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Form 990

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

☐ Check if applicable

☒ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization
Artesia General Hospital

Doing Business As

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

7800 N Dallas ParkwaySuite 200

City or town, state or country, and ZIP + 4

Plano, TX 75024

F Name and address of principal officer

Kenneth W Randall

7800 N Dallas ParkwaySTE 200

Plano, TX 75024

D Employer identification number

74-2851819

E Telephone number

(575) 748-8112

G Gross receipts \$ 51,526,066

H(a) Is this a group return for affiliates?

☐ Yes☒ No

H(b) Are all affiliates included?

☐ Yes☐ No

If "No," attach a list (see instructions)

H(c) Group exemption number

I Tax-exempt status

☒ 501(c)(3)☐ 501(c) () (insert no)☐ 4947(a)(1) or ☐ 527

J Website: www.artesiageneral.com

K Form of organization

☒ Corporation☐ Trust☐ Association☐ Other

L Year of formation 2000

M State of legal domicile NM

Part I Summary

Activities & Governance

1

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

2

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

3

Number of voting members of the governing body (Part VI, line 1a)

3

11

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

348

6

Total number of volunteers (estimate if necessary)

6

14

7a

Total unrelated business revenue from Part VIII, column (C), line 12

7a

0

7b

Net unrelated business taxable income from Form 990-T, line 34

7b

Revenue

8

Contributions and grants (Part VIII, line 1h)

56,908

19,280

9

Program service revenue (Part VIII, line 2g)

44,320,318

51,014,950

10

Investment income (Part VIII, column (A), lines 3, 4, and 7d)

26,270

21,060

11

Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)

70,552

470,776

12

Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)

44,474,048

51,526,066

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)

17,703,186

21,478,809

16a

Professional fundraising fees (Part IX, column (A), line 11e)

0

0

b

Total fundraising expenses (Part IX, column (D), line 25)

0

17

Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)

22,584,585

25,840,133

18

Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)

40,287,771

47,318,942

19

Revenue less expenses Subtract line 18 from line 12

4,186,277

4,207,124

Net Assets or Fund Balances

20

Total assets (Part X, line 16)

28,912,938

34,577,831

21

Total liabilities (Part X, line 26)

3,033,869

4,491,841

22

Net assets or fund balances Subtract line 21 from line 20

25,879,069

30,085,990

Part II Signature Block

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

Sign Here

Signature of officer

Kenneth W Randall C E O

Type or print name and title

2014-05-12

Date

Paid Preparer Use Only

Prnt/Type preparer's name

Firm's name ERNST & YOUNG US LLP

Firm's address 55 IVAN ALLEN BLVD SUITE 1000 ATLANTA, GA 30308

Preparer's signature

Firm's EIN

Phone no (404) 874-8300

Date

Check if self-employed

PTIN

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

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2012)

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

ARTESIA GENERAL HOSPITAL (AGH) IS LOCATED IN ARTESIA, NEW MEXICO. OUR MISSION IS TO PROVIDE HEALTHCARE TO THE FAMILIES OF ARTESIA AND SURROUNDING COMMUNITIES WHILE CONTINUALLY IMPROVING QUALITY OF PATIENT CARE AND UTILIZING RESOURCES EFFECTIVELY AND EFFICIENTLY. WE PROVIDE GENERAL ACUTE CARE, MEDICAL AND SURGICAL SERVICES, INCLUDING OUTPATIENT AND EMERGENCY ROOM SERVICES.

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

If "Yes," describe these changes on Schedule O

4a	(Code)	(Expenses \$ 37,377,053 including grants of \$ 0)	(Revenue \$ 51,290,822)
	Artesia General Hospital is a sole community health provider that serves the community regardless of any individual's race, creed, nationality, or ability to pay for services including routine inpatient, inpatient ancillary, and outpatient care in support of the Hospital's healthcare mission Artesia General Hospital had 1,125 admissions of which 169 were Gen-Psych, 5,703 Patient days, 1,683 surgeries, 12,288 emergency visits, 16,884 outpatient diagnostic visits, and 20,350 clinic visits along with adding Cardiology to our services		

[illegible]

4e	Total program service expenses	37,377,053
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Part IV

Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)?	2	No
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 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	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f	No
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a	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		No
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	280	
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?	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.	348	
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?		No
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
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?		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	Section 501(c)(7) organizations. Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11	Section 501(c)(12) organizations. Enter		
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	11	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	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	Yes
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	NM
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. ☐ Own website ☐ Another's website ☒ Upon request ☐ 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	Carl Hollingsworth 702 N 13th Street Artesia, NM (575) 748-3333

Part VII

Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

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

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099- MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Wilson Weber Board Member	1 0 39 0	X						0	683,827	139,626
(2) Jorge Abalos MD Board Member/Physician	2 0	X						240,446	0	0
(3) PHIL BURCH DIRECTOR	2 0	X						0	0	0
(4) Johnny Knorr Director	2 0	X						0	0	0
(5) Patricia Hopkins Chairman	2 0	X						0	0	0
(6) Margo Pace Vice Chairman	2 0	X						0	0	0
(7) Jose Reyes Secretary	2 0	X						0	0	0
(8) Gary Sims Board member	2 0	X						0	0	0
(9) Rick Sullivan Board member	2 0	X						0	0	0
(10) Kenneth W Clayton Board member	2 0	X						0	0	0
(11) James Lash DO Board member/Physician	2 0 0 0	X						0	0	0
(12) David Butler Assistant Secretary	1 0 39 0			X				0	394,494	50,785
(13) Kenneth Randall President/CEO	40 0 0 0			X				0	298,266	104,439
(14) James Barbuat CFO (Until 8/12)	40 0				X			0	156,294	17,680
(15) Gary Krenek CNO	40 0				X			0	103,733	11,663
(16) Shannar Anoushfarr DO	40 0					X		934,237	0	18,247
(17) Juan C Soto Lopez DO	40 0					X		336,860	0	16,916

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)							(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former				
(18) Thomas S Reich DO	40 0					X			556,763	0	10,000
(19) Petar Ilievski DO	40 0					X			398,068	0	7,635
(20) Marshall G Baca Physician	40 0					X			585,577	0	10,000
1b Sub-Total											
c Total from continuation sheets to Part VII, Section A											
d Total (add lines 1b and 1c)									3,051,951	1,636,614	386,991

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization. 28

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	3	No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <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
James Lash DO , 2104 W Ray Avenue Artesia NM 88210	Radiologist	733,337
Mark Luce MD PC , 8263 E Pima St Tucson AZ 857155217	Emergency Physician	529,841
Hays Anesthesia , 112 W Marshall Ave Phoenix AZ 850131815	CRNA	313,288
Sharon Hollenkamp , 1704 Watson Ct Carsbad NM 882204172	CRNA	288,792
Moonbeam Anesthesia , 1208 Winter Park FARMINGTON NM 874012096	CRNA	272,032

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 ▶7

Part VIII

Statement of Revenue

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

			(A)	(B)	(C)	(D)		
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514		
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d					
	e	Government grants (contributions)	1e	19,274				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	6				
	g	Noncash contributions included in lines 1a-1f \$						
	h	Total. Add lines 1a-1f		19,280				
Program Service Revenue	2a	Net Patient Revenue	Business Code 622110	44,542,000	44,542,000	0	0	
	b	Tax Subsidy Revenue	922130	6,443,056	6,443,056	0	0	
	c	All other program service revenue	900099	29,894	29,894	0	0	
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f		51,014,950				
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		21,060			21,060
4		Income from investment of tax-exempt bond proceeds		0				
5		Royalties		0				
6a		Gross rents	(i) Real 134,496	(ii) Personal				
		b	Less rental expenses	0				
		c	Rental income or (loss)	134,496	0			
		d	Net rental income or (loss)		134,496			134,496
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
		b	Less cost or other basis and sales expenses					
		c	Gain or (loss)					
		d	Net gain or (loss)		0			
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a					
		b	Less direct expenses	b				
		c	Net income or (loss) from fundraising events		0			
9a		Gross income from gaming activities See Part IV, line 19	a					
		b	Less direct expenses	b				
		c	Net income or (loss) from gaming activities		0			
10a		Gross sales of inventory, less returns and allowances	a					
		b	Less cost of goods sold	b				
		c	Net income or (loss) from sales of inventory		0			
		Miscellaneous Revenue		Business Code				
11a		CAFETERIA SALES-EMPLOYEES	900099	60,408			60,408	
	b	APD/Jail Contract	900099	55,061	55,061			
	c	Meals on Wheels	900099	16,723	16,723			
	d	All other revenue		204,088	204,088			
	e	Total. Add lines 11a-11d		336,280				
12	Total revenue. See Instructions		51,526,066	51,290,822	0	215,964		

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	0		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0	0		
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0	0		
4	Benefits paid to or for members.	0	0		
5	Compensation of current officers, directors, trustees, and key employees.	0	0	0	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	0	0	0
7	Other salaries and wages.	18,260,046	13,520,414	4,739,632	0
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	413,696	306,316	107,380	0
9	Other employee benefits.	1,623,920	1,202,410	421,510	0
10	Payroll taxes.	1,181,147	874,831	306,316	0
11	Fees for services (non-employees):				
a	Management.	0	0	0	0
b	Legal.	240,470	0	240,470	0
c	Accounting.	82,818	0	82,818	0
d	Lobbying.	5,786	5,786		0
e	Professional fundraising services. See Part IV, line 17.	0			0
f	Investment management fees.	0	0	0	0
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	4,176,175	4,176,175	0	0
12	Advertising and promotion.	234,603	194,833	39,770	0
13	Office expenses.	3,076,161	2,354,960	721,201	0
14	Information technology.	1,712,150	1,198,505	513,645	0
15	Royalties.	0	0	0	0
16	Occupancy.	2,594,756	1,442,510	1,152,246	0
17	Travel.	167,962	42,920	125,042	0
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0	0	0	0
19	Conferences, conventions, and meetings.	145,721	20,319	125,402	0
20	Interest.	14,999	0	14,999	0
21	Payments to affiliates.	0	0	0	0
22	Depreciation, depletion, and amortization.	738,270	479,876	258,394	0
23	Insurance.	546,007	360,727	185,280	0
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	BAD DEBT	6,999,942	6,999,942		
b	MEDICAL SUPPLIES	4,049,444	4,049,444		
c	Management fee	837,675	0	837,675	0
d	ALL OTHER EXPENSES	217,194	147,085	70,109	0
e	All other expenses				
25	Total functional expenses. Add lines 1 through 24e.	47,318,942	37,377,053	9,941,889	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ☐ if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		12,908,134	1	15,333,807
	2	Savings and temporary cash investments		2,131,946	2	2,159,857
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		4,910,873	4	4,897,750
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		0	7	0
	8	Inventories for sale or use		842,081	8	889,059
	9	Prepaid expenses and deferred charges		1,203,662	9	808,768
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a14,076,012			
	b	Less accumulated depreciation	10b4,189,979	6,077,409	10c	9,886,033
	11	Investments—publicly traded securities		0	11	0
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		838,833	15	602,557
	16	Total assets. Add lines 1 through 15 (must equal line 34)		28,912,938	16	34,577,831
Liabilities	17	Accounts payable and accrued expenses		3,033,869	17	4,017,668
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		0	20	0
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		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		0	25	474,173
	26	Total liabilities. Add lines 17 through 25		3,033,869	26	4,491,841
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here ☒ and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		25,870,303	27	30,076,223
	28	Temporarily restricted net assets		8,766	28	9,767
	29	Permanently restricted net assets		0	29	0
	Organizations that do not follow SFAS 117 (ASC 958), check here ☐ and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		25,879,069	33	30,085,990
	34	Total liabilities and net assets/fund balances		28,912,938	34	34,577,831

