exempt status for the period November 15, 2010 through July 24, 2012. Given the nature of the initial revocation of tax-exempt status and the remedies provided to the IRS to-date in accordance with its established reinstatement protocols, the Medical Center's position is that a favorable outcome is more than 50% likely of being sustained.

Based on the results of management's evaluation, no liability is recognized in the accompanying combined balance sheets for uncertain income tax positions. Further, no interest or penalties have been accrued or charged to expense as of June 30, 2013 and 2012 or for the years then ended.

Tanner Medical Group is part of a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code. The affiliated business services provided are, however, subject to unrelated business income taxes and a Form 990-T, *Exempt Organization Business Income Tax Return* is filed for these services. For the years ended June 30, 2013 and 2012, Tanner Medical Group has not recorded income tax expense due to net operating losses.

#### **(v) Fair Value Measurements**

FASB ASC Topic 820, *Fair Value Measurement* defines fair value as the amount that would be received to sell an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC Topic 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. FASB ASC Topic 820 describes the following three levels of inputs that may be used:

- Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2 – Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.
- Level 3 – Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

#### **(vi) Subsequent Events**

In preparing these financial statements, the Medical Center has evaluated events and transactions for potential recognition or disclosure through March 7, 2014, the date the financial statements were available to be issued, and determined that there were no significant subsequent events requiring disclosure.

#### **(x) Recently Adopted Accounting Standards**

During fiscal 2013, the Medical Center adopted the provisions of ASU 2011-07, *Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. ASU 2011-07

## TANNER MEDICAL CENTER, INC.

### Notes to Combined Financial Statements

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requires the reclassification of the provision for uncollectible accounts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). ASU 2011-07 also requires enhanced disclosure about healthcare entities' policies for recognizing revenue and assessing uncollectible accounts, and disclosures of patient service revenue and qualitative and quantitative information about changes in the allowance for uncollectible accounts.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU 2011-04 does not extend the use of fair value but provides guidance about how fair value should be applied where it already is required or permitted under International Financial Reporting Standards (IFRS) or U.S. GAAP. Under U.S. GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS. A nonpublic entity is required to apply the ASU prospectively for annual periods beginning after December 15, 2011. The Medical Center's adoption of ASU 2011-04 in fiscal year 2013 did not have a material impact on the Medical Center's combined financial statements.

#### (y) *Reclassifications*

Certain 2012 amounts have been reclassified to conform to the 2013 presentation.

#### (2) **Net Patient Service Revenue**

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. The Medical Center does not believe there are any significant credit risks associated with receivables due from third-party payors.

Revenue from the Medicare and Medicaid programs accounted for approximately 31% and 6%, respectively, of the Medical Center's net patient revenue for the year ended June 30, 2013 and 28% and 8%, respectively, of the Medical Center's net patient revenue for the year ended June 30, 2012. 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 will change by a material amount in the near term. Estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined.

The Medical Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential noncompliance. However, there has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program. The RAC Program was created to review Medicare claims for medical necessity and coding appropriateness. The RAC's have authority to pursue improper payments made on or after October 1, 2007. The RAC's are currently reviewing certain Medicare claims that may result in amounts payable to the Medicare program. At June 30, 2013 and 2012, management believes adequate provisions have been made for losses, which may occur from such reviews.

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### **Notes to Combined Financial Statements**

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A summary of the payment arrangements with major third-party payors follows

**(a) Medicare**

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient psychiatric services, certain outpatient services, and defined capital costs related to Medicare beneficiaries are paid based upon both a cost and a prospective reimbursement methodology.

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

**(b) Medicaid**

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per admission. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services rendered to the Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Medical Center is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid fiscal intermediary. The Medical Center's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2007.

Effective September 1, 2006, the Medical Center began contracting with certain managed care organizations to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diems.

During 2010, the state of Georgia enacted legislation known as the Provider Payment Agreement Act (the Act) whereby hospitals in the state of Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient revenue. The Act became effective July 1, 2010, the beginning of state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health and are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment will result in an increase in hospital payments on Medicaid services of approximately 11.88%. Approximately \$3,197,000 and \$3,038,000 relating to the Act is included in other expenses in the accompanying combined statements of operations for the years ended June 30, 2013 and 2012, respectively.

**(c) Other Reimbursement Arrangements**

The Medical Center also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for

**TANNER MEDICAL CENTER, INC.**

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payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates

The composition of net patient service revenue (excluding charity care) is as follows

	<b>Year ended June 30</b>	
	<b>2013</b>	<b>2012</b>
Gross patient service revenue	\$ 866,240,512	808,421,499
Less provisions for contractual and other adjustments	484,609,569	438,724,177
Less provisions for uncollectible accounts	28,003,201	28,862,327
Net patient service revenue	<u>\$ 353,627,742</u>	<u>340,834,995</u>

The Medical Center 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 who do not qualify for community financial aid, the Medical Center recognizes revenue on the basis of its discounted rates for services provided. On the basis of historical experience, a significant portion of the Medical Center's uninsured patients are unable or unwilling to pay for the services provided. Thus, the Medical Center 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 during the years ended June 30, 2013 and 2012 from these major payor sources is as follows:

	<b>2013</b>		
	<b>Third-party payors</b>	<b>Self-pay</b>	<b>Total</b>
Patient service revenue, net of contractual adjustments and discounts	\$ 364,928,563	16,702,380	381,630,943

	<b>2012</b>		
	<b>Third-party payors</b>	<b>Self-pay</b>	<b>Total</b>
Patient service revenue, net of contractual adjustments and discounts	\$ 356,305,877	13,391,445	369,697,322

The Medical Center provides services to patients who do not have the ability to pay and who qualify for charity services pursuant to established policies of the Medical Center. Charity services are defined as those for which patients have the obligation and willingness to pay but do not have the ability to do so. The Medical Center does not include charity care in net patient service revenue. The

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cost of charity care provided totaled approximately \$22,645,000 and \$19,605,000 for the years ended June 30, 2013 and 2012, respectively. The Medical Center estimated these costs by applying a ratio of cost to gross charges to the gross uncompensated charges associated with providing care to charity patients.

