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Part III

Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III

☐ Yes☒ No

1

Briefly describe the organization's mission

CULLMAN REGIONAL MEDICAL CENTER, LICENSED FOR 145 BEDS, OPERATES A 115-BED GENERAL ACUTE CARE HOSPITAL FOR THE COMMUNITY OF CULLMAN, ALABAMA AND SURROUNDING AREAS REGARDLESS OF A PATIENT'S ABILITY TO PAY

2

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

☐ Yes☒ No

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

3

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

☐ Yes☒ No

If "Yes," describe these changes on Schedule O

4

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

4a

(Code) (Expenses \$ 82,763,795 including grants of \$ 76,297) (Revenue \$ 94,771,800)

CRMC PROVIDES ACUTE CARE PATIENT SERVICES WHICH ARE RENDERED TO ALL MEMBERS OF THE COMMUNITY REGARDLESS OF THEIR ABILITY TO PAY CRMC USES CHARITY APPLICATIONS BASED UPON FEDERAL POVERTY GUIDELINES AND FAMILY SIZE TO DETERMINE ELIGIBILITY FOLLOWING SERVICES PROVIDED CRMC PROVIDES CARE 24 HOURS PER DAY, SEVEN DAYS A WEEK AND HAS PROVIDED 23,448 INPATIENT DAYS CARE, 7% WERE NOT COVERED BY ANY GOVERNMENTAL OR PRIVATE INSURANCE PLAN, 43,569 EMERGENCY ROOM VISITS, 21% WERE NOT COVERED BY ANY GOVERNMENTAL OR PRIVATE INSURANCE PLAN, AND 91,767 OUTPATIENT VISITS, 10% NOT COVERED BY ANY GOVERNMENTAL OR PRIVATE INSURANCE PLAN THE TOTAL UNREIMBURSED COST OF MEDICAL SERVICES PROVIDED TO THOSE NOT COVERED BY ANY GOVERNMENTAL OR PRIVATE INSURANCE PLAN IS REPORTED ON SCHEDULE H CRMC ALSO PROVIDES COMMUNITY EDUCATION AND WELLNESS ACTIVITIES TO THE COMMUNITY AND IS A MAJOR CONTRIBUTOR TO A LOCAL INDIGENT CLINIC SERVICING CULLMAN COUNTY

4b

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

4c

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

4d

Other program services (Describe in Schedule O)

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

4e

Total program service expenses ▶ 82,763,795

Part IV

Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? 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 other assistance to or for foreign individuals? 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 or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants or 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 25a</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	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	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		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 or note to any line in this Part V

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	213	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c			
2a		1,075	
2b		Yes	
3a		Yes	
3b		Yes	
4a			No
b			
5a			No
5b			No
5c			
6a			No
6b			
7 Organizations that may receive deductible contributions under section 170(c).			
7a			No
7b			
7c			No
7d			
7e			No
7f			No
7g			
7h			
8			
9 Sponsoring organizations maintaining donor advised funds.			
9a			
9b			
10 Section 501(c)(7) organizations. Enter			
10a			
10b			
11 Section 501(c)(12) organizations. Enter			
11a			
11b			
12a			
12b			
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
13a			
13b			
13c			
14a			No
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 or note to any line 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	14	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	13	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶
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 ▶NESHA DONALDSON 1912 ALABAMA HWY 157 CULLMAN,AL 350580609 (256) 737-2598

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

Check if Schedule O contains a response or note to any line 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) JIM WEIDNER PAST CEO	40 00 2 00	X		X				310,030	0	22,510
(2) CHERYL BAILEY CNO/INTERIM	40 00 2 00	X		X				132,160	0	5,477
(3) DAVID MCKOY PAST CHAIRMA	2 00	X						0	0	0
(4) TODD MCLEROY CHAIRMAN	2 00 2 00	X		X				0	0	0
(5) ALAN WOOD SECRETARY	2 00	X		X				0	0	0
(6) CLINT FREY MEMBER	2 00 2 00	X						0	0	0
(7) DEL BROCK MEMBER	2 00	X						0	0	0
(8) ROBIN HALL MD MEMBER	2 00	X						0	0	0
(9) ROGER HUMPHREY MEMBER	2 00	X						0	0	0
(10) VINCE BERGQUIST MD FORMER MEMBE	2 00	X						0	0	0
(11) GREG BARKSDALE TREASURER	2 00	X		X				0	0	0
(12) JUDY BUTLER PATTERSON VICE CHAIRMA	2 00	X		X				0	0	0
(13) MARK BUSSMAN MEMBER	2 00	X						0	0	0
(14) LIONEL POWELL MEMBER	2 00	X						0	0	0
(15) BETH ANDERSON MEMBER	2 00	X						0	0	0
(16) BILL SMITH MD MEMBER	2 00	X						0	0	0
(17) NESHA DONALDSON CFO	40 00 1 00			X				119,071	0	4,881

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) JOEL JOHNS MD HOSPITALIST	40 00					X		172,312	0	6,854	
(19) JOHN MORRIS MD HOSPITALIST	40 00					X		161,585	0	6,854	
(20) SUSAN COPELAND VP AMBULATOR	40 00					X		117,217	0	8,923	
(21) STACEY HILL PHARMACY DIR	40 00					X		115,823	0	12,719	
(22) TERESA AARON PHARMACIST	40 00					X		114,096	0	12,631	
1b Sub-Total											
c Total from continuation sheets to Part VII, Section A											
d Total (add lines 1b and 1c)								1,242,294		80,849	

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▶15

		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
CULLMAN ANESTHESIOLOGY & PAIN CONSUL PO BOX 1005 CULLMAN AL 350561005	CRNA SVCS	1,825,697
MEDASSETS P O BOX 405652 ATLANTA GA 303845652	BUS OFC SVCS	1,420,333
CROTHALL HEALTHCARE INC 13028 COLLECTION CENTER DRIVE CHICAGO IL 606930130	ENVIRONMENTAL S	838,586
HUNTSVILLE HOSPITAL 109 GOVERNORS DRIVE SW HUNTSVILLE AL 358014326	BUS OFC SVCS	470,509
DIVERSIFIED CLINICAL SERVICES P O BOX 636981 CINCINNATI OH 452636981	WOUND CARE SVC	448,655

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 23

Part VIII

Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations 1d	860,396			
	e	Government grants (contributions) 1e	56,190			
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	54,075			
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f	970,661			
Program Service Revenue	2a	PATIENT SERVICE REVENUES				
		Business Code				
		623000	90,390,462	90,390,462		
	b	OUTREACH LAB SERVICES	639,691		639,691	
	c	CPAP MEDICAL EQUIPMENT	474,319		474,319	
	d	CONFERENCE CENTER	60,538		60,538	
	e	SPORTS FIRST	31,663		31,663	
	f	All other program service revenue				
Other Revenue	g	Total. Add lines 2a-2f	91,596,673			
	3	Investment income (including dividends, interest, and other similar amounts)	2,336,279			2,336,279
	4	Income from investment of tax-exempt bond proceeds				
	5	Royalties				
	6a	Gross rents				
		(i) Real	320,943			
		(ii) Personal	170,043			
	b	Less rental expenses				
	c	Rental income or (loss)	320,943			
	d	Net rental income or (loss)	490,986	170,043		320,943
	7a	Gross amount from sales of assets other than inventory				
		(i) Securities				
		(ii) Other	23,063			
	b	Less cost or other basis and sales expenses				
	c	Gain or (loss)				
	d	Net gain or (loss)	-4,180			-4,180
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18				
		a				
	b	Less direct expenses b				
	c	Net income or (loss) from fundraising events				
	9a	Gross income from gaming activities See Part IV, line 19				
		a				
	b	Less direct expenses b				
	c	Net income or (loss) from gaming activities				
	10a	Gross sales of inventory, less returns and allowances				
		a				
	b	Less cost of goods sold b				
	c	Net income or (loss) from sales of inventory				
		Miscellaneous Revenue				
		Business Code				
	11a	EMS MANAGEMENT FEES	621910	2,713,623	2,713,623	
	b	EHR REVENUES	621990	723,645	723,645	
	c	CAFETERIA/CATERING	561000	527,569		527,569
	d	All other revenue	839,286	774,027		65,259
	e	Total. Add lines 11a-11d	4,804,123			
	12	Total revenue. See Instructions	100,194,542	94,771,800	1,206,211	3,245,870

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 or note to any line in this Part IX

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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.	76,297	76,297		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	594,129		594,129	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	36,120,826	32,594,510	3,526,316	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	1,856,733	1,695,693	161,040	
9	Other employee benefits.	5,795,483	5,239,327	556,156	
10	Payroll taxes.	2,600,141	2,346,367	253,774	
11	Fees for services (non-employees):				
a	Management.	3,591,198	3,045,886	545,312	
b	Legal.	495,441	26,290	469,151	
c	Accounting.	164,974		164,974	
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.	120,795		120,795	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	9,957,208	7,811,543	2,145,295	370
12	Advertising and promotion.	185,399	610	184,789	
13	Office expenses.	10,306,943	8,799,978	1,506,965	
14	Information technology.	16,054		16,054	
15	Royalties.				
16	Occupancy.	6,457,349	6,111,881	345,468	
17	Travel.	449,798	433,825	15,973	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	70,580	27,390	43,190	
20	Interest.	6,931		6,931	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	4,635,101	4,387,123	247,978	
23	Insurance.	863,564	863,564		
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	MEDICAL SUPPLIES	8,886,492	8,886,492		
b	REPAIRS AND MAINT	2,391,765	374,381	2,017,384	
c	STRATEGIC PLANNING	202,938		202,938	
d	DUES AND SUBSCRIPTIONS	133,275		133,275	
e	All other expenses	145,572	42,638	102,934	
25	Total functional expenses. Add lines 1 through 24e.	96,124,986	82,763,795	13,360,821	370
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 or note to any line in this Part X

☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		7,504,453	1	8,340,308
	2	Savings and temporary cash investments			2	
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		10,581,800	4	10,741,334
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L			5	
	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			6	
	7	Notes and loans receivable, net		390,565	7	385,856
	8	Inventories for sale or use		1,059,085	8	1,074,826
	9	Prepaid expenses and deferred charges		618,992	9	910,117
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 98,523,217			
	b	Less: accumulated depreciation	10b 60,678,138	36,465,168	10c	37,845,079
	11	Investments—publicly traded securities		37,526,323	11	41,913,473
	12	Investments—other securities. See Part IV, line 11		3,060,521	12	2,580,926
	13	Investments—program-related. See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets. See Part IV, line 11		3,189,301	15	835,505
	16	Total assets. Add lines 1 through 15 (must equal line 34)		100,396,208	16	104,627,424
Liabilities	17	Accounts payable and accrued expenses		11,222,854	17	11,417,640
	18	Grants payable			18	
	19	Deferred revenue		36,128	19	33,988
	20	Tax-exempt bond liabilities		66,479,971	20	65,045,756
	21	Escrow or custodial account liability. Complete Part IV of Schedule D			21	
	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			22	
	23	Secured mortgages and notes payable to unrelated third parties		255,754	23	385,712
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D		8,255,344	25	9,067,946
	26	Total liabilities. Add lines 17 through 25		86,250,051	26	85,951,042
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		14,146,157	27	18,676,382
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		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		14,146,157	33	18,676,382
	34	Total liabilities and net assets/fund balances		100,396,208	34	104,627,424

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	100,194,542
2	Total expenses (must equal Part IX, column (A), line 25)	2	96,124,986
3	Revenue less expenses Subtract line 2 from line 1	3	4,069,556
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	14,146,157
5	Net unrealized gains (losses) on investments	5	1,990,602
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	-1,529,933
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	18,676,382

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line 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.**
▶ **Information about Schedule A (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization CULLMAN REGIONAL MEDICAL CENTER INC	Employer identification number 63-1058174
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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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2012 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2013. 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—2012. 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—2013. 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—2012. 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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. 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—2012. 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.** 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

Return Reference	Explanation	
------------------	-------------	--

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ **Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b**
▶ **Attach to Form 990.** ▶ **See separate instructions.** ▶ **Information about Schedule D (Form 990) and its instructions is at www.irs.gov/form990.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization CULLMAN REGIONAL MEDICAL CENTER INC	Employer identification number 63-1058174
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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

▶ \$ _____

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

- 3

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

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other
- 4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII
- 5

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

☐ Yes

☐ No

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

- 1a

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

☐ Yes

☐ No
- b

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

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance
- | | |
|----|--------|
| | Amount |
| 1c | |
| 1d | |
| 1e | |
| 1f | |
- 2a

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

☐ Yes

☐ No
- b

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

☐

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

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

- 2

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

Board designated or quasi-endowment
- b

Permanent endowment
- c

Temporarily restricted endowment

The percentages in lines 2a, 2b, and 2c should equal 100%
- 3a

Are there endowment funds not in the possession of the organization that are held and administered for the organization by
- (i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

b

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

3b
- 4

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

Part VI Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. 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		1,875,736		1,875,736
b Buildings		44,894,007	21,819,858	23,074,149
c Leasehold improvements		7,029,225	6,193,357	835,868
d Equipment		43,190,420	32,664,923	10,525,497
e Other		1,533,829		1,533,829
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				37,845,079

Part XI

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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.

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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

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.