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	51,526,066
2	Total expenses (must equal Part IX, column (A), line 25)	2	47,318,942
3	Revenue less expenses Subtract line 2 from line 1	3	4,207,124
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	25,879,069
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-203
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	30,085,990

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☒ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis		No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separate basis	Yes	
2c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

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 Artesia General Hospital	Employer identification number 74-2851819
--	--

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

An organization that normally receives (1) more than 33¹/₃% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11

☐

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
- g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

(i)

A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?

(ii)

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

(iii)

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

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of monetary support
			Yes	No	Yes	No	Yes	No	
Total									

Part II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage						
14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2011 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2012. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						▶
b 33 1/3% support test—2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						▶
17a 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization						▶
b 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization						▶
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions						▶

Part IIISupport Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

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

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

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

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

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

Facts And Circumstances Test

Explanation

SCHEDULE 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 Artesia General Hospital	Employer identification number 74-2851819
--	--

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

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

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

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

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

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

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

Part II-A

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)															
c Total lobbying expenditures (add lines 1a and 1b)															
d Other exempt purpose expenditures															
e Total exempt purpose expenditures (add lines 1c and 1d)															
f Lobbying nontaxable amount Enter the amount from the following table in both columns															
<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?		☐ Yes ☐ No													

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

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

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(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?	Yes		3,353
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?			
j	Total. Add lines 1c through 1i.			3,353
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?			
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
Membership Dues to AHA	Schedule C, Part II-B	ARTESIA GENERAL HOSPITAL PAID \$13,729.00 TO AHA IN 2012. THE PORTION OF AHA DUES THAT WERE USED FOR LOBBYING PURPOSES WAS 24.42%. TOTAL DUES PAID FOR LOBBYING ACTIVITIES WERE (13,729.00 X .2442) = \$3,353.

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
Artesia General Hospital

Employer identification number
74-2851819

Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes☐ No	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes☐ No	

Part II

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

1

Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or education)☐ Preservation of an historically important land area☐ Protection of natural habitat☐ Preservation of a certified historic structure☐ Preservation of open space

2

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

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

3

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

4

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

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes☐ No

6

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

7

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

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

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

Part III

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

1a

If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

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

▶\$ _____

(ii) Assets included in Form 990, Part X

▶\$ _____

2

If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

a

Revenues included in Form 990, Part VIII, line 1

▶\$ _____

b

Assets included in Form 990, Part X

▶\$ _____

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

Cat No 52283D

Schedule D (Form 990) 2012

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

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

1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No

b

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIII Check here if the explanation has been provided in Part XIII

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a	Beginning of year balance				
b	Contributions				
c	Net investment earnings, gains, and losses				
d	Grants or scholarships				
e	Other expenditures for facilities and programs				
f	Administrative expenses				
g	End of year balance				

2

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

a

Board designated or quasi-endowment

b

Permanent endowment

c

Temporarily restricted endowment

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

3a

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

(i)

unrelated organizations

(ii)

related organizations

b

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

	Yes	No
3a(i)		
3a(ii)		
3b		

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		326,113		326,113
b Buildings		3,882,783	155,546	3,727,237
c Leasehold improvements		253,332	6,984	246,348
d Equipment		7,022,577	4,027,449	2,995,128
e Other		2,591,207		2,591,207
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				9,886,033

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

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

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

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

Part XIII Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
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SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

OMB No 1545-0047

2012

Open to Public Inspection

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
Artesia General Hospital

Employer identification number
74-2851819

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a Yes	
b	If "Yes," was it a written policy?	1b Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☒ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities		
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care ☐ 100% ☐ 150% ☒ 200% ☐ Other _____ % b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☒ 400% ☐ Other _____ % c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	3a Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4 Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5a Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b Yes	
b	If "Yes," did the organization make it available to the public?	5c	No
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a Yes	
		6b Yes	

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			1,338,903	688,274	650,629	1 610 %
b Medicaid (from Worksheet 3, column a)			5,068,766	2,308,343	2,760,423	6 850 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . .			1,739,852	272,629	1,467,223	3 640 %
d Total Financial Assistance and Means-Tested Government Programs .			8,147,521	3,269,246	4,878,275	12 100 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			96,359		96,359	0 240 %
f Health professions education (from Worksheet 5)			4,700		4,700	0 010 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			44,289		44,289	0 110 %
j Total Other Benefits			145,348		145,348	0 360 %
k Total. Add lines 7d and 7j .			8,292,869	3,269,246	5,023,623	12 460 %

Part II

Community Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development					
3	Community support	25	18,426	5,487	5,487	0 010 %
4	Environmental improvements					
5	Leadership development and training for community members		300,000		300,000	0 750 %
6	Coalition building					
7	Community health improvement advocacy	37	88,058	8,130	8,130	0 020 %
8	Workforce development					
9	Other					
10	Total	62	106,484	313,617	313,617	0 780 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

2

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

2

10,112,697

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

5,056,348

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

8,564,662

6

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

6

11,997,454

7

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

7

-3,432,792

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	Artesia General Hospital 702 North 13th Street Artesia,NM 88210	X	X					X			

Part V Facility Information (continued)

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)

ARTESIA GENERAL HOSPITAL

Name of hospital facility or facility reporting group

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

1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes
a	☒ A definition of the community served by the hospital facility		
b	☒ Demographics of the community		
c	☒ Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	☒ How data was obtained		
e	☒ The health needs of the community		
f	☒ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	☒ The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	☒ The process for consulting with persons representing the community's interests		
i	☒ Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	☐ Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	Yes
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	No
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes
a	☒ Hospital facility's website		
b	☒ Available upon request from the hospital facility		
c	☐ Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	☒ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	☒ Execution of the implementation strategy		
c	☒ Participation in the development of a community-wide plan		
d	☒ Participation in the execution of a community-wide plan		
e	☒ Inclusion of a community benefit section in operational plans		
f	☐ Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	☒ Prioritization of health needs in its community		
h	☒ Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	☐ Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No		
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes		
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes		
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes		
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes		
a ☒ Income level					
b ☒ Asset level					
c ☒ Medical indigency					
d ☒ Insurance status					
e ☒ Uninsured discount					
f ☐ Medicaid/Medicare					
g ☐ State regulation					
h ☐ Other (describe in Part VI)					
13 Explained the method for applying for financial assistance?		13	Yes		
14 Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes		
a ☒ The policy was posted on the hospital facility's website					
b ☒ The policy was attached to billing invoices					
c ☒ The policy was posted in the hospital facility's emergency rooms or waiting rooms					
d ☒ The policy was posted in the hospital facility's admissions offices					
e ☒ The policy was provided, in writing, to patients on admission to the hospital facility					
f ☒ The policy was available upon request					
g ☐ Other (describe in Part VI)					
Billing and Collections					
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?		15	Yes		
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP					
a ☐ Reporting to credit agency					
b ☐ Lawsuits					
c ☐ Liens on residences					
d ☐ Body attachments					
e ☐ Other similar actions (describe in Part VI)					
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?				17	No
If "Yes," check all actions in which the hospital facility or a third party engaged					
a ☐ Reporting to credit agency					
b ☐ Lawsuits					
c ☐ Liens on residences					
d ☐ Body attachments					
e ☐ Other similar actions (describe in Part VI)					

Part V

Facility Information (continued)

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

☒

Notified individuals of the financial assistance policy on admission
- b

☐

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☒

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	☐ The hospital facility did not provide care for any emergency medical conditions		
b	☐ The hospital facility's policy was not in writing		
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	☐ Other (describe in Part VI)		

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

20	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	☒ Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year?
1

Name and address	Type of Facility (describe)
1MEMORIAL FAMILY PRACTICE 702 NORTH 13TH STREET ARTESIA,NM 88210	RURAL HEALTH CLINIC
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI

Supplemental Information

Complete this part to provide the following information

- 1

Required descriptions. Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, 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
Supplemental Information		PART I, LINE 6A The Community was surveyed by CHC and the data gathered was used in planning community services A Market assessment was used to determine the resources available to use for these services Hospital participated in the assessment and it is on our website The assessment has been presented to our Board of Directors who are all independent members of the community PART I, LINE 7, COLUMN (F) THIS LINE INVOLVES MEDICAID AND MEDICAID MANAGED CARE BOTH OF WHICH ARE REIMBURSED AT THE MEDICAID RATE IT ALSO INCLUDES COUNTY INDIGENT CARE THAT IS REIMBURSED AT 50% FOR PEOPLE THAT QUALIFY BASED ON GUIDELINES ESTABLISHED IN THE HOSPITAL INDIGENT AND CHARITY POLICY THE ORGANIZATION INCLUDES THE ESTIMATED PART OF THE ESTIMATED BAD DEBT THAT WOULD QUALIFY FOR INDIGENT/CHARITY IF THE CORRECT PAPER WORK WAS FILLED OUT THE ORGANIZATION RECOGNIZED THAT A PORTION OF THE UNINSURED OR UNDERINSURED PATIENT POPULATION MAY NOT ENGAGE IN THE TRADITIONAL FINANCIAL ASSISTANCE APPLICATION PROCESS THEREFORE, THE ORGANIZATION ALSO USED AN AUTOMATED PREDICTIVE SCORING TOOL TO IDENTIFY AND QUALIFY PATIENTS FOR FINANCIAL ASSISTANCE FOR ACCOUNTS THAT WERE INITIALLY CLASSIFIED AS BAD DEBT COLLECTION ACTIONS WERE NOT PURSUED ON THESE ACCOUNTS ONCE THEY ARE RECLASSIFIED BECAUSE RECLASSIFIED ACCOUNTS WERE GRANTED 100 PERCENT FINANCIAL ASSISTANCE (FREE CARE) AFTER THE RECLASSIFICATION THERE WAS NO REMAINING AMOUNT OF BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER OUR FINANCIAL ASSISTANCE POLICY Part II, Line 1 The hospital provided "Lunch and Learn" , radio health education, activities at several area businesses, schools, and senior centers with educational content The Hospital goes to various businesses to conduct education for employees and hold various educational classes during the year The hospital worked with the school system to develop informational sessions for students The hospital worked with Esparanza House (domestic violence), United Way and other organizations in community activities The hospital provided physical examinations for student athletes The hospital worked in various community activities, health walk, and others Part III, Line 2 The methodology used by organization to estimate bad debt is to write off 30% of self-pay account of first bill that were added back to the Audited Financial Statement bad debt Part III, Line 3 The methodology used was the state estimated of people eligible for Medicaid in Eddy County to estimate this amount, which was approximately 50% PART III, LINE 4 Patient accounts receivable is reported at net realizable amounts In evaluating the collectibility of accounts receivable, the hospital analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts For receivables associated with services provided to patients who have third-party coverage, the hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely) For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the hospital records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible The difference between the standard rates or the discounted rates as provided by the hospitals internal policy and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts The hospitals allowance for doubtful accounts for self-pay patients decreased from 73% of self-pay accounts receivable at June 30, 2012 to 69% of self-pay accounts receivable at June 30, 2013 The increase in the allowance for doubtful accounts is the result of trends experienced in the collection of amounts from self-pay patients during fiscal year 2013 Part III, Line 8 The entire shortfall should be treated as community benefit due to the provision of services to patients below the cost of the institution This amount is not covered by any other reimbursement and as a result must be absorbed Part III, Line 9B All patients are encouraged to apply for indigent or charity care Patients without the ability to pay are taken care of through hospital policies to reduce their balances to levels appropriate to the patient's ability to pay There is a sliding fee scale that provides discounted amounts due from patients up to 400% of FPL Letters are sent to patients in attempts to capture information on their ability to pay These patients are also informed of their rights and responsibilities for their health care All patients are treated the same in the collection process As a last resort, patients who have not demonstrated attempts to pay or have ignored notices sent to them are sent to collection for further activity Part V, Line 3 CHNA COMPONENTS INCLUDE FINDINGS FROM NINE COMPREHENSIVE INTERVIEWS CONDUCTED WITH PEOPLE WHO REPRESENT A BROAD INTEREST IN THE COMMUNITIES INCLUDING PERSONS WITH SPECIAL KNOWLEDGE OF OR EXPERTISE IN PUBLIC HEALTH, FEDERAL, TRIBAL, REGIONAL, STATE OR LOCAL HEALTH OR OTHER DEPARTMENTS OR AGENCIES, WITH CURRENT DATA OR OTHER INFORMATION RELEVANT TO THE HEALTH NEEDS OF THE COMMUNITY SERVED BY THE HOSPITAL FACILITY, AND LEADERS, REPRESENTATIVES, OR MEMBERS OF MEDICALLY UNDERSERVED, LOW INCOME, AND MINORITY POPULATIONS, AND POPULATIONS WITH CHRONIC DESEASE NEEDS, IN THE COMMUNITY SERVED BY THE HOSPITAL FACILITY Part V, Line 20D THE HOSPITAL SHALL LIMIT ITS CHARGES TO UNINSURED PATIENTS BY EXTENDING A SELF PAY DISCOUNT PERCENTAGE EQUAL TO THE HSOPITAL'S BLENDED AVERAGE OF COMMERCIAL MANAGED CARE CONTRACT DISCOUNTED RATES FOR INPATIENT AND OUTPATIENT SERVIDES FROM THE PRIOR FISCAL YEAR THE HOSPITAL SHALL REVIEW AND UPDATE THIS BLENDED AVERAGE DISCOUNT ANNUALLY Part VI, Question 2 Needs Assessment Community Hospital Corporation conducted a Market Needs Assessment for Artesia General Hospital Part VI, Question 3 Patient Education of Eligibility for Assistance Education is available on our website, through direct mailings, patient registration and other staff in the hospital At least one employee is assigned the duty of checking with all patients possible during their stay in the hospital Case managers will also be involved Part VI, Question 4 Community Information Artesia general hospital is a not-for-profit, community hospital located at 702 N 13th Street in Artesia, New Mexico The hospital has serviced Artesia and surrounding communities since 1939 After a succession of organizations managing the hospital, local citizens voted in the 1970's to establish a special hospital district, and in 1978 the Artesia special district assumed responsibility of the hospital from the city A new hospital, licensed for 34 beds, was completed in October of 1981, and that facility served the community well for more than 20 years However, as the number of services offered had increased, additional space was needed for the hospital In 2006, a 67,000 square foot new facility was completed as an addition to the existing hospital In 2007 the original facility was remodeled to house the addition of a 15 bed senior care unit and expanded support services, a medical clinic and administrative offices Community Hospital Corporation has leased the hospital from the ASHD since 1999 The entire population of EDDY County is classified as medically underserved and has a shortage of personal health services Part VI, Question 5 Promotion of Community Health Being a team member of AGH and our community allows us to participate in many activities 1 AGH raises money and participates in the annual relay for life walk that raises money for the American Cancer society and raises community awareness 2 Each summer AGH provides space, food and volunteers and nursing staff for a free back-to-school physical event for Artesia and Lake Arthur 3 Each October AGH offers discounted mammogram screenings as part of breast cancer awareness month 4 AGH prepares and donates a portion of the cost of the meals for the area meals on wheels program 5 AGH staff, particularly the Gero-psych program, organizes and presents free educational seminars for

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

Name of the organization Artesia General Hospital	Employer identification number 74-2851819
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Part I	Questions Regarding Compensation		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel ☐ Travel for companions ☐ Tax idemnification and gross-up payments ☐ Discretionary spending account	☐ Housing allowance or residence for personal use ☐ Payments for business use of personal residence ☐ Health or social club dues or initiation fees ☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III			
	☐ Compensation committee ☐ Independent compensation consultant ☐ Form 990 of other organizations	☐ Written employment contract ☐ Compensation survey or study ☐ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	4a	Yes	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	5a		No
b	Any related organization?	5b		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	6a		No
b	Any related organization?	6b		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III	8		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9		

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
Supplemental Compensation Information	SCHEDULE J, PART I, LINE 3	The organizations executives are employed by the parent organization, VHA Southwest Community Health Corporation (CHC), and therefore follow the compensation policy of CHC. CHC engaged Sullivan Cotter to conduct a competitive market analysis of the compensation of CHC's top management officials, officers, directors and key employees. Sullivan Cotter gathered data related to job descriptions, scope of responsibility, and current incumbents' compensation. Sullivan Cotter recommended appropriate comparison data and utilized survey data from four major executive compensation survey providers to provide market data and executive compensation recommendations that meet CHC's compensation philosophy. Sullivan Cotter's recommendations were presented to the CHC compensation committee of the board for review and approval. CHC also conducts periodic reviews of compensation to determine whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining. Schedule J, Part I, Line 4a James Barbuat, former CFO, received 6 months of severance beginning August, 2012 in the amount of \$50,000. Schedule J, Part I, Line 4B Non-qualified retirement plan participation was paid to Wilson Weber \$94,536 David Butler \$9,800 Kenneth Randall \$43,940. Schedule J, Part I, Line 7 AS REPORTED IN SCHEDULE J, PART II AND FORM 990, PART VII, BONUSES WERE PAID TO THE INDIVIDUALS LISTED BELOW AS PART OF A DISCRETIONARY INCENTIVE COMPENSATION PROGRAM. A PORTION OF THE DISCRETIONARY INCENTIVE COMPENSATION PROGRAM WAS IN PART BASED ON THE CONSOLIDATED EARNINGS BEFORE INTEREST, DEPRECIATION AND AMORTIZATION (EBIDA) OF ARTESIA GENERAL HOSPITAL.

Software ID:
Software Version:
EIN: 74-2851819
Name: Artesia General Hospital

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				
Shariar Anoushfar	(i)	934,237	0	0	0	18,247	952,484	0
	(ii)	0	0	0	0	0	0	0
Wilson Weber	(i)	0	0	0	0	0	0	0
	(ii)	426,555	222,124	35,148	114,586	25,040	823,453	0
David Butler	(i)	0	0	0	0	0	0	0
	(ii)	268,271	110,530	15,693	27,645	23,140	445,279	0
Jorge Abalos MD	(i)	240,446	0	0	0	0	240,446	0
	(ii)	0	0	0	0	0	0	0
Juan C Soto Lopez	(i)	336,860	0	0	0	16,916	353,776	0
	(ii)	0	0	0	0	0	0	0
Thomas S Reich	(i)	556,763	0	0	0	10,000	566,763	0
	(ii)	0	0	0	0	0	0	0
Petar Ilievski	(i)	398,068	0	0	0	7,635	405,703	0
	(ii)	0	0	0	0	0	0	0
Marshall G Baca	(i)	585,577	0	0	0	10,000	595,577	0
	(ii)	0	0	0	0	0	0	0
James Barbuat	(i)	0	0	0	0	0	0	0
	(ii)	99,754	5,000	51,540	7,295	10,385	173,974	0
Kenneth Randall	(i)	0	0	0	0	0	0	0
	(ii)	243,768	47,750	6,748	84,690	19,749	402,705	0

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

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Open to Public Inspection

Name of the organization Artesia General Hospital	Employer identification number 74-2851819
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Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

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

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

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

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

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

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) James Lash	See Part V	733,337	See Part V		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
Schedule L, Part IV		James Lash, Artesia General Hospital Board Member, is also paid as an independent contractor

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 Artesia General Hospital	Employer identification number 74-2851819
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Identifier	Return Reference	Explanation
DESCRIPTION OF MANAGEMENT ARRANGEMENT	FORM 990, PART VI, QUESTION 3	

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Artesia General Hospital

Employer identification number
74-2851819

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
See Additional Data Table							

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) 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) Community Health Assurance SPC Ltd CAYMAN ISLANDS Grand Cayman POB 69GT CJ	Captive Insurance	CJ	chc	C Corp					No
(2) Community Hospital Consulting Inc 7800 N Dallas Parkway Suite 200 Plano, TX 75024 20-4710183	MGMT CONSULTING	TX	chc	C Corp					No