### (3) Assets Limited as to Use

The composition of assets limited as to use at June 30, 2013 and 2012 is set forth in the following table. Investments are stated at fair value.

	<u>2013</u>	<u>2012</u>
Internally designated		
Cash and cash equivalents	\$ 2,334,895	3,687,887
Mutual funds	88,445,258	86,304,297
Stocks and options	37,296,895	34,884,341
Government and corporate bonds	41,568,826	37,129,206
Alternative investments	<u>15,384,396</u>	<u>12,267,087</u>
Total	185,030,270	174,272,818
Held by trustee under indenture agreement for debt obligations		
Cash and cash equivalents	<u>5,801,294</u>	<u>5,746,193</u>
Total assets limited as to use	190,831,564	180,019,011
Less amounts required for current liabilities	<u>5,801,294</u>	<u>5,746,193</u>
Total assets limited as to use	<u>\$ 185,030,270</u>	<u>174,272,818</u>

Alternative investments are those investments for which a readily determinable fair value does not exist (that is, they are not listed on national exchanges or over-the-counter markets, nor are quoted market prices available from sources such as financial publications, the exchanges, or the National Association of Securities Dealers Automated Quotations System). The underlying assets in these alternative investments can range from marketable securities to complex and/or illiquid investments.

The primary vehicles related to alternative investments are fund of fund structures. A fund of hedge funds is an investment vehicle whose portfolio consists of shares in a number of hedge funds. The fund of funds – which may also be called a collective investment or a multi-manager investment – simply holds a portfolio of other investment funds instead of investing directly in securities such as stocks, bonds, commodities or derivatives.

Funds of hedge funds simply follow this strategy by constructing a portfolio of other hedge funds. How the underlying hedge funds are chosen can vary. A fund of hedge funds may invest only in hedge funds using a particular management strategy. Or, a fund of hedge funds may invest in hedge funds using many different strategies in an attempt to gain exposure to all of them. The benefit of owning any fund of fund is experienced management and diversification.

# **TANNER MEDICAL CENTER, INC.**

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The fair values of alternative investments have been estimated using the net asset value per share of the investments. These securities have no unfunded commitments and offer monthly to quarterly liquidity with a 10 to 95 day notice period.

Investment income and gains and losses for assets limited as to use and cash and cash equivalents comprise the following for the years ended June 30, 2013 and 2012:

	<b>2013</b>	<b>2012</b>
Interest and dividends	\$ 4,313,498	6,097,016
Net realized gains (losses) on sales of securities	2,927,523	(36,508)
Unrealized gains (losses) on investments	7,962,345	(6,181,974)
Total	<u>\$ 15,203,366</u>	<u>(121,466)</u>

Unrealized gains (losses) on investments for the year ended June 30, 2012 includes other-than-temporary impairment totaling \$5,865,435 representing losses on certain assets limited as to use with cost exceeding fair value at June 30, 2012.

### **(4) Property and Equipment**

A summary of property and equipment at June 30, 2013 and 2012 is as follows:

	<b>2013</b>	<b>2012</b>
Land	\$ 12,491,534	10,442,854
Land improvements	4,047,598	2,377,792
Buildings	256,593,899	211,850,014
Equipment	146,671,324	122,603,782
Equipment under capital lease obligations	2,100,000	2,198,404
	<u>421,904,355</u>	<u>349,472,846</u>
Less accumulated depreciation	195,604,078	181,716,132
	<u>226,300,277</u>	<u>167,756,714</u>
Construction in progress	12,063,044	41,355,077
Property and equipment, net	<u>\$ 238,363,321</u>	<u>209,111,791</u>

Depreciation expense for the years ended June 30, 2013 and 2012 totaled approximately \$23,620,000 and \$19,320,000, respectively. Construction in progress at June 30, 2013 consists primarily of information technology expansion projects. At June 30, 2013, no amounts were outstanding under commitments on construction projects.

### **(5) Physician Notes Receivable**

Physician notes receivable consist primarily of loans secured by promissory notes to physicians under income guarantee arrangements. In general, the income guarantees are being forgiven over a period of time.



# TANNER MEDICAL CENTER, INC.

## Notes to Combined Financial Statements

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in which the physician practices medicine within the healthcare system of the Medical Center. If the physician discontinues medical practice, the outstanding principal and accrued interest becomes due immediately. The amounts forgiven and charged to expense during 2013 and 2012 were approximately \$1,173,000 and \$1,404,000, respectively.

Physician notes receivable also consist of educational loans to employees. In general, the educational loans are forgiven over a period of time in which the employee works for the Medical Center.

### (6) Deferred Financing Costs

Bond issue costs and loan origination fees are amortized over the life of the debt instrument. Related amortization expense for the years ended June 30, 2013 and 2012 totaled approximately \$68,000 and \$103,000, respectively, and is included in interest expense in the accompanying combined statements of operations.

