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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

▶ Do not enter Social Security numbers on this form as it may be made public By law, the IRS generally cannot redact the information on the form

▶ Information about Form 990 and its instructions is at www.IRS.gov/form990

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 07-01-2013 , 2013, and ending 06-30-2014

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

C Name of organization
Otero County Hospital Association

Doing Business As
Gerald Champion Regional Medical Center

Number and street (or P O box if mail is not delivered to street address) | Room/suite
2669 North Scenic Drive

City or town, state or province, country, and ZIP or foreign postal code
Alamogordo, NM 883110597

D Employer identification number
85-0138775

E Telephone number
(575) 439-6100

G Gross receipts $ 118,325,430

F Name and address of principal officer
Robert James Heckert
2669 North Scenic Drive
Alamogordo, NM 883110597

H(a) Is this a group return for subordinates? ☐ Yes ☑ No

H(b) Are all subordinates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ www gcrmc org

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1947

M State of legal domicile NM

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Provision of health care services

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	10
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	8
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	**5**	720
6	Total number of volunteers (estimate if necessary)	**6**	170
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	44,157
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	10,116

		Prior Year	Current Year
Revenue **8**	Contributions and grants (Part VIII, line 1h)	321,516	487,301
9	Program service revenue (Part VIII, line 2g)	103,165,772	117,474,311
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	57,029	58,401
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-328,246	35,404
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	103,216,071	118,055,417
Expenses **13**	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	484,707	480,383
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	41,411,166	38,004,423
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	80,068,476	83,288,906
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	121,964,349	121,773,712
19	Revenue less expenses Subtract line 18 from line 12	-18,748,278	-3,718,295

		Beginning of Current Year	End of Year
Net Assets or Fund Balances **20**	Total assets (Part X, line 16)	154,259,322	140,967,495
21	Total liabilities (Part X, line 26)	101,147,025	91,862,679
22	Net assets or fund balances Subtract line 21 from line 20	53,112,297	49,104,816

Part II Signature Block

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

Sign Here

****** | 2015-05-14
Signature of officer | Date

Bashar Naser CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
LISA CHAFFEE CPA		2015-05-13		P00193453

Firm's name ▶ EIDE BAILLY LLP — Firm's EIN ▶ 45-0250958

Firm's address ▶ 4310 17TH AVE S PO BOX 2545
FARGO, ND 581082545 — Phone no (701) 239-8500

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

To be the Organization where patients choose to come, physicians want to practice, and people want to work

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 $ 95,248,259 including grants of $ 480,383) (Revenue $ 117,481,225)

Otero County Hospital Association d/b/a Gerald Champion Regional Medical Center (GCRMC) provides comprehensive healthcare services through its 99-bed hospital, outpatient ambulatory care facilities, and a multi-specialty physician group GCRMC accounts for more than 80% of hospital admissions in its Otero County primary service area The GCRMC's primary markets are the cities of Alamogordo and Tularosa with secondary markets expanding to more remote areas of Otero County, Lincoln County, Chavez County and beyond The original facility opened in August 1949 and the current medical center is a state of the art, acute care facility that opened in December 1999 The original hospital opened in 1949 with 26 beds Today GCRMC is proud to be a 99-bed acute care facility accredited by DNV, including two distinct PPS units Life Transitions (12 beds starting July 1, 2010, with 5 additional beds added April 2014 total 17 beds) and Inpatient Rehabilitation (12 beds starting July 1, 2011) GCRMC shares a unique relationship with Holloman Air Force Base as the first hospital in the United States where active duty military physicians practice in a civilian hospital This special arrangement allows one facility to meet the combined community and military needs, while serving as a model for the Department of Defense in conserving resources The delivery mechanisms of care at the hospital include both inpatient and outpatient services acute care inpatient through medical/surgical, telemetry, maternal child and 12-bed intensive care units, surgery department supported by pre-admit, outpatient care unit and post-anesthesia care unit, outpatient surgery center, provider-based physician practices in the areas of family practice, women's services including obstetrics, medical and radiation oncology, medical cardiology, gastroenterology and endocrinology, internal medicine, orthopedics and general surgery, inpatient and outpatient gero-psych services, inpatient rehabilitation services, including physical and occupational rehab services, inpatient and outpatient CAP certified laboratory services with the capability to perform over 225 different profiles and tests in-house, inpatient and outpatient diagnostic imaging services, including x-ray, 128-slice CT scan, MRI, ultrasound, interventional radiology, radiofrequency ablation and nuclear medicine, inpatient and outpatient comprehensive cardiopulmonary services including behavior sleep medicine, Holter monitoring, event monitoring and impedance cardiography Additionally, efforts continued during FY14 to refine the contracts and plans for a joint venture with Sierra Providence Health Network to start up a cathlab as the foundation for a new interventional cardiology service line in FY15 By the end of 2014, GCRMC employed approximately 600 people In addition to those employees, GCMRC contracts for services in various departments such as Food Services, Environmental Services, Pharmacy, Anesthesia, Emergency Services and Hospitalist program The medical staff of GCRMC has 208 medical members consisting of 90 active members of whom 35 are employed providers GCRMC continues to seek opportunities to expand services and improve quality, with the philosophy of not limiting its potential by the designation of "rural hospital," but rather identifying its scope of service based on community needs as a regional medical center Management is considering the expansion of the inpatient gero-psych service line with additional beds Continued progress and expansion has enhanced GCRMC's commitment to strive for outstanding service and quality, acknowledging that its future is not in its buildings or technology, but rather its people To this end we support the people of Otero County and outlying service areas with our services and our financial contributions GCRMC has, since its inception in 1949, provided quality medical healthcare regardless of race, creed, sex, national origin, handicap, age, or ability to pay Although reimbursement for services rendered is critical to the operations and stability of GCRMC, it is recognized that not all individuals possess the ability to purchase essential medical services and, further, that our mission is to serve the community with respect to providing healthcare services and healthcare education Therefore, in keeping the GCRMC's commitment to serve our community, we provide Free Care and/or Subsidized Care - care to persons covered by governmental programs at below cost, and health activities and programs to support the community will be considered where the need and/or an individual's inability to pay coexist GCRMC maintains records to identify and monitor the level of charity care it provides These records include the amount of charges foregone for services and supplies furnished under its charity care policy

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** ▶ 95,248,259

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2		No
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		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		No
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? *If "Yes," complete Schedule I, Parts I and II*	**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? *If "Yes," complete Schedule I, Parts I and III*	**22**	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	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? *If so, complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response 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 . .	1a	110		
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	720		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a		Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No" to line 3b, provide an explanation in Schedule O* . . .	3b		Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

Check if Schedule O contains a response 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	**1a**	10		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O				
b	Enter the number of voting members included in line 1a, above, who are independent	**1b**	8		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**			No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**			No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**			No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**			No
6	Did the organization have members or stockholders?	**6**			No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**		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**			No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	**8a**		Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**			No

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

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	**10a**		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	**10b**		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	**11a**		No
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Did the organization have a written conflict of interest policy? *If "No," go to line 13*	**12a**	Yes	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	**12b**	Yes	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? *If "Yes," describe in Schedule O how this was done*	**12c**	Yes	
13	Did the organization have a written whistleblower policy?	**13**	Yes	
14	Did the organization have a written document retention and destruction policy?	**14**	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	**15a**	Yes	
b	Other officers or key employees of the organization	**15b**		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 ▶ NM

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

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

19 Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year

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

▶ Bashar Naser 2669 North Scenic Drive
Alamogordo, NM 88311 (575) 439-6100

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) Norm Arnold Chairman of the Board	10 00	X		X				24,000	0	0
(2) Bill Mershon Vice President	5 00	X		X				0	0	0
(3) Bill Mayton Secretary	5 00	X		X				0	0	0
(4) Fred Baker Director	5 00	X						0	0	0
(5) Jaime Anderson Director	3 00	X						0	0	0
(6) James Harris Director	3 00	X						0	0	0
(7) Greg Richardson MD Director	5 00	X						0	0	0
(8) Robin French Director	3 00	X						0	0	0
(9) Lisa Thomassie Director	3 00	X						0	0	0
(10) Arthur Austin MD Director, VP of Medical Af	40 00	X		X				206,073	0	34,388
(11) Robert James Heckert CEO	40 00			X				291,754	0	40,906
(12) Michael Rolph CFO (July-April)	40 00			X				141,258	0	0
(13) Bashar Naser CFO (April-June)	40 00			X				0	0	0
(14) Martha Gorman VP of Patient Care/CNO (July-Dec)	40 00			X				159,636	0	10,190
(15) Catherine Rhyne VP of Patient Care/CNO (Jan-June)	40 00			X				0	0	0
(16) Jeffrey Gardner VP of Physician Practice/Bus Dev D	40 00			X				120,649	0	20,280
(17) George Massoud Physician	40 00					X		369,762	0	40,956

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Dennis Worthington Physician	40 00					X		368,218	0	39,116
(19) Charles Race Physician	40 00					X		704,081	0	38,823
(20) Stefan Korec Physician	40 00					X		611,039	0	64,336
(21) Joseph Horton Physician	40 00					X		620,381	0	38,201

1b	**Sub-Total**			
c	**Total from continuation sheets to Part VII, Section A**			
d	**Total (add lines 1b and 1c)**	3,616,851	0	327,196

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 ▶ 10

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	3		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? *If "Yes," complete Schedule J for such individual*	4	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person*	5		No

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Cardinal Pharmaceutical 401 Mason Road Lavergne TN 37086	Pharmacy Supplies	6,468,439
Cerner Healthcare Solutions 2800 Rockcreek Kansas City MO 641414399	Medical Software	2,335,712
Elekta Inc 400 Perimeter Ctr Atlanta GA 30346	Linear Accelerator & Maintenance	2,060,000
Cardinal Health Medical Supplies PO Box 730112 Dallas TX 753730112	Medical Supply	1,820,300
Aramark Healthcare Food 1101 Market Street Philadelphia PA 19107	Dietary Staffing/Operations	1,783,409

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 ▶ 93

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				
	e	Government grants (contributions)	1e	284,312			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	202,989			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f . . . . . ▶		487,301			
Program Service Revenue			Business Code				
	2a	Net Patient Service Revenue	900099	113,286,804	113,286,804		
	b	Other Revenue	900099	2,118,463	2,125,377	-6,914	
	c	Alamogordo Surgery Venture, LLC	621400	759,777	759,777		
	d	Catering	722320	610,537	610,537		
	e	Rental income	531120	589,786	589,786		
	f	All other program service revenue		108,944	108,944		
	g	**Total.** Add lines 2a–2f . . . . . ▶		117,474,311			
	3	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶		12,097			12,097
	4	Income from investment of tax-exempt bond proceeds . . ▶					
	5	Royalties . . . . . ▶					
			(i) Real / (ii) Personal				
	6a	Gross rents	305,417				
	b	Less rental expenses	270,013				
	c	Rental income or (loss)	35,404				
	d	Net rental income or (loss) . . . . . ▶		35,404		51,071	-15,667
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	4,647 / 41,657				
	b	Less cost or other basis and sales expenses	0 / 0				
	c	Gain or (loss)	4,647 / 41,657				
	d	Net gain or (loss) . . . . . ▶		46,304			46,304
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from fundraising events . . ▶					
	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						
	b						
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d . . . . . ▶					
	12	**Total revenue.** See Instructions . . . . . ▶		118,055,417	117,481,225	44,157	42,734