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Dividends from related organization(s)

g

Sale of assets to related organization(s)

h

Purchase of assets from related organization(s)

i

Exchange of assets with related organization(s)

j

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

k

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

l

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

m

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

n

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

o

Sharing of paid employees with related organization(s)

p

Reimbursement paid to related organization(s) for expenses

q

Reimbursement paid by related organization(s) for expenses

r

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

s

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

No

No

No

No

No

No

No

No

No

No

No

No

Yes

Yes

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) VHA Southwest Community Health Corporation	p	4,595,241	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: 74-2851819
Name: Artesia General Hospital

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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VHA Southwest Community Health Corporation and Subsidiaries

Auditor's Report and Consolidated Financial Statements

June 30, 2013 and 2012



VHA Southwest Community Health Corporation and Subsidiaries

June 30, 2013 and 2012

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of VHA Southwest Community Health Corporation and Subsidiaries (CHC), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of VHA Southwest Community Health Corporation and Subsidiaries as of June 30, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Emphasis of Matter

As discussed in *Note 1* to the consolidated financial statements, CHC changed its method of presentation and disclosure of patient service revenue, provision for uncollectible accounts and the allowance for doubtful accounts to be in accordance with Accounting Standards Update 2011-07. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

BKD, LLP

December 9, 2013

VHA Southwest Community Health Corporation and Subsidiaries

Consolidated Balance Sheets

June 30, 2013 and 2012

(In Thousands)

Assets

	2013	2012
Current Assets		
Cash and cash equivalents	\$ 39,058	\$ 50,633
Short-term investments	5,446	1,261
Assets limited as to use, current	2,241	2,220
Patient accounts receivable, net of allowance, 2013 – \$25,602, 2012 – \$22,546	42,516	38,703
Estimated amounts due from third-party payers	9,653	678
Supplies	7,857	7,679
Assets held for sale	-	705
Prepaid expenses and other	9,590	9,951
Excess insurance coverage receivable, current	641	643
Total current assets	117,002	112,473
Assets Limited As To Use		
Held by trustee, self-insurance	15,478	14,239
Held by trustee, under bond indenture agreements	21,625	20,221
Externally restricted by donors	172	172
	37,275	34,632
Less amount required to meet current obligations	2,241	2,220
	35,034	32,412
Investments	2,802	3,912
Property and Equipment, At Cost		
Land and land improvements	9,730	9,542
Buildings and leasehold improvements	250,418	244,410
Equipment	161,968	146,352
Construction in progress	3,637	5,830
	425,753	406,134
Less accumulated depreciation	244,414	226,853
	181,339	179,281
Other Assets		
Goodwill and other intangible assets	2,242	2,292
Deferred financing costs	4,685	4,689
Other assets	1,990	2,019
Excess insurance coverage receivable	3,314	3,270
	12,231	12,270
Total assets	\$ 348,408	\$ 340,348

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

	2013	2012
Current Liabilities		
Current maturities of long-term debt	\$ 8.857	\$ 8.646
Accounts payable	17.516	16.970
Accrued expenses	26.564	25.122
Amounts due under Upper Payment Limit programs	2.020	2.329
Professional and general liability claims, current	2.241	2.288
Total current liabilities	57.198	55.355
Professional and General Liability Claims	12.097	12.041
Long-term Debt	157.252	163.664
Other Long-term Liabilities	1.204	1.339
Total liabilities	227.751	232.399
Net Assets		
CHC	119.017	106.884
Noncontrolling interest	1.372	801
Total unrestricted net assets	120.389	107.685
Temporarily restricted	268	264
Total net assets	120.657	107.949
Total liabilities and net assets	\$ 348.408	\$ 340.348

**VHA Southwest Community Health Corporation
and Subsidiaries**
Consolidated Statements of Operations and Changes in Net Assets
Years Ended June 30, 2013 and 2012
(In Thousands)

	2013	2012
Unrestricted Revenues, Gains and Other Support		
Patient service revenue (net of contractual allowances and discounts)	\$ 369,404	\$ 351,160
Provision for uncollectible accounts	40,001	32,738
Net patient service revenue less provisions for uncollectible accounts	329,403	318,422
Ad valorem tax revenue	6,443	5,908
Other	17,657	13,879
Total unrestricted revenues, gains and other support	353,503	338,209
Expenses and Losses		
Salaries and wages	145,201	137,824
Employee benefits	27,453	28,588
Purchased services and professional fees	57,647	52,701
Supplies, rent and other costs	86,751	86,025
Depreciation and amortization	19,174	17,934
Interest	9,010	9,145
(Gain) loss on disposal of assets	(1,795)	103
Total expenses and losses	343,441	332,320
Operating Income	10,062	5,889
Other Income		
Contributions received	2,519	180
Investment return	487	895
Other	1,068	1,877
Total other income	4,074	2,952
Excess of Revenues Over Expenses	\$ 14,136	\$ 8,841

**VHA Southwest Community Health Corporation
and Subsidiaries**
Consolidated Statements of Operations and Changes in Net Assets (Continued)
Years Ended June 30, 2013 and 2012
(In Thousands)

	2013	2012
Unrestricted Net Assets		
Excess of revenues over expenses	\$ 14,136	\$ 8,841
Contributions and grants for acquisition of property and equipment	703	776
Investment return, change in unrealized gains and losses on other than trading securities	(61)	16
Net assets released from restriction	-	10
Distributions to members	(1,472)	(3,419)
Distributions to noncontrolling interest	(205)	-
Change in ownership interest in joint venture	(397)	(3)
	<u>12,704</u>	<u>6,221</u>
Increase in unrestricted net assets		
Temporarily Restricted Net Assets		
Contributions received	4	49
Net assets released from restriction	-	(26)
	<u>4</u>	<u>23</u>
Increase in temporarily restricted net assets		
Change in Net Assets	<u>12,708</u>	<u>6,244</u>
Net Assets, Beginning of Year	<u>107,949</u>	<u>101,705</u>
Net Assets, End of Year	<u><u>\$ 120,657</u></u>	<u><u>\$ 107,949</u></u>

VHA Southwest Community Health Corporation and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended June 30, 2013 and 2012

(In Thousands)

	2013	2012
Operating Activities		
Change in net assets	\$ 12,708	\$ 6,244
Change in net assets attributable to noncontrolling interest	(570)	(74)
Change in net assets attributable to CHC	12,138	6,170
Items not requiring (providing) cash		
(Gain) loss on disposal of assets	(1,795)	103
Depreciation and amortization	19,245	17,934
Provision for uncollectible accounts	40,001	32,738
Loss on debt refinancing	1,380	-
Distributions to members and noncontrolling interest	1,677	3,419
Contributions and grants for acquisition of property and equipment	(703)	(776)
Proceeds from restricted contributions	(4)	(49)
Accrued professional and general liability claims	(32)	(1,363)
Net unrealized (gain) loss on investments	61	(16)
Changes in		
Patient accounts receivable, net	(43,816)	(34,773)
Estimated amounts due from and to third-party payers	(8,590)	2,969
Accounts payable and accrued expenses	334	4,652
Payable to UPL participants	(694)	(7,841)
Noncontrolling interest	570	74
Other assets and liabilities	25	(2,289)
Net cash provided by operating activities	19,797	20,952

VHA Southwest Community Health Corporation and Subsidiaries

Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2013 and 2012

(In Thousands)

	2013	2012
Investing Activities		
Purchase of investments	\$ (11,531)	\$ (7,632)
Sales and maturities of investments	5,752	5,480
Purchase of property and equipment	(18,948)	(14,497)
Proceeds from sale of property and equipment	2,508	32
Net change in amounts due to affiliate	182	(82)
	<u>(22,037)</u>	<u>(16,699)</u>
Net cash used in investing activities		
Financing Activities		
Distributions to members	(1,472)	(3,419)
Contributions and grants for acquisition of property and equipment	702	776
Proceeds from issuance of long-term debt	20,148	1,048
Payment of deferred financing costs	(370)	-
Distributions to noncontrolling interest	(205)	-
Proceeds from restricted contributions	4	49
Principal payments on long-term debt and capital lease obligations	(28,142)	(7,772)
	<u>(9,335)</u>	<u>(9,318)</u>
Net cash used in financing activities		
Decrease in Cash and Cash Equivalents	(11,575)	(5,065)
Cash and Cash Equivalents, Beginning of Year	<u>50,633</u>	<u>55,698</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 39,058</u></u>	<u><u>\$ 50,633</u></u>
Supplemental Cash Flows Information		
Interest paid, net of amounts capitalized	\$ 9,007	\$ 9,020
Capital lease obligations incurred for property and equipment	\$ 343	\$ 541
Property and equipment included in accounts payable	\$ 332	\$ 144

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

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

Nature of Operations

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

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

Principles of Consolidation

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

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

⁽¹⁾ The LLCs do not pay taxes due to their income being passed through to their tax-exempt owners.

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

BHSET

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

BHSET is the majority owner of Baptist/USP Surgery Centers, L.L.C. (USP). BHSET owns 50.10% of USP, with the remaining interest owned by an unrelated entity. At June 30, 2012, USP held an ownership interest of 50.67% in Baptist Surgical Affiliates, Ltd. (BSA), a freestanding ambulatory surgical center located in Beaumont, Texas. During fiscal year 2013, BSA sold additional partnership units to an unrelated third-party, therefore reducing USP's ownership interest in BSA to 27.84% at June 30, 2013. BSA primarily earns revenue through the provision of outpatient surgical services. By virtue of its majority ownership, the consolidated financial statements of USP include the financial statements of BSA. BSA is also managed by USP under an agreement that continues in effect until either party terminates the agreement.

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

Under MHHS's Class B member rights, MHHS has the right to appoint one individual to serve on the board of directors of SCH. Under the terms of the Class B Membership Agreement (the Agreement), BHSET will pay MHHS a return of its prior contributions up to \$20,976. Any amounts repaid to MHHS would be limited to funds in excess of that necessary for BHSET to maintain a minimum of 150% of maximum annual debt service coverage, a current ratio of 1.5 to 1 and 21 days cash on hand, measured as of the last day of the fiscal year and the last day of the six-month period thereafter, before any payments under the Agreement are payable. No amounts were paid in 2013 or 2012.

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

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

CCHT

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

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

SMMC

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

On January 1, 2011, CHC became the sole member of SMMC through a master agreement dated December 17, 2010. On the third anniversary of the membership transfer and every fifth year thereafter, SMMC has the option to unwind CHC's membership in SMMC at the exclusive discretion of the Board of Directors (the Board).