### (7) Goodwill and Intangible Assets

A summary of goodwill and intangible assets at June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Goodwill and intangible assets	\$ 4,762,951	6,015,821

On March 31, 2011, the Medical Center acquired the business operations and related assets of the infusion center of The Multiple Sclerosis Center of Georgia, Inc. (the Infusion Center) for \$7,420,000. The Infusion Center provides healthcare services for multiple sclerosis patients, including infusion treatments using the drug TYSABRI, which helps prevent episodes of symptoms and slows the worsening of disability in patients experiencing relapsing forms of multiple sclerosis. In connection with the acquisition, The Multiple Sclerosis Center of Georgia, Inc. and certain of its key employees agreed not to compete with the Infusion Center for a period of three years within a 30-mile radius from the current location of the Infusion Center. The Medical Center and The Multiple Sclerosis Center of Georgia, Inc. also entered into a management services agreement and a sublease agreement for the space occupied by the Infusion Center.

Purchase price allocation related to the acquisition of the Infusion Center was finalized in fiscal 2012. The following table summarizes the final fair values of the assets acquired at the date of acquisition:

Equipment	\$ 13,100
Supplies inventory	500
Noncompetition agreement	<u>3,764,000</u>
Net assets acquired	3,777,600
Goodwill	<u>3,642,400</u>
Purchase price	<u><u>\$ 7,420,000</u></u>

**TANNER MEDICAL CENTER, INC.**

Notes to Combined Financial Statements

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The following table presents the composition of the Medical Center's goodwill and intangible assets as of June 30, 2013

	<u>Goodwill</u>	<u>Non competition agreement</u>	<u>Other</u>	<u>Total</u>
Cost	\$ 3,636,000	3,764,000	634,210	8,034,210
Accumulated amortization	<u>—</u>	<u>(2,823,005)</u>	<u>(448,254)</u>	<u>(3,271,259)</u>
Intangible assets, net	<u>\$ 3,636,000</u>	<u>940,995</u>	<u>185,956</u>	<u>4,762,951</u>

The value assigned to the noncompetition agreement is amortized by the Medical Center on a straight-line basis over a period of three years, the term of the underlying contract with The Multiple Sclerosis Center of Georgia, Inc. Other intangible assets are amortized on a straight-line basis over their estimated useful lives

Amortization expense for the years ended June 30, 2013 and 2012 amounted to approximately \$1,252,870 and \$933,000, respectively. Estimated future amortization expense for subsequent years ending June 30 is as follows

2014	\$ 975,000
2015	33,000

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## Notes to Combined Financial Statements

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### (8) Long-term Debt

A summary of long-term debt for the years ended June 30, 2013 and 2012 is as follows

	<u>2013</u>	<u>2012</u>
Revenue Certificates, Series 2008, bearing interest of 3.00% to 5.00%, maturing in installments ranging from \$610,000 to \$1,985,000 each July 1 until 2038. The Revenue Certificates are collateralized by a pledge of the Medical Center's gross receipts	\$ 30,559,600	31,189,600
Revenue Certificates, Series 2010, bearing interest of 2.00% to 5.00%, maturing in installments ranging from \$1,575,000 to \$3,525,000 each July 1 until 2040. The Revenue Certificates are collateralized by a pledge of the Medical Center's gross receipts	72,535,000	75,275,000
7.50% note payable, payable in monthly installments of \$9,270, including interest, due March 2018, collateralized by land	442,272	518,283
	<u>103,536,872</u>	<u>106,982,883</u>
Less current portion	3,545,726	3,444,911
	<u>99,991,146</u>	<u>103,537,972</u>
Plus unamortized premium	2,780,010	3,130,634
Total	<u>\$ 102,771,156</u>	<u>106,668,606</u>

Under the lease agreement with Carroll City-County Hospital Authority (the Authority), the Medical Center assumes all obligations of the Authority under all outstanding Revenue Anticipation Certificates and all obligations of the Authority under the Trust Indenture.

Under the terms of the 2010 and 2008 revenue bond indentures, the Medical Center is required to maintain certain deposits with a trustee. Such deposits are included in assets limited as to use. The revenue note indenture also places limits on the incurrence of additional borrowings and requires that the Medical Center satisfy certain measures of financial performance as long as the notes are outstanding.

Scheduled principal repayments on long-term debt are as follows:

2014	\$ 3,545,726
2015	3,656,993
2016	3,788,747
2017	3,941,024
2018	4,015,000
Thereafter	84,589,382
Total	<u>\$ 103,536,872</u>

**TANNER MEDICAL CENTER, INC.**

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**(9) Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at June 30, 2013 and 2012

	<b>2013</b>	<b>2012</b>
Breast Health	\$ 160,234	176,908
Cancer Care	377,878	242,276
Capital Improvement	432,069	830,905
Heart Center	11,403	10,764
Heartbeat – Funds	686,467	592,329
Hospice Care	928,715	852,089
Memorial Fund	582,829	579,154
Multiple Sclerosis Patient Assistance	76,050	88,411
Music Therapy	74,107	71,757
Other	725,342	607,340
Total	<u>\$ 4,055,094</u>	<u>4,051,933</u>

Permanently restricted net assets consist of the following endowment funds for which income is available for use for specified purposes at June 30, 2013 and 2012

	<b>2013</b>	<b>2012</b>
Bowdon Clinic Endowment Fund	\$ 450,990	450,990
Gilreath Endowment for Cancer Care	348,511	348,511
Roy Richards, Sr Endowment for Cancer Care	750,000	750,000
Other	111,987	78,987
Total	<u>\$ 1,661,488</u>	<u>1,628,488</u>

***Endowment Fund***

Tanner Medical Foundation's donor-restricted endowment funds were established to support cancer, capital improvements, and nursing education. As required by U S generally accepted accounting principles, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of Tanner Medical Foundation has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act (GUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of its gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. In accordance with GUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation,

## TANNER MEDICAL CENTER, INC.

### Notes to Combined Financial Statements

June 30, 2013 and 2012

(5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets over the long term. Endowment assets include assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce positive results while assuming a moderate level of investment risk. Endowment assets are invested in mutual funds.