Return Reference	Explanation
SCHEDULE D, PAGE 3, PART X	THE AUTHORITY IS A GOVERNMENTAL ENTITY AND IS EXEMPT FROM INCOME TAXES ACCORDINGLY, NO PROVISION FOR INCOME TAXES HAS BEEN CONSIDERED IN THE ACCOMPANYING FINANCIAL STATEMENTS. THE HOSPITAL IS A NOT-FOR-PROFIT CORPORATION THAT HAS BEEN RECOGNIZED AS TAX-EXEMPT PURSUANT TO SECTION 501 (C)3 OF THE INTERNAL REVENUE CODE. THE HOSPITAL IS REQUIRED TO FILE A FORM 990 WITH THE INTERNAL REVENUE SERVICE. ANY INCOME EARNED FROM NON-RELATED BUSINESS SERVICES IS SUBJECT TO TAXATION. THE HOSPITAL APPLIES ACCOUNTING POLICIES THAT PRESCRIBE WHEN TO RECOGNIZE AND HOW TO MEASURE THE FINANCIAL STATEMENT EFFECTS OF INCOME TAX POSITIONS TAKEN OR EXPECTED TO BE TAKEN ON ITS INCOME TAX RETURNS. THESE RULES REQUIRE MANAGEMENT TO EVALUATE THE LIKELIHOOD THAT, UPON EXAMINATION BY THE RELEVANT TAXING JURISDICTIONS, THOSE INCOME TAX POSITIONS WOULD BE SUSTAINED. BASED ON THAT EVALUATION, THE HOSPITAL ONLY RECOGNIZES THE MAXIMUM BENEFIT OF EACH INCOME TAX POSITION THAT IS MORE THAN 50% LIKELY OF BEING SUSTAINED. TO THE EXTENT THAT ALL OR A PORTION OF THE BENEFITS OF AN INCOME TAX POSITION ARE NOT RECOGNIZED, A LIABILITY WOULD BE RECOGNIZED FOR THE UNRECOGNIZED BENEFITS, ALONG WITH ANY INTEREST AND PENALTIES THAT WOULD RESULT FROM DISALLOWANCE OF THE POSITION SHOULD ANY SUCH PENALTIES AND INTEREST BE INCURRED, THEY WOULD BE RECOGNIZED AS OPERATING EXPENSES. BASED ON THE RESULTS OF MANAGEMENT'S EVALUATION, NO LIABILITY IS RECOGNIZED IN THE ACCOMPANYING BALANCE SHEET FOR UNRECOGNIZED INCOME TAX POSITIONS. FURTHER, NO INTEREST OR PENALTIES HAVE BEEN ACCRUED OR CHARGED TO EXPENSE AS OF JUNE 30, 2014 AND 2013 OR FOR THE YEARS THEN ENDED. THE HOSPITAL'S TAX RETURNS ARE SUBJECT TO POSSIBLE EXAMINATION BY THE TAXING AUTHORITIES. FOR FEDERAL INCOME TAX PURPOSES, THE TAX RETURNS ESSENTIALLY REMAIN OPEN FOR POSSIBLE EXAMINATION FOR A PERIOD OF THREE YEARS AFTER THE RESPECTIVE FILING DEADLINES OF THOSE RETURNS.

[illegible]

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

► Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
► Attach to Form 990. ► See separate instructions.
► Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
CULLMAN REGIONAL MEDICAL CENTER INC

Employer identification number
63-1058174

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 _____ %	3a Yes	
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 _____ %	3b Yes	
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care		
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4 Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c	
6a	Did the organization prepare a community benefit report during the tax year?	6a Yes	
b	If "Yes," did the organization make it available to the public?	6b Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.		

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)		1,848	1,842,561		1,842,561	1 920 %
b Medicaid (from Worksheet 3, column a)		15,276	8,869,343	4,281,352	4,587,991	4 770 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs		17,124	10,711,904	4,281,352	6,430,552	6 690 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	24	1,688	404,685	3,020	401,665	0 420 %
f Health professions education (from Worksheet 5)	2		3,477		3,477	
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	2		12,550		12,550	0 010 %
j Total Other Benefits	28	1,688	420,712	3,020	417,692	0 430 %
k Total. Add lines 7d and 7j	28	18,812	11,132,616	4,284,372	6,848,244	7 120 %

Part IICommunity 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
1Physical improvements and housing						
2Economic development						
3Community support	14	25,764	29,496	2,710	26,786	0.030 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy	1	103	8,358	5,150	3,208	
8Workforce development						
9Other						
10Total	15	25,867	37,854	7,860	29,994	0.030 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?

1Yes

2Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

222,443,390

3Enter 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

4Provide 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

5Enter total revenue received from Medicare (including DSH and IME).

540,202,982

6Enter Medicare allowable costs of care relating to payments on line 5.

632,760,388

7Subtract line 6 from line 5. This is the surplus (or shortfall).

77,442,594

8Describe 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

9aDid the organization have a written debt collection policy during the tax year?

9aYes

bIf "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.

9bYes

Part IVManagement 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 %
1HERITAGE DIAGNOSTICS	IMAGING SERVICES	21.000 %		79.000 %
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Section A. Hospital Facilities

Name, address, primary website address,
and state license number

Schedule H (Form 990) 2013

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)
CULLMAN REGIONAL MEDICAL CENTER

Name of hospital facility or facility reporting group

If reporting on Part V, Section B for a single hospital facility 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>13</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests 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 (list url) <u>CRMCHOSPITAL.COM</u>		
b ☐ Other website (list url) _____		
c ☒ Available upon request from the hospital facility		
d ☐ 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 as of the end of the tax year)		
a ☒ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b ☒ Execution of the implementation strategy		
c ☒ Participation in the development of a community-wide plan		
d ☐ Participation in the execution of a community-wide plan		
e ☐ Inclusion of a community benefit section in operational plans		
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA		
g ☒ Prioritization of health needs in its community		
h ☒ Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i ☐ Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7 Yes	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No		
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes		
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes		
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 00000000000000</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 ☐ Residency					
i ☒ 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 individual'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 Section C)					
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 individual'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 Section C)					

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 individuals regarding the individuals' bills
- d**

☒

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

☐

Other (describe in Section C)

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 individual 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 individual an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

[illegible]

Part V

Facility Information (continued)

Section D. 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)
1	HOSPICE OF CULLMAN COUNTY 1912 ALABAMA HIGHWAY 157 CULLMAN,AL 350580609	HOSPICE
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Provide the following information

- 1 Required descriptions. Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b
- 2 Needs assessment. Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs 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

990 Schedule H, Supplemental Information

Form and Line Reference	Explanation
PART I, LINE 3C - OTHER INCOME BASED CRITERIA FOR FREE OR DISCOUNTED CARE	
PART I, LINE 7 - COSTING METHODOLOGY EXPLANATION	THE DATA REPORTED IN THIS AREA IS REPORTED AS INSTRUCTED BY CATHOLIC HEALTH ASSOCIATION'S "A GUIDE FOR PLANNING AND REPORTING COMMUNITY BENEFITS, 2008" SEE ALSO THE DESCRIPTION FOR PART III, LINE 4
PART III, LINE 2 - BAD DEBT EXPENSE METHODOLOGY	LINE 2 IS TAKEN DIRECTLY FROM THE INCOME STATEMENT AND REPRESENTS THE AMOUNT OF CHARGES CONSIDERED UNCOLLECTIBLE AFTER REASONABLE ATTEMPTS TO COLLECT, AND WRITTEN OFF TO BAD DEBT EXPENSE
BAD DEBT EXPENSE FOOTNOTE TO FINANCIAL STATEMENTS	THE HOSPITAL PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED ON THE EVALUATION OF THE OVERALL COLLECTIBILITY OF THE ACCOUNTS RECEIVABLE AS ACCOUNTS ARE KNOWN TO BE UNCOLLECTIBLE , THE ACCOUNT IS CHARGED AGAINST THE ALLOWANCE
PART III, LINE 8 - MEDICARE EXPLANATION	THE HOSPITAL UTILIZES EPSI SOFTWARE FOR COST ACCOUNTING PURPOSES THE MEDICARE COST REPORT WAS USED TO GATHER INFORMATION RELATED TO MEDICARE CHARGES AND REIMBURSEMENT MEDICARE COST WAS CALCULATED BY ADDING DIRECT COSTS TO INDIRECT COSTS WHICH ARE ALLOCATIONS OF OVERHEAD DEPARTMENTS USING A REASONABLE STATISTICAL BASIS
PART III, LINE 9B - COLLECTION PRACTICES EXPLANATION	THE HOSPITAL PROVIDES CARE TO PATIENTS WHO MEET CERTAIN CRITERIA UNDER ITS FINANCIAL AID POLICY WITHOUT CHARGE OR AT AMOUNTS LESS THAN ITS ESTABLISHED RATES BECAUSE THE HOSPITAL DOES NOT PURSUE COLLECTION OF AMOUNTS DETERMINED TO QUALIFY AS FINANCIAL AID, THEY ARE NOT REPORTED AS REVENUE
PART VI, LINE 2 - NEEDS ASSESSMENT	THE HOSPITAL PARTICIPATES IN THE CULLMAN COUNTY HEALTH COALITION THIS ORGANIZATION, COMPOSED OF VARIOUS HEALTH CARE PROVIDERS AND COMMUNITY LEADERS, ASSESSES THE HEALTH CARE NEEDS OF THE COMMUNITY AND STRIVES TO PROVIDE RESOURCES THAT BEST MEET THOSE NEEDS CRMC FILED A COMMUNITY HEALTH NEEDS ASSESSMENT AND IT IS AVAILABLE ON THE ORGANIZATION WEBSITE PROGRESS ON CHNA IMPLEMENTATION STRATEGIES 2013-2014 PRIORITY TREAT, EDUCATE AND PREVENT CHRONIC CONDITIONS SUCH AS OBESITY, HEART DISEASE, COPD, DIABETES, HYPERTENSION THE HOSPITAL, ALONG WITH LOCAL BUSINESSES AND PHYSICIAN GROUPS HELPED SUPPORT A FREE, ONLINE INTERACTIVE BUSINESS TOOL THAT PROVIDES RESOURCES TO HELP MAKE HEALTHIER CHOICES IN THE COMMUNITY PRIORITY WORKING WITH VARIOUS AGENCIES TO PROVIDE RESOURCES TO ASSIST IN IMPROVING OVERALL WELLNESS FOR THE COMMUNITY THE HOSPITAL NOW PARTICIPATES IN THE SILVERSNEAKERS FITNESS PROGRAM THE SILVERSNEAKERS FITNESS PROGRAM IS A FUN, ENERGIZING PROGRAM THAT HELPS OLDER ADULTS TAKE GREATER CONTROL OF THEIR HEALTH BY ENCOURAGING PHYSICAL ACTIVITY AND OFFERING SOCIAL EVENTS PRIORITY IMPROVE ACCESS TO CARE THE HOSPITAL WORKED WITH LOCAL AGENCIES TO PROVIDE AFFORDABLE TRANSPORTATION ACCESS TO INDIVIDUALS IN THE COMMUNITY PRIORITY STEER PATIENTS TO LOCAL RESOURCES FOR AN APPROPRIATE LEVEL OF CARE CALLS RECEIVED BY CRMC NURSE NAVIGATION/CASE MANAGEMENT DEPARTMENT WERE DIRECTED TO GOOD SAMARITAN CLINIC AND STIDHAM MEDICAID CLINIC CALLS DIRECTED TO GOOD SAMARITAN CLINIC AVERAGED 50-80 PER MONTH AND THE AVERAGE REFERRALS TO STIDHAM MEDICAID CLINIC AVERAGED 15 PATIENTS PER MONTH PRIORITY USE NURSE NAVIGATORS TO HELP NAVIGATE PATIENTS THROUGH THEIR HEALTHCARE ISSUES AFTER MEETING IMMEDIATE NEEDS NURSE NAVIGATION PROVIDES SUPPORT AND DISTRIBUTION OF FOUNDATION FUNDS OF THREE SEPARATE FOUNDATIONS NURSE NAVIGATION HELPS POTENTIAL PATIENTS COMPLETE APPLICATIONS AND OBTAIN FREE OR REDUCED COST MEDICATION AND TREATMENTS THESE 3 FUNDS ARE ALL CANCER-RELATED PROGRAMS CULLMAN COUNTY BOSOM BUDDIES - 19 PATIENTS ASSISTED BOSOM BUDDIES FOUNDATION - 26 PATIENTS ASSISTED SCOTT LOCHRIDGE FOUNDATION - 18 PATIENTS ASSISTED
PART VI, LINE 3 - PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	THE HOSPITAL HAS CLEARLY WRITTEN FINANCIAL AID POLICIES THAT ARE AVAILABLE ON THE ORGANIZATION WEB SITE AND THROUGHOUT THE BUSINESS OFFICE SIGNS ARE PROMINENTLY POSTED IN THE ER ABOUT THE AVAILABILITY OF FINANCIAL AID A REPRESENTATIVE IS ALSO AVAILABLE TO DISCUSS ELIGIBILITY TO GOVERNMENT PROGRAMS
PART VI, LINE 4 - COMMUNITY INFORMATION	THE HOSPITAL DRAWS PATIENTS PRINCIPALLY FROM CULLMAN COUNTY AND THE NEIGHBORING COUNTIES OF WALKER, WINSTON, MARSHALL, MORGAN, AND BLOUNT CRMC IS THE ONLY HOSPITAL IN ITS PRIMARY SERVICE AREA THE PRIMARY SERVICE AREA INCLUDES THE CITY OF CULLMAN, POPULATION 15,000, AND CULLMAN COUNTY, POPULATION 81,000 PER CAPITA INCOME FOR THIS AREA IS SLIGHTLY BELOW THE PER CAPITA INCOME FOR THE STATE OF ALABAMA CULLMAN IS SERVED BY I-65, AND IS LOCATED BETWEEN HUNTSVILLE AND BIRMINGHAM
PART VI, LINE 5 - PROMOTION OF COMMUNITY HEALTH	THE ORGANIZATION AND ITS VOLUNTEER BOARDS ARE COMPOSED OF COMMUNITY MEMBERS WITH DIVERSE PROFESSIONAL AND COMMUNITY SERVICE BACKGROUNDS, AS WELL AS PHYSICIAN MEMBERS THE EMERGENCY DEPARTMENT IS OPEN 24 HOURS PER DAY, 7 DAYS PER WEEK, AND IS OPEN TO ALL PERSONS, REGARDLESS OF THEIR ABILITY TO PAY HOSPITAL EMPLOYEES, IN CONJUNCTION WITH OUR LOCAL JUDGES, HAVE DEVELOPED A TRAUMA PREVENTION PROGRAM THIS PROGRAM IS PROVIDED BY CRMC EMPLOYEES ON A VOLUNTARY BASIS OUR LOCAL JUDGES REFER TEENAGE DRIVING OFFENDERS TO THE PROGRAM TO TEACH THEM THE IMPORTANCE OF VEHICLE SAFETY WHILE THEY ARE HERE, THEY ACTUALLY GET TO WITNESS THE VARIOUS STAGES OF A TRAUMA ACCIDENT, FROM THE TIME THEY ARRIVE AT THE ER, UNTIL THEY LEAVE THE HOSPITAL COMMUNITY BUILDING ACTIVITIES ALSO INCLUDE PROVIDING AMBULANCE SUPPORT FOR VARIOUS COMMUNITY ACTIVITIES AND PROVIDING COMMUNITY SUPPORT GROUPS THESE SUPPORT GROUPS (ALZHEIMER'S, BREAST CANCER, ETC) PROMOTE THE PHYSICAL AND MENTAL HEALTH OF THE COMMUNITY THAT WE SERVE CRMC PROVIDES WOMEN'S FIRST AND SENIOR CHOICE PROGRAMS THE WOMEN'S FIRST PROGRAM OFFERS SEMINARS AND EDUCATION ON HEALTH AND LIFESTYLE ISSUES SUCH AS STRESS MANAGEMENT, PMS, MENOPAUSE, AND HEART DISEASE IT ALSO GIVES DISCOUNT ADMISSION TO WORKSHOPS AND HEALTH SCREENINGS SENIOR CHOICE PROVIDES SERVICES TO PROMOTE EMOTIONAL, SOCIAL, AND PHYSICAL WELL BEING FOR COMMUNITY MEMBERS WHO ARE 50 AND OVER THESE PROGRAMS CURRENTLY HAVE 6,903 MEMBERS CRMC ALSO PROVIDES A COMMUNITY EDUCATION CENTER WHICH OFFERS MEETING ROOMS AND CATERING SERVICES FOR LOCAL BUSINESSES, CHURCHES, CIVIC ORGANIZATIONS AND EDUCATIONAL GROUPS ALL OF OUR AMBULANCES ARE EQUIPPED WITH 12 LEAD EKG TECHNOLOGY, WHICH TRANSMITS THE INFORMATION DIRECTLY TO THE EMERGENCY ROOM PHYSICIAN, ALLOWING THEM TO GET THE INFORMATION WHILE THE PATIENT IS IN TRANSIT THIS PROGRAM HAS REDUCED THE TIME FROM DOOR TO ANGIOPLASTY, BY GETTING THE CARDIOLOGY TEAM IN PLACE BEFORE THE PATIENT ARRIVES
PART VI, LINE 7 - STATE FILING OF COMMUNITY BENEFIT REPORT	ALABAMA