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 . . . . . ☑

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	473,114	473,114		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	7,269	7,269		
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	1,206,379		1,206,379	
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	33,014,413	25,129,490	7,884,923	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	10,036	5,775	4,261	
9 Other employee benefits	1,436,097	1,026,202	409,895	
10 Payroll taxes	2,337,498	1,584,815	752,683	
11 Fees for services (non-employees)				
a Management				
b Legal	429,475		429,475	
c Accounting	179,991		179,991	
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees				
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	28,589,202	18,609,608	9,979,594	
12 Advertising and promotion	128,977	7,974	121,003	
13 Office expenses	7,781,852	4,845,377	2,936,475	
14 Information technology	609,606	40,890	568,716	
15 Royalties . .				
16 Occupancy	1,882,851	427,828	1,455,023	
17 Travel	128,205	87,883	40,322	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	243,571	136,097	107,474	
20 Interest	4,145,091	4,145,091		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	10,545,752	10,545,752		
23 Insurance	2,220,480	2,220,480		
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 Provision for Bad Debts	13,684,915	13,684,915		
b Medical Supplies	11,833,366	11,833,366		
c Reorganization Costs	478,593	478,593		
d Gross Receipt/Sales Tax	-258,129	-258,129		
e All other expenses	665,108	215,869	449,239	
25 **Total functional expenses.** Add lines 1 through 24e	121,773,712	95,248,259	26,525,453	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X . . . . . ☐

				(A) Beginning of year		(B) End of year
Assets	1	Cash–non-interest-bearing			1	
	2	Savings and temporary cash investments		15,715,726	2	11,535,978
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		12,751,967	4	13,527,131
	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			7	
	8	Inventories for sale or use		3,165,851	8	2,829,846
	9	Prepaid expenses and deferred charges		1,025,913	9	1,157,059
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 182,846,077			
	b	Less accumulated depreciation	10b 94,488,013	96,379,747	10c	88,358,064
	11	Investments—publicly traded securities		15,225,834	11	15,232,483
	12	Investments—other securities See Part IV, line 11		739,078	12	546,074
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets		70,551	14	985,230
	15	Other assets See Part IV, line 11		9,184,655	15	6,795,630
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		154,259,322	16	140,967,495
Liabilities	17	Accounts payable and accrued expenses		19,476,188	17	16,994,476
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		70,053,136	20	70,111,143
	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		2,701,031	23	1,840,390
	24	Unsecured notes and loans payable to unrelated third parties		5,416,670	24	2,916,670
	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		3,500,000	25	0
	26	**Total liabilities.** Add lines 17 through 25		101,147,025	26	91,862,679
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		53,112,297	27	49,104,816
	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		53,112,297	33	49,104,816
	34	Total liabilities and net assets/fund balances		154,259,322	34	140,967,495

Part XI Reconcilliation 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	118,055,417
2	Total expenses (must equal Part IX, column (A), line 25)	2	121,773,712
3	Revenue less expenses Subtract line 2 from line 1	3	-3,718,295
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	53,112,297
5	Net unrealized gains (losses) on investments	5	-402
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	-288,784
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	49,104,816

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**
▶ **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
Otero County Hospital Association

Employer identification number
85-0138775

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

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

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

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

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

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

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

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

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

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

9 ☐ An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

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

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

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Non-functionally integrated

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

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

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

	Yes	No
(i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization? **11g(i)**		
(ii) A family member of a person described in (i) above? **11g(ii)**		
(iii) A 35% controlled entity of a person described in (i) or (ii) above? **11g(iii)**		

h Provide the following information about the supported organization(s)

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

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

Section A. Public Support

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 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	

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions. ▶ 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
Otero County Hospital Association

Employer identification number
85-0138775

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

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes ☐ No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or education) ☐ Preservation of an historically important land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

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

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

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

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

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

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

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

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

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

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

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

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

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

(ii) Assets included in Form 990, Part X ▶ $ _____

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

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

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

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

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

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

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

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

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

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

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

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

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

	(a) Current year	(b) Prior year	(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

		Yes	No
(i) unrelated organizations	3a(i)		
(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		3,237,050		3,237,050
b Buildings		104,291,064	38,200,766	66,090,298
c Leasehold improvements				
d Equipment		70,719,340	53,865,690	16,853,650
e Other		4,598,623	2,421,557	2,177,066
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				88,358,064

Part VII **Investments—Other Securities.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII **Investments—Program Related.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) must equal Form 990, Part X, col (B) line 13)* ▶		

Part IX **Other Assets.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11d See Form 990, Part X, line 15

(a) Description	(b) Book value
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

Part X **Other Liabilities.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1 (a) Description of liability	(b) Book value
Federal income taxes	
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	

2. Liability for uncertain tax positions In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740) Check here if the text of the footnote has been provided in Part XIII ☑

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return 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	103,885,240
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	-402		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d	-13,583,571		
e	Add lines **2a** through **2d**			2e	-13,583,973
3	Subtract line **2e** from line **1**			3	117,469,213
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	586,204		
c	Add lines **4a** and **4b**			4c	586,204
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	118,055,417

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	107,892,721
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	282,517		
e	Add lines **2a** through **2d**			2e	282,517
3	Subtract line **2e** from line **1**			3	107,610,204
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	14,163,508		
c	Add lines **4a** and **4b**			4c	14,163,508
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	121,773,712

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
Part X, Line 2	The Medical Center is organized as a New Mexico nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) The Medical Center is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS In addition, the Medical Center is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose The Medical Center files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income The Medical Center believes it has appropriate support for any tax positions taken affecting its annual filing requirement, and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements The Medical Center would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense, if such interest and penalties are incurreed The Medical Center's federal Form 990-T filings are no longer subject to federal tax examinations by tax authorities for years before 2009
Part XI, Line 2d - Other Adjustments	Provision for Bad Debts Recorded as Income for Financial Statements -13,684,915 Reorganization Costs Recorded as Income for Financial Statements -478,593 Book Income ASV LLC 372,009 Book Income White Sands, LLC 5,517 Book Income Alamogordo Imaging Center, LLC 202,411
Part XI, Line 4b - Other Adjustments	Rental Expenses Recorded as Expense for Financial Statements -270,013 Catering/Bistro Expenses Recorded as Expense for Financial Statements -12,504 Tax K-1 Income ASV LLC 759,777 Tax K-1 Income Imaging Center, LLC 109,523 Tax K-1 Income White Sands LLC -579
Part XII, Line 2d - Other Adjustments	Rental Expenses Recorded as Expense for Financial Statements 270,013 Catering/Bistro Expenses Recorded as Expense for Financial Statements 12,504
Part XII, Line 4b - Other Adjustments	Provision for Bad Debts Recorded as Income for Financial Statements 13,684,915 Reorganization Costs Recorded as Income for Financial Statements 478,593

Part XIII Supplemental Information *(continued)*

Return Reference	Explanation

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

Employer identification number
85-0138775

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year			
	☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care	3a	Yes	
	☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %			
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other _____ %			
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b		No
	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)			950,000		950,000	0 880 %
b Medicaid (from Worksheet 3, column a)			18,173,901	13,429,514	4,744,387	4 390 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			19,123,901	13,429,514	5,694,387	5 270 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			29,780,393	10,939,676	18,840,717	17 430 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			253,336		253,336	0 230 %
j **Total.** Other Benefits			30,033,729	10,939,676	19,094,053	17 660 %
k **Total.** Add lines 7d and 7j			49,157,630	24,369,190	24,788,440	22 930 %

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development			695,313		695,313	0 640 %
9 Other						
10 **Total**			695,313		695,313	0 640 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

			Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1		No
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2 13,684,915		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3 122,214		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements			

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	32,038,264
6	Enter Medicare allowable costs of care relating to payments on line 5	6	28,183,674
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	3,854,590
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	Yes	

Part IV Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1 1 Alamogordo Surgery Ventures	Outpatient Surgery Center	40 500 %	0 %	59 500 %
2 2 Alamogordo Imaging Center	Outpatient Radiology Center	29 500 %	0 %	70 500 %
3 3 White Sands Health Care Systems LLC	Physician Hospital Organization	50 000 %	0 %	50 000 %
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V Facility Information

Section A. Hospital Facilities

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

	Name, address, primary website address, and state license number	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
	See Additional Data Table										

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)

Name of hospital facility or facility reporting group Gerald Champion Regional Medical Center

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	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☑ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 12			
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?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website (list url) http //www gcrmc org/News/StrategicPlan?s			
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 *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☑ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ 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?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☑ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the 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?	**19**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☑ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
21 During the tax year, did the hospital facility charge any FAP-eligible 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?	**21**		No
If "Yes," explain in Part VI			
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?	**22**		No
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

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
See Additional Data Table	

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? 2

	Name and address	Type of Facility (describe)
1	ASV dba Scenic View Outpatient Surg Ctr 2351 25th Street Alamogordo, NM 88311	Outpatient Surgery
2	Alamogordo Imaging Center 2539 Medical Dr Ste 1010 Alamogordo, NM 883108720	Outpatient Radiology
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

Form and Line Reference	Explanation
Part I, Line 3c	The organization uses the Federal Poverty Guidelines when determining free and discounted care An individual is eligible for free care if their family income is at or below 200% of the Federal Poverty Levels and they are eligible for discounted care if their family income is above 200% but not more than 300% of the Federal Poverty Levels Patients whose family income exceeds 300% of the federal poverty levels may be eligible to receive discounted rates on a case-by-case basis based on their specific circumstances Determining family need is also based on an application process which takes into account the patient's available assets and all other financial resources available to the patient

Form and Line Reference	Explanation
Part I, Line 7	The organization used the following to determine the costs for Part I, Line 7 Row a Charity Care was converted to cost using a cost to charge ratio from the cost accounting system The cost accounting system addresses all patient segments Row b Amounts were calculated from internal records Row g Amounts reported are based on the Medicare Cost Report figures Row i Amount reported is based on the actual dollars spent in the activities reported

Form and Line Reference	Explanation
Part I, Line 7g	Part I, Line 7g includes $21,642,441 of costs attributable to a Physician Clinic

Form and Line Reference	Explanation
Part I, Ln 7 Col(f)	The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A), but subtracted for purposes of calculating the percentage in this column is $13,684,915

Form and Line Reference	Explanation
Part III, Line 2	Discounts and payments are taken into account when determining bad debt expense

Form and Line Reference	Explanation
Part III, Line 3	The Organization estimated the percentage of bad debt that is attributed to charity care by applying the percentage of charity care to total revenues to total bad debt at cost Therefore the organization estimates that 0 89% of the bad debt expense at cost is attributable to patients eligible under the organization's charity care policy Care is given to individuals regardless of their ability to pay, and therefore this is a community benefit