#### (10) Defined Contribution Plan

The Medical Center has a defined contribution plan. The defined contribution plan covers substantially all employees 18 years of age and with at least 30 days of eligible service. Employees are 100% vested as to employee contributions and generally become 100% vested as to employer contributions after three years of vesting service.

The Medical Center, at its sole discretion, has agreed to match up to 5% of employee contributions. The Medical Center's contributions to the Plan were approximately \$5,848,000 and \$5,617,000 for the years ended June 30, 2013 and 2012, respectively.

#### (11) Concentrations of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are either fully or partially insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2013 and 2012 is as follows:

	2013	2012
Medicare	32%	34%
Medicaid	19	15
Third-party payors	27	23
Patients	22	28
Total	100%	100%

At June 30, 2013 and 2012, the Medical Center had deposits at major financial institutions, which exceeded Federal Depository Insurance limits. Management believes that the credit risk related to these deposits is minimal.

#### (12) Contingencies

##### (a) Compliance Plan

The healthcare industry has recently been subjected to increased scrutiny from governmental agencies at both the national and state levels with respect to compliance with regulations. Areas of focus identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. The Medical Center's compliance plan continues

## **TANNER MEDICAL CENTER, INC.**

### **Notes to Combined Financial Statements**

June 30, 2013 and 2012

to focus on such issues. There can be no assurance that the Medical Center will not be subjected to future investigations with accompanying financial and operating impacts.

#### **(b) *Litigation***

Various claims and assertions have been made against the Medical Center in its normal course of providing services. In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses, which may occur from such asserted and unasserted claims that are not covered by liability insurance.

It is the opinion of management that any losses that may result from such claims and assertions would not materially affect the financial position or operations of the Medical Center as of June 30, 2013.

#### **(c) *Healthcare Reform***

The general healthcare industry environment is increasingly uncertain, especially with respect to the impacts of federal healthcare reform legislation, which was passed in the spring of 2010 and largely upheld by the U.S. Supreme Court in June 2012, with the exception of the Medicaid expansion mandate. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant capital investment in healthcare information technology (HCIT) and associated operational challenges
- Continuing volatility in the state and federal government reimbursement programs
- Lack of clarity related to the health benefit exchange framework mandated by reform legislation, including important open questions regarding exchange reimbursement levels, changes in combined state/federal disproportionate share payments, and impact on the healthcare "demand curve" as the previously uninsured enter the insurance system
- Effective management of multiple major regulatory mandates, including achievement of meaningful use of HCIT and the transition to ICD-10
- Significant potential business model changes throughout the healthcare ecosystem, including within the healthcare commercial payor industry

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and which may arise in the future, could have a material adverse impact on the Medical Center's financial position and operating results.

#### **(13) Employee Health and Workers' Compensation Insurance**

Tanner Medical Center, Inc. is self-insured for its employee group health and workers' compensation insurance. The Medical Center has estimated and recorded accruals for claims incurred but not reported or paid prior to the fiscal year-end. The Medical Center has reinsurance arrangements with insurance

## TANNER MEDICAL CENTER, INC.

### Notes to Combined Financial Statements

June 30, 2013 and 2012

companies in which the premiums are included as expense and reinsurance recoveries offset expense. Under these self-insurance programs, the Medical Center paid or accrued approximately \$23,766,000 and \$22,117,000 during fiscal years ended June 30, 2013 and 2012, respectively.

#### (14) Malpractice Insurance

The Medical Center is covered by a claims made general and professional liability insurance policy with a specified deductible per incident and excess coverage on a claims-made basis. There are no self-insured retention limits or deductible amounts included in this policy related to professional liability. The commercial general liability deductible amounts in 2013 and 2012 are \$5,000 per occurrence and \$25,000 total annual deductible. The coverage limits related to this policy in 2013 and 2012 is \$1 million per occurrence and \$3 million in aggregate. The Medical Center uses a third-party administrator to review and analyze incidents that may result in a claim against the Medical Center. In conjunction with the third-party administrator, incidents are assigned reserve amounts for the ultimate liability that may result from an unasserted claim. Accrued professional claims are included in the accompanying combined financial statements and in management's opinion provide an adequate reserve for loss contingencies.

The Medical Center has an additional general liability umbrella policy that provides coverage for general liability claims as well as malpractice. This policy covers claims up to \$9 million in aggregate.

#### (15) Functional Expenses

The Medical Center provides general healthcare services to residents within its geographic location. Expenses related to providing these services are as follows:

	2013	2012
Healthcare services	\$ 283,720,381	276,412,414
Management and general	53,609,155	47,635,165
Total	<u>\$ 337,329,536</u>	<u>324,047,579</u>

#### (16) Fair Values of Financial Instruments

The following methods and assumptions were used by Tanner Medical Center, Inc. in estimating the fair value of its financial instruments:

- *Cash and Cash Equivalents* – The carrying amount reported in the combined balance sheets for cash and cash equivalents approximates its fair value.
- *Assets Limited As To Use* – Fair values, which are the amounts reported in the combined balance sheets, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.
- *Accounts Payable and Accrued Expenses* – The carrying amount reported in the combined balance sheets for accounts payable and accrued expenses approximates its fair value.
- *Estimated Third-Party Payor Settlements* – The carrying amount reported in the combined balance sheets for estimated third-party payor settlements approximates its fair value.