Additional Data

Software ID:
Software Version:
EIN: 63-1058174
Name: CULLMAN REGIONAL MEDICAL CENTER INC

990 Schedule H, Supplemental Information

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.	
Form and Line Reference	Explanation
FACILITY 1, CULLMAN REGIONAL MEDICAL CENTER - PART V, LINE 3	
FACILITY 1, CULLMAN REGIONAL MEDICAL CENTER - PART V, LINE 12I	THE HOSPITAL HAS CLEARLY WRITTEN FINANCIAL AID POLICIES THAT ARE AVAILABLE ON THE ORGANIZATION WEB SITE AND THROUGH THE BUSINESS OFFICE. SIGNS ARE PROMINENTLY POSTED IN THE ER ABOUT THE AVAILABILITY OF FINANCIAL AID. A REPRESENTATIVE IS ALSO AVAILABLE TO DISCUSS ELIGIBILITY TO GOVERNMENT PROGRAMS.

Schedule I
(Form 990)

Grants and Other Assistance to Organizations,
Governments and Individuals in the United States
Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990
▶ Information about Schedule I (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047
2013
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Department of the Treasury
Internal Revenue Service

Name of the organization
CULLMAN REGIONAL MEDICAL CENTER INC

Employer identification number
63-1058174

Part I

General Information on Grants and Assistance

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☒ Yes ☐ No
- 2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II

Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) GOOD SAMARITAN CLINIC 401 ARNOLD ST NE CULLMAN, AL 350551919	20-0149215	3	76,297				CURRENT OPERATIONS

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

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

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Part III can be duplicated if additional space is needed.

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

Part IV

Supplemental Information. Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Return Reference	Explanation
SCHEDULE I, PAGE 1, PART I, LINE 2	THE HOSPITAL CONTINUOUSLY EVALUATES COMMUNITY ORGANIZATIONS (AS IDENTIFIED IN PART II ABOVE) PROVIDING HEALTHCARE NEEDS TO THE MEDICALLY UNDERSERVED WHO ALSO ARE MOST LIKELY UNABLE TO PAY THE HOSPITAL EVALUATES THE NEEDS ON AN INDIVIDUAL BASIS BASED ON DOCUMENTED REQUESTS FOR SERVICES PROVIDED

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, line 23.
▶ Attach to Form 990. ▶ See separate instructions.

▶ Information about Schedule J (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
CULLMAN REGIONAL MEDICAL CENTER INC

Employer identification number
63-1058174

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	1bYes	
2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?	2Yes	
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	No
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	No
c Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III	4c	No
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? If "Yes," to line 5a or 5b, describe in Part III	5b	No
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? If "Yes," to line 6a or 6b, describe in Part III	6b	No
7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	No
8 Were any amounts reported in Form 990, Part VII, paid or 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				
(1)JIM WEIDNER PAST CEO	(i) (ii)	294,313	15,000	717	12,514	9,996	332,540	
(2)JOEL JOHNS MD HOSPITALIST	(i) (ii)	129,135	43,050	127		6,854	179,166	
(3)JOHN MORRIS MD HOSPITALIST	(i) (ii)	128,884	32,500	201		6,854	168,439	

Part IIISupplemental Information

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

Return Reference	Explanation
SCHEDULE J, PAGE 1, PART I, LINE 1A	THE ORGANIZATION PROVIDES A MEMBERSHIP TO THE LOCAL COUNTRY CLUB FOR THE CEO ANY AMOUNTS CONSIDERED NONBUSINESS RELATED ARE INCLUDED IN THE RECIPIENT'S TAXABLE INCOME AND REPORTED ON THE FORM W-2
SCHEDULE J, PART III	CERTAIN EXECUTIVE OFFICERS ARE ELIGIBLE FOR BONUS/INCENTIVE PAYMENTS THESE PAYMENTS ARE RELIANT ON VARIOUS ORGANIZATIONAL AND PERSONAL GOALS ESTABLISHED BY THE GOVERNING BODY WHETHER A BONUS/INCENTIVE PAYMENT IS AWARDED IS DEPENDENT UPON THE NET PROFIT OF THE ORGANIZATION

Schedule K (Form 990)	Supplemental Information on Tax Exempt Bonds										OMB No 1545-0047	
											2013	
	Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI. Attach to Form 990. See separate instructions. Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990 .										Open to Public Inspection	
Name of the organization CULLMAN REGIONAL MEDICAL CENTER INC										Employer identification number 63-1058174		

Part I Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A HEALTH CARE AUTHORITY OF CULLMAN CT	63-1149220	230186AMO	12-03-2009	68,624,416	DEFEASE 1993/2007 BONDS		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired	4,652,392							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	68,624,416							
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows	61,819,381							
7	Issuance costs from proceeds	1,352,854							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds	5,452,182							
10	Capital expenditures from proceeds								
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2009							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X						
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government								
6	Total of lines 4 and 5								
7	Does the bond issue meet the private security or payment test?		X						
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?	X							
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	1 100 %							
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?	X							
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?		X						

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X						
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?	X							
b	Exception to rebate?		X						
c	No rebate due?		X						
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?		X						
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?	X							
b	Name of provider	MERRILL LYNCH							
c	Term of hedge	26 000000000000							
d	Was the hedge superintegrated?		X						
e	Was the hedge terminated?		X						

Part IV

Arbitrage (Continued)

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

Return Reference	Explanation
SCHEDULE K - ADDITIONAL INFORMATION	HEALTH CARE AUTHORITY OF CULLMAN CTY THE ONLY BONDS ISSUED BY THE AUTHORITY FOR THE BENEFIT OF CRMC ARE THE BONDS, WHICH WERE ISSUED DECEMBER 3, 2009 A PORTION OF THE BONDS IS ALLOCABLE TO CAPITAL EQUIPMENT (THE "BOND- FINANCED EQUIPMENT") FINANCED BY CRMC AND THE AUTHORITY FOR USE AT A FREE- STANDING RADIATION ONCOLOGY CENTER OPERATED BY CRMC THE BOND-FINANCED EQUIPMENT WAS SOLD ON DECEMBER 31, 2010 FOR CASH IN THE AMOUNT OF 800,000 TO A NONGOVERNMENTAL PERSON THE SALE CONSTITUTES A DISPOSITION OF THE BOND-FINANCED EQUIPMENT FOR PURPOSES OF THE CHANGE IN USE RULES WITHIN 2 YEARS OF THE SALE DATE, THE AUTHORITY USED THE DISPOSITION PROCEEDS FOR ALTERNATE USES COMPLYING WITH THE REQUIREMENTS OF TREAS REG 1 141-12(E)

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.
▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at
www.irs.gov/form990.

OMB No 1545-0047

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Name of the organization CULLMAN REGIONAL MEDICAL CENTER INC	Employer identification number 63-1058174
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990 Schedule O, Supplemental Information

Return Reference	Explanation
FORM 990, PAGE 2, PART III, LINE 4A	
FORM 990, PAGE 6, PART VI, LINE 6	THE HEALTH CARE AUTHORITY OF CULLMAN COUNTY IS THE SOLE MEMBER OF CULLMAN REGIONAL MEDICAL CENTER INC
FORM 990, PAGE 6, PART VI, LINE 7A	THE HEALTH CARE AUTHORITY OF CULLMAN COUNTY APPOINTS THE VOTING MAJORITY OF THE ORGANIZATION'S BOARD AND CONTROLS THE OPERATIONS AS WELL
FORM 990, PAGE 6, PART VI, LINE 7B	THE HEALTH CARE AUTHORITY OF CULLMAN COUNTY APPOINTS THE VOTING MAJORITY OF THE ORGANIZATION'S BOARD AND CONTROLS THE OPERATIONS OF THE ORGANIZATION
FORM 990, PAGE 6, PART VI, LINE 11B	MANAGEMENT ASSISTS IN PREPARING SCHEDULES, REVIEWS THE ENTIRE DRAFT OF THE FORM 990 FOR CONTENT, AND RECOMMENDS CHANGES, IF ANY PRIOR TO FILING, THE FINANCE COMMITTEE, CFO, AND ACCOUNTING DEPARTMENT REVIEW THE FORM THE FINAL FORM, AS IT IS ULTIMATELY FILED WITH ALL SCHEDULES AND ATTACHMENTS, IS SENT TO EACH VOTING MEMBER, PRIOR TO FILING WITH THE IRS
FORM 990, PAGE 6, PART VI, LINE 12C	ANNUALLY, BOARD MEMBERS, OFFICERS, AND DEPARTMENTAL DIRECTORS MUST IDENTIFY ANY CONFLICT, MANAGEMENT MONITORS AND MAY SUGGEST ANY AREAS OF CONFLICT THE BOARD CHAIRMAN OR ADMINISTRATION REVIEWS ACTUAL AND PERCEIVED CONFLICTS OF INTEREST IN THE EVENT OF A CONFLICT, THE MEMBER OR OFFICER WITH THE CONFLICT WILL DISMISS THEMSELVES FROM THE DISCUSSION AND ANY VOTES ON THE ISSUE
FORM 990, PAGE 6, PART VI, LINE 15A	ANNUALLY THE BOARD (OR A COMMITTEE CHARGED WITH THE RESPONSIBILITY AND AUTHORITY TO DO SO ON BEHALF OF THE BOARD) REVIEWS THE COMPENSATION PACKAGE AND PROPOSED CONTRACT OF THE CEO THE REVIEW IS CONDUCTED BY INDEPENDENT BOARD MEMBERS, IS BASED UPON REVIEW OF COMPARABILITY DATA PROVIDED BY OUTSIDE CONSULTANTS, AND IS DOCUMENTED IN THE RECORDS OF THE BOARD REFLECTING THE BASIS OF THE DETERMINATION BY THE BOARD (OR AUTHORIZED COMMITTEE)
FORM 990, PAGE 6, PART VI, LINE 19	THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS AVAILABLE TO ANY MEMBER OF THE PUBLIC WHO MAKES THEIR REQUEST AT THE ADMINISTRATIVE OFFICES OF THE ORGANIZATION
FORM 990, PART IX, LINE 11G	CONTRACT LABOR 332,742 70,633 0 MEDICAL PROFESSIONAL FEE 1,021,327 187,321 0 OUTSIDE SERVICE FEES 5,850,380 1,887,341 370 COLLECTION FEES 427,099 0 0 RECRUITING FEES 179,995 0 0
FORM 990, PART XI, LINE 9	CHANGE IN VALUE OF INTEREST RATE SWAP 105,775 CHANGE IN TEMP REST NET ASSETS OF AFFILIATE -445,897 CHANGE IN UNRESTRICTED ASSETS OF AFFILIATE -33,698 GASB 65 IMPLEMENTATION IMPACT -1,156,113 NET DECREASE IN NET ASSETS -1,529,933