Form and Line Reference	Explanation
Part III, Line 4	Footnote from organization's financial statements The footnote that describes bad debt expense is found on page 8 of the attached audit report

Form and Line Reference	Explanation
Part III, Line 8	Medicare allowable cost is based on the Medicare cost report The Medicare cost report is completed based on the rules and regulations set forth by Centers for Medicare and Medicaid Services

Form and Line Reference	Explanation
Part III, Line 9b	GCRMC has implemented a number of different Policy and Procedure statements to govern the details of how its collection practices are implemented and how discounting and collection policies apply to various classes of patients In general, all patient account guarantors who request financial assistance are asked to provide detailed information regarding their income and assets For patients who qualify for charity and who are cooperating in good faith to resolve their hospital bills, GCRMC may offer extended payment plans to eligible patients, will not impose wage garnishments or liens on primary residences, will not send unpaid bills to collection agencies, and will cease all collection efforts

Form and Line Reference	Explanation
Part VI, Line 2	Management at GCRMC enlisted the services of Coker Group to complete a quantitative tracking study in 2014 In 2012, a strategic planning meeting for FY 13, 14 and 15 was held and utilized components of the community health needs assessment Members consisted of physicians, community members and management Three strategies were 1 Be number one in quality and service in our region2 Have the best healthcare talent in the region3 Evaluate and adapt to serve the health care needs of our community

Form and Line Reference	Explanation
Part VI, Line 3	The hospital has a Charity Care Policy - Gerald Champion Regional Medical Center (GCRMC) will provide understandable, written guidelines to staff and patients relative to how the hospital evaluates and determines 1) a patient's eligibility for charity care, 2) an uninsured patient's eligibility for discounts, and 3) a patient's eligibility for alternate payment plans A Summary of the Charity Care Policy is posted in the emergency room and throughout the entire hospital The patients are also informed through direct communication with financial counselors and these policies are explained in detail to guarantors who advise GCRMC that they are unable to pay their account or need help in structuring an affordable payment plan for their account The hospital provides services to anyone in need of medical care regardless of the patient's ability to pay for such services Charity care and discounts for the uninsured will be available for medically necessary hospital care provided to persons who meet the financial and documentation criteria defined in this policy Determinations hereunder will be based solely on the patient's ability to pay and will not be made on the basis of age, sex, race, creed, disability, sexual orientation or national origin GCRMC provides financial assistance to patients based on their income, assets, and needs Through our financial counseling services we assist patients with obtaining financial coverage or low-cost health insurance, or work with patients to arrange a manageable payment plan Uninsured patients are eligible for a 25% discount A 25% discount is applied to the total charges of a Self Pay Patient at the time of service or the 1st billing Notice will be sent at the time of the 1st billing informing the patient/guarantor that an additional 10% will be deducted if the account is paid within 30 days of the date of service

Form and Line Reference	Explanation
Part VI, Line 4	Otero County Hospital Association d/b/a Gerald Champion Regional Medical Center ("GCRMC") activities are conducted on its 66-acre campus located in Alamogordo, New Mexico Alamogordo is approximately 89 miles north of El Paso, Texas and 209 miles southeast of Albuquerque, New Mexico GCRMC owns and operates a 99-bed acute care hospital (the "Hospital") on the campus The Hospital is a one-story building with approximately 294,000 square feet Other facilities that the Hospital owns located on the campus include 2 medical office buildings, Complex A and B that have an outpatient surgery center and an imaging center owned and operated by limited liability companies in which GCRMC has an interest GCRMC also owns six facilities located off the campus that are either leased to independent primary care/specialty care providers or occupied by employed physicians GCRMC's primary service area is Northwestern Otero County from which 84% of its admissions originate GCRMC is the sole community provider in its primary service area with the nearest tertiary care hospital located approximately 70 miles from the Hospital The delivery mechanisms of care at the Hospital include both inpatient and outpatient services 24-hour staffed Level III Trauma Emergency Department, acute care inpatient through Medical/Surgical (10-bed Intensive Care Unit), Telemetry, Maternal Child, 12-bed gero-psych, and 12-bed inpatient rehabilitation, Surgery Department supported by Pre-admit, Outpatient Care Unit and Post-Anesthesia Care Unit, hospital-owned physician practices in the areas of family practice, women's services including obstetrics, orthopedics, nephrology, internal medicine, gero-psych outpatient, pediatrics, gastroenterology and endocrinology, Pathologist, certified laboratory services with the capability to perform over 225 different profiles and tests in-house, inpatient and outpatient diagnostic imaging services, including x-ray, 128-slice and 16-slice CT scan, MRI, ultrasound, interventional radiology, radiofrequency ablation and nuclear medicine, inpatient and outpatient comprehensive cardiopulmonary services including behavior sleep medicine, Holter Monitoring, Event Monitoring and Impedance Cardiography GCRMC and the HAFB 49th Medical Group, a group of approximately 15 military providers and support staff from the HAFB, have enjoyed a close working relationship, and have had shared coverage arrangements Such arrangements included laboratory and x-ray services in a disaster, obstetrical coverage, and coverage for the HAFB 49th Medical Group when they were deployed for Desert Storm in 1991 Following Desert Storm and the return of the HAFB 49th Medical Group, the DoD made the decision to leave all the obstetrical services with GCRMC and the local obstetricians As of 2012, 3,900 active military and 5,000 dependents are located at the HAFB In addition, the German Air Force ("GAF") utilizes HAFB as a training facility and has 480 active military and 790 dependents GCRMC's primary service area (the "PSA") is 30 miles in Northwestern Otero County from which approximately 84% of GCRMC's admissions originate Located in southeastern New Mexico, Otero County encompasses 6,627 square miles and includes the cities of Alamogordo and Tularosa According to U S Census, the population of Otero County has grown by over 3,400 people since 2000 to 65,703 in 2011 The Hospital is the only acute care hospital within the PSA and is a Sole Community Provider The acute care hospitals that GCRMC considers its main competitors that draw from the PSA are Mountain View Regional Medical Center and Memorial Medical Center both located approximately 75 miles west of Alamogordo in Las Cruces, New Mexico Management of GCRMC estimates that the market share of admissions to the MountainView Regional Medical Center and Memorial Medical Center from the PSA average 10% and 5%, respectively The secondary service area covers a substantial portion of the remainder of Otero County, as well as the south central portion of Lincoln County The secondary service area includes Ruidoso, the population of which was estimated to be 8,029 in 2010 according to the U S Census Bureau The tertiary service area covers a small portion of Otero County and Chaves County There are no other major medical centers within Otero County

Form and Line Reference	Explanation
Part VI, Line 5	The business and affairs of GCRMC are subject to the overall governance and direction of its Board of Directors The Board of Directors currently includes 10 members Each member is appointed by the Board of Directors and serves a three-year term in a self-perpetuating board The Board of Directors fills vacancies that may occur Officers of the Board of Directors include a Chairman, Vice Chairman, and Secretary/Treasurer The Board of Directors are business people of the primary service area, with no other connection GCRMC's medical staff is organized into Divisions of Medicine, Medical Subspecialties, Surgery and Outpatient Services In addition to specialized medical/surgical services provided by both employed and contracted physicians and medical groups, GCRMC also offers emergency medical services, including a helicopter service which is not owned by GCMRC but is on-site 24 hours a day GCRMC employs around-the-clock hospitalists, (i e , physicians who devote their professional time to the care of hospitalized patients) The hospital extends medical staff privileges to all qualified physicians in the community Surplus funds are re-invested into the purchase of capital equipment, electronic medical record software, and continuing education for clinical staff including physicians GCRMC views the position of sole provider as a significant commitment to the overall health and well-being of the community Not satisfied with just providing healthcare, the challenges to overcome are to have a positive effect on the quality of life experience in our community With this in mind, the organization strives to facilitate and share opportunities to educate and motivate a philosophy of wellness The primary target is the disease process that we know can be eliminated or improved by changing or modifying human behavior As with any community, the population served has a variety of educational background The drive is to develop programs that target the needs and understanding of the community Physicians/Providers are utilized to provide open forums that present health related issues, i e arthritis, nephrology, neurology, orthopedic issues, etc followed by questions and time for individual discussion This type of program is offered with a free lunch, educational materials, and if appropriate, free screenings, such as glucose or blood pressure There is an average of 90 participants in each of these seminars The organization is very community-minded in its efforts to promote health Staff participates in Health Fairs in the public schools Flu shots are distributed to community members At GCRMC, we feel it is important to embrace community needs that promote good citizenship As an organization we support employee involvement in outside activities through contributions, dedicated time and sponsorship Administration and staff members serve on community boards, dedicating many hours of support to those organizations The following classes are provided for the community in our conference room center Diabetic Education, Narcotics Anonymous, Childbirth Classes, New Baby Class and CPR/Basic Life Support to name a few GCRMC has been a top supporter of the United Way which provides money for many of the local community organizations An annual Health Fair is held at the hospital each year We augment the annual health fair with onsite mini health screenings throughout the year This is offered to businesses, civic organizations and churches with minimal to no charge We offer free blood pressure screenings on a walk-in basis with educational materials in both Spanish and English This allows us to address the high rate of hypertension in our community, its significant effect on other diseases, and an overall wellness picture GCRMC partners with the American Cancer Society to offer the Look Good Feel Good Program and the Gift Closet The program is housed off campus in a leased building and has brought a highly valued service to our community The Gift Closet provides free wigs, prosthesis, supplies, education and support to cancer patients and their families The opportunity to utilize our speaker's bureau is available to any organization in the community A presentation regarding health related topics can be prepared with limited notice to meet the needs of the organization The wealth of knowledge in our organization allows us to create an appropriate fit for the requested need

Form and Line Reference	Explanation
Part VI, Line 6	n/a

Form and Line Reference	Explanation
Part VI, Line 7, Reports Filed With States	NM

Additional Data

Software ID:
Software Version:
EIN: 85-0138775
Name: Otero County Hospital Association

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
Gerald Champion Regional Medical Center	Part V, Section B, Line 1j Charts related to age, gender, general lifestyles, healthcare metrics
Gerald Champion Regional Medical Center	Part V, Section B, Line 3 Conducted focus groups, round table discussions, and individual interviews as well as phone surveys GCRMC spoke with community members
Gerald Champion Regional Medical Center	Part V, Section B, Line 6i GCRMC's CHNA and Strategic Plan is available to the public at http //www gcrmc org/News/StrategicPlan?showBack=true&PageIndex=0The CEO participated in a variety of groups which aided in the hospitals development of a community-wide community benefit plans such as -Rotary-NMHA Board-NNMHA Government Affairs-NMHA Quality Committee- Hospital Service Corp - Board-United Way Board-Alamogordo Forum-Leadership New Mexico-Alam ogordo Imaging Center-Committee of 50
Gerald Champion Regional Medical Center	Part V, Section B, Line 14g GCRMC provides a summary of the financial assistance policy o n the hospital website and attached to billing invoices The hospital also posts a summary in emergency and waiting rooms as well as the facility's admissions offices Notice of GC RMC's financial assistance policy is included on the patient statements

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

Grants and Other Assistance to Organizations, Governments and Individuals in the United States

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.