**TANNER MEDICAL CENTER, INC.**

Notes to Combined Financial Statements

June 30, 2013 and 2012

- *Long-Term Debt* – The fair value of long-term debt is estimated using discounted cash flow analyses, based on the current incremental borrowing rates for similar types of borrowing arrangements and is classified as Level 2

The carrying amounts and fair values of the financial instruments at June 30, 2013 and 2012 are as follows

	June 30, 2013		June 30, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	\$ 18,070,756	18,070,756	29,380,182	29,380,182
Estimated third-party settlements (assets)	—	—	605,327	605,327
Assets limited as to use	190,831,564	190,831,564	180,019,011	180,019,011
Accounts payable and accrued expenses	35,177,086	35,177,086	41,383,538	41,383,538
Estimated third-party settlements	4,135,281	4,135,281	—	—
Long-term debt	106,316,882	107,109,904	110,113,517	116,183,485

Fair values of assets measured on a recurring basis, comprising assets limited as to use, at June 30, 2013 and 2012 are as follows

June 30, 2013	Fair value measurements at reporting date using			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 8,136,189	8,136,189	—	—
Mutual funds	88,445,258	88,445,258	—	—
Stocks and options	37,296,895	37,296,895	—	—
Government and corporate bonds	41,568,826	41,568,826	—	—
Alternative investments	15,384,396	—	15,384,396	—
Total	\$ 190,831,564	175,447,168	15,384,396	—



# TANNER MEDICAL CENTER, INC.

## Notes to Combined Financial Statements

June 30, 2013 and 2012

June 30, 2012	Fair value	Fair value measurements at reporting date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 9,434,080	9,434,080	—	—
Mutual funds	86,304,297	86,304,297	—	—
Stocks and options	34,884,341	34,884,341	—	—
Government and corporate bonds	37,129,206	37,129,206	—	—
Alternative investments	12,267,087	—	12,267,087	—
Total	\$ 180,019,011	167,751,924	12,267,087	—

Assets limited as to use are allocated as follows at June 30, 2013 International – 23%, Fixed income – 36%, Alternatives – 18%, Large-Cap Value – 8%, Large-Cap Growth – 4%, Mid-Cap Growth/Value – 4%, Small-Cap Value – 3%, Small-Cap Growth – 4%

Assets limited as to use are allocated as follows at June 30, 2012 International – 23%, Fixed income – 36%, Alternatives – 18%, Large-Cap Value – 8%, Large-Cap Growth – 4%, Mid-Cap Growth/Value – 4%, Small-Cap Value – 3%, Small-Cap Growth – 4%

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on net asset values and may be redeemed at such values on or near the financial reporting date.

### (17) Indigent Care Trust Fund

The Medical Center qualified as a Medicaid disproportionate share hospital for the years ended June 30, 2013 and 2012. By qualifying, the Medical Center received approximately \$4,708,000 and \$5,819,000 in payment adjustments in 2013 and 2012, respectively. All of these payments are reflected in net patient service revenue in the accompanying combined statements of operations.

### (18) Medicaid Upper Payment Limit

The Medicare, Medicaid, and SCRIP Benefits Improvement and Protection Act of 2000 (BIPA) provide for enhanced payments to Medicaid providers under the Upper Payment Limit (UPL) methodology. Subsequent to the implementation of the UPL methodology, federal budget concerns have led to reconsideration of the BIPA legislation with possible elimination of enhanced Medicaid payments. Legislation has been enacted to reduce the level of UPL payments in future periods. The 2013 and 2012 combined financial statements include enhanced payments of approximately \$1,337,094 and \$612,350, respectively.

## **ADDITIONAL INFORMATION**



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

## Independent Auditors' Report on Supplemental Data

The Board of Directors  
Tanner Medical Center, Inc  
Carrollton, Georgia

We have audited the combined financial statements of Tanner Medical Center, Inc. as of and for the years ended June 30, 2013 and 2012, and have issued our report thereon dated March 7, 2014 which contained an unmodified opinion on those combined financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. We have not performed any procedures with respect to the audited combined financial statements subsequent to March 7, 2014.

The supplementary combining information included on pages 32-37 is presented for the purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

The statistical data included on pages 30-31 is presented for the purposes of additional analysis and is not a required part of the combined financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the combined financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*KPMG LLP*

March 7, 2014

**TANNER MEDICAL CENTER, INC.**

Statistical Data

Years ended June 30, 2013 and 2012

(Unaudited)

	<u>2013</u>	<u>2012</u>
Inpatient days		
Medical/surgical days	37,472	34,464
Behavioral health	16,663	14,097
Skilled nursing/IRF	<u>3,265</u>	<u>3,694</u>
Total inpatient days	<u>57,400</u>	<u>52,255</u>
Average daily inpatient census	157	143
Adjusted average daily census	446	422
Admissions		
Medical/surgical	10,623	9,860
Behavioral health	2,675	2,671
Skilled nursing/IRF	<u>110</u>	<u>486</u>
Total admissions	<u>13,408</u>	<u>13,017</u>
Admissions by payor		
Medicare – routine	5,644	5,272
Medicare – behavioral health	467	335
Medicare – skilled nursing/IRF	63	352
Medicaid	3,496	3,561
Other	<u>3,796</u>	<u>3,497</u>
Total admissions by payor	<u>13,466</u>	<u>13,017</u>
Average length of stay	4.3	4.0
Patient days by payor		
Medicare – routine	23,793	23,267
Medicare – behavioral	3,820	2,218
Medicare – skilled nursing	2,276	2,683
Medicaid	15,159	14,118
Other	<u>14,057</u>	<u>9,969</u>
Total patient days by payor	<u>59,105</u>	<u>52,255</u>