Use of Estimates

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

Change in Accounting Principle

Effective July 1, 2012, CHC changed its method of presentation and disclosure of patient service revenue, provision for uncollectible accounts and the allowance for doubtful accounts in accordance with Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The major changes associated with ASU 2011-07 are to reclassify the provision for uncollectible accounts related to patient service revenue to a deduction from patient service revenue and to provide enhanced disclosures about BHSET's policies related to uncollectible accounts. The change had no effect on prior year change in net assets.

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

The change in the consolidated statements of operations and changes in net assets resulting from the adoption of ASU 2011-07 is as follows

2013			
Consolidated Statement of Operations			
	As Computed Under Previous Guidance	As Computed Under ASU 2011-07	Effect of Change
Patient service revenue (net of contractual allowances and discounts)	\$ 369,404	\$ 369,404	\$ -
Provision for uncollectible accounts	-	(40,001)	(40,001)
Net patient service revenue less the provision for uncollectible accounts	<u>\$ 369,404</u>	<u>\$ 329,403</u>	<u>\$ (40,001)</u>
Total unrestricted revenues, gains and other support	\$ 393,504	\$ 353,503	\$ (40,001)
Provision for uncollectible accounts	40,001	-	(40,001)
Total expenses	383,442	343,441	(40,001)

2012			
Consolidated Statement of Operations			
	As Previously Reported	As Adjusted	Effect of Change
Patient service revenue (net of contractual allowances and discounts)	\$ 351,160	\$ 351,160	\$ -
Provision for uncollectible accounts	-	(32,738)	(32,738)
Net patient service revenue less the provision for uncollectible accounts	<u>\$ 351,160</u>	<u>\$ 318,422</u>	<u>\$ (32,738)</u>
Total unrestricted revenues, gains and other support	\$ 370,947	\$ 338,209	\$ (32,738)
Provision for uncollectible accounts	32,738	-	(32,738)
Total expenses	365,058	332,320	(32,738)

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Noncontrolling Interest

Noncontrolling interest represents the 49.9% of interest in USP that BHSET does not own, as well as the portion of BSA not owned by USP. Losses attributable to the noncontrolling interest will be allocated to the noncontrolling interest even if the carrying amount of the noncontrolling interest is reduced below zero.

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

	Total	Controlling Interest	Noncontrolling Interest
Balance, July 1, 2011	\$ 101,464	\$ 100,736	\$ 728
Excess of revenues over expenses	8,841	8,767	74
Contributions and grants for acquisition of property and equipment	776	776	-
Investment return, change in unrealized gains and losses on other than trading securities	16	16	-
Net assets released from restriction	10	10	-
Distributions to members	(3,419)	(3,419)	-
Other	(3)	(2)	(1)
	<u>6,221</u>	<u>6,148</u>	<u>73</u>
Increase in unrestricted net assets	<u>6,221</u>	<u>6,148</u>	<u>73</u>
Balance, June 30, 2012	<u>107,685</u>	<u>106,884</u>	<u>801</u>
Excess of revenues over expenses	14,136	13,360	776
Contributions and grants for acquisition of property and equipment	703	703	-
Investment return, change in unrealized gains and losses on other than trading securities	(61)	(61)	-
Net assets released from restriction	-	-	-
Distributions to members	(1,472)	(1,472)	-
Distributions to noncontrolling interest	(205)	-	(205)
Other	(397)	(397)	-
	<u>12,704</u>	<u>12,133</u>	<u>571</u>
Increase in unrestricted net assets	<u>12,704</u>	<u>12,133</u>	<u>571</u>
Balance, June 30, 2013	<u><u>\$ 120,389</u></u>	<u><u>\$ 119,017</u></u>	<u><u>\$ 1,372</u></u>

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

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Cash Equivalents

CHC considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At June 30, 2013 and 2012, cash equivalents consisted primarily of money market accounts with brokers.

At June 30, 2013, CHC's cash accounts exceeded federally insured limits by approximately \$39,445.

Investments and Investment Return

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

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

Assets Limited As To Use

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

Transfers Between Fair Value Hierarchy Levels

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

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Patient Accounts Receivable

Patient accounts receivable is reported at net realizable amounts. In evaluating the collectibility of accounts receivable, CHC analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, CHC analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), CHC records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates or the discounted rates as provided by CHC's internal policy and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

CHC's allowance for doubtful accounts for self-pay patients increased from 77% of self-pay accounts receivable at June 30, 2012 to 81% of self-pay accounts receivable at June 30, 2013. The increase in the allowance for doubtful accounts is the result of trends experienced in the collection of amounts from self-pay patients during fiscal year 2013.

Ad Valorem Taxes

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

Supplies

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

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Property and Equipment

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

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

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

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

Long-lived Asset Impairment

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

No asset impairment was recognized during the years ended June 30, 2013 and 2012.

Assets Held for Sale

Assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. At June 30, 2012, CHC had classified as assets held for sale certain real estate that was sold to a third-party during fiscal year 2013. A gain on the disposal of the property of approximately \$779 was recognized and is included as a component of (gain) loss on disposal of property and equipment in the accompanying consolidated statements of operations and changes in net assets.

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Goodwill

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

No goodwill impairment was recognized during the years ended June 30, 2013 and 2012.

Physician Guarantees

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

Amounts advanced to physicians, net of accumulated amortization and allowances for uncollectibility, were approximately \$1,869 and \$3,040 at June 30, 2013 and 2012, respectively, and are included in other current and long-term assets in the accompanying balance sheets.

Deferred Financing Costs

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

Temporarily Restricted Net Assets

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

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Net Patient Service Revenue

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

Charity Care

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

Contributions

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

Professional Liability Claims

CHC recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 5*.

Workers' Compensation

CHC is principally self-insured for workers' compensation claims. Claims are expensed as they are incurred, including an estimate for claims incurred but not reported. Amounts needed to pay claims are funded through operations.

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Employee Health Insurance

CHC maintains a self-insured health care plan covering substantially all full-time employees. Contributions are made to the administrator of the plan as health care claims are paid, while expenses are recorded as incurred. An estimated liability for incurred but not reported and unpaid claims has been recorded in accrued expenses for these employees' health benefits.

Income Taxes

CHC and substantially all affiliates have been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the entities are subject to federal income tax on any unrelated business taxable income. There was no material unrelated business income tax due in 2013 and 2012.

CHC and its affiliates file tax returns in the U.S. federal jurisdiction. With a few exceptions, those entities are no longer subject to U.S. federal examinations for years prior to 2010.

Excess of Revenues Over Expenses

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

Electronic Health Records Incentive Program

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

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

CHC recognizes revenue under the grant accounting model using the cliff recognition approach. Under this approach, revenue is recognized once meaningful use status has been met for the full reporting period.

In 2013 and 2012, CHC recorded revenue of \$5,481 and \$2,907, respectively, which is included in other revenue in the accompanying consolidated statements of operations and changes in net assets.

Reclassifications

Certain reclassifications have been made to the 2012 consolidated financial statements to conform to the 2013 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Net Patient Service Revenue

CHC has agreements with third-party payers, including government programs and managed care plans that provide for payments to CHC at amounts different from its established rates. Payment arrangements for government programs include the following:

- **Medicare** – Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. CHC is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by CHC and audits thereof by the Medicare administrative contractor.
- **Medicaid** – Inpatient services are paid based on a prospective payment system. Outpatient services are reimbursed under a mixture of a fee schedule and cost reimbursement methodology. CHC is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by CHC and audits thereof by the Medicaid administrative contractor.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. Settlements under reimbursement agreements with Medicare and Medicaid programs are estimated and recorded in the period the related services are rendered and are adjusted in future periods as adjustments become known or as the service years are no longer subject to audit, review or investigation. Annual cost reports required under the Medicare and Medicaid programs are subject to routine audits, which may result in adjustments to the amounts ultimately determined to be due to CHC under the reimbursement programs. These audits often require several years to reach their final determination of amounts earned under the programs. As a result, it is reasonably possible that recorded estimates will change materially in the near term. Net patient service revenue decreased in 2013 and 2012 by approximately \$47 and \$1,269, respectively, due to changes in previous estimates.

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

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

For uninsured patients that do not qualify for charity care, CHC recognizes revenue on the basis of its discounted standard rates for services provided. On the basis of historical experience, a significant portion of CHC's uninsured patients will be unable or unwilling to pay for the services provided. Thus, CHC records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the accompanying consolidated statements of operations and changes in net assets as a component of net patient service revenue.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended June 30, 2013 and 2012, respectively, was approximately

	<u>2013</u>	<u>2012</u>
Medicare	44%	45%
Medicaid	10%	11%
Other third-party payers	41%	39%
Patients	<u>5%</u>	<u>5%</u>
	<u>100%</u>	<u>100%</u>

During the federal fiscal year 2012, the state of Texas began implementing a Section 1115(a) Medicaid Waiver program, which will substantially replace the existing UPL program. Under this waiver, hospitals will be paid supplemental funds for uncompensated care costs and delivery system improvement projects (DSRIP). Payments will be based on approved uncompensated costs and DSRIP projects, and payments will be generated by Inter-Governmental Transfer (IGT) payments that will be funded by CHC and affiliated entities which will be made on their behalf by the affiliated entities. During 2013, substantially all supplemental payments relate to uncompensated care, and transitional payments were established at an amount substantially equal to prior UPL payments. CHC received approximately \$4,723 and \$3,668 of these funds during the years ended June 30, 2013 and 2012, respectively. CHC has recorded a receivable for an additional \$2,494 related to the fiscal year 2013, which is recorded as a component of amounts due from third-party payers in the accompanying consolidated balance sheets. Payments received by CHC that will be remitted to other program participants, including certain IGT providers, are shown as amounts due under UPL programs in the accompanying consolidated balance sheets.

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

CHC also participates in the Texas Medicaid Disproportionate Share (Dispro) hospital program. Payments related to this program are based on the volume of Medicaid and indigent patients. CHC recognized as a component of net patient service revenue approximately \$7.799 and \$6.124 during 2013 and 2012, respectively, related to participation in the Dispro program.

The Texas Health and Human Services Commission is expanding state Medicaid managed care programs and is covering a number of beneficiaries previously covered under traditional Medicaid arrangements into these managed care plans. CHC generally expects payments under the managed care plans to be equivalent to payments under the traditional plan. However, this outcome is contingent on CHC continuing to be able to negotiate appropriate rates with these managed care plan carriers.