▶ **Attach to Form 990**

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Otero County Hospital Association

Employer identification number
85-0138775

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . ☑ Yes ☐ No

2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) American Cancer Society 2120 1st Ave Alamogordo, NM 88310	84-1316555	501(c)(3)	18,521				Public Health
(2) Presbyterian Medical Services Chaparral NM Clinic 204 Angelina Chaparral, NM 88081	85-0206810	501(c)(3)	133,336				Public Health
(3) Presbyterian Medical Services Sacramento Mountain Center PO BOX 686 Cloudcroft, NM 88317	85-0206810	501(c)(3)	50,000				Public Health
(4) United Way of Otero County 1601 E 10th Street Suite B Alamogordo, NM 88310	85-0197559	501(c)(3)	11,289				Public Health
(5) Zia Therapy Center 900 First Street Alamogordo, NM 88310	85-0199165	501(c)(3)	31,499				Public Health
(6) Presbyterian Medical Services Alamogordo 1501 10th Street Alamogordo, NM 88310	85-0206810	501(c)(3)	70,000				Public Health

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

3 Enter total number of other organizations listed in the line 1 table . . . ▶ 0

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

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
(1) Patient Care Services - Transportation	45	7,269			

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
Part I, Line 2	The organization only gave grants to government organizations and tax exempt organizations

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, 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
Otero County Hospital Association

Employer identification number
85-0138775

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax idemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	**1b**		
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?	**2**		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III			
	☐ Compensation committee	☑ Written employment contract		
	☐ Independent compensation consultant	☑ Compensation survey or study		
	☐ Form 990 of other organizations	☑ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**		No
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Arthur Austin MD Director, VP of Medical Af	**(i)**	205,677	0	396	0	34,927	241,000	0
	(ii)	0	0	0	0	0	0	0
(2) Robert James Heckert CEO	**(i)**	241,844	49,250	660	0	41,356	333,110	0
	(ii)	0	0	0	0	0	0	0
(3) Martha Gorman VP of Patient Care/CNO (July-Dec)	**(i)**	159,018	0	618	0	10,684	170,320	0
	(ii)	0	0	0	0	0	0	0
(4) George Massoud Physician	**(i)**	369,533	0	229	0	41,350	411,112	0
	(ii)	0	0	0	0	0	0	0
(5) Dennis Worthington Physician	**(i)**	367,822	0	396	0	39,510	407,728	0
	(ii)	0	0	0	0	0	0	0
(6) Charles Race Physician	**(i)**	703,823	0	258	0	39,217	743,298	0
	(ii)	0	0	0	0	0	0	0
(7) Stefan Korec Physician	**(i)**	444,712	165,565	762	0	64,730	675,769	0
	(ii)	0	0	0	0	0	0	0
(8) Joseph Horton Physician	**(i)**	620,291	0	90	0	38,595	658,976	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental 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

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Otero County Hospital Association

Employer identification number
85-0138775

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	New Mexico Hospital Equipment Loan Council	85-0426875	647370FS9	09-19-2012	70,004,797	Hospital imp including new patient tower, refund bonds issued 11/15/07		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased				
3	Total proceeds of issue	70,011,320			
4	Gross proceeds in reserve funds	5,224,261			
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows				
7	Issuance costs from proceeds	1,400,096			
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	32,310,994			
11	Other spent proceeds	31,075,969			
12	Other unspent proceeds				
13	Year of substantial completion	2012			

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
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 ▶		2 560 %						
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 ▶		0 %						
6	Total of lines 4 and 5		2 560 %						
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								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?								
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								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was the hedge terminated?								

Part IV Arbitrage *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X						
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?	X							

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

Return Reference	Explanation
Schedule K, Part II, Line 11	The other spent proceeds was the amount used to retire the bonds issued in 2007

Return Reference	Explanation
Schedule K, Part I, Column (e) and Part II, Line 3	The difference between the issue price at Part I Column (e) and the total proceeds of the issue at Part II Line 3 is due to investment earnings on the reserve funds

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.
▶ Information about Schedule L (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
Otero County Hospital Association

Employer identification number
85-0138775

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Alamogordo Surgery Venture LLC	Board member Gregory Richardson is the President of the ASV, LLC board	5,436,375	Performance of services for ASV, LLC		No
(2) Amy Graham	Daughter-in-law of board member William Merson	66,684	Compensation		No

Part V Supplemental Information

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

Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.
▶ Information about Schedule O (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
Otero County Hospital Association

Employer identification number
85-0138775

990 Schedule O, Supplemental Information

Return Reference	Explanation
Form 990, Part III, line 3	Expanded Life Transitions gero-psych unit from 12 beds to 17 beds effective April 1, 2014
Form 990, Part VI, Section A, line 1	Joint Finance/Executive Committee consists of the Board Chair, Vice President, Secretary a nd three other Directors The Joint Finance/Executive Committee has the authority to act o n behalf of the governing body, w hen specifically arranged The Board w ill then ratify the actions in the follow ing Board of Director's meeting
Form 990, Part VI, Section A, line 7a	Directors shall be elected in the manner, and at the times, prescribed in the Bylaw s of the Corporation
Form 990, Part VI, Section B, line 11	The return is review ed by the CEO and CFO prior to filing
Form 990, Part VI, Section B, line 12c	Each officer, director, and key employee is required to fill out a conflict of interest di sclosure annually The forms are initially review ed by the CFO If any conflicts exist, th ey are review ed by the Board of Directors A person w ith a conflict is restricted from vot ing on related matters
Form 990, Part VI, Section B, line 15a	The CEO reports to GCRMC Board of Directors and his salary is determined by the board of d irectors The board used comparative salary data obtained from QHR as w ell as the Modern H ealthcare CEO Salary Survey to access the reasonableness of the compensation Compensation w as last determined June 2013 for FY14 The CFO reports to the CEO and the CFO salary is determined based on GCRMC's HR practices for all other employees
Form 990, Part VI, Section C, line 19	The governing documents, conflict of interest policy and financial statement are all available upon request
Form 990, Part IX, line 11g	Consultants Program service expenses 995,883 Management and general expenses 696,947 Fu ndraising expenses 0 Total expenses 1,692,830 Maintenance Contracts Program service exp enses 2,017,627 Management and general expenses 1,996,993 Fundraising expenses 0 Total expenses 4,014,620 Physician Fees Program service expenses 4,436,815 Management and gen eral expenses 0 Fundraising expenses 0 Total expenses 4,436,815 Agency Personnel Progr am service expenses 1,924,562 Management and general expenses 0 Fundraising expenses 0 Total expenses 1,924,562 Contract Dept Fees Program service expenses 2,101,886 Manageme nt and general expenses 6,159,920 Fundraising expenses 0 Total expenses 8,261,806 Surge ry Center Fee Program service expenses 5,436,375 Management and general expenses 0 Fund raising expenses 0 Total expenses 5,436,375 Miscellaneous Fees Program service expenses 1,696,460 Management and general expenses 1,125,734 Fundraising expenses 0 Total expen ses 2,822,194
Form 990, Part XI, line 9	ASV Book/K-1 Income Difference -387,768 White Sands Book/K-1 Income Difference 6,096 AIC Book/K-1 Income Difference 92,888

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" 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
Otero County Hospital Association

Employer identification number
85-0138775

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	(g) 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? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) Alamogordo Surgery Venture LLC 2351 25th Street Alamogordo, NM 88310 06-1791828	Outpatient Surgery Center	NM	N/A	Related	759,777	144,708	Yes				No	40 500 %

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	(i) No

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

		Yes	No
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 orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity	1a	Yes	
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c		No
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Dividends from related organization(s)	1f	Yes	
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	Yes	
m Performance of services or membership or fundraising solicitations by related organization(s)	1m		No
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n		No
o Sharing of paid employees with related organization(s)	1o		No
p Reimbursement paid to related organization(s) for expenses	1p	Yes	
q Reimbursement paid by related organization(s) for expenses	1q	Yes	
r Other transfer of cash or property to related organization(s)	1r		No
s Other transfer of cash or property from related organization(s)	1s		No

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) Alamogordo Surgery Venture LLC	F	567,000	General Ledger
(2) Alamogordo Surgery Venture LLC	A	456,680	General Ledger
(3) Alamogordo Surgery Venture LLC	L	5,436,375	General Ledger
(4) Alamogordo Surgery Venture LLC	Q	165,206	General Ledger

Part VI **Unrelated Organizations Taxable as a Partnership** Complete if the organization answered "Yes" on Form 990, Part IV, line 37.

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V?UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	

Part VII Supplemental Information

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

Return Reference	Explanation

Consolidated Financial Statements
June 30, 2013 and 2012

Otero County Hospital Association
d/b/a Gerald Champion Regional Medical Center

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Otero County Hospital Association
d/b/a Gerald Champion Regional Medical Center
Alamogordo, New Mexico

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Otero County Hospital Association d/b/a Gerald Champion Regional Medical Center (Medical Center), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated 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 consolidated financial statements based on our audits We conducted our audits in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement

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

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

4310 17th Ave S | P O Box 2545 | Fargo, ND 58108-2545 | T 701 239 8500 | F 701 239 8600 | EOE

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Otero County Hospital Association d/b/a Gerald Champion Regional Medical Center, as of June 30, 2013 and 2012, and the results of its operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the consolidated financial statements, the Medical Center filed for Chapter 11 reorganization under the bankruptcy code during 2012 and exited under a Plan of Reorganization during 2013. Our opinion is not modified with respect to that matter.