**TANNER MEDICAL CENTER, INC.**

Statistical Data

Years ended June 30, 2013 and 2012

(Unaudited)

	<b>2013</b>	<b>2012</b>
Deliveries	1,730	1,743
Surgery cases	9,852	9,249
Emergency room visits	110,598	108,942
Outpatient visits	288,676	307,576
Tanner Medical Group visits	317,967	308,618
Adjusted patient days	162,784	154,008

See accompanying independent auditors' report on supplemental data

**TANNER MEDICAL CENTER, INC.**

Combining Balance Sheets

June 30, 2013

<b>Assets</b>	<b>Tanner Medical Center/ Carrollton</b>	<b>Tanner Medical Center/ Villa Rica</b>	<b>Tanner Medical Center/ Higgins General Hospital</b>	<b>Tanner Medical Group</b>	<b>Subtotal</b>	<b>Foundation, Auxiliary, and Eliminations</b>	<b>Balance at June 30, 2013</b>
Current assets							
Cash and cash equivalents	\$ 16,872,866	119,094	2,094	1,001,077	17,995,131	75,625	18,070,756
Due from related parties	—	78,292,885	31,397,117	—	109,690,002	(109,690,002)	—
Assets limited as to use – current portion	5,801,294	—	—	—	5,801,294	—	5,801,294
Patient accounts receivable, net	22,646,719	9,217,497	4,103,154	4,255,787	40,223,157	—	40,223,157
Inventories	3,252,372	1,340,028	432,858	292,668	5,317,926	31,337	5,349,263
Other current assets	244,276	1,052,126	919,354	17,976	2,233,732	(188,907)	2,044,825
Total current assets	<u>48,817,527</u>	<u>90,021,630</u>	<u>36,854,577</u>	<u>5,567,508</u>	<u>181,261,242</u>	<u>(109,771,947)</u>	<u>71,489,295</u>
Assets limited as to use							
Internally designated	185,030,270	—	—	—	185,030,270	—	185,030,270
Held by trustee under indenture	5,801,294	—	—	—	5,801,294	—	5,801,294
Assets limited as to use – current portion	<u>(5,801,294)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,801,294)</u>	<u>—</u>	<u>(5,801,294)</u>
Noncurrent assets limited as to use	<u>185,030,270</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>185,030,270</u>	<u>—</u>	<u>185,030,270</u>
Property and equipment, net	161,681,409	39,268,335	10,585,820	26,827,000	238,362,564	757	238,363,321
Interest in net assets of Tanner Medical Foundation, Inc	—	—	—	—	—	7,518,380	7,518,380
Physician notes receivable and other	2,977,148	—	—	—	2,977,148	—	2,977,148
Bond issue cost, net	1,000,673	—	—	—	1,000,673	—	1,000,673
Goodwill and intangible assets	—	4,576,995	—	185,956	4,762,951	—	4,762,951
Total assets	<u>\$ 399,507,027</u>	<u>133,866,960</u>	<u>47,440,397</u>	<u>32,580,464</u>	<u>613,394,848</u>	<u>(102,252,810)</u>	<u>511,142,038</u>

See accompanying independent auditors' report on supplemental data

<b>Liabilities and Net Assets</b>	<b>Tanner Medical Center/ Carrollton</b>	<b>Tanner Medical Center/ Villa Rica</b>	<b>Tanner Medical Center/ Higgins General Hospital</b>	<b>Tanner Medical Group</b>	<b>Subtotal</b>	<b>Foundation, Auxiliary, and Eliminations</b>	<b>Balance at June 30, 2013</b>
Current liabilities							
Current portion of long-term debt	\$ 3,545.726	—	—	—	3,545.726	—	3,545.726
Due to related parties	8,126.618	—	—	101,841.905	109,968.523	(109,968.523)	—
Accounts payable	6,763.219	791.057	553.296	911.525	9,019.097	112.962	9,132.059
Accrued salaries	17,839.737	1,362.958	1,008.106	2,632.235	22,843.036	—	22,843.036
Estimated third-party payor settlements	1,354.977	138.649	2,382.194	259.461	4,135.281	—	4,135.281
Other accrued expenses	3,065.017	(34,416)	2	1	3,030.604	—	3,030.604
Total current liabilities	40,695.294	2,258.248	3,943.598	105,645.127	152,542.267	(109,855.561)	42,686.706
Long-term debt, net of current portion							
Notes and leases payable	362.646	—	—	—	362.646	—	362.646
Revenue certificates payable	102,408.510	—	—	—	102,408.510	—	102,408.510
Total long-term debt, net of current portion	102,771.156	—	—	—	102,771.156	—	102,771.156
Total liabilities	143,466.450	2,258.248	3,943.598	105,645.127	255,313.423	(109,855.561)	145,457.862
Net assets (deficit)							
Unrestricted	256,040.577	131,608.712	43,496.799	(73,064.663)	358,081.425	1,886.169	359,967.594
Temporarily restricted	—	—	—	—	—	4,055.094	4,055.094
Permanently restricted	—	—	—	—	—	1,661.488	1,661.488
Total net assets	256,040.577	131,608.712	43,496.799	(73,064.663)	358,081.425	7,602.751	365,684.176
Total liabilities and net assets	\$ 399,507.027	133,866.960	47,440.397	32,580.464	613,394.848	(102,252.810)	511,142.038