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule R (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
CULLMAN REGIONAL MEDICAL CENTER INC

Employer identification number
63-1058174

Part I Identification of Disregarded Entities Complete if the organization answered "Yes" on 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" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) CULLMAN REGIONAL MEDICAL CTR FNDN 1912 ALABAMA HIGHWAY 157 CULLMAN, AL 350580609 63-0727880	FOUNDATION	AL	501C3	7	NA		No
(2) HEALTH CARE AUTHORITY OF CULLMAN CO 1912 ALABAMA HIGHWAY 157 CULLMAN, AL 350580609 63-1149220	AUTHORITY	AL	501C1	6	NA		No

Part III

Identification of Related Organizations Taxable as a Partnership

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(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" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No

Part V

Transactions With Related Organizations

Complete if the organization answered "Yes" on 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?		Yes	No
a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Dividends from related organization(s)	1f		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j		No
k Lease of facilities, equipment, or other assets from related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations for related organization(s)	1l		No
m Performance of services or membership or fundraising solicitations by related organization(s)	1m	Yes	
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n	Yes	
o Sharing of paid employees with related organization(s)	1o	Yes	
p Reimbursement paid to related organization(s) for expenses	1p		No
q Reimbursement paid by related organization(s) for expenses	1q		No
r Other transfer of cash or property to related organization(s)	1r		No
s Other transfer of cash or property from related organization(s)	1s		No

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved

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]

Part VII

Supplemental Information

Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference	Explanation
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HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

CULLMAN, ALABAMA

FINANCIAL STATEMENTS

for the years ended June 30, 2014 and 2013

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Health Care Authority of Cullman County
Cullman, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the Health Care Authority of Cullman County (a component unit of Cullman County, Alabama), which comprise the balance sheets as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, 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 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Continued

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Health Care Authority of Cullman County as of June 30, 2014 and 2013, and the results of its operations and changes in net position and its 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 financial statements, in 2014 the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. With the implementation of GASB No. 65, the Authority restated the 2013 financial statements to recognize debt issuance costs under current guidance. Our opinion is not modified with respect to this matter.

Continued

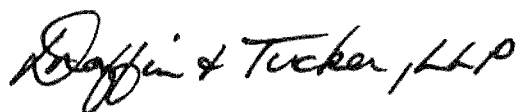
Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 7 and the Schedule of Funding Progress for Defined Benefit Pension Plan on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2014, on our consideration of the Health Care Authority of Cullman County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Care Authority of Cullman County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Ruffin & Tucker, LLP".

Atlanta, Georgia
October 7, 2014



**CULLMAN
REGIONAL
MEDICAL
CENTER**

1912 Alabama Highway 157
P.O. Box 1108 • Cullman, AL 35056-1108
256/737-2000
www.crmchospital.com

**HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ending June 30, 2014**

We are pleased to present the financial statements of the Health Care Authority of Cullman County (Authority). As described in the summary of significant accounting policies, operations of the Authority include Cullman Regional Medical Center, Inc. (CRMC) and Cullman Emergency Management Services (CEMS). Activities of these entities will be referred to interchangeably in this discussion.

The Authority continued to make significant improvements in financial performance for fiscal year ending June 30, 2014, compared to the previous year. The continued work on improving the revenue cycle and aggressive cost control improved both the balance sheet and the income statement. CRMC had improvement for all operating, liquidity, and debt ratios. Days cash on hand and operating cash flow margin continue to exceed the investment grade category requirements.

This discussion and analysis of the Health Care Authority of Cullman County and Cullman Regional Medical Center's financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Authority's financial statements.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
for the year ending June 30, 2014

Table 1: Assets, Liabilities and Net Position (in Thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Current assets	\$ 30,758	\$ 30,894	\$ 29,864
Noncurrent cash and investments	37,704	33,488	30,573
Capital assets, net	42,298	41,217	46,138
Other noncurrent assets	<u>8,537</u>	<u>9,020</u>	<u>7,751</u>
Total assets	\$ <u>119,297</u>	\$ <u>114,619</u>	\$ <u>114,326</u>
Liabilities:			
Current liabilities	\$ 16,147	\$ 15,246	\$ 17,276
Long-term liabilities	<u>68,890</u>	<u>70,978</u>	<u>72,837</u>
Total liabilities	\$ <u>85,037</u>	\$ <u>86,224</u>	\$ <u>90,113</u>
Net position:			
Net investment in capital assets	\$(9,270)	\$(11,550)	\$(10,138)
Restricted	2,227	3,233	2,013
Unrestricted	<u>41,303</u>	<u>36,712</u>	<u>32,338</u>
Total net position	\$ <u>34,260</u>	\$ <u>28,395</u>	\$ <u>24,213</u>

Assets and Liabilities

Cash increased \$1.3 million, or 12.7%. Continued improvements in the revenue cycle and point of service collections resulted in a positive impact on cash.

The capital improvement fund increased \$4.2 million because of market activity and contributions by CRMC.

Accrued pension liability decreased by \$660 thousand. CRMC funded \$1.5 million during fiscal year 2014.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
for the year ending June 30, 2014

Table 2: Operating Results and Changes in Net Position (in Thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues:			
Net patient service revenue	\$ 93,963	\$ 90,138	\$ 87,763
Other revenue	<u>2,596</u>	<u>3,038</u>	<u>4,396</u>
Total operating revenues	<u>96,559</u>	<u>93,176</u>	<u>92,159</u>
Operating expenses:			
Salaries and benefits	46,967	45,592	47,975
Medical supplies and drugs	35,562	33,912	34,200
Depreciation and amortization	4,934	4,850	4,935
Other operating expenses	<u>4,656</u>	<u>5,199</u>	<u>5,009</u>
Total operating expenses	<u>92,119</u>	<u>89,553</u>	<u>92,119</u>
Operating income	<u>4,440</u>	<u>3,623</u>	<u>40</u>
Nonoperating revenues (expenses):			
Investment income	2,294	1,007	1,186
Interest expense	(4,435)	(4,571)	(4,754)
Other nonoperating revenues and expenses, net	<u>4,463</u>	<u>2,940</u>	(<u>786</u>)
Total nonoperating revenues (expenses)	<u>2,322</u>	(<u>624</u>)	(<u>4,354</u>)
Excess revenues (expenses)	6,762	2,999	(4,314)
Amortization of financial instrument	236	236	236
Other changes in plan assets and projected benefit obligation recognized in net position	-	-	(2,336)
Capital grants and contributions	-	-	1,155
Change in restrictions by Foundation	(<u>1,133</u>)	<u>947</u>	(<u>748</u>)
Change in net position	\$ <u>5,865</u>	\$ <u>4,182</u>	\$(<u>6,007</u>)

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
for the year ending June 30, 2014

Operating Income

Operating income for the year was \$4.4 million, which was a 23% improvement from last fiscal year. Net patient service revenue increased \$3.8 million or 4.2%. Bad debt decreased \$2.3 million, or 9%.

Nonoperating Revenues

Nonoperating revenues consisted of investment income, rental income and sales tax proceeds. It also included an unrealized gain from investments, and noncapital grants and contributions.

The Authority's Cash Flow

At June 30, 2014, days cash on hand were 180, compared to 167 for June 30, 2013. Cash and cash equivalents increased \$1.3 million during 2014.

Capital Assets and Debt Administration

At the end of 2014, the Authority had approximately \$42.3 million invested in capital assets, net of accumulated depreciation. Purchases for FY 2014 included a hospital-wide telemetry system, new surgical equipment and physician documentation and voice recognition systems.

At year-end, the Authority had approximately \$62 million in bonds and notes payable.

Other Economic Factors

Cullman Regional Medical Center is well positioned for health reform. As the only acute care facility in Cullman County, it has a favorable market position. The Sole Community Hospital designation has had a positive effect on the financial position of CRMC.

CRMC continues its clinical affiliation with UAB in the area of cardiology, and added an employed cardiologist in October 2013. CRMC is also looking at various retail opportunities for outpatient growth.

Contacting the Authority's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer at Cullman Regional Medical Center, P. O. Box 1108, Cullman Alabama 35056-1108.

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

BALANCE SHEETS
June 30, 2014 and 2013

	<u>2014</u>	<u>Restated 2013</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,888,476	\$ 10,548,714
Short-term investments	4,770,928	4,595,774
Patient accounts receivable, net of estimated uncollectibles of \$9,786,000 in 2014 and \$9,427,000 in 2013	11,423,716	11,381,612
Estimated third-party payor settlements	-	1,049,015
Supplies	1,074,826	1,059,085
Prepaid expenses	910,116	618,992
Other current assets	<u>690,174</u>	<u>1,640,492</u>
Total current assets	<u>30,758,236</u>	<u>30,893,684</u>
Noncurrent cash and investments:		
Internally designated for capital improvements	31,780,142	27,555,219
Held by trustee under indenture agreement	5,924,307	5,814,438
Internally designated for self-insurance	<u>-</u>	<u>118,494</u>
Total noncurrent cash and investments	<u>37,704,449</u>	<u>33,488,151</u>
Capital assets:		
Land	2,675,736	2,619,363
Construction-in-progress	1,533,830	1,185,219
Depreciable capital assets, net of accumulated depreciation	<u>38,088,492</u>	<u>37,412,422</u>
Total capital assets, net of accumulated depreciation	<u>42,298,058</u>	<u>41,217,004</u>
Other assets:		
Goodwill and intangibles	5,391,276	5,391,276
Other assets	<u>3,145,446</u>	<u>3,628,677</u>
Total other assets	<u>8,536,722</u>	<u>9,019,953</u>
Total assets	<u>\$ 119,297,465</u>	<u>\$ 114,618,792</u>

	<u>2014</u>	Restated <u>2013</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Current maturities of long-term debt	\$ 1,523,128	\$ 1,401,050
Accounts payable	2,784,422	4,103,065
Accrued expenses	3,849,257	3,151,609
Accrued salaries and benefits	4,783,961	3,968,180
Accrued interest	1,759,826	1,785,888
Estimated third-party payor settlements	1,412,677	800,577
Advance payments	<u>33,988</u>	<u>36,128</u>
Total current liabilities	16,147,259	15,246,497
Long-term debt, net of current maturities	61,234,024	62,554,583
Accrued pension	4,982,354	5,642,894
Derivative financial instruments	<u>2,674,316</u>	<u>2,780,091</u>
Total liabilities	<u>85,037,953</u>	<u>86,224,065</u>
Net position:		
Net investment in capital assets	(9,270,412)	(11,549,947)
Restricted	2,226,979	3,232,668
Unrestricted	<u>41,302,945</u>	<u>36,712,006</u>
Net position	<u>34,259,512</u>	<u>28,394,727</u>
 Total liabilities and net position	 \$ <u>119,297,465</u>	 \$ <u>114,618,792</u>

See accompanying notes and auditor's report.