Eide Bailly LLP

Fargo, North Dakota
October 25, 2013

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	2013	2012
Current Assets		
Cash and cash equivalents	$ 15,715,926	$ 5,610,537
Assets limited as to use	-	690,000
Receivables		
Patient, net of estimated uncollectibles of $23,407,000 in 2013 and $22,920,000 in 2012	12,751,967	13,383,375
Estimated third-party payor settlements	963,441	324,838
Other	2,702,865	1,561,065
Supplies	3,165,851	2,788,791
Prepaid expenses	1,059,896	1,606,038
Total current assets	36,359,946	25,964,644
Assets Limited as to Use	15,225,834	10,157,119
Property and Equipment, Net	96,938,581	101,715,024
Other Assets		
Investment in affiliates	266,603	315,332
Insurance recovery receivable	3,500,000	-
Deferred financing costs, net of accumulated amortization of $51,700 in 2013 and $77,043 in 2012	1,986,417	385,219
Other intangible assets, net of accumulated amortization of $24,375 in 2013 and $20,625 in 2012	70,551	54,375
Total other assets	5,823,571	754,926
Total assets	$ 154,347,932	$ 138,591,713

See Notes to Consolidated Financial Statements

Gerald Champion Regional Medical Center
Consolidated Balance Sheets
June 30, 2013 and 2012

	2013	2012
Liabilities Not Subject to Compromise		
Current Liabilities		
Note payable	$ 550,000	$ -
Current maturities of long-term debt	3,368,119	772,198
Accounts payable	12,048,025	7,959,583
Construction and retainage payables	-	298,332
Accrued expenses		
Salaries and wages	1,555,704	1,283,681
Vacation	2,085,141	3,027,270
Payroll taxes and other benefits	504,712	414,065
Interest	1,932,038	-
Other	195,524	194,528
Total current liabilities	22,239,263	13,949,657
Long-Term Debt, Less Current Maturities	74,802,718	2,342,393
Insurance Claims Liability	3,500,000	-
Liabilities Subject to Compromise (A)	-	50,156,939
Total liabilities	100,541,981	66,448,989
Unrestricted Net Assets		
Gerald Champion Regional Medical Center	53,112,297	71,741,483
Noncontrolling interests in Alamogordo Surgery Venture, LLC	693,654	401,241
Total unrestricted net assets	53,805,951	72,142,724
Total liabilities and net assets	$ 154,347,932	$ 138,591,713

(A) Liabilities subject to compromise consist of the following	
Secured Series 2007A and Series 2007B Bonds (B)	$ 36,300,000
Secured note payable, 7% (B)	266,435
Secured capital lease obligations (B)	342,526
Personal Injury Claims Settlement (Note 17)	7,500,000
Trade and other miscellaneous claims	5,747,978
	$ 50,156,939

(B) The secured debt in this case was considered, due to various factors, subject to compromise as of the prior report date

Gerald Champion Regional Medical Center
Consolidated Statements of Operations and Changes in Net Assets
Years Ended June 30, 2013 and 2012

	2013	2012
Unrestricted Revenues, Gains, and Other Support		
Net patient service revenue	$ 100,592,333	$ 97,769,507
Provision for bad debts	(12,033,135)	(8,194,546)
Net patient service revenue less provision for bad debts	88,559,198	89,574,961
Other revenue	2,240,970	3,389,593
Total revenues, gains, and other support	90,800,168	92,964,554
Expenses		
Salaries and wages	34,701,228	39,839,496
Employee benefits	7,197,177	9,433,404
Professional fees and purchased services	20,696,819	19,319,974
Utilities	7,483,205	6,966,879
Supplies and other	15,989,671	15,069,300
Insurance	1,877,149	2,061,085
Leases and rentals	1,205,031	1,386,770
Taxes	555,625	735,440
Interest	3,583,631	439,657
Depreciation and amortization	9,897,632	9,360,041
Other	2,538,715	2,440,145
Total expenses	105,725,883	107,052,191
Operating Loss	(14,925,715)	(14,087,637)
Other Income (Losses)		
Reorganization costs (Note 2)	(2,218,583)	(5,957,244)
Loss on refinancing	(381,367)	-
Investment income (loss)	42,850	(380,299)
Gain on sale of property and equipment	38,542	34,646
Contribution to the City of Alamogordo (Note 5)	-	(2,286,444)
Total other loss, net	(2,518,558)	(8,589,341)
Expenses in Excess of Revenues	(17,444,273)	(22,676,978)
Distributions to Noncontrolling Interests in Alamogordo Surgery Venture, LLC	(892,500)	(1,785,000)
Decrease in Unrestricted Net Assets	(18,336,773)	(24,461,978)
Net Assets, Beginning of Year	72,142,724	96,604,702
Net Assets, End of Year	$ 53,805,951	$ 72,142,724

Gerald Champion Regional Medical Center
Consolidated Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Operating Activities		
Change in net assets	$ (18,336,773)	$ (24,461,978)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation and amortization	9,897,632	9,360,041
Provision for bad debts	12,033,135	8,194,546
Amortization of original issue discount	48,339	-
Loss on refinancing	381,367	-
Contribution to the City of Alamogordo	-	2,286,444
Net realized gains and losses on investments	-	527,724
Gain on disposal of property and equipment	(38,542)	(34,646)
Gain from investment in affiliates included in investment income	(24,082)	(129,528)
Distributions to noncontrolling interests in ASV	892,500	1,785,000
Changes in assets and liabilities		
Patient accounts receivable	(11,401,727)	(7,708,246)
Other accounts receivable	(1,141,800)	(201,781)
Supplies	(377,060)	(23,651)
Prepaid expenses	546,142	596,990
Accounts payable	(1,640,979)	6,961,580
Accrued expenses	1,335,018	4,870,343
Net amounts due to third-party payors	(638,603)	163,105
Net Cash From (Used For) Operating Activities	(8,465,433)	2,185,943
Investing Activities		
Construction and purchase of property and equipment	(5,058,389)	(8,802,422)
Proceeds from sale of property and equipment	40,000	117,263
Distributions from affiliates	72,811	122,822
Proceeds from the sale of assets limited as to use	847,119	19,835,141
Cash invested in assets limited as to use	(5,225,834)	(10,773,082)
Net Cash From (Used For) Investing Activities	(9,324,293)	499,722
Financing Activities		
Change in notes payable	550,000	-
Payments of construction payables	(298,332)	(5,669,550)
Distributions to noncontrolling interests in ASV	(892,500)	(1,785,000)
Proceeds from long term-debt issuance	70,004,797	525,000
Principal payments on long-term debt	(39,405,851)	(1,355,784)
Payment for deferred financing costs and intangible assets	(2,062,999)	-
Net Cash From (Used For) Financing Activities	27,895,115	(8,285,334)
Net Change in Cash and Cash Equivalents	10,105,389	(5,599,669)
Cash and Cash Equivalents, Beginning of Year	5,610,537	11,210,206
Cash and Cash Equivalents, End of Year	$ 15,715,926	$ 5,610,537

See Notes to Consolidated Financial Statements

	2013	2012
Supplemental Schedule of Cash Flow Information		
Cash paid during the year for interest	$ 1,603,254	$ 444,403
Noncash Disclosure of Operating and Financing Activities		
Accrued liabilities financed with the issuance of a long-term note payable (Note 2)	$ 7,500,000	$ -
Noncash Disclosure of Investing and Financing Activities		
Property and equipment acquired through issuance of capital lease agreements	$ -	$ 2,817,401

Note 1 - Organization and Significant Accounting Policies

Organization and Principles of Consolidation

Otero County Hospital Association, d/b/a Gerald Champion Regional Medical Center (Medical Center) is a 99-bed acute care hospital located in Alamogordo, New Mexico The Medical Center had a management agreement with Quorum Health Resources, LLC (QHR), a healthcare management company, to supervise and direct the daily operations of the Medical Center The agreement was terminated on December 15, 2012 and the Medical Center now employs management personnel.

The accompanying consolidated financial statements include the accounts and transactions of the Medical Center and its controlled subsidiary, Alamogordo Surgery Venture, LLC (ASV), collectively referred to as the Medical Center All significant intercompany balances and transactions have been eliminated The noncontrolling shareholder interests in ASV are reported as a component of the Medical Center's unrestricted net assets (Note 9)

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 Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

Income Taxes

The Medical Center is organized as a New Mexico nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) The Medical Center is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS In addition, the Medical Center is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose The Medical Center files an Exempt Organization Business Income Tax Return (Form 990T) with the IRS to report its unrelated business taxable income The ASV is a limited liability corporation for which the income is taxed to the respective members in their tax returns and, therefore, no income tax expense has been recorded in the consolidated financial statements

The Medical Center believes it has appropriate support for any tax positions taken affecting its annual filing requirements, and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements The Medical Center would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense, if such interest and penalties are incurred The Medical Center's federal Form 990T filings are no longer subject to federal tax examinations by tax authorities for years before 2008

Fair Value Measurement

The Medical Center has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (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 Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date Level 2 inputs are other than quoted prices included within Level 1 that are observable for the related asset or liability Level 3 inputs are unobservable inputs related to the asset or liability

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less, excluding assets limited as to use

Patient Receivables

Patient receivables are uncollateralized patient and third-party payor obligations Payments of patient receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim

Patient accounts receivable are reduced by an allowance for doubtful accounts In evaluating the collectability of accounts receivable, the Medical Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts For receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely) For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Medical Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts

The Medical Center's allowance for doubtful accounts for self-pay patients increased by approximately 13%, or $730,000, from June 30, 2012 to June 30, 2013 The Medical Center's provision for bad debts increased approximately $3,800,000 or 47% during 2013 This was due to an increase in self pay revenue of approximately 10%, changes in estimate of allowance for doubtful accounts during the year ended June 30, 2013 totaling approximately $1,000,000, and an overall increase in write-off experience. The increase in allowance for doubtful accounts is the result of the Medical Center adjusting for the negative trends experienced in collections from self-pay patients The Medical Center does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write offs from third-party payors The Medical Center has not significantly changed its charity care or uninsured discount policies during fiscal years 2013 or 2012

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market

Investments and Investment Income

Investments in equity securities and exchange traded funds with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheet Investments in cash and money markets or certificates of deposit held as time deposits are measured at historical cost, plus any accrued interest, which is considered a reasonable estimate of fair value Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in expenses in excess of revenues unless the income or loss is restricted by donor or law

Investments in Affiliated Organizations

Investments in entities in which the Medical Center has the ability to exercise significant influence over operating and financial policies but does not have operational control are recorded under the equity method of accounting Under the equity method, the initial investments are recorded at cost and adjusted annually to recognize the Medical Center's share of undistributed earnings or losses of the entities, net of any additional investments or distributions The Medical Center's share of net earnings or losses of the entities is included in investment income

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, and assets held by a trustee under the bond indenture agreements Assets limited as to use that are available for obligations classified as current liabilities are reported in current assets

Property and Equipment

Property and equipment acquisitions in excess of $1,000 are capitalized and recorded at cost Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment Amortization is included in depreciation and amortization in the financial statements The estimated useful lives of property and equipment are as follows

Land improvements	5-30 years
Buildings and fixed equipment	5-30 years
Equipment	3-20 years
Equipment under capital leases	3-5 years

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

Deferred Financing Costs

Deferred financing costs are amortized over the period the related obligation is outstanding using the straight line method Amortization of deferred financing costs is included in depreciation and amortization in the consolidated financial statements

Other Intangible Assets

Intangible assets consisted of a noncompete agreement, patient records, and goodwill associated with the purchase of a physician practice Intangible assets are recorded at cost and amortized using a straight line method The noncompete agreement is being amortized over 20 years, the term of the related agreement.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific time period or purpose Permanently restricted net assets have been restricted by donors to be maintained by the Medical Center in perpetuity. At June 30, 2013 and 2012, the Medical Center did not have any temporarily or permanently restricted net assets

Expenses in Excess of Revenues

Expenses in excess of revenues excludes unrealized gains and losses on investments other than trading securities, transfers of assets to and from related parties for other than goods and services, and contributions of long-lived assets, including assets acquired using contributions which were restricted by donors