**TANNER MEDICAL CENTER, INC.**

Combining Balance Sheets

June 30, 2012

<b>Assets</b>	<b>Tanner Medical Center/ Carrollton</b>	<b>Tanner Medical Center/ Villa Rica</b>	<b>Tanner Medical Center/ Higgins General Hospital</b>	<b>Tanner Medical Group</b>	<b>Subtotal</b>	<b>Foundation, Auxiliary, and Eliminations</b>	<b>Balance at June 30, 2012</b>
Current assets							
Cash and cash equivalents	\$ 29,344,030	17,824	1,593	8,044	29,371,491	8,691	29,380,182
Due from related parties	—	61,935,280	28,319,773	—	90,255,053	(90,255,053)	—
Assets limited as to use – current portion	5,746,193	—	—	—	5,746,193	—	5,746,193
Patient accounts receivable, net	17,997,149	7,212,255	2,771,531	3,404,375	31,385,310	—	31,385,310
Estimated third-party payor settlements	(101,112)	525,281	336,665	(155,507)	605,327	—	605,327
Inventories	2,684,954	1,308,359	459,764	218,958	4,672,035	33,842	4,705,877
Other current assets	3,781,117	74,079	108,103	270,984	4,234,283	(270,222)	3,964,061
Total current assets	<u>59,452,331</u>	<u>71,073,078</u>	<u>31,997,429</u>	<u>3,746,854</u>	<u>166,269,692</u>	<u>(90,482,742)</u>	<u>75,786,950</u>
Assets limited as to use							
Internally designated	174,272,818	—	—	—	174,272,818	—	174,272,818
Held by trustee under indenture	5,746,193	—	—	—	5,746,193	—	5,746,193
Assets limited as to use – current portion	<u>(5,746,193)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,746,193)</u>	<u>—</u>	<u>(5,746,193)</u>
Noncurrent assets limited as to use	<u>174,272,818</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>174,272,818</u>	<u>—</u>	<u>174,272,818</u>
Property and equipment, net	140,304,431	37,709,585	10,652,466	20,444,046	209,110,528	1,263	209,111,791
Interest in net assets of Tanner Medical Foundation, Inc	—	—	—	—	—	7,604,466	7,604,466
Physician notes receivable and other	3,295,498	—	—	—	3,295,498	—	3,295,498
Bond issue cost, net	1,068,454	—	—	—	1,068,454	—	1,068,454
Goodwill and intangible assets	<u>—</u>	<u>5,831,667</u>	<u>—</u>	<u>184,154</u>	<u>6,015,821</u>	<u>—</u>	<u>6,015,821</u>
Total assets	<u>\$ 378,393,532</u>	<u>114,614,330</u>	<u>42,649,895</u>	<u>24,375,054</u>	<u>560,032,811</u>	<u>(82,877,013)</u>	<u>477,155,798</u>

See accompanying independent auditors' report on supplemental data



<b>Liabilities and Net Assets</b>	<b>Tanner Medical Center/ Carrollton</b>	<b>Tanner Medical Center/ Villa Rica</b>	<b>Tanner Medical Center/ Higgins General Hospital</b>	<b>Tanner Medical Group</b>	<b>Subtotal</b>	<b>Foundation, Auxiliary, and Eliminations</b>	<b>Balance at June 30, 2012</b>
Current liabilities							
Current portion of long-term debt	\$ 3,444.911	—	—	—	3,444.911	—	3,444.911
Due to related parties	12,530.495	—	—	78,023.904	90,554.399	(90,554.399)	—
Accounts payable	12,940.470	1,825.278	510.302	973.899	16,249.949	47,511	16,297.460
Accrued salaries	17,048.403	1,104.683	1,032.635	2,823.690	22,009.411	—	22,009.411
Other accrued expenses	3,018.090	58.577	—	—	3,076.667	—	3,076.667
Total current liabilities	48,982.369	2,988.538	1,542.937	81,821.493	135,335.337	(90,506.888)	44,828.449
Long-term debt, net of current portion							
Notes and leases payable	443.373	—	—	—	443.373	—	443.373
Revenue certificates payable	106,225.233	—	—	—	106,225.233	—	106,225.233
Total long-term debt, net of current portion	106,668.606	—	—	—	106,668.606	—	106,668.606
Total liabilities	155,650.975	2,988.538	1,542.937	81,821.493	242,003.943	(90,506.888)	151,497.055
Net assets (deficit)							
Unrestricted	222,742.557	111,625.792	41,106.958	(57,446.439)	318,028.868	1,949.454	319,978.322
Temporarily restricted	—	—	—	—	—	4,051.933	4,051.933
Permanently restricted	—	—	—	—	—	1,628.488	1,628.488
Total net assets	222,742.557	111,625.792	41,106.958	(57,446.439)	318,028.868	7,629.875	325,658.743
Total liabilities and net assets	\$ 378,393.532	114,614.330	42,649.895	24,375.054	560,032.811	(82,877.013)	477,155.798