Note 3: Concentration of Credit Risk

CHC's hospital facilities grant credit without collateral to their patients, most of whom are residents living near the hospital facilities and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers at June 30, 2013 and 2012, is as follows:

	2013	2012
Medicare	37%	33%
Medicaid	5%	8%
Other third-party payers	6%	8%
Managed care (HMO/PPO)	36%	33%
Patients	16%	18%
	<u>100%</u>	<u>100%</u>

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Note 4: Investments and Investment Return

Assets Limited As To Use

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

	2013	2012
Held by trustee, self-insurance		
Cash	\$ 3,319	\$ 1,387
Equity securities	1,425	-
Bond fund	5,012	8,495
U S Treasury obligations	1,235	-
Insurance annuities	4,487	4,357
	<u>\$ 15,478</u>	<u>\$ 14,239</u>
Held by trustee, under bond indenture agreements		
Cash	\$ 2,489	\$ 91
U S Treasury obligations	1,031	1,210
Money market funds	18,105	16,877
Guaranteed investment contract	-	2,043
	<u>\$ 21,625</u>	<u>\$ 20,221</u>
Externally restricted by donors		
Cash	\$ 166	\$ 166
Corporate stocks	6	6
	<u>\$ 172</u>	<u>\$ 172</u>

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Other Investments

Other investments at June 30 include (in thousand)

	2013	2012
Certificates of deposit	\$ 2,251	\$ 3,490
Cash	1,589	1,340
Equity securities	1,715	-
Corporate bonds	468	-
U S Government securities	1,235	-
Mutual funds	638	-
Insurance annuities	352	343
	<u>8,248</u>	<u>5,173</u>
Less short-term investments	<u>5,446</u>	<u>1,261</u>
Long-term investments	<u><u>\$ 2,802</u></u>	<u><u>\$ 3,912</u></u>

Total investment return is comprised of the following

	2013	2012
Interest and dividend income	\$ 487	\$ 895
Unrealized gains (losses) on investments, net	<u>(61)</u>	<u>16</u>
	<u><u>\$ 426</u></u>	<u><u>\$ 911</u></u>

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

	2013	2012
Unrestricted net assets		
Other nonoperating income	\$ 487	\$ 895
Investment return, change in unrealized gains and losses on other than trading securities	<u>(61)</u>	<u>16</u>
	<u><u>\$ 426</u></u>	<u><u>\$ 911</u></u>

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Bond Fund

The fair value of the bond fund has been estimated using the net asset value per share of the investments and at June 30, 2013 and 2012, totaled approximately \$5.012 and \$8.495, respectively. The bond fund is an open-ended mutual fund with the objective to achieve, through individual portfolios, an above average rate of total return by investing primarily in fixed income securities. There are no additional commitments to the remaining fund. The fund may be redeemed weekly at a price based upon net asset value per share as of the close of business on the preceding Thursday.

Note 5: Risk Management

Employee Health Care Insurance and Workers' Compensation

CHC is self-insured for most employee health care insurance and workers' compensation claims. An estimated provision is recorded for these claims at June 30, 2013 and 2012, and includes an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

The liability for employee health as of June 30, 2013 and 2012, was estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. The liability for workers' compensation claims as of June 30, 2013 and 2012, was estimated by professional insurance consultants based on past experience as well as the nature of each claim or incident and relevant trend factors. The estimated losses are discounted at a rate of 3.0% for both 2013 and 2012.

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

	2013	2012
Employee health care insurance	\$ 1,626	\$ 1,744
Workers' compensation insurance	835	711
	<u>\$ 2,461</u>	<u>\$ 2,455</u>

It is reasonably possible that these estimates could change by a material amount in the near term.

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Professional and General Liability Claims

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

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

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

CHC has retained professional insurance actuarial consultants to assist CHC with determining the amounts to be deposited with CHA as reserves and the estimated CHA liability. Claims have been discounted using rates of 2.5% and 3.0% for 2013 and 2012, respectively. There are many factors that are used in determining the estimates, including the amount and timing of historical payments, severity of individual cases, anticipated volume of services provided and discount rates for future cash flows. Ultimate actual payments for professional liability and malpractice risks may not become known for several years after incurrence. Any factors changing the underlying data used in determining these estimates could result in adjustments to the liability.

Amounts recorded for professional and general liability claims at June 30, 2013 and 2012, were \$14,338 and \$14,329, respectively. The estimated current and long-term portions of this liability have been included in professional and general liability claims in the accompanying consolidated balance sheets. In addition, CHC has recorded approximately \$3,955 and \$3,913, respectively of excess insurance coverage receivables in the accompanying consolidated balance sheets as of June 30, 2013 and 2012.

It is reasonably possible that these estimates could change by a material amount in the near term.

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Note 6: Long-term Debt

Long-term debt at June 30 consists of the following

	2013	2012
Amended Deed of Trust Note (A)	\$ 81.658	\$ 85.246
HUD 241 Loan (B)	47.280	48.332
Mortgage Note Payable (C)	19.393	-
Revenue Bonds (D)	-	21.750
Capital lease obligation – related party (E)	8.659	9.168
Capital lease obligations (F)	3.977	4.012
VHA note payable (G)	890	1.607
Note payable – related party (see Note 11)	1.315	1.315
Notes payable (H)	2.706	2.081
Other notes payable	231	250
	<u>166.109</u>	<u>173.761</u>
Less net bond discount	-	1.451
	<u>166.109</u>	<u>172.310</u>
Less current maturities	<u>8.857</u>	<u>8.646</u>
	<u><u>\$ 157.252</u></u>	<u><u>\$ 163.664</u></u>

(A) On October 5, 2010, BHSET entered into the Amended Deed of Trust Note. The Amended Deed of Trust Note is a \$91,000 obligation that will be repaid in monthly installments of \$602 through January 2029 at an interest rate of 4.35%. The proceeds of this debt issue and existing debt service reserve funds were used to repay the then outstanding FHA-insured Mortgage Revenue Bonds (Series 2001 Bonds). The FHA insurance policy for the Series 2001 Bonds remains in effect. The Amended Deed of Trust Note is secured by substantially all of BHSET's assets and revenues.

(B) On October 18, 2007, BHSET entered a \$51,320 FHA-insured Mortgage Note Payable (HUD 241 Loan) to fund various expansion projects and repairs required due to Hurricane Rita. The HUD 241 Loan bears interest at 6.45% and is due in monthly installments through March 2034. The HUD 241 Loan is secured by a second mortgage on substantially all BHSET property and equipment, a security interest in substantially all BHSET revenues, current assets and investments and a mortgage reserve fund established under the terms of the loan agreement.

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

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

- (C) Due September 1, 2030, payable in monthly installments of \$120,406 monthly, including interest at an annual rate of 3.03% to Lancaster Pollard Mortgage Company

The Note is secured by the revenues of SMMC and a partial guarantee by the Federal Housing Administration (FHA) under Section 242 of the National Housing Act and funds held in trust. The FHA guarantee was transferred to Lancaster Pollard Mortgage Company upon defeasance of the Revenue Bonds.

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

The Bonds were secured by the revenues of SMMC, a partial guarantee by the Federal Housing Administration (FHA) under Section 242 of the National Housing Act and funds held in trust. The bond proceeds were distributed by Wells Fargo Bank, N.A., in its capacity as mortgagee under the FHA loan documents pursuant to a note insured by the FHA. Payments by SMMC under the note will be used to pay the debt service on the 2004 bonds and certain other items.

Upon finalization of the Mortgage note payable (the Note) SMMC defeased the outstanding Revenue Bonds in the total principal amount of \$21,050. Proceeds from the Note were used to purchase securities that were deposited in trust under an escrow agreement sufficient to redeem the bonds and pay unpaid interest on October 1, 2013. This advance refunding transaction resulted in an extinguishment of debt since the Medical Center was legally released from its obligation on the Revenue Bonds at the time of the defeasance.

- (E) Capital lease obligation to a related party (see *Note 11*), bearing interest at 6.25% with monthly principal payments through 2024, collateralized by real estate.
- (F) Capital lease obligations, bearing interest at 6.5% – 10.5%, with monthly principal payments through 2016, collateralized by real estate and equipment.
- (G) Note payable to VHA, Inc., bearing interest at LIBOR plus 1.0% (1.20% at June 30, 2013), with principal and interest due through September 2014.
- (H) Various notes payable bearing interest at rates generally ranging from 3.25% – 8.0%, with principal payments due through 2018, secured by equipment.

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Property and equipment under capital leases at June 30, 2013 and 2012, were as follows

	2013	2012
Buildings and equipment	\$ 17,054	\$ 18,451
Less accumulated depreciation	<u>6,602</u>	<u>6,679</u>
	<u><u>\$ 10,452</u></u>	<u><u>\$ 11,772</u></u>

Aggregate annual maturities and sinking fund requirements of long-term debt and payments on capital lease obligations at June 30, 2013, are as follows

	Long-term Debt (Excluding Capital Lease Obligations)	Capital Lease Obligations
2014	\$ 7,298	\$ 2,386
2015	8,383	2,880
2016	6,618	2,407
2017	6,936	1,113
2018	6,935	1,068
Thereafter	<u>117,303</u>	<u>6,766</u>
	<u><u>\$ 153,473</u></u>	16,620
Less amount representing interest		<u>3,984</u>
Present value of future minimum lease payments		<u><u>\$ 12,636</u></u>

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Note 7: Charity Care

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

The costs of charity care provided under CHC and its hospital facilities' charity care policies were approximately \$6,002 and \$5,977, respectively. The cost of providing charity care is estimated by applying the ratio of cost to gross charges to gross uncompensated care.

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

Note 8: Functional Expenses

CHC provides health care services primarily to residents within its geographic area. Expenses related to providing these services at June 30 are as follows:

	2012	2012
Health care services	\$ 254,881	\$ 245,817
General and administrative	88,560	86,503
	<u>\$ 343,441</u>	<u>\$ 332,320</u>

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Note 9: Leases

Operating Leases

CHC leases various equipment and facilities under operating leases expiring at various dates through 2027. Total rental expense was approximately \$7.198 and \$7.042 in 2013 and 2012, respectively, for all operating leases. CHC also leases space to physicians and other entities in medical office buildings. Total rental income was approximately \$2.449 and \$2.223 in 2013 and 2012, respectively, for all leased spaces. Future minimum lease payments and lease receipts under operating leases at June 30, 2013, that have initial or remaining lease terms in excess of one-year are as follows:

	Future Obligations	Future Lease Receipts
2014	\$ 4.788	\$ 2.534
2015	3.784	1.887
2016	2.122	1.257
2017	2.044	800
2018	1.394	175
Thereafter	7.951	-
Future minimum lease payments	<u>\$ 22.083</u>	<u>\$ 6.653</u>

Hospital Facility Leases

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

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

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

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Note 10: Retirement Plan

CHC sponsors a defined contribution retirement plan covering substantially all full and part-time employees. The Board of Directors annually determines the amount, if any, of CHC's contributions to the plan. Retirement expense for the defined contribution plan was approximately \$2,567 and \$2,203 for 2013 and 2012, respectively.