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
for the years ended June 30, 2014 and 2013

	<u>2014</u>	Restated <u>2013</u>
Operating revenues:		
Net patient service revenue (net of provision for bad debts of \$23,176,000 in 2014 and \$25,472,000 in 2013)	\$ 93,962,511	\$ 90,137,873
Other revenue	<u>2,596,538</u>	<u>3,038,451</u>
Total operating revenues	<u>96,559,049</u>	<u>93,176,324</u>
Operating expenses:		
Salaries and wages	36,682,087	35,344,720
Employee benefits	10,285,225	10,247,335
Professional fees	1,842,773	2,071,469
Supplies and other	35,561,994	33,912,287
Lease expense	2,812,588	3,127,559
Depreciation and amortization	<u>4,933,960</u>	<u>4,849,776</u>
Total operating expenses	<u>92,118,627</u>	<u>89,553,146</u>
Operating income	<u>4,440,422</u>	<u>3,623,178</u>
Nonoperating revenues (expenses):		
Investment income	2,294,023	1,007,333
Unrealized gain	1,990,602	1,971,570
Interest	(4,435,176)	(4,571,045)
Rental income	320,943	227,445
Loss on sale or disposal of fixed assets	(4,181)	(787,034)
Tobacco taxes	56,190	57,040
Sales tax proceeds	400,000	433,333
Change in fair value of interest rate swap	(130,301)	203,147
Noncapital grants and contributions	<u>1,829,493</u>	<u>833,959</u>
Total nonoperating revenues (expenses)	<u>2,321,593</u>	(624,252)
Excess revenues	6,762,015	2,998,926

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION, Continued
for the years ended June 30, 2014 and 2013

	<u>2014</u>	Restated <u>2013</u>
Amortization of financial instrument	\$ 236,077	\$ 236,077
Change in restrictions by Foundation	(<u>1,133,307</u>)	<u>946,732</u>
Change in net position	<u>5,864,785</u>	<u>4,181,735</u>
Net position, beginning of year, originally reported	29,550,840	25,420,487
Implementation of GASB Statement No. 65	(<u>1,156,113</u>)	(<u>1,207,495</u>)
Net position, beginning of year, restated	<u>28,394,727</u>	<u>24,212,992</u>
Net position, end of year	\$ <u>34,259,512</u>	\$ <u>28,394,727</u>

See accompanying notes and auditor's report.

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

STATEMENTS OF CASH FLOWS
for the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>Restated 2013</u>
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 98,178,060	\$ 97,524,821
Payments to suppliers and contractors	(41,549,449)	(38,821,062)
Payments to employees	<u>(45,482,085)</u>	<u>(45,244,407)</u>
Net cash provided by operating activities	<u>11,146,526</u>	<u>13,459,352</u>
Cash flows from noncapital financing activities:		
Tax proceeds received	456,190	490,373
Proceeds from short-term debt	-	3,405,906
Principal paid on short-term debt	-	(3,405,906)
Interest paid on short-term debt	-	(343)
Rental income	320,943	227,445
Proceeds from noncapital grants and contributions	<u>1,175,781</u>	<u>927,927</u>
Net cash provided by noncapital financing activities	<u>1,952,914</u>	<u>1,645,402</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(1,510,042)	(4,868,825)
Interest paid on long-term debt	(4,435,176)	(4,570,702)
Proceeds from disposal of property and equipment	23,108	3,413,624
Purchase of property and equipment	<u>(5,733,779)</u>	<u>(3,989,361)</u>
Net cash used by capital and related financing activities	<u>(11,655,889)</u>	<u>(10,015,264)</u>
Cash flows from investing activities:		
Investment income	2,294,023	1,007,333
Purchase of long-term investments	(25,168,223)	(15,069,870)
Sale of long-term investments	<u>22,770,411</u>	<u>13,708,684</u>
Net cash used by investing activities	<u>(103,789)</u>	<u>(353,853)</u>
Increase in cash and cash equivalents	1,339,762	4,735,637

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

STATEMENTS OF CASH FLOWS, Continued
for the years ended June 30, 2014 and 2013

	<u>2014</u>	Restated <u>2013</u>
Cash and cash equivalents at beginning of year	\$ <u>10,548,714</u>	\$ <u>5,813,077</u>
Cash and cash equivalents at end of year	\$ <u><u>11,888,476</u></u>	\$ <u><u>10,548,714</u></u>
Reconciliation of operating income to net cash flows from operating activities:		
Operating income	\$ 4,440,422	\$ 3,623,178
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	4,933,960	4,849,776
Net periodic pension costs	934,460	1,012,683
Provision for bad debts	23,175,610	25,472,376
Change in operating assets and liabilities:		
Patient accounts receivable	(23,217,714)	(22,325,355)
Estimated third-party payor settlements	1,661,115	1,201,476
Prepaid expenses	(291,124)	7,141
Supplies	(15,741)	(130,615)
Other current assets	950,318	702,444
Other assets	3,636	(416,685)
Accounts payable	(1,318,643)	215,285
Accrued expenses and advance payments	1,485,227	347,648
Accrued pension	(<u>1,595,000</u>)	(<u>1,100,000</u>)
Net cash provided by operating activities	\$ <u><u>11,146,526</u></u>	\$ <u><u>13,459,352</u></u>

- The Authority entered into capital lease obligations of approximately \$250,000 and \$81,000 in 2014 and 2013.
- The Authority held investments at June 30, 2014 and 2013 with a fair value of approximately \$37,621,000 and \$33,700,000, respectively. During 2014 and 2013, the net change in fair value of these investments was an increase of approximately \$1,991,000 and \$1,972,000, respectively.

See accompanying notes and auditor's report.

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

1. Summary of Significant Accounting Policies

Reporting Entity

The Health Care Authority of Cullman County (Authority) was reincorporated on November 15, 1984 under the Alabama Health Care Authority Act of 1982 pursuant to the provision of Act Number 82-418 as a public hospital corporation. It was created by the Board of County Commissioners of Cullman County, Alabama, to operate, control, and manage all matters concerning the County's health care functions. The Board of County Commissioners appoints the Board of Director members of the Authority, and the Authority, within the definitions of the Health Care Authority Act, may issue debt but it cannot levy taxes without the County's approval. For this reason, the Authority is considered to be a component unit of Cullman County.

Cullman Regional Medical Center (Hospital), a blended component unit of the Authority, is an Alabama not-for-profit corporation organized under Section 501(c)(3) of the Internal Revenue Code to operate as an acute care hospital. The Authority appoints the voting majority of the Hospital Board and controls the operations of the Hospital.

The Authority and Baptist Health Systems, Inc. (BHS) organized Cullman Regional Medical Center to construct and operate a 115-bed general acute care hospital in Cullman, Alabama. The Authority and BHS were equal members in the Hospital. On December 1, 2005, the Authority purchased BHS's share of the Hospital and is now the sole member. The Authority also operates Cullman Emergency Management Services (CEMS), an ambulance service covering the Cullman County area.

All significant intercompany accounts and transactions have been eliminated.

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.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

1. Summary of Significant Accounting Policies, Continued

Accounting

The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

New Accounting Pronouncements

The GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in April 2012. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources, deferred inflows of resources, or current-period outflows and inflows. GASB Statement No. 65 further clarifies that debt issuance costs, except for those costs related to prepaid insurance, should be expensed in the period incurred. The Authority adopted this GASB Statement in fiscal year 2014. Accordingly, the 2013 statement of revenues, expenses and changes in net position has been adjusted to eliminate approximately \$1,207,000 of debt issuance costs from the beginning of the year net position balance and approximately \$51,000 of amortization expense previously included in depreciation and amortization expense. The 2013 balance sheet has been adjusted to eliminate approximately \$1,156,000 of debt issuance costs with a corresponding decrease in net investment in capital assets.

In 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which require enhanced note disclosure and required supplementary information for both defined benefit and defined contribution pension plans as well as provide standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for pension plans. The Authority expects to adopt GASB No. 68 in fiscal year 2015. The Authority has not yet determined the impact of this statement on the financial statements.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

1. Summary of Significant Accounting Policies, Continued

New Accounting Pronouncements, Continued

In 2013, the GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The new guidance will reclassify goodwill as deferred outflow of resources and be attributed to future periods in a systematic and rational manner. The Authority expects to adopt this statement in fiscal year 2015. The Authority has not yet determined the impact of this statement on the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less. Cash and cash equivalents exclude amounts held by trustee under indenture agreement.

The Authority routinely invests its surplus operating funds in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations.

Noncurrent Cash and Investments

Noncurrent cash and investments primarily include assets held by trustees under indenture agreements and designated assets set aside by the Authority's Board of Directors for future capital improvements and self-insurance, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the Authority have been reclassified in the balance sheet at June 30, 2014 and 2013.

Allowance for Doubtful Accounts

The Hospital provides an allowance for doubtful accounts based on the evaluation of the overall collectibility of the accounts receivable. As accounts are known to be uncollectible, the account is charged against the allowance.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

1. Summary of Significant Accounting Policies, Continued

Supplies

Supplies are stated at the lower of cost or market value, using the first-in, first-out method.

Capital Assets

The Authority's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land and construction-in-progress are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives as determined by AHA Guidelines:

Land improvements	15 to 20 Years
Buildings and building improvements	20 to 40 Years
Equipment, computers, and furniture	3 to 7 Years

Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the Authority's interest cost was capitalized in 2014 or 2013.

Financing Cost

Costs incurred in connection with the issuance of long-term debt are expensed in the period incurred.

Sales Taxes

Effective June 1, 1975, and amended in 1990, the Alabama Legislature levied a sales tax on the sale of tangible personal property in Cullman County (sales tax) for an indefinite period of time. The Authority's portion of this sales tax is due on a monthly basis in the amount of \$33,333. The proceeds from the sales tax may be used to fund indigent and charity care patients.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

1. Summary of Significant Accounting Policies, Continued

Goodwill and Intangibles

The Authority evaluates goodwill and intangible assets with indefinite lives for impairment annually and more frequently in the event of an impairment indicator. Intangible assets with definite lives are amortized over their respective estimated useful lives, and reviewed whenever events or circumstances indicate impairment may exist.

The Authority assesses qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Authority determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is required. If the two-step impairment test is determined to be necessary, and in step two the carrying value of a reporting unit's goodwill exceeds its implied fair value, an impairment loss equal to the difference will be recorded.

As of June 30, 2014 and 2013, the Authority had goodwill and intangibles of \$5,391,276. The Authority has elected June 30th as its annual impairment assessment date. The Authority completed its annual impairment assessment and concluded that no goodwill or indefinite lived intangible asset impairment charge was required.

Grants and Contributions

From time to time, the Authority receives grants from Cullman County and the State of Alabama as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues.

Restricted Resources

When the Authority has both restricted and unrestricted resources available to finance a particular program, it is the Authority's policy to use restricted resources before unrestricted resources.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

1. Summary of Significant Accounting Policies, Continued

Net Position

Net position of the Authority is classified into three components. *Net investment in capital assets* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* are noncapital assets reduced by liabilities and deferred inflows of resources related to those assets that must be used for a particular purpose, as specified by the Foundation, creditors, grantors or contributors external to the Authority, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note 8. *Unrestricted net position* is the remaining net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of *net investment in capital assets* or *restricted*.

Operating Revenues and Expenses

The Authority's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Authority's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

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

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

1. Summary of Significant Accounting Policies, Continued

Income Taxes

The Authority is a governmental entity and is exempt from income taxes. Accordingly, no provision for income taxes has been considered in the accompanying financial statements.

The Hospital is a not-for-profit corporation that has been recognized as tax-exempt pursuant to Section 501(c)3 of the Internal Revenue Code. The Hospital is required to file a Form 990 with the Internal Revenue Service. Any income earned from non-related business services is subject to taxation.

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

Based on the results of management's evaluation, no liability is recognized in the accompanying balance sheet for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of June 30, 2014 and 2013 or for the years then ended. The Hospital's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

1. Summary of Significant Accounting Policies, Continued

Impairment of Long-Lived Assets

The Authority evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Authority has not recorded any impairment charges in the accompanying statements of revenues, expenses and changes in net position for the years ended June 30, 2014 and 2013.

Other Assets

Other assets consist of an investment in Cullman Regional Medical Center Foundation, Inc. and of receivables related to employment agreements with certain physicians.

Advance Payments

Advance payments represent payments under Medicare's prospective payment system for home health patients. Medicare reimburses the Authority for 60-day episodes of care. The amount reported as advance payments at June 30, 2014 and 2013 represents payments received but not earned as of the respective year end.

Compensated Absences

The Authority's employees earn vacation days at varying rates depending on years of service. Vacation time accumulates up to a maximum of 352 hours. Employees also earn sick leave benefits based on a flat rate per pay period. Employees are not paid accumulated sick leave if they leave before retirement. The estimated amount of accrued vacation is included as a current liability.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

1. Summary of Significant Accounting Policies, Continued

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in the past. The Authority is self-insured for employee health insurance, worker's compensation insurance, and professional and general liability (see Note 14).

Insurance

Beginning in September 1998, the Authority became self-insured for workers' compensation claims. Effective January 1, 1999, the Authority became self-insured for healthcare claims for its employees. Effective January 1, 2003, the Authority became self-insured for professional and general liability. The Authority carries reinsurance with a \$10 million limit. Provision is made in the financial statements for estimates of reported claims and claims incurred but not reported for the workers' compensation, healthcare, and professional and general liability programs.

Derivative Instruments

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure of variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a deferred inflow of resources or as a deferred outflow of resources. The ineffective component, if any, is recorded in excess revenues in the period in which the hedge transaction affects earnings. If the hedging relationship ceases to be highly effective or it becomes probable that an expected transaction will no longer occur, gains or losses on the derivative are recorded in excess revenues. For derivative instruments not designated as hedging instruments, the unrealized gain or loss is recognized in nonoperating revenues (expenses) during the period of change.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

1. Summary of Significant Accounting Policies, Continued

Fair Value Measurements

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

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

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2013 financial statements to conform to the fiscal year 2014 presentation. These reclassifications had no impact on the change in net position in the accompanying financial statements.