Net Patient Service Revenue

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

The Medical Center recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered, as noted above For uninsured patients that do not qualify for charity care, the Medical Center recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy) On the basis of historical experience, a significant portion of the Medical Center's uninsured patients will be unable or unwilling to pay for the services provided Thus, the Medical Center records a significant provision for bad debts related to uninsured patients in the period the services are provided Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized for the years ended June 30, 2013 and 2012 from these major payor sources, is as follows

	2013	2012
Patient service revenue		
Third-party payors	$ 85,936,889	$ 84,320,420
Self-pay	14,655,444	13,449,087
Total all payors	$ 100,592,333	$ 97,769,507

Charity Care

To fulfill its mission of community service, the Medical Center 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 Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue The estimated cost of providing these services was approximately $1,989,000 and $1,876,000 for the years ended June 30, 2013 and 2012, calculated by multiplying the ratio of cost to gross charges for the Medical Center by the gross uncompensated charges associated with providing charity care to its patients

Donor-restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets When donor stipulated time restrictions or purpose restrictions are met or accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations and changes in net assets as net assets released from restrictions Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the consolidated statement of operations and changes in net assets

Advertising Costs

The Medical Center expenses advertising costs as they are incurred

Electronic Health Records Incentive Payments

The American Recovery and Reinvestment Act of 2009 (ARRA) amended the Social Security Act to establish incentive payments under the Medicare and Medicaid programs for certain hospitals and professionals that meaningfully use certified Electronic Health Records (EHR) technology

The Medical Center is eligible for incentive payments from both Medicare and Medicaid for hospital services The Medicare incentive payments will be paid out over four years on a transitional schedule For eligible physicians, the Medical Center may choose to participate in either the Medicare or Medicaid program and change once during the process These incentive payments will be paid out over six years on a transitional schedule To qualify for the EHR incentive payments, hospitals and physicians must meet designated EHR meaningful use criteria, which includes attestation that they have used certified EHR technology, satisfied the meaningful use objectives, and specify the EHR reporting period This attestation is subject to audit by the federal government or its designee The EHR incentive payment to hospitals for each payment year is calculated as a product of (1) an initial amount, (2) the Medicare or Medicaid share, and (3) a transition factor applicable to that payment year

The Medical Center recognizes EHR incentive payments as revenue when there is reasonable assurance that the Medical Center will comply with the conditions attached to the incentive payments The amount of EHR incentive payments recognized is based on management's best estimate and those amounts are subject to change with such changes impacting the period in which they occur EHR incentive payments are included in other operating revenue in the accompanying consolidated financial statements

Reclassifications

Reclassifications have been made to the June 30, 2012 consolidated financial statements to make it conform to the current year presentation These reclassifications had no effect on previously reported operating results or changes in net assets

Note 2 - Petition for Relief Under Chapter 11

On August 16, 2011, the Medical Center filed a petition for relief under Chapter 11 of the federal bankruptcy laws in the United States Bankruptcy Court for the District of New Mexico (Bankruptcy Court) The voluntary petition for relief is the result of the actual and potential long-term costs and burdens of certain malpractice lawsuits filed against the Medical Center stemming from certain procedures (Note 15) no longer performed at the Medical Center The ASV is not included within the scope of the reorganization proceedings

Under Chapter 11, certain claims against the debtor in existence before the filing of the petition for relief under the federal bankruptcy laws are stayed while the debtor continues business operations as debtor-in-possession These claims were reflected in the June 30, 2012 consolidated balance sheet as liabilities subject to compromise Additional claims (liabilities subject to compromise) may arise after the filing date resulting from rejection of executory contracts, including leases, and from the determination by the court (or agreed to by parties in interest) of allowed claims for contingencies and other disputed amounts Claims secured against the debtor's assets (secured claims) also are stayed, although the holders of such claims have the right to move the court for relief from the stay Secured claims are secured primarily by liens on the debtor's property, plant, and equipment.

The Medical Center has classified expenditures directly related to the reorganization as nonoperating expenses in the consolidated statements of operations and changes in net assets

Confirmed Plan of Reorganization

In connection with the Medical Center's petition for relief under Chapter 11 of the federal bankruptcy laws, a Plan of Reorganization was submitted to the Bankruptcy Court and approved on August 7, 2012 The Plan of Reorganization had an effective date as of the date of issuance of the Series 2012 Bonds, which was September 19, 2012 (Effective Date) As part of the exit from Chapter 11, the Medical Center settled personal injury claims with payments totaling $7 5 million (Note 15) In addition to the personal injury settlement, the Medical Center was required to pay a number of pre-Chapter 11 reorganization claims and administrative expenses, which were not related to the personal injury claims, but are owed by the Medical Center

The Medical Center's personal injury claims settlement includes payments to be made in accordance with a Personal Injury Trust Note that was effective on the Effective Date The Personal Injury Trust Note totals $7 5 million and is payable in 36 equal, non-interest bearing monthly installments with the first installment due on the Effective Date The Personal Injury Trust Note is included within long-term debt on the consolidated balance sheets

In addition to the Personal Injury Trust Note, the Medical Center agreed to settle unsecured claims, estimated at $513,000, in 8 equal quarterly installments, plus interest at 3% and to settle claims with a contractor, estimated at $455,000, in 12 equal monthly installments, plus interest at 5% In addition, vendor cure payments and administrative expenses, estimated at $7,162,000, were paid on the Effective Date All amounts have been paid as of September 30, 2013

The Plan of Reorganization included provisions for one rejected executory contract with a vendor In order to cure any penalties associated with the terminated contract, the Medical Center entered into a separate contract which includes a service contract on current equipment and a commitment to purchase equipment and is effective on the Effective Date The commitment totals $1 8 million, with at least $500,000 of equipment purchases made in each of the first two years If adequate purchases are not made, the Medical Center is subject to required minimum payments totaling $1 million with $250,000 payable for each of the first two years The first year under the contract ends September 19, 2013, therefore, the Medical Center has not recorded any liabilities associated with this contract

Finally, the Plan of Reorganization included the issuance of revenue bonds through the New Mexico Hospital Equipment Loan Council in order to refinance the Series 2007A notes, fully satisfy Letter of Credit claims, and reimburse the Medical Center for capital expenditures associated with the construction of the new patient tower.

The following are condensed balance sheets of Otero County Hospital Association, d/b/a Gerald Champion Regional Medical Center, excluding the accounts and transactions of ASV, as of June 30, 2013 and 2012

	2013	2012
Current Assets	$ 36,357,695	$ 25,826,804
Assets Limited as to Use	15,225,834	10,157,119
Property and Equipment, Net	96,379,747	101,035,399
Other Assets	6,296,046	1,157,899
Total assets	$ 154,259,322	$ 138,177,221
Liabilities Not Subject to Compromise		
Current liabilities	$ 22,844,307	$ 13,981,486
Long-term debt, less current maturities	74,802,718	2,340,256
Insurance claims liability	3,500,000	-
Liabilities Subject to Compromise	-	50,194,996
Total liabilities	101,147,025	66,516,738
Unrestricted Net Assets	53,112,297	71,660,483
Total liabilities and net assets	$ 154,259,322	$ 138,177,221

The following are condensed statements of operations and changes in net assets of Otero County Hospital Association, d/b/a Gerald Champion Regional Medical Center, excluding the accounts and transactions of ASV, for the years ended June 30, 2013 and 2012

	2013	2012
Unrestricted Revenues, Gains, and Other Support	$ 91,257,448	$ 93,421,584
Operating Expenses	108,046,043	110,246,334
Operating loss	(16,788,595)	(16,824,750)
Other Income (Losses)		
Reorganization costs	(2,218,583)	(5,957,244)
Loss on refinancing	(381,367)	-
Contribution to the City of Alamogordo	-	(2,286,444)
Investment income and other	840,359	763,437
Total other loss, net	(1,759,591)	(7,480,251)
Expenses in Excess of Revenues and Decrease in Unrestricted Net Assets	(18,548,186)	(24,305,001)
Net Assets, Beginning of Year	71,660,483	95,965,484
Net Assets, End of Year	$ 53,112,297	$ 71,660,483

Note 3 - Patient Service Revenue (Net of Contractual Adjustments and Discounts)

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

Medicare. Inpatient acute care services and outpatient services provided to Medicare program beneficiaries are paid at prospectively determined rates These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare fiscal intermediary The Medical Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2009

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology The Medical Center is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audit thereof by the Medicaid fiscal intermediary The Medical Center has an agreement with White Sands Health Care Systems, LLC (White Sands), a related party, to negotiate the reimbursement rates for inpatient and outpatient services with the third party payors involved in the State of New Mexico's Medicaid managed care program, Salud The Medical Center's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through the year ended June 30, 2009

Blue Cross. Inpatient services provided to Blue Cross subscribers are paid at prospectively determined rates per discharge Outpatient services are reimbursed at outpatient payment fee screens or at charges less a prospectively determined discount The prospectively determined discount is not subject to retroactive adjustment

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

Gross revenues from the Medicare, Medicaid and Blue Cross Blue Shield programs and other payors accounted for the following percentages of the Medical Center's patient service revenues for the years ended June 30, 2013 and 2012

	2013	2012
Medicare	41%	40%
Medicaid	13%	14%
Blue Cross Blue Shield	11%	11%
Other	35%	35%
	100%	100%

Laws and regulations governing the Medicare, Medicaid, and other 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 Patient service revenue (net of contractual adjustments and discounts) increased for the years ended June 30, 2013 and 2012 by approximately $545,000 and $782,000 due to changes in estimates and final settlements of prior year cost reports

A summary of patient service revenue and contractual adjustments and discounts for the years ended June 30, 2013 and 2012 is as follows

	2013	2012
Total patient service revenue	$ 234,910,990	$ 221,635,061
Contractual adjustments and discounts		
Hospital		
Medicare	(56,189,514)	(51,454,558)
Medicaid	(21,980,241)	(22,923,597)
Tricare	(16,028,046)	(13,377,037)
Blue Cross	(5,706,173)	(5,094,350)
Other	(20,529,156)	(18,515,303)
Physician practices	(13,885,527)	(12,500,709)
Total contractual adjustments and discounts	(134,318,657)	(123,865,554)
Net patient service revenue	100,592,333	97,769,507
Less provision for bad debts	(12,033,135)	(8,194,546)
Net patient service revenue less provision for bad debts	$ 88,559,198	$ 89,574,961

Note 4 - Investments and Investment Income

Assets Limited as to Use

The composition of assets limited as to use at June 30, 2013 and 2012 is shown in the following table Investments in cash and cash equivalents and certain certificates of deposit are stated at historical cost due to the nearness to maturity, which is considered an approximate of fair value All other certificates of deposit are stated at fair value

	2013	2012
By Board for Expansion and Replacement		
Cash and cash equivalents	$ 10,000,000	$ 10,000,000
Certificates of deposit - historical cost	-	101,679
	10,000,000	10,101,679
Interest receivable	-	1,088
	10,000,000	10,102,767
Under Bond Indenture for Debt Service		
Certificates of deposit - fair value	5,225,834	-
Cash and cash equivalents	-	744,352
Less amount shown as current	-	(690,000)
	5,225,834	54,352
Total noncurrent assets limited as to use	$ 15,225,834	$ 10,157,119