Note 11: Related Party Transactions

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

CHC has reimbursed HCOT for expenses, direct costs and certain indirect and allocated costs paid or incurred by HCOT related to CHC. These expenses were approximately \$75 and \$80 for 2013 and 2012, respectively.

A former board member of CHC, whose board service ended in September 2012, is also the chief executive officer of TMFHS, a partial owner of CCHT. Distributions to TMFHS or its related entities from CCHT were approximately \$1,837 and \$3,415 in 2013 and 2012, respectively. CCHT also made payments for its facility lease to TMFHS for \$987 and \$987 for June 30, 2013 and 2012, respectively.

BHSET leases a medical office building from BHST-POB I Ltd (the Partnership), a limited liability company that owns and leases a medical office building. The lease between the Partnership and BHSET is accounted for as a capital lease by BHSET (see *Note 6*). Total lease payments made to the Partnership were approximately \$1,068 for both years ended June 30, 2013 and 2012. The balance due under the capital lease was approximately \$8,659 and \$9,168 at June 30, 2013 and 2012, respectively.

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

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

On February 23, 2009, SMMC executed a line of credit with the Foundation with a maximum amount of \$1,000. The note bears interest at 2.75% per annum and was payable on or before December 15, 2014, together with interest on the unpaid principal balance. The note payable balance at June 30, 2013 and 2012, was \$1,000 and is included in long-term debt on the accompanying consolidated balance sheets (see *Note 6*).

On December 15, 2009, SMMC executed a note payable to the Foundation for \$315. The note bears interest at 2.75% per annum and was payable on or before December 15, 2014, together with interest on the unpaid principal balance. The note payable balance at June 30, 2013 and 2012, was \$315 and is included in long-term debt on the accompanying consolidated balance sheets (see *Note 6*).

Note 12: Disclosures About Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2013 and 2012

		Fair Value Measurements Using				
		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Fair Value						
2013						
Money market funds	\$	18.105	\$	18.105	\$	-
U S Treasury obligations		2.266		-	2.266	-
Corporate stocks		6		6	-	-
Bond fund		5.012		-	5.012	-
2012						
Money market funds	\$	16.877	\$	16.877	\$	-
U S Treasury obligations		1.210		-	1.210	-
Corporate stocks		6		6	-	-

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

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

The value of certain investments, classified as bond funds, are determined using net asset value as a practical expedient. Investments for which CHC expects to have the ability to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 2. Investments for which CHC does not expect to be able to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 3. The bond funds may be redeemed weekly therefore the funds are classified as Level 2 for the years ended June 30, 2013 and 2012.

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Fair Value of Financial Instruments

The following table presents estimated fair values of CHC's financial instruments at June 30, 2013 and 2012. (in thousands)

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	\$ 39.058	\$ 39.058	\$ 50.633	\$ 50.633
Investments and assets limited as to use	45.523	45.523	39.805	39.805
Financial liabilities				
Long-term debt	153.473	154.180	160.581	162.032

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

Cash and Cash Equivalents and Certificates of Deposit

The carrying amount approximates fair value

Guaranteed Investment Contract

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

Notes Payable with Related Parties

It was not practical to estimate the fair value of notes payable with related parties. The terms of the amounts reflected in the accompanying consolidated balance sheets at June 30, 2013 and 2012, are more fully discussed in *Note 11*

Notes Payable and Long-term Debt

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

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Note 13: Significant Estimates and Concentrations

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

Allowance for Net Patient Service Revenue Adjustments

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

Malpractice and General Liability Claims

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

Litigation

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

Employee Health Insurance and Workers' Compensation Insurance

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

Investments

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

At June 30, 2013, one financial institution held approximately 40% of CHC's investments.

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Asset Retirement Obligation

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

Letter of Credit

On August 12, 2002, BHSET entered into an irrevocable letter of credit agreement (the Agreement) with a bank. The Texas Workers' Compensation Commission (the Commission) is the beneficiary under the Agreement. The Commission may draw funds from the Agreement in the event BHSET becomes an impaired employer. Amounts available under the Agreement were approximately \$1,200 at June 30, 2013 and 2012, respectively. There were no amounts outstanding under the Agreement at June 30, 2013 and 2012. The agreement expired on August 4, 2013, and was renewed for one-year.

Note 14: Asset Retirement Obligation

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

A summary of changes in AROs for the years ended June 30, 2013 and 2012, is included in the table below.

	2013	2012
Balance, beginning of year	\$ 1.013	\$ 1.053
Accretion expense	94	94
Obligations settled	(100)	(134)
Balance, end of year	<u>\$ 1.007</u>	<u>\$ 1.013</u>

VHA Southwest Community Health Corporation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Note 15: Patient Protection and Affordable Care Act

The *Patient Protection and Affordable Care Act* (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer-provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

The state of Texas has tentatively indicated that it will not participate in the expansion of the Medicaid program. The impact of that decision on the overall reimbursement to CHC cannot be quantified at this point.

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is possible it will have a negative impact on CHC's net patient service revenue. In addition, it is possible CHC will experience payment delays and other operational challenges during PPACA's implementation.

Note 16: Subsequent Events

Subsequent events have been evaluated through December 9, 2013, which is the date the financial statements were available to be issued.

Supplementary Information

VHA Southwest Community Health Corporation and Subsidiaries

Balance Sheet Information – Consolidating Schedule June 30, 2013

Assets

	AGH	BHSET	CCC	CHA	CHC	CCHST	CCHT
Current Assets							
Cash and cash equivalents	\$ 15,334	\$ 15,366	\$ 23	\$ 167	\$ 3,134	\$ -	\$ 1,871
Short-term investments	-	1,443	-	-	4,003	-	-
Assets limited as to use - current	-	2,241	-	-	-	-	-
Patient accounts receivable - net of allowance	4,897	28,183	-	-	-	2	5,066
Estimated amounts due from or to third-party payers	(474)	7,473	-	-	-	-	32
Supplies	889	5,634	-	-	-	-	245
Prepaid expenses and other	809	4,187	-	44	763	55	161
Excess insurance coverage receivable - current	-	641	-	-	-	-	-
Total current assets	21,455	65,168	23	211	7,900	57	7,375
Assets Limited As To Use							
Held by trustee - self-insurance	-	11,936	-	-	3,534	-	-
Held by trustee - under bond indenture agreements	-	19,135	-	-	-	-	-
Externally restricted by donors	-	172	-	-	-	-	-
	-	31,243	-	-	3,534	-	-
Less amount required to meet current obligations	-	2,241	-	-	-	-	-
	-	29,002	-	-	3,534	-	-
Investments	2,160	352	-	-	9,544	-	-
Property and Equipment, At Cost							
Land and land improvements	579	8,084	-	-	-	-	-
Buildings and leasehold improvements	3,883	223,991	-	-	123	-	143
Equipment	7,023	132,806	-	-	1,049	-	1,746
Construction in progress	2,591	-	-	-	-	-	-
	14,076	364,881	-	-	1,172	-	1,889
Less accumulated depreciation	4,190	226,059	-	-	1,022	-	1,579
	9,886	138,822	-	-	150	-	310
Due from Related Party	603	-	-	-	3,657	-	-
Other Assets							
Goodwill and other intangible assets	-	2,242	-	-	-	-	-
Deferred financing costs - net	-	4,316	-	-	-	-	-
Other assets	-	1,161	-	-	41	-	-
Excess insurance coverage receivable	-	3,314	-	-	-	-	-
	-	11,033	-	-	41	-	-
Total assets	\$ 34,104	\$ 244,377	\$ 23	\$ 211	\$ 24,826	\$ 57	\$ 7,685

**VHA Southwest Community Health Corporation
and Subsidiaries**
Balance Sheet Information – Consolidating Schedule (Continued)
June 30, 2013

Assets

	Consulting	WHS	SCH	SMMC	YCH	Eliminations	Total
Current Assets							
Cash and cash equivalents	\$ 223	\$ -	\$ -	\$ 480	\$ 2,460	\$ -	\$ 39,058
Short-term investments	-	-	-	-	-	-	5,446
Assets limited as to use - current	-	-	-	-	-	-	2,241
Patient accounts receivable - net of allowance	-	-	-	3,023	1,345	-	42,516
Estimated amounts due from or to third-party payers	-	-	-	517	2,105	-	9,653
Supplies	-	-	-	744	345	-	7,857
Prepaid expenses and other	2,525	-	-	715	331	-	9,590
Excess insurance coverage receivable - current	-	-	-	-	-	-	641
Total current assets	2,748	-	-	5,479	6,586	-	117,002
Assets Limited As To Use							
Held by trustee - self-insurance	-	-	-	8	-	-	15,478
Held by trustee - under bond indenture agreements	-	-	-	2,490	-	-	21,625
Externally restricted by donors	-	-	-	-	-	-	172
	-	-	-	2,498	-	-	37,275
Less amount required to meet current obligations	-	-	-	-	-	-	2,241
	-	-	-	2,498	-	-	35,034
Investments	290	-	8,855	-	-	(18,399)	2,802
Property and Equipment, At Cost							
Land and land improvements	-	-	-	1,066	1	-	9,730
Buildings and leasehold improvements	-	-	-	21,822	456	-	250,418
Equipment	180	-	-	10,637	8,527	-	161,968
Construction in progress	-	-	-	100	946	-	3,637
	180	-	-	33,625	9,930	-	425,753
Less accumulated depreciation	87	-	-	4,885	6,592	-	244,414
	93	-	-	28,740	3,338	-	181,339
Due From Related Party	1,820	-	-	-	-	(6,080)	-
Other Assets							
Goodwill and other intangible assets	-	-	-	-	-	-	2,242
Deferred financing costs - net	-	-	-	369	-	-	4,685
Other assets	-	-	-	782	6	-	1,990
Excess insurance coverage receivable	-	-	-	-	-	-	3,314
	-	-	-	1,151	6	-	12,231
Total assets	\$ 4,951	\$ -	\$ 8,855	\$ 37,868	\$ 9,930	\$ (24,479)	\$ 348,408

**VHA Southwest Community Health Corporation
and Subsidiaries**
Balance Sheet Information – Consolidating Schedule (Continued)
June 30, 2013

Liabilities and Net Assets

Current Liabilities

	AGH	BHSET	CCC	CHA	CHC	CCHST	CCHT
Current maturities of long-term debt	\$ -	\$ 5,693	\$ -	\$ -	\$ 945	\$ -	\$ -
Accounts payable	1,553	9,996	-	-	2,207	(1)	231
Accrued expenses	2,465	15,795	-	49	3,751	-	1,067
Amounts due under UPL programs	-	1,635	-	-	-	-	-
Professional and general liability claims - current	-	2,241	-	-	-	-	-
Total current liabilities	4,018	35,360	-	49	6,903	(1)	1,298