2. Net Patient Service Revenue

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

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

2. Net Patient Service Revenue, Continued

Revenue from the Medicare and Medicaid programs accounted for approximately 40% and 9%, respectively, of the Authority's gross patient revenue for the year ended 2014 and 42% and 10%, respectively, of the Authority's gross patient revenue for the year ended 2013. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC's have authority to pursue improper payments with a three year look back from the date the claim was paid. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

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

- Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services rendered to Medicare beneficiaries are paid at prospectively determined rates per encounter characterized as ambulatory payment classifications in which payment is based on the type of patient service performed.

The Authority is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare Administrative Contractor (MAC). The Authority's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Authority. The Authority's Medicare cost reports have been audited by the MAC through June 30, 2011.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

2. Net Patient Service Revenue, Continued

- Medicaid

The Hospital Funding Program governs Medicaid payments. For public hospitals, the Hospital Funding Program utilizes a combination of federal funds derived from certified public expenditures (CPE) and disproportionate share hospital (DSH) payments to provide inpatient and outpatient payments.

Hospitals receive a lump sum DSH payment at the beginning of the state fiscal year, base per diem payments for inpatient services, and outpatient payments based on the Medicaid fee schedule maintained by the Medicaid agency. These payments are determined and provided by the Alabama Medicaid Agency. The Alabama Medicaid Agency claims the maximum allowable DSH amount from the federal government and distributes these funds to hospitals based on a hospital's share of statewide uncompensated care. CPE payments are made on a per diem basis to public hospitals.

Both CPE and DSH transactions are considered interim payments by the Centers for Medicare and Medicaid Services (CMS). The Alabama Medicaid Agency is required to conduct a final reconciliation of CPE and DSH payments to hospitals. This reconciliation process has not begun and it is not clear when it may begin. The Medicaid Agency is responsible to CMS for any overpayments or underpayments to hospitals. No recoupment procedures are in place governing how the state may recoup overpaid CPE from or distribute underpaid CPE to hospitals.

The net proceeds of the supplemental payments were approximately \$2,700,000 in fiscal year 2014 and are included in net patient service revenue in the accompanying financial statements.

- Blue Cross

Inpatient and outpatient services rendered to Blue Cross subscribers are reimbursed under either a cost reimbursement methodology or at prospectively determined rates. For cost reimbursement services, the Authority is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by Blue Cross. The Authority's Blue Cross cost reports have been audited by Blue Cross through June 30, 2013.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

2. Net Patient Service Revenue, Continued

- Other Agreements

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

3. Uncompensated Services

The Authority was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2014 and 2013 were approximately \$273,755,000 and \$267,197,000, respectively.

Uncompensated care includes charity and indigent care services of approximately \$7,700,000 and \$6,932,000 in 2014 and 2013, respectively. The cost of charity and indigent care services provided during 2014 and 2013 was approximately \$2,022,000 and \$1,826,000, respectively computed by applying a total cost factor to the charges foregone.

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Gross patient charges	\$ <u>367,717,462</u>	\$ <u>357,334,674</u>
Uncompensated services:		
Charity and indigent care	7,699,794	6,931,515
Medicare	114,989,371	112,348,669
Medicaid	27,570,826	30,007,473
Blue Cross	76,441,339	70,705,164
Other allowances	23,878,011	21,731,604
Bad debts	<u>23,175,610</u>	<u>25,472,376</u>
Total uncompensated care	<u>273,754,951</u>	<u>267,196,801</u>
Net patient service revenue	\$ <u>93,962,511</u>	\$ <u>90,137,873</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

4. Deposits and Investments

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Authority's Bylaws require that all bank balances be insured or collateralized by U.S. Government Securities held by the pledging financial institution's trust department in the name of the Authority.

The Authority's deposits at year-end were held by financial institutions that participate in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to them. As of June 30, 2014 and 2013, the Authority has no deposits exposed to custodial credit risk.

Custodial Credit Risk – Investments. For an investment, this is the risk that in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Authority's investments are held in the Authority's name by a custodial bank that is the agent of the Authority.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

4. Deposits and Investments, Continued

As discussed in Note 1, the Authority's investments are generally carried at fair value. Deposits and investments as of June 30, 2014 and 2013 are classified in the accompanying financial statements as follows:

	<u>2014</u>	<u>2013</u>
Deposits and investments consist of the following:		
Authority:		
Deposits	\$ 788,665	\$ 290,273
Money market accounts	2,759,503	2,753,988
Certificates of deposit – annual maturity	561,906	557,603
Hospital:		
Deposits	8,340,308	7,504,453
Money market accounts and certificates of deposit	<u>4,292,120</u>	<u>3,826,208</u>
Subtotal deposits	<u>16,742,502</u>	<u>14,932,525</u>
Deposits and investments consist of the following, continued:		
Hospital:		
U.S. Treasury	\$ 5,849,496	\$ 5,760,608
Government bonds	443,146	378,134
Domestic common stocks	2,861,057	2,404,322
Foreign stocks	261,065	255,226
Mutual funds – equity	12,908,395	10,509,933
Mutual funds – fixed income	11,509,870	9,071,129
Limited partnership	1,128,519	1,350,053
Alternative investments in hedge funds	1,698,223	3,050,632
Corporate bonds	<u>961,580</u>	<u>920,077</u>
Subtotal investments	<u>37,621,351</u>	<u>33,700,114</u>
Total deposits and investments	<u>\$ 54,363,853</u>	<u>\$ 48,632,639</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

4. Deposits and Investments, Continued

	<u>2014</u>	<u>2013</u>
Included in the following balance sheet captions:		
Cash and cash equivalents	\$ 11,888,476	\$ 10,548,714
Short-term investments	4,770,928	4,595,774
Noncurrent cash and investments:		
Internally designated for capital improvements	31,780,142	27,555,219
Held by trustee under indenture agreement	5,924,307	5,814,438
Internally designated for self-insurance	<u>-</u>	<u>118,494</u>
Total	\$ <u>54,363,853</u>	\$ <u>48,632,639</u>

Hedge funds include investments in various funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments as they feel necessary to meet established goals. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. These securities have no unfunded commitments and are redeemed semi-annually with a redemption notice period of 95-100 days. For a partial redemption, payment is generally within 30 days. For a full redemption, 95% is paid out within 30 days, with the balance paid out following the fund's audit (interest is paid on balance at the current 30 day Treasury rate).

The limited partnership invests in common stocks listed on U.S. Stock Market Exchanges. The limited partnership is valued at the end of each month to determine each partner's equity balance. These securities have no unfunded commitments and are redeemed on a monthly basis with a redemption notice of five business days. There are no known restrictions or circumstances which affect the ability to redeem or sell the investment at the measurement date.

In accordance with its investment policy, the Authority invests in diversified debt and equity securities in order to manage its exposure to declines in fair values. The policy states that interest rate sensitivity shall be measured in terms of duration.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

4. Deposits and Investments, Continued

The Authority's debt securities had the following maturities:

June 30, 2014

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. Treasury	\$ 5,849,496	\$ -	\$ 5,849,496	\$ -	\$ -
Government bonds	443,146	-	-	320,586	122,560
Corporate bonds	<u>961,580</u>	<u>-</u>	<u>367,041</u>	<u>594,539</u>	<u>-</u>
Total	\$ <u>7,254,222</u>	\$ <u>-</u>	\$ <u>6,216,537</u>	\$ <u>915,125</u>	\$ <u>122,560</u>

June 30, 2013

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. Treasury	\$ 5,760,608	\$ -	\$ 5,760,608	\$ -	\$ -
Government bonds	378,134	258,585	-	119,549	-
Corporate bonds	<u>920,077</u>	<u>-</u>	<u>177,320</u>	<u>742,757</u>	<u>-</u>
Total	\$ <u>7,058,819</u>	\$ <u>258,585</u>	\$ <u>5,937,928</u>	\$ <u>862,306</u>	\$ <u>-</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

4. Deposits and Investments, Continued

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Authority manages its exposure to credit risk by requiring in its investment policy, that debt securities be rated Baa or greater by a nationally recognized rating agency.

As of June 30, 2014 and 2013, the Authority's investments in debt securities had the following ratings:

		Rating as of June 30, 2014			
	<u>Amount</u>	<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>
Debt securities:					
U.S. Treasury	\$ 5,849,496	\$ 5,849,496	\$ -	\$ -	\$ -
Government bonds	443,146	322,722	120,424	-	-
Corporate bonds	<u>961,580</u>	<u>-</u>	<u>92,316</u>	<u>869,264</u>	<u>-</u>
Total debt securities	\$ <u>7,254,222</u>	\$ <u>6,172,218</u>	\$ <u>212,740</u>	\$ <u>869,264</u>	\$ <u>-</u>
		Rating as of June 30, 2013			
	<u>Amount</u>	<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>
Debt securities:					
U.S. Treasury	\$ 5,760,608	\$ 5,760,608	\$ -	\$ -	\$ -
Government bonds	378,134	258,585	119,549	-	-
Corporate bonds	<u>920,077</u>	<u>-</u>	<u>89,544</u>	<u>655,442</u>	<u>175,091</u>
Total debt securities	\$ <u>7,058,819</u>	\$ <u>6,019,193</u>	\$ <u>209,093</u>	\$ <u>655,442</u>	\$ <u>175,091</u>

Concentration of Credit Risk

The Authority's investment policy provides allowable ranges for asset allocation based on the type of investment.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

5. Capital Assets

Capital asset increases, decreases, and balances for the years ended June 30, 2014 and 2013 were as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
Land	\$ 2,619,363	\$ 56,373	\$ -	\$ 2,675,736
Construction-in-progress	<u>1,185,219</u>	<u>348,611</u>	<u>-</u>	<u>1,533,830</u>
Total capital assets not being depreciated	<u>3,804,582</u>	<u>404,984</u>	<u>-</u>	<u>4,209,566</u>
Land improvements	3,310,986	59,478	32,845	3,337,619
Buildings and improvements	52,564,840	1,110,977	540,653	53,135,164
Equipment	<u>49,437,435</u>	<u>4,408,342</u>	<u>10,655,354</u>	<u>43,190,423</u>
Total capital assets being depreciated	<u>105,313,261</u>	<u>5,578,797</u>	<u>11,228,852</u>	<u>99,663,206</u>
Less accumulated depreciation for:				
Land improvements	2,421,372	224,686	31,936	2,614,122
Buildings and improvements	24,910,713	1,924,563	539,607	26,295,669
Equipment	<u>40,568,754</u>	<u>2,726,188</u>	<u>10,630,019</u>	<u>32,664,923</u>
Total accumulated depreciation	<u>67,900,839</u>	<u>4,875,437</u>	<u>11,201,562</u>	<u>61,574,714</u>
Capital assets, being depreciated, net	<u>37,412,422</u>	<u>703,360</u>	<u>27,290</u>	<u>38,088,492</u>
Total capital assets, net	\$ <u>41,217,004</u>	\$ <u>1,108,344</u>	\$ <u>27,290</u>	\$ <u>42,298,058</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

5. Capital Assets, Continued

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Land	\$ 2,797,443	\$ -	\$ 178,080	\$ 2,619,363
Construction-in-progress	<u>1,469,159</u>	<u>-</u>	<u>283,940</u>	<u>1,185,219</u>
Total capital assets not being depreciated	<u>4,266,602</u>	<u>-</u>	<u>462,020</u>	<u>3,804,582</u>
Land improvements	3,297,789	29,493	16,296	3,310,986
Buildings and improvements	51,809,764	1,360,272	605,196	52,564,840
Buildings held-for-sale	3,500,000	-	3,500,000	-
Equipment	<u>48,183,182</u>	<u>2,964,932</u>	<u>1,710,679</u>	<u>49,437,435</u>
Total capital assets being depreciated	<u>106,790,735</u>	<u>4,354,697</u>	<u>5,832,171</u>	<u>105,313,261</u>
Less accumulated depreciation for:				
Land improvements	2,207,315	224,288	10,231	2,421,372
Buildings and improvements	23,175,125	1,865,263	129,675	24,910,713
Equipment	<u>39,537,161</u>	<u>2,701,279</u>	<u>1,669,686</u>	<u>40,568,754</u>
Total accumulated depreciation	<u>64,919,601</u>	<u>4,790,830</u>	<u>1,809,592</u>	<u>67,900,839</u>
Capital assets, being depreciated, net	<u>41,871,134</u>	(<u>436,133</u>)	<u>4,022,579</u>	<u>37,412,422</u>
Total capital assets, net	\$ <u>46,137,736</u>	\$ (<u>436,133</u>)	\$ <u>4,484,599</u>	\$ <u>41,217,004</u>

At June 30, 2014, the remaining commitment on contracts for construction-in-progress was approximately \$465,000.

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HEALTH CARE AUTHORITY OF CULLMAN COUNTY
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NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

6. Goodwill and Intangibles

Goodwill and intangibles consists of the following:

	<u>2014</u>	<u>2013</u>
Authority:		
Goodwill – purchase of Hospital interest	\$ 2,991,276	\$ 2,991,276
Intangibles – Woodland Medical Center combination	<u>2,400,000</u>	<u>2,400,000</u>
Total goodwill and intangibles	\$ <u><u>5,391,276</u></u>	\$ <u><u>5,391,276</u></u>

The goodwill is related to the acquisition of the portion of the Hospital previously owned by BHS. The intangible assets relate to licenses that are not subject to expiration and were acquired during the acquisition of a local hospital. Both are evaluated annually for impairment.