Fair Value of Investments

Investments measured at fair value on a recurring basis at June 30, 2013 are as follows

	Quoted Prices Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Certificates of deposit	$ -	$ 5,225,834	$ -

Investment Income

Investment income and gains and losses on assets limited as to use, cash and cash equivalents, and other investments consist of the following for the years ended June 30, 2013 and 2012

	2013	2012
Other income		
Interest and dividend income	$ 18,768	$ 17,897
Realized gains (losses) on investments, net	-	(527,724)
Income from investment in affiliates (Note 6)	24,082	129,528
	$ 42,850	$ (380,299)

Note 5 - Property and Equipment

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

	2013		2012	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 3,237,050	$ -	$ 3,237,050	$ -
Land improvements	3,711,195	2,183,745	3,711,195	1,943,019
Buildings and fixed equipment	103,746,989	33,176,714	103,163,282	28,144,552
Equipment	69,260,510	50,261,885	64,710,412	46,279,506
Construction in progress	2,605,181	-	3,260,162	-
	$ 182,560,925	$ 85,622,344	$ 178,082,101	$ 76,367,077
Net property and equipment		$ 96,938,581		$ 101,715,024

Depreciation expense for the years ending June 30, 2013 and 2012 totaled $9,833,374 and $9,340,883

Construction in progress at June 30, 2013 represents costs for information technology upgrades, a linear accelerator replacement, various smaller projects, and the purchase of an oncology physician practice The estimated cost to complete the information technology upgrades, linear accelerator replacement, and various smaller projects is approximately $1,000,000, which will be financed with cash from operations

In April 2013, the Medical Center signed an asset purchase and sale agreement to purchase an oncology physician practice Upon execution of the contract, $250,173 was paid and is included in construction in progress Upon the closing date, once the conditions of the asset purchase and sale agreement have been met, which was July 1, 2013, the Medical Center paid $750,519 The purchase included tangible assets valued at $431,951, as well as identifiable intangible assets associated with patient records and non-compete agreements and potentially goodwill The oncology physician practice will be operated as a department of the Medical Center after purchase

Fairgrounds Road

The Medical Center constructed a portion of an access road, Fairgrounds Road, which reaches from the hospital property on North Scenic Drive to White Sands Boulevard Effective March 6, 2012, the Medical Center contributed Fairgrounds Road to the City of Alamogordo (City), which totaled $2,286,444

Note 6 - Investment in Affiliates

The Medical Center's ownership interest in affiliated companies, with the respective investment basis at June 30, 2013 and 2012, are as follows

	2013		2012	
	Ownership	Balance	Ownership	Balance
Alamogordo Imaging Center, LLC	29.54%	$ 42,129	29 54%	$ 114,940
White Sands Community Health	50.00%	224,474	50 00%	200,392
		$ 266,603		$ 315,332

The Medical Center's share of income or loss from these affiliates recorded as investment income was a gain of $24,082 and $129,528 for the years ended June 30, 2013 and 2012 (Note 4) The Medical Center received distributions of $72,811 and $122,822 from these investments in June 30, 2013 and 2012.

The Medical Center leases a building to Alamogordo Imaging Center, LLC under a long term lease agreement which calls for monthly payments of $11,092 through February 2015 During the years ended June 30, 2013 and 2012, the Medical Center recorded rental revenue totaling approximately $133,000 under the terms of this lease

Unaudited, condensed financial information for these entities as of and for the years ended June 30, 2013 and 2012 is as follows

	2013		2012	
	White Sands Community Health (unaudited)	Alamogordo Imaging Center (unaudited)	White Sands Community Health (unaudited)	Alamogordo Imaging Center (unaudited)
Total assets	$ 415,842	$ 496,951	$ 401,700	$ 353,285
Total liabilities	957	20,214	542	134,556
Equity	414,885	476,737	401,158	218,729
Total revenues	147,554	2,162,763	121,463	2,326,834
Total expenses	124,668	1,729,506	125,341	1,868,842

Note 7 - Leases

The Medical Center leases certain equipment under noncancelable long-term lease agreements Certain leases have been recorded as capital leases and others as operating leases Total lease expense for the years ended June 30, 2013 and 2012 for all operating leases was $1,149,790 and $1,386,770. The capitalized lease assets consist of

	2013	2012
Major movable equipment	$ 3,302,078	$ 3,339,134
Less accumulated amortization (included as depreciation in the accompanying financial statements)	(1,088,298)	(391,023)
	$ 2,213,780	$ 2,948,111

Minimum future lease payments for the capital leases are as follows

Year Ending June 30,	Amount
2014	$ 870,108
2015	779,820
2016	393,421
2017	110,811
Total minimum lease payments	2,154,160
Less interest	(148,663)
Present value of minimum lease payments - Note 8	$ 2,005,497

Note 8 - Note Payable and Long-term Debt

The note payable as of June 30, 2013 consists of a 6% line of credit with a local bank The total line of credit available was $1,000,000, with $550,000 outstanding as of June 30, 2013 Interest and principal on the note were paid in full on July 9, 2013

Long-term debt consists of

	2013	2012
Hospital Improvement and Refunding Revenue Bonds		
Series 2012A Bonds (1)		
4 75% term bonds, due July 2022, with varying annual sinking fund requirements commencing July 2016	$ 10,920,000	$ -
5 5% term bonds, due July 2042, with varying annual sinking fund requirements commencing July 2023	60,825,000	-
Original issue discount	(1,691,864)	-
0% note payable, due in monthly installments of $208,333 to August 2015, unsecured (Notes 2 and 15)	5,416,670	-
7% note payable, due in monthly installments of $6,587 including interest to June 2016, secured by building	204,257	266,435
7 875% note payable, due on demand If no demand is made, due in monthly installments of $5,014 including interest to November 2026, secured by building (2)	491,277	513,933
Capital lease obligations	2,005,497	2,791,047
Hospital Improvement and Refunding Revenue Bonds (1)		
Series 2007A Bonds	-	30,465,000
Series 2007B Bonds	-	5,835,000
7% note payable	-	152,137
	78,170,837	40,023,552
Less current maturities	(3,368,119)	(772,198)
Long term debt, less current maturities	$ 74,802,718	$ 39,251,354

(1) The Series 2007A and 2007B Bonds were refinanced as part of the issuance of the Series 2012A Bonds in connection with the Plan of Reorganization (Note 2). In connection with this refinancing, the Medical Center incurred a loss on refinancing totaling $381,367, primarily as a result of the write off of deferred financing costs

(2) The demand note payable interest rate will reset on November 21, 2016 and 2021. The interest rate on these reset dates will be based on an adjusted prime rate, provided, however, that the rate will not be lower than 7 875% or higher than 11 8% The maturities of the note payable were assumed using scheduled maturities, but it may be due on demand

Long-term debt maturities are as follows.

Year Ending June 30,	Amount
2014	$ 3,368,119
2015	3,329,552
2016	884,888
2017	1,491,168
2018	1,444,490
Thereafter	69,344,484
Unamortized original issue discount	(1,691,864)
Total	$ 78,170,837

Under the terms of the Series 2012A Bonds, the Medical Center is required to satisfy certain measures of performance As of and for the year ended June 30, 2013, the Medical Center did not meet a certain financial covenant In connection with this, the Medical Center has 150 days from June 30, 2013 to retain a management consultant or it will be considered in default of the Revenue Bonds Agreement Management anticipates implementing the steps required under the Revenue Bonds Agreement and has recorded the Series 2012A Bonds based on their stated maturities

Note 9 - Ownership Interests in ASV

The effects of changes in the Medical Center's ownership interest in ASV on the Medical Center's net assets are as follows

	Total	Medical Center	Noncontrolling Interests
Net Asset Balance, July 1, 2011	$ 96,604,702	$ 95,965,484	$ 639,218
Revenues in excess of (less than) expenses	(22,676,978)	(24,224,001)	1,547,023
Distributions to noncontrolling shareholders	(1,785,000)	-	(1,785,000)
Change in net assets	(24,461,978)	(24,224,001)	(237,977)
Net Assets Balance, June 30, 2012	72,142,724	71,741,483	401,241
Revenues in excess of (less than) expenses	(17,444,273)	(18,629,186)	1,184,913
Distributions to noncontrolling shareholders	(892,500)	-	(892,500)
Change in net assets	(18,336,773)	(18,629,186)	292,413
Net Assets Balance, June 30, 2013	$ 53,805,951	$ 53,112,297	$ 693,654

Note 10 - Defined Contribution Plan

The Medical Center has a voluntary defined contribution pension plan under which employees may elect to become participants upon reaching age 18 and completion of one year of service (1,000 hours) Eligible employees may contribute up to 100% of their eligible annual compensation to the plan (limited to an annual maximum) The Medical Center contributes annually to the plan 5% of compensation for each eligible participant Effective January 1, 2013, the Medical Center froze employer contributions to the Plan for non-union employees indefinitely Employer and employee contributions are deposited with the plan trustee who invests the plan assets Total employer contributions made to the defined contribution pension plan for the years ended June 30, 2013 and 2012 were $665,131 and $971,325

Note 11 - Concentrations of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are insured under third-party payor agreements The mix of receivables from third-party payors and patients at June 30, 2013 and 2012 was as follows

	2013	2012
Medicare	38%	36%
Medicaid	10%	11%
Blue Cross	7%	7%
Commercial insurance	6%	5%
Champus	6%	6%
Other third-party payors and patients	33%	35%
	100%	100%

The Medical Center's cash balances are maintained in various bank deposit accounts At various times during the year, the balance of these deposits may be in excess of federally insured limits.

Note 12 - Functional Expenses

The Medical Center provides health care services to residents within its geographic location Expenses related to providing these services by functional class for the years ended June 30, 2013 and 2012 are as follows.