**TANNER MEDICAL CENTER, INC.**  
Combining Statements of Excess of Revenues over Expenses  
June 30, 2013

	<b>Tanner Medical Center/ Carrollton</b>	<b>Tanner Medical Center/ Villa Rica</b>	<b>Tanner Medical Center/ Higgins General Hospital</b>	<b>Tanner Medical Group</b>	<b>Subtotal</b>	<b>Foundation, Auxiliary, and Eliminations</b>	<b>Balance at June 30, 2013</b>
Unrestricted revenues, gains, and other support							
Net patient service revenue	\$ 193,560,488	95,259,524	31,544,145	33,263,585	353,627,742	—	353,627,742
Other revenue	4,981,479	1,502,312	258,879	800,861	7,543,531	232,903	7,776,434
Total revenues, gains, and other support	198,541,967	96,761,836	31,803,024	34,064,446	361,171,273	232,903	361,404,176
Expenses							
Salaries	88,945,169	25,967,950	12,570,989	26,459,724	153,943,832	—	153,943,832
Employee benefits	31,798,152	2,912,093	1,353,902	2,249,032	38,313,179	—	38,313,179
Contracted services	11,177,022	2,655,047	758,740	538,280	15,129,089	—	15,129,089
Purchased services	16,029,908	2,737,038	2,210,632	673,199	21,650,777	—	21,650,777
Supplies and drugs	30,865,059	14,097,019	2,178,651	2,474,545	49,615,274	102,698	49,717,972
Insurance	1,995,536	110,446	55,724	718,771	2,880,477	—	2,880,477
Depreciation and amortization	16,076,976	5,305,893	1,342,664	2,146,796	24,872,329	505	24,872,834
Interest	4,059,775	—	—	—	4,059,775	—	4,059,775
Other	22,152,678	2,226,394	538,748	1,843,781	26,761,601	—	26,761,601
Total expenses	223,100,275	56,011,880	21,010,050	37,104,128	337,226,333	103,203	337,329,536
Operating income (loss)	(24,558,308)	40,749,956	10,792,974	(3,039,682)	23,944,940	129,700	24,074,640
Other income (loss)							
Contributions and other	116,092	—	—	—	116,092	(72,000)	44,092
Investment income	7,241,021	—	—	—	7,241,021	—	7,241,021
Net unrealized gains on investments	7,962,345	—	—	—	7,962,345	—	7,962,345
(Loss) gain on sale of assets	(181,022)	11,195	—	(134,187)	(304,014)	—	(304,014)
Total other income	15,138,436	11,195	—	(134,187)	15,015,444	(72,000)	14,943,444
Excess of revenues over expenses	(9,419,872)	40,761,151	10,792,974	(3,173,869)	38,960,384	57,700	39,018,084
Shared service expenses	41,745,281	(20,778,232)	(8,452,294)	(12,468,929)	45,826	(45,826)	—
Excess of revenues over expenses and shared service expenses	\$ 32,325,409	19,982,919	2,340,680	(15,642,798)	39,006,210	11,874	39,018,084

See accompanying independent auditors' report on supplemental data

**TANNER MEDICAL CENTER, INC.**  
Combining Statements of Excess of Revenues over Expenses  
June 30, 2012

	<b>Tanner Medical Center/ Carrollton</b>	<b>Tanner Medical Center/ Villa Rica</b>	<b>Tanner Medical Center/ Higgins General Hospital</b>	<b>Tanner Medical Group</b>	<b>Subtotal</b>	<b>Foundation, Auxiliary and Eliminations</b>	<b>Balance at June 30, 2012</b>
Unrestricted revenues, gains, and other support							
Net patient service revenue	\$ 188,586.103	90,004.582	30,473.211	31,771.099	340,834.995	—	340,834.995
Other revenue	5,231.529	1,779.218	469.891	293.056	7,773.694	133.234	7,906.928
Total revenues, gains and other support	193,817.632	91,783.800	30,943.102	32,064.155	348,608.689	133.234	348,741.923
Expenses							
Salaries	85,542.162	23,580.070	12,608.939	26,682.866	148,414.037	—	148,414.037
Employee benefits	32,366.719	2,644.801	1,370.227	2,417.128	38,798.875	—	38,798.875
Contracted services	7,747.582	1,976.289	664.486	887.073	11,275.430	—	11,275.430
Purchased services	14,707.348	2,612.514	2,645.045	947.123	20,912.030	—	20,912.030
Supplies and drugs	29,119.456	17,755.113	2,122.280	2,366.754	51,363.603	149.873	51,513.476
Insurance	1,954.859	70.201	68.069	769.948	2,863.077	—	2,863.077
Depreciation and amortization	12,696.252	4,285.698	1,481.441	1,789.438	20,252.829	505	20,253.334
Interest	3,266.705	—	—	—	3,266.705	—	3,266.705
Other	22,199.915	2,084.251	567.761	1,898.688	26,750.615	—	26,750.615
Total expenses	209,600.998	55,008.937	21,528.248	37,759.018	323,897.201	150.378	324,047.579
Operating income (loss)	(15,783.366)	36,774.863	9,414.854	(5,694.863)	24,711.488	(17.144)	24,694.344
Other income (loss)							
Contributions and other	132.613	—	—	—	132.613	(38.147)	94.466
Other than temporary impairment of investments	(5,865.435)	—	—	—	(5,865.435)	—	(5,865.435)
Investment income	6,060.508	—	—	—	6,060.508	—	6,060.508
Net unrealized gains on investments							
recharacterized as trading	7,409.162	—	—	—	7,409.162	—	7,409.162
Loss on sale of assets	(254.975)	(89.838)	(12.286)	(107.806)	(464.905)	—	(464.905)
Total other income	7,481.873	(89.838)	(12.286)	(107.806)	7,271.943	(38.147)	7,233.796
Excess of revenues over expenses	(8,301.493)	36,685.025	9,402.568	(5,802.669)	31,983.431	(55.291)	31,928.140
Shared service expenses	38,717.362	(19,094.690)	(8,388.456)	(11,234.216)	—	—	—
Excess of revenues over expenses and shared service expenses	\$ 30,415.869	17,590.335	1,014.112	(17,036.885)	31,983.431	(55.291)	31,928.140

See accompanying auditors' report on supplemental data