The changes in the carrying amount of goodwill and intangibles for the years ended June 30, 2014 and 2013, are as follows:

	<u>2014</u>	<u>2013</u>
Balance at beginning of the year:		
Goodwill and intangibles	\$ 5,391,276	\$ 5,391,276
Accumulated impairment losses	<u>-</u>	<u>-</u>
	<u>5,391,276</u>	<u>5,391,276</u>
Goodwill and intangibles acquired during the year	-	-
Impairment losses	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Balance at end of the year:		
Goodwill and intangibles	5,391,276	5,391,276
Accumulated impairment losses	<u>-</u>	<u>-</u>
	\$ <u><u>5,391,276</u></u>	\$ <u><u>5,391,276</u></u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
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NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

7. Derivative Financial Instruments

During fiscal year 2008, the Hospital entered into an interest rate swap agreement, extending through 2036. This swap was transacted in an effort to reduce the impact of interest rate changes on \$50,000,000 of variable rate debt tied to the SIFMA Index. The swap contract in place requires paying a fixed cash flow and receiving a variable cash flow that re-prices with reference to three-month LIBOR. The Hospital's variable-rate borrowing is tied to a different underlying interest rate index – the Securities Industry and Financial Markets Association Index (SIFMA). Thus, some degree of hedge ineffectiveness should be expected. Approximately 90% of this swap was designated as the hedging derivative in a cash flow hedge relationship.

During fiscal year 2010, the Hospital refunded the 2007-A Series Variable Rate Revenue Bonds by issuing 2009-A Series Fixed Rate Revenue Bonds. In conjunction with the issuance of the 2009-A Bonds, approximately \$5.4 million was used to reduce a portion of the interest rate swap. The remaining portion of the swap was amended to a basis swap. The amended swap contract requires paying a variable rate on the basis of the SIFMA index and receiving a variable cash flow that re-prices with reference to three-month LIBOR. All future fair market value adjustments to the swap will be reflected in earnings.

The financial statements reflect a liability of approximately \$2.7 million and \$2.8 million for 2014 and 2013, respectively, which is based on the credit rating of the Hospital.

The following is a detail of the activity reflected in the statement of revenues, expenses and changes in net position:

	<u>2014</u>	<u>2013</u>
Nonoperating revenues:		
Change in fair value of interest rate swap:		
Ineffective portion of adjustment to fair market value	\$ 105,776	\$ 439,224
Amortization of loss on financial instrument	<u>(236,077)</u>	<u>(236,077)</u>
Total	\$ <u>(130,301)</u>	\$ <u>203,147</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

7. Derivative Financial Instruments, Continued

	<u>2014</u>	<u>2013</u>
Change in unrestricted net position:		
Change in interest rate swap:		
Amortization of loss on financial instrument	\$ <u>236,077</u>	\$ <u>236,077</u>

8. Short-Term Debt

A schedule of changes in the Hospital's short-term debt for 2014 and 2013 follows:

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2014</u>
Lines-of-credit	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

	Balance <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2013</u>
Lines-of-credit	\$ <u>-</u>	\$ <u>3,405,906</u>	\$(<u>3,405,906</u>)	\$ <u>-</u>

During 2003, the Hospital entered into a revolving note agreement with Wells Fargo Bank under which the bank agreed to provide up to \$500,000 in an unsecured line-of-credit to the Hospital for operations. The line-of-credit with Wells Fargo expired during 2013 and was not renewed. During 2012, the Hospital entered into a revolving note agreement with BBVA Compass Bank under which the bank agreed to provide up to \$2,000,000 in an unsecured line-of-credit to the Hospital for operations. The Hospital modified the terms of the note agreement with BBVA Compass during 2014, and the bank agreed to provide up to \$2,500,000 in an unsecured line-of-credit. During 2014, the Hospital also entered into a revolving note agreement with Peoples Bank of Alabama in which the bank agreed to provide up to \$500,000 in an unsecured line-of-credit to the Hospital for operations.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

9. Long-Term Debt

A schedule of changes in the Hospital's long-term debt for 2014 and 2013 follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Phillips lease	\$ 68,570	\$ 250,000	\$ (74,042)	\$ 244,528	\$ 108,689
Morrison note	187,184	-	(46,000)	141,184	46,000
2009-A Revenue Bonds	<u>65,085,000</u>	<u>-</u>	<u>(1,390,000)</u>	<u>63,695,000</u>	<u>1,430,000</u>
	65,340,754	250,000	(1,510,042)	64,080,712	1,584,689
Less bond discount	<u>(1,385,121)</u>	<u>-</u>	<u>61,561</u>	<u>(1,323,560)</u>	<u>(61,561)</u>
Total long-term debt	<u>\$ 63,955,633</u>	<u>\$ 250,000</u>	<u>\$(1,448,481)</u>	<u>\$ 62,757,152</u>	<u>\$ 1,523,128</u>

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Phillips lease	\$ -	\$ 81,395	\$ (12,825)	\$ 68,570	\$ 26,611
Morrison note	233,184	-	(46,000)	187,184	46,000
2009-A Revenue Bonds	66,395,000	-	(1,310,000)	65,085,000	1,390,000
Woodland note	<u>3,500,000</u>	<u>-</u>	<u>(3,500,000)</u>	<u>-</u>	<u>-</u>
	70,128,184	81,395	(4,868,825)	65,340,754	1,462,611
Less bond discount	<u>(1,446,682)</u>	<u>-</u>	<u>61,561</u>	<u>(1,385,121)</u>	<u>(61,561)</u>
Total long-term debt	<u>\$ 68,681,502</u>	<u>\$ 81,395</u>	<u>\$(4,807,264)</u>	<u>\$ 63,955,633</u>	<u>\$ 1,401,050</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

9. Long-Term Debt, Continued

Long-Term Debt. The terms and due dates of the Hospital's long-term debt at June 30, 2014 and 2013 follows:

- Morrison note, being paid at \$46,000 per year through 2017 with no interest. If the Hospital terminates the agreement with Morrison, the outstanding portion of the note is due plus interest at the *Wall Street Journal* prime rate plus 2%.
- Hospital Revenue Bonds, Series 2009-A, payable in annual installments through 2036 in amounts ranging from \$1,175,000 to \$5,270,000 plus interest from 3% to 7%, collateralized by real property and Hospital buildings included in the facilities.
- Woodland note, 5.6% interest only payments monthly through 2012 with principal balance due at maturity in July 2012. In July 2012, the note was extended pending the sale of Woodland. In October 2012, Woodland was sold to an unrelated party. The proceeds from the sale were used to retire the associated debt.
- Phillips lease, payable in monthly installments through 2017 with a bargain purchase option at the end of the lease term.

Debt Refunding

Series 2009-A. The Hospital issued Revenue Bonds Series 2009-A dated December 3, 2009 for the purpose of refunding certain prior obligations issued by the Issuer to finance or refinance the acquisition, improvement and equipping of Hospital facilities operated by the Hospital. Proceeds of the Bonds will also be used for related costs incidental to the financing, including costs of issuance with respect to the Bonds and funding of the Reserve Fund established under the Bond Indenture. Lastly, bond proceeds will be used to pay the termination fee due in connection with the partial termination of the interest rate swap.

The obligations of the Hospital under the Hedge Agreement are secured by a Master Indenture Note.

Under the terms of the Series 2009-A Revenue Bonds, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included with noncurrent cash and investments in the balance sheet. The Revenue Bonds also require that the Hospital satisfy certain measures of financial performance as long as the bonds are outstanding.

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HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

9. Long-Term Debt, Continued

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

	<u>Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,584,689	\$ 4,233,500
2016	1,647,425	4,156,991
2017	1,655,414	4,076,031
2018	1,683,184	3,990,550
2019	1,805,000	3,898,150
2020 to 2024	10,775,000	17,704,625
2025 to 2029	14,480,000	13,704,450
2030 to 2034	20,280,000	7,984,900
2035 to 2036	<u>10,170,000</u>	<u>1,080,800</u>
Total	\$ <u>64,080,712</u>	\$ <u>60,829,997</u>

10. Retirement Plan

The Hospital has a defined contribution plan for all full-time employees. The Hospital funds tax-sheltered mutual funds for employees under the defined contribution plan. Employees over 21 years of age that complete 1,000 hours per year shall receive 2% of an employee's base salary. Eligible employees must also have been employed by the Hospital for one year.

Retirement benefits included in the June 30, 2014 and 2013 financial statements are approximately \$529,000 and \$495,000, respectively.

11. Pension Plan

The Hospital has a noncontributory defined benefit pension plan covering substantially all full-time employees. Employees were eligible to participate in the plan, provided they had attained the age of 21, worked 1,000 hours or more a year, and completed one qualifying year of service. The Board of Directors voted to freeze the defined benefit plan effective May 31, 2006.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

11. Pension Plan, Continued

Annual Pension Cost and Net Pension Obligation

The Authority's annual pension cost and net pension obligation at June 30, 2014 and 2013 follows:

	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 1,012,363	\$ 1,091,892
Interest on net pension obligation	310,359	315,162
Adjustment to annual required contribution	(<u>388,262</u>)	(<u>394,371</u>)
Annual pension cost	934,460	1,012,683
Contributions made	(<u>1,595,000</u>)	(<u>1,100,000</u>)
Decrease in net pension obligation	(660,540)	(87,317)
Net pension obligation, beginning of year	<u>5,642,894</u>	<u>5,730,211</u>
Net pension obligation, end of year	\$ <u>4,982,354</u>	\$ <u>5,642,894</u>

The annual required contribution for the current year was determined as part of the June 30, 2014 actuarial valuation using the projected unit cost method. The actuarial assumptions included (a) 5.5% pre-retirement investment rate of return and (b) 5.5% post-retirement investment rate of return. There were no projected salary increases since the plan was frozen, effective May 31, 2006.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 707,682	141 %	\$ 5,730,211
June 30, 2013	\$ 1,012,683	109 %	\$ 5,642,894
June 30, 2014	\$ 934,460	171 %	\$ 4,982,354

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

11. Pension Plan, Continued

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL As A Percent of Covered Payroll
July 1, 2013	\$ <u>13,148,044</u>	\$ <u>27,779,390</u>	\$ <u>14,631,346</u>	47%	N/A	N/A

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

12. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Medicare	31%	30%
Medicaid	7%	5%
Blue Cross	15%	13%
Other third-party payors	20%	23%
Patients	<u>27%</u>	<u>29%</u>
Total	<u>100%</u>	<u>100%</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

13. Commitments Under Noncancellable Operating Leases

The Hospital leases various equipment and facilities under operating leases expiring at various dates through April 2018. Total rental expense in 2014 and 2013 for all operating leases was approximately \$2,813,000 and \$3,128,000, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2014, that have initial or remaining lease terms in excess of one year.

<u>Year Ending</u>	<u>Amount at June 30</u>
2015	\$ 630,140
2016	413,257
2017	181,790
2018	<u>19,837</u>
Total	\$ <u>1,245,024</u>

14. Commitments and Contingencies

The Hospital is self-insured for professional and general liability for \$1 million per occurrence, \$3 million aggregate. Umbrella coverage for professional and general liability is provided by Hudson Specialty Insurance Company for \$10 million per claim and annual aggregate. At year-end, the Hospital accrued approximately \$1.9 million in potential claims. The Hospital has approximately \$1.9 million held in a trust to accommodate these potential claims. The accrual for potential claims is included in current liabilities and the corresponding amount held in trust is included in short-term investments.

The Hospital is self-insured for worker's compensation up to \$400,000 per occurrence. Excess workers' compensation is provided by Cobbs, Allen and Hall Insurance Company as brokers, with Midwest Employers Casualty Co. as the insuror. At year end, the Hospital accrued approximately \$872,000 for potential claims. The accrual for potential claims is included in current liabilities.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

14. Commitments and Contingencies, Continued

The Hospital is also self-insured for employee health insurance. The Hospital has purchased stop loss coverage through Gerber Life for any individual that exceeds \$100,000 per year, with a maximum of \$1,900,000 per individual and a \$3 million maximum aggregate limit. At year end, the Hospital accrued approximately \$350,000 for potential claims. The accrual for potential claims is included in current liabilities.

Several lawsuits have been filed naming the Hospital as a defendant. The lawsuits allege damages of various amounts related to the general and professional liability of the Hospital. While the amount of the ultimate loss, if any, cannot be determined, in the opinion of management, after taking into account the insurance coverage noted above, there will be no material adverse effect on the Hospital's financial position, results of operations, changes in net position, or cash flows from the resolution of the litigations.

In the normal course of business, the Hospital enters into agreements with certain physicians under which the Hospital guarantees the physicians' net collections from their practices to be certain minimum amounts over certain periods of time. The Hospital also enters into agreements with certain physicians under which the Hospital agrees to repay the physicians' outstanding student loans. These agreements require the physicians to establish and maintain their practices in Cullman, Alabama for specified periods of time. Amounts due under these arrangements as of June 30, 2014 and 2013 were approximately \$234,000 and \$312,000, respectively and are included as other assets in the accompanying balance sheet. These payments are expensed as the doctors provide services for agreed upon periods of time. It is the Hospital's policy to secure recruiting arrangements with promissory notes.