Professional and General Liability Claims

	-	11,576	-	-	521	-	-
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Long-term Debt

	-	133,199	-	-	782	-	-
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Due to Related Party

	-	541	3,441	-	-	44	147
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Other Long-term Liabilities

	-	1,007	-	-	-	-	-
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Total liabilities

	4,018	181,683	3,441	49	8,206	43	1,445
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Net Assets

CHC	30,076	61,153	(3,418)	162	16,620	14	6,240
Noncontrolling interest	-	1,372	-	-	-	-	-
Total unrestricted net assets	30,076	62,525	(3,418)	162	16,620	14	6,240
Temporarily restricted	10	169	-	-	-	-	-
Total net assets	30,086	62,694	(3,418)	162	16,620	14	6,240
Total liabilities and net assets	\$ 34,104	\$ 244,377	\$ 23	\$ 211	\$ 24,826	\$ 57	\$ 7,685

**VHA Southwest Community Health Corporation
and Subsidiaries**
Balance Sheet Information – Consolidating Schedule (Continued)
June 30, 2013

Liabilities and Net Assets

	Consulting	WHS	SCH	SMMC	YCH	Eliminations	Total
Current Liabilities							
Current maturities of long-term debt	\$ -	\$ -	\$ -	\$ 1 821	\$ 398	\$ -	\$ 8 857
Accounts payable	161	-	-	2 837	532	-	17 516
Accrued expenses	1 452	-	-	1 017	968	-	26 564
Amounts due under UPL programs	-	-	-	385	-	-	2 020
Professional and general liability claims- current	-	-	-	-	-	-	2 241
Total current liabilities	1 613	-	-	6 060	1 898	-	57 198
Professional and General Liability Claims	-	-	-	-	-	-	12 097
Long-term Debt	-	-	-	23 195	76	-	157 252
Due to Related Party	-	544	-	19	1 408	(6 080)	64
Other Long-term Liabilities	-	-	-	133	-	-	1 140
Total liabilities	1 613	544	-	29 407	3 382	(6 080)	227 751
Net Assets							
CHC	3 338	(544)	8 855	8 461	6 459	(18 399)	119 017
Noncontrolling interest	-	-	-	-	-	-	1 372
Total unrestricted net assets	3 338	(544)	8 855	8 461	6 459	(18 399)	120 389
Temporarily restricted	-	-	-	-	89	-	268
Total net assets	3 338	(544)	8 855	8 461	6 548	(18 399)	120 657
Total liabilities and net assets	\$ 4 951	\$ -	\$ 8 855	\$ 37 868	\$ 9 930	\$ (24 479)	\$ 348 408

VHA Southwest Community Health Corporation and Subsidiaries

Statement of Operations and Changes in Net Assets Information – Consolidating Schedule Year Ended June 30, 2013

	AGH	BHSET	CCC	CHA	CHC	CCHST	CCHT
Unrestricted Revenues, Gains and Other Support							
Patient service revenue (net of contractual allowances and discounts)	\$ 44,542	\$ 253,379	\$ -	\$ -	\$ -	\$ -	\$ 26,321
Provision for uncollectible accounts	7,000	27,916	-	-	-	-	185
Net patient service revenue less provision for uncollectible accounts	37,542	225,463	-	-	-	-	26,136
Ad valorem tax revenue	6,443	-	-	-	-	-	-
Other	520	9,349	-	300	6	-	5
Total unrestricted revenues, gains and other support	44,505	234,812	-	300	6	-	26,141
Expenses and Losses							
Salaries and wages	18,209	92,464	187	-	5,458	-	8,852
Employee benefits	3,268	18,582	53	-	1,120	-	1,891
Purchased services and professional fees	8,377	34,874	112	-	460	-	6,397
Supplies, rent and other costs	8,874	61,077	56	314	859	-	4,681
Corporate allocation	838	1,500	(171)	-	(3,647)	-	580
Depreciation and amortization	738	15,269	-	-	184	-	163
Interest	15	7,372	-	-	38	-	-
(Gain) Loss on disposal of assets	-	(1,795)	-	-	-	-	-
Total expenses and losses	40,319	229,343	237	314	4,472	-	22,564
Operating Income (Loss)	4,186	5,469	(237)	(14)	(4,466)	-	3,577
Other Income (Expense)							
Contributions received	-	166	-	-	-	-	-
Investment return	21	426	-	-	119	-	-
Other	-	-	-	-	3,516	-	-
Total other income (expense)	21	592	-	-	3,635	-	-

VHA Southwest Community Health Corporation and Subsidiaries

Statement of Operations and Changes in Net Assets Information – Consolidating Schedule (Continued) Year Ended June 30, 2013

	Consulting	WHS	SCH	SMMC	YCH	Eliminations	Total
Unrestricted Revenues, Gains and Other Support							
Patient service revenue (net of contractual allowances and discounts)	\$ -	\$ -	\$ -	\$ 27,690	\$ 17,472	\$ -	\$ 369,404
Provision for uncollectible accounts	-	-	-	3,311	1,589	-	40,001
Net patient service revenue less provision for uncollectible accounts	-	-	-	24,379	15,883	-	329,403
Ad valorem tax revenue	-	-	-	-	-	-	6,443
Other	4,150	-	-	2,138	1,489	(300)	17,657
Total unrestricted revenues, gains and other support	4,150	-	-	26,517	17,372	(300)	353,503
Expenses and Losses							
Salaries and wages	2,876	-	-	10,393	6,762	-	145,201
Employee benefits	324	-	-	2,228	1,863	(1,876)	27,453
Purchased services and professional fees	204	-	-	4,546	2,977	(300)	57,647
Supplies, rent and other costs	1,012	-	-	6,471	3,550	(143)	86,751
Corporate allocation	-	-	-	500	400	-	-
Depreciation and amortization	39	-	-	2,372	409	-	19,174
Interest	-	-	-	1,580	97	(92)	9,010
(Gain) Loss on disposal of assets	-	-	-	-	-	-	(1,795)
Total expenses and losses	4,455	-	-	28,090	16,058	(2,411)	343,441
Operating Income (Loss)	(305)	-	-	(1,573)	1,314	2,111	10,062
Other Income (Expense)							
Contributions received	-	-	-	153	2,200	-	2,519
Investment return	-	-	-	-	13	(92)	487
Other	950	-	-	(1,380)	-	(2,018)	1,068
Total other income (expense)	950	-	-	(1,227)	2,213	(2,110)	4,074

VHA Southwest Community Health Corporation and Subsidiaries

Statement of Operations and Changes in Net Assets Information – Consolidating Schedule (Continued) Year Ended June 30, 2013

	AGH	BHSET	CCC	CHA	CHC	CCHST	CCHT
Excess (Deficiency) of Revenues Over Expenses	\$ 4 207	\$ 6 061	\$ (237)	\$ (14)	\$ (831)	\$ -	\$ 3 577
Contributions and grants for acquisition of property and equipment	-	349	-	-	-	-	-
Investment return change in unrealized gains and losses on other than trading securities	-	(61)	-	-	-	-	-
Net assets released from restriction	-	-	-	-	-	-	-
Distributions to members	-	-	-	-	365	-	(1 837)
Transfers from (to) affiliates	-	-	-	-	-	-	-
Distributions to noncontrolling interest	-	(205)	-	-	-	-	-
Change in ownership interest in joint venture	-	(397)	-	-	-	-	-
Increase (Decrease) in Unrestricted Net Assets	<u>4 207</u>	<u>5 747</u>	<u>(237)</u>	<u>(14)</u>	<u>(466)</u>	<u>-</u>	<u>1 740</u>
Temporarily Restricted Net Assets							
Contributions received	-	-	-	-	-	-	-
Net assets released from restriction	-	-	-	-	-	-	-
Increase in temporarily restricted net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>4 207</u>	<u>5 747</u>	<u>(237)</u>	<u>(14)</u>	<u>(466)</u>	<u>-</u>	<u>1 740</u>
Net Assets, Beginning of Year	<u>25 879</u>	<u>56 947</u>	<u>(3 181)</u>	<u>176</u>	<u>17 085</u>	<u>14</u>	<u>4 500</u>
Net Assets, End of Year	<u>\$ 30 086</u>	<u>\$ 62 694</u>	<u>\$ (3 418)</u>	<u>\$ 162</u>	<u>\$ 16 619</u>	<u>\$ 14</u>	<u>\$ 6 240</u>

VHA Southwest Community Health Corporation and Subsidiaries

Statement of Operations and Changes in Net Assets Information – Consolidating Schedule (Continued) Year Ended June 30, 2013

	Consulting	WHS	SCH	SMMC	YCH	Eliminations	Total
Excess (Deficiency) of Revenues Over Expenses	\$ 645	\$ -	\$ -	\$ (2,800)	\$ 3,527	\$ -	\$ 14,136
Contributions and grants for acquisition of property and equipment	-	-	-	354	-	-	703
Investment return, change in unrealized gains and losses on other than trading securities	-	-	-	-	-	-	(61)
Net assets released from restriction	-	-	-	-	-	-	-
Distributions to members	-	-	-	-	-	-	(1,472)
Transfer from (to) affiliates	-	-	-	-	-	-	-
Distributions to noncontrolling interest	-	-	-	-	-	-	(205)
Other	-	-	-	-	-	-	(39)
Increase (Decrease) in Unrestricted Net Assets	<u>645</u>	<u>-</u>	<u>-</u>	<u>(2,446)</u>	<u>3,527</u>	<u>-</u>	<u>12,704</u>
Temporarily Restricted Net Assets							
Contributions received	-	-	-	-	4	-	4
Net assets released from restriction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in temporarily restricted net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>4</u>
Change in Net Assets	<u>645</u>	<u>-</u>	<u>-</u>	<u>(2,446)</u>	<u>3,531</u>	<u>-</u>	<u>12,708</u>
Net Assets, Beginning of Year	<u>2,693</u>	<u>(544)</u>	<u>8,855</u>	<u>10,907</u>	<u>3,017</u>	<u>(18,399)</u>	<u>107,949</u>
Net Assets, End of Year	<u>\$ 3,338</u>	<u>\$ (544)</u>	<u>\$ 8,855</u>	<u>\$ 8,461</u>	<u>\$ 6,548</u>	<u>\$ (18,399)</u>	<u>\$ 120,657</u>