Health Care Reform

In recent years, there has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare at the national and the state levels. In 2010 legislation was enacted which included cost controls on hospitals, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of certain provisions will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Authority.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
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NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

15. Cullman Regional Medical Center Foundation, Inc.

Cullman Regional Medical Center Foundation, Inc. (Foundation) was established to assist, advance, and strengthen the Hospital by supporting the Hospital's healthcare mission and medical education programs. A summary of the Foundation's assets, liabilities, net assets, results of operations, and changes in net assets follows.

The following is a summary of the financial statements of the Foundation:

	<u>2014</u>	<u>2013</u>
Current assets	\$ 1,277,949	\$ 1,873,226
Other assets	<u>1,302,977</u>	<u>1,197,711</u>
Total	\$ <u>2,580,926</u>	\$ <u>3,070,937</u>
Current liabilities	\$ -	\$ 10,416
Net assets:		
Unrestricted	1,140,135	486,423
Temporarily restricted	<u>1,440,791</u>	<u>2,574,098</u>
Total liabilities and net assets	\$ <u>2,580,926</u>	\$ <u>3,070,937</u>
Unrestricted change in net assets:		
Revenues	\$ 1,737,969	\$ 549,806
Distributions to Hospital for capital acquisitions	(860,397)	(383,566)
Other expenses	<u>(223,860)</u>	<u>(260,208)</u>
Increase (decrease) in unrestricted net assets	653,712	(93,968)
Temporarily restricted change in net assets:		
Revenues	<u>(1,133,307)</u>	<u>946,732</u>
Increase (decrease) in net assets	\$ <u>(479,595)</u>	\$ <u>852,764</u>

Restrictions by Foundation of \$1,440,791 and \$2,574,098, represent assets held by the Foundation that are restricted by donors for various programs and purposes at June 30, 2014 and 2013, respectively.

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HEALTH CARE AUTHORITY OF CULLMAN COUNTY
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NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

16. Functional Expenses

The Authority and the Hospital provide general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	<u>2014</u>	<u>2013</u>
Health care services	\$ 60,864,458	\$ 59,969,783
General and administrative	26,320,209	24,733,587
Depreciation and amortization	<u>4,933,960</u>	<u>4,849,776</u>
Total	\$ <u>92,118,627</u>	\$ <u>89,553,146</u>

17. Fair Values of Financial Instruments

The following methods and assumptions were used by the Authority in estimating the fair value of its financial instruments:

- *Cash and cash equivalents, accounts payable, accrued expenses, and estimated third-party payor settlements:* The carrying amount reported in the balance sheet approximates its fair value due to the short-term nature of these instruments.
- *Short-term and noncurrent cash and investments:* These assets consist primarily of cash and cash equivalents, certificates of deposit, money market accounts, debt instruments, equity investments, alternative investments, a limited partnership, and interest receivable. The carrying amount reported in the balance sheet approximates its fair value.
- *Long-term debt:* Fair values of the Authority's Revenue Bonds are based on current traded value.
- *Derivative financial instruments:* The carrying amount reported in the balance sheet for derivative financial instruments approximates its fair value.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
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NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

17. Fair Values of Financial Instruments, Continued

The carrying amounts and fair values of the Authority's financial instruments at June 30, 2014 and 2013 is as follows:

	<u>2014</u>		<u>2013</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 11,888,476	\$ 11,888,476	\$ 10,548,714	\$ 10,548,714
Short-term and noncurrent cash and investments	\$ 42,475,377	\$ 42,475,377	\$ 38,083,925	\$ 38,083,925
Accounts payable and accrued expenses	\$ 13,211,454	\$ 13,211,454	\$ 13,044,870	\$ 13,044,870
Estimated third-party payor settlements	\$ 1,412,677	\$ 1,412,677	\$ 248,438	\$ 248,438
Long-term debt	\$ 62,757,152	\$ 68,852,700	\$ 63,955,633	\$ 68,191,399
Derivative financial instruments	\$ 2,674,316	\$ 2,674,316	\$ 2,780,091	\$ 2,780,091

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HEALTH CARE AUTHORITY OF CULLMAN COUNTY
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NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

18. Fair Value Measurement

The fair values of assets and liabilities measured on a recurring basis at June 30, 2014 and 2013 are as follows:

		<u>Fair Value Measurements at Reporting Date Using</u>		
	<u>Fair Value</u>	Quoted Prices in Active Markets For Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2014</u>				
Assets:				
U.S. Treasury	\$ 5,849,496	\$ 5,849,496	\$ -	\$ -
Government bonds	443,146	443,146	-	-
Domestic common stocks	2,861,057	2,861,057	-	-
Foreign stocks	261,065	261,065	-	-
Mutual funds – equity	12,908,395	12,908,395	-	-
Mutual funds – fixed income	11,509,870	11,509,870	-	-
Limited partnership	1,128,519	1,128,519	-	-
Alternative investments in hedge funds	1,698,223	-	-	1,698,223
Corporate bonds	<u>961,580</u>	<u>961,580</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>37,621,351</u>	\$ <u>35,923,128</u>	\$ <u>-</u>	\$ <u>1,698,223</u>
Liabilities:				
Derivative instruments	\$ <u>2,674,316</u>	\$ <u>-</u>	\$ <u>2,674,316</u>	\$ <u>-</u>

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HEALTH CARE AUTHORITY OF CULLMAN COUNTY
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NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

18. Fair Value Measurement, Continued

		<u>Fair Value Measurements at Reporting Date Using</u>		
	<u>Fair Value</u>	Quoted Prices in Active Markets For Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2013</u>				
Assets:				
U.S. Treasury	\$ 5,760,608	\$ 5,760,608	\$ -	\$ -
Government bonds	378,134	378,134	-	-
Domestic common stocks	2,404,322	2,404,322	-	-
Foreign stocks	255,226	255,226	-	-
Mutual funds – equity	10,509,933	10,509,933	-	-
Mutual funds – fixed income	9,071,129	9,071,129	-	-
Limited partnership	1,350,053	1,350,053	-	-
Alternative investments in hedge funds	3,050,632	-	-	3,050,632
Corporate bonds	<u>920,077</u>	<u>920,077</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>33,700,114</u>	\$ <u>30,649,482</u>	\$ <u>-</u>	\$ <u>3,050,632</u>
Liabilities:				
Derivative instruments	\$ <u>2,780,091</u>	\$ <u>-</u>	\$ <u>2,780,091</u>	\$ <u>-</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

18. Fair Value Measurement, Continued

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar investments in active or inactive markets. Financial assets using Level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied. All assets and liabilities have been valued using a market approach.

Fair value for the hedge funds (Level 3) is determined on the last day of the month. The underlying securities of the funds are priced daily by the custodial banks for the funds, which use third-party pricing vendors. Generally, securities are valued at the last sale price on the principal exchange or market, if any, on which they are traded.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
	<u>Alternative Investments in Hedge Funds</u>
July 1, 2012	\$ 2,831,622
Unrealized gains included in net position	219,010
Purchases	<u>-</u>
June 30, 2013	3,050,632
Unrealized losses included in net position	(45,287)
Purchases	-
Sales	<u>(1,307,122)</u>
June 30, 2014	\$ <u>1,698,223</u>

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

19. Woodland Medical Center

On July 15, 2009, the Authority purchased Woodland Medical Center of Cullman, Alabama. Woodland Medical Center was a 100-bed facility that provided patient care to residents of Cullman County, Alabama and the surrounding areas. The primary purpose of the combination was to purchase the operations and move them to the Authority's campus. This would provide the Authority with a strategic advantage from a competition and reimbursement standpoint. The facility and equipment were also acquired in the combination. The Authority incurred approximately \$3,500,000 in debt to purchase Woodland Medical Center. In return, the Authority received \$3,500,000 in property and land and \$3,200,000 of intangible assets associated with bed licenses. During 2010, the Authority sold \$800,000 of intangible assets, leaving the balance of \$2,400,000, which is reflected in goodwill on the balance sheet. During 2013, the Authority sold \$3,500,000 in property related to the Woodland purchase and paid off the related debt.

20. Electronic Health Records Incentive Payments

The Health Information Technology for Economic and Clinical Health Act (HITECH Act) was enacted into law on February 17, 2009 as part of the American Recovery and Reinvestment Act of 2009 (ARRA). The HITECH Act includes provisions designed to increase the use of Electronic Health Records (EHR) by both physicians and hospitals. Beginning with federal fiscal year 2011 and extending through federal fiscal year 2016, eligible hospitals participating in the Medicare and Medicaid programs are eligible for reimbursement incentives based on successfully demonstrating meaningful use of its certified EHR technology. Conversely, those hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to reductions in Medicare reimbursements beginning in FY 2015. On July 13, 2010, the Department of Health and Human Services (DHHS) released final meaningful use regulations. Meaningful use criteria are divided into three distinct stages: I, II and III. The final rules specify the initial criteria for physicians and eligible hospitals necessary to qualify for incentive payments; calculation of the incentive payment amounts; payment adjustments under Medicare for covered professional services and inpatient hospital services; eligible hospitals failing to demonstrate meaningful use of certified EHR technology; and other program participation requirements.

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2014 and 2013

20. Electronic Health Records Incentive Payments, Continued

The final rule set the earliest interim payment date for the incentive payment at May 2011. This was a delay from the initial October 2010 date; however, the first year of the Medicare portion of the program is defined as the federal government fiscal year October 1, 2010 to September 30, 2011.

The Hospital recognizes income related to Medicare and Medicaid incentive payments using a grant model based upon when it has determined that it is reasonably assured that the Hospital will be meaningfully using EHR technology for the applicable period and the cost report information is reasonably estimable.

The Hospital successfully demonstrated meaningful use of its certified EHR technology for Stage I prior to June 30, 2011. In October 2012, the Hospital attested to meaningful use for Stage II. The Hospital has recognized approximately \$724,000 and \$891,000 in 2014 and 2013, respectively from Medicare and Medicaid. The portion of these funds related to the Hospital's fiscal year end were accrued and are reported in other current assets on the balance sheet and other revenues on the income statement.

REQUIRED SUPPLEMENTARY INFORMATION

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

SCHEDULE OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN
June 30, 2014 and 2013

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL As A Percent Of Covered Payroll</u>
July 1, 2011	\$ 12,069,071	\$ 25,418,091	\$ 13,349,020	47%	N/A	N/A
July 1, 2012	\$ 12,066,943	\$ 27,460,042	\$ 15,393,099	44%	N/A	N/A
July 1, 2013	\$ 13,148,044	\$ 27,779,390	\$ 14,631,346	47%	N/A	N/A

See independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTAL INFORMATION

Board of Directors
Health Care Authority of Cullman County
Cullman, Alabama

We have audited the financial statements of the Health Care Authority of Cullman County as of and for the years ended June 30, 2014 and 2013, and our report thereon dated October 7, 2014, which expressed an unmodified opinion on those financial statements, appears on pages 1 through 3. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in this report on pages 54 to 55, inclusive, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.



Atlanta, Georgia
October 7, 2014

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

MEMBERS OF THE BOARD OF DIRECTORS
June 30, 2014 and 2013

<u>Name</u>	<u>Title</u>	<u>Address</u>
Todd McLeroy	Chairman	2213 Deer Run Drive, SW Cullman, AL 35057
Judy Patterson	Vice Chairman	161 County Road 1413 Cullman, AL 35058
Alan Wood	Secretary	204 County Road 1470 Cullman, AL 35058
Greg Barksdale	Treasurer	1679 County Road 599 Hanceville, AL 35077
David O. McKoy	Immediate Past Chairman	809 Violet Avenue Cullman, AL 35055
Cheryl Bailey	Interim CEO/Member	1428 Fox Hollow Rd., NE Cullman, AL 35055
Bill Smith, M.D.	Medical Staff President/Member	208 Waterford Drive Cullman, AL 35057
Robin Hall, M.D.	Member	710 Rosemont Avenue Cullman, AL 35055
Clint Frey	Member	460 County Road 1192 Cullman, AL 35057
Del Brock	Member	432 County Road 1324 Vinemont, AL 35179
Roger Humphrey	Member	590 County Road 1324 Vinemont, AL 35179

Continued

HEALTH CARE AUTHORITY OF CULLMAN COUNTY
(A Component Unit of Cullman County, Alabama)

MEMBERS OF THE BOARD OF DIRECTORS, Continued
June 30, 2014 and 2013

<u>Name</u>	<u>Title</u>	<u>Address</u>
Mark Bussman	Member	1420 Old Bolte Road, SE Cullman, AL 35055
Lionel Powell	Member	207 Seven Bark Drive, NW Cullman, AL 35057
Beth Anderson	Member	1816 Oxford Drive, NW Cullman, AL 35057

See accompanying report on supplemental information.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
Health Care Authority of Cullman County
Cullman, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Health Care Authority of Cullman County (Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 7, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Continued

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

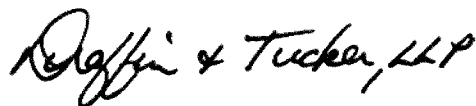
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Daffin & Tucker, LLP". The signature is written in a cursive, flowing style.

Atlanta, Georgia
October 7, 2014