	2013	2012
Patient healthcare services	$ 90,712,808	$ 87,489,343
General and administrative	15,013,075	19,562,848
	$ 105,725,883	$ 107,052,191

Note 13 - Labor Agreement

At June 30, 2013, approximately 18% of the Medical Center's employees are working under a collective bargaining agreement The collective bargaining agreement is effective through July 13, 2013 Subsequent to year-end, a new collective bargaining agreement has not been agreed to and the Medical Center continues to operate under the agreement in place as of June 30, 2013

Note 14 - Fair Value of Financial Instruments

Financial instruments measured at fair value in the consolidated balance sheets are noted in Note 4 The Medical Center considers the carrying amount of significant classes of financial instruments in the consolidated balance sheets, including cash and cash equivalents and certificates of deposit included in cash and cash equivalents and assets limited as to use, accounts receivable, accounts payable, construction payables, and accrued expenses to be reasonable estimates of fair value due to their length of maturity at June 30, 2013 and 2012

Investments in affiliates are investments for which no quoted market prices are available and a reasonable estimate of fair value cannot be determined without incurring excessive costs These investments are recorded using the equity method, with summary financial information disclosed in Note 6

Management has estimated the fair value of bonds payable to be approximately $63,617,000 at June 30, 2013 The carrying value of these obligations was approximately $70,053,000 at June 30, 2013 Management has estimated the fair value of bonds payable as of June 30, 2012 to approximate book value as they are variable rate bonds payable that approximate prevailing market rates Management has estimated the fair value of notes payable and the capitalized lease obligation approximate book value as of June 30, 2013 and 2012 due to the length of maturity and expects any differences to be immaterial

Note 15 - Contingencies

Personal Injury Claims Settlement

From June 2010 to October 2010, the Medical Center was served with lawsuits involving two physicians, one employed and one independent, resulting from certain procedures performed during the 2006 to 2008 time period The employed physician left the Medical Center in November 2008 and the independent physician left in February 2011 The procedures noted above are no longer performed at the Medical Center The lawsuits are covered under the Medical Center's insurance at the time the claims were made, subject to a stated deductible amount per claim, up to a maximum of $8 million. For the first 13 months after the initial lawsuits were filed, the Medical Center attempted to settle the claims out of court. However, once it was established that a settlement could not be reached, the Corporation filed for Chapter 11 reorganization protection (Note 2)

As noted in Note 2, the Plan of Reorganization was confirmed by the Bankruptcy Court and the Medical Center completed its exit from Chapter 11 in September 2012 As part of the exit from Chapter 11, the Medical Center settled personal injury claims related to the procedures noted above with a Personal Injury Trust Note payments totaling $7 5 million (payable in equal installments over 36 months) The personal injury settlement is part of a larger settlement totaling payments of $21 million, which includes payments to be paid by QHR and Nautilus Insurance Group, LLC The Medical Center has adequately reserved a liability for this settlement totaling $7 5 million The current portion of the liability was estimated based on the expected monthly installments payable during fiscal year 2013

General Litigation, Claims, and Disputes

The Medical Center is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Medical Center

The health care industry is subject to numerous laws and regulations of federal, state, and local governments Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously, billed and collected revenues from patient services

Malpractice Insurance

Prior to April 9, 2011, the Medical Center had malpractice insurance coverage to provide protection for professional liability losses on a claims-made and reported basis subject to a limit of $1 million per claim and $3 million annual aggregate limit and additional umbrella coverage of $5 million As of April 9, 2011, the Medical Center added excess liability coverage of $10 million beyond the umbrella coverage for all claims reported after the effective date, except for claims associated with certain specific physicians, as noted above under "Personal Injury Claims Settlement " Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured

The Medical Center has accrued a liability for malpractice losses of $3,500,000 at June 30, 2013 As of June 30, 2013, receivables of $3,500,000 have been recorded for expected insurance recoveries related to malpractice claims These amounts are based on management's estimate using facts and circumstances as of June 30, 2013 and actual results could differ from those estimates The claims associated with the estimated liability have been approved under the Plan of Reorganization and any final settlement may not exceed the Medical Center's insurance coverage effective as of the date of each claim

Self-Funded Medical Insurance Plan

Prior to April 1, 2013, the Medical Center self-funded health benefits for eligible employees and their dependents. The terms of the plan called for the reimbursements to the plan administrator for all claims paid, up to a maximum amount of $100,000 per employee per year, and an aggregate maximum based on a percentage of expected plan benefits incurred during the contract period Health insurance expense is recorded on an accrual basis Amounts accrued for outstanding medical claims as of June 30, 2013 and 2012 was approximately $129,711 and $417,000, which is included in trade accounts payable in the accompanying consolidated financial statements As of April 1, 2013, the Medical Center participates in an indemnity plan

Note 16 - Electronic Health Record Incentive Payments

The Medical Center recognized revenue of approximately $1,500,000 for the year ended June 30, 2012 related to Medicare EHR incentive payments These incentive payments are included in other revenue in the accompanying consolidated financial statements

Note 17 - Commitment

Effective September 1, 2012, the Medical Center entered into an agreement with Presbyterian Medical Services (PMS) to support PMS's operation of a Federally Qualified Health Center (FQHC) in the City to provide greater access to primary care in the community. This is expected to reduce the Medical Center's emergency room utilization by self-pay and Medicaid patients Under the terms of the agreement, PMS will provide the medical staff and management for the FQHC and the Medical Center will provide the equipment and space at an existing building owned by the Medical Center and having a fair market rental value of approximately $66,000 per year In addition to this infrastructure, the Medical Center will provide an annual grant up to $150,000 per year to PMS This agreement may be terminated without cause by either party with 180 days' advance written notice to the other party

Note 18 - Subsequent Events

The Medical Center has evaluated subsequent events through October 25, 2013, the date which the consolidated financial statements were issued

Consolidating and Supplementary Information
June 30, 2013 and 2012

Otero County Hospital Association
d/b/a Gerald Champion Regional Medical Center

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Consolidating and Supplementary Information

The Board of Directors
Otero County Hospital Association
d/b/a Gerald Champion Regional Medical Center
Alamogordo, New Mexico

We have audited the consolidated financial statements of Otero County Hospital Association d/b/a Gerald Champion Regional Medical Center as of and for the years ended June 30, 2013 and 2012, and our report thereon dated October 25, 2013, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2 Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole The consolidating information on pages 28 through 33 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements The supplementary information on page 34 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements The consolidating and supplementary information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating and supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole

Eide Bailly LLP

Fargo, North Dakota
October 25, 2013

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	Hospital	ASV	Total
Current Assets			
Cash and cash equivalents	$ 15,715,726	$ 200	$ 15,715,926
Receivables			
Patient	36,158,594	-	36,158,594
Less allowance for uncollectible accounts	(23,406,627)	-	(23,406,627)
Estimated third-party payor settlements	963,441	-	963,441
Other	2,734,797	1,394,042	4,128,839
Supplies	3,165,851	-	3,165,851
Prepaid expenses	1,025,913	33,983	1,059,896
Total current assets	36,357,695	1,428,225	37,785,920
Assets Limited as to Use	15,225,834	-	15,225,834
Property and Equipment, Net	96,379,747	558,834	96,938,581
Other Assets			
Investment in affiliates	739,078	-	739,078
Insurance recovery receivable	3,500,000	-	3,500,000
Deferred financing costs, net	1,986,417	-	1,986,417
Other intangible assets, net	70,551	-	70,551
Total other assets	6,296,046	-	6,296,046
Total assets	$ 154,259,322	$ 1,987,059	$ 156,246,381

Eliminations	Consolidated
$ -	$ 15,715,926
-	36,158,594
-	(23,406,627)
-	963,441
(1,425,974)	2,702,865
-	3,165,851
-	1,059,896
(1,425,974)	36,359,946
-	15,225,834
-	96,938,581
(472,475)	266,603
-	3,500,000
-	1,986,417
-	70,551
(472,475)	5,823,571
$ (1,898,449)	$ 154,347,932

	Hospital	ASV	Total
Current Liabilities			
Note payable	$ -	$ 550,000	$ 550,000
Current maturities of long-term debt	3,368,119	-	3,368,119
Accounts payable	13,261,083	174,859	13,435,942
Accrued expenses			
Salaries and wages	1,555,704	-	1,555,704
Vacation	2,085,141	-	2,085,141
Payroll taxes and other benefits	504,712	-	504,712
Interest	1,932,038	-	1,932,038
Other	137,510	96,071	233,581
Total current liabilities	22,844,307	820,930	23,665,237
Long-Term Debt, Less Current Maturities	74,802,718	-	74,802,718
Insurance Claims Liability	3,500,000	-	3,500,000
Total liabilities	101,147,025	820,930	101,967,955
Unrestricted Net Assets			
Gerald Champion Regional Medical Center	53,112,297	1,166,129	54,278,426
Noncontrolling interests in ASV	-	-	-
Total unrestricted net assets	53,112,297	1,166,129	54,278,426
Total liabilities and net assets	$ 154,259,322	$ 1,987,059	$ 156,246,381

Eliminations	Consolidated
$ -	$ 550,000
-	3,368,119
(1,387,917)	12,048,025
-	1,555,704
-	2,085,141
-	504,712
-	1,932,038
(38,057)	195,524
(1,425,974)	22,239,263
-	74,802,718
-	3,500,000
(1,425,974)	100,541,981
(1,166,129)	53,112,297
693,654	693,654
(472,475)	53,805,951
$ (1,898,449)	$ 154,347,932

	Hospital	ASV	Total
Unrestricted Revenues, Gains, and Other Support			
Patient service revenue (net of contractual adjustments and discounts)	$ 100,592,333	$ 6,046,265	$ 106,638,598
Provision for bad debts	(12,033,135)	-	(12,033,135)
Net patient service revenue less provision for bad debts	88,559,198	6,046,265	94,605,463
Other revenue	2,698,250	-	2,698,250
Total revenues, gains, and other support	91,257,448	6,046,265	97,303,713
Expenses			
Salaries and wages	34,701,228	-	34,701,228
Employee benefits	7,197,177	-	7,197,177
Professional fees and purchased services	24,254,889	2,488,195	26,743,084
Utilities and maintenance	7,291,923	191,282	7,483,205
Supplies	15,574,454	415,217	15,989,671
Insurance	1,861,802	15,347	1,877,149
Leases and rentals	1,149,790	512,521	1,662,311
Taxes	555,625	-	555,625
Interest	3,577,662	5,969	3,583,631
Depreciation and amortization	9,771,512	126,120	9,897,632
Other	2,109,981	428,734	2,538,715
Total expenses	108,046,043	4,183,385	112,229,428
Operating Income (Loss)	(16,788,595)	1,862,880	(14,925,715)
Other Income (Losses)			
Reorganization costs (Note 2)	(2,218,583)	-	(2,218,583)
Loss on refinancing	(381,367)	-	(381,367)
Investment income	800,852	-	800,852
Gain (loss) on sale of property and equipment	39,507	(965)	38,542
Other loss, net	(1,759,591)	(965)	(1,760,556)
Revenues in Excess of (Less Than) Expenses	(18,548,186)	1,861,915	(16,686,271)
Distributions to Shareholders	-	(1,500,000)	(1,500,000)
Decrease in Unrestricted Net Assets	(18,548,186)	361,915	(18,186,271)
Net Assets, Beginning of Year	71,660,483	804,214	72,464,697
Net Assets, End of Year	$ 53,112,297	$ 1,166,129	$ 54,278,426

Eliminations	Consolidated
$ (6,046,265)	$ 100,592,333
-	(12,033,135)
(6,046,265)	88,559,198
(457,280)	2,240,970
(6,503,545)	90,800,168
-	34,701,228
-	7,197,177
(6,046,265)	20,696,819
-	7,483,205
-	15,989,671
-	1,877,149
(457,280)	1,205,031
-	555,625
-	3,583,631
-	9,897,632
-	2,538,715
(6,503,545)	105,725,883
-	(14,925,715)
-	(2,218,583)
-	(381,367)
(758,002)	42,850
-	38,542
(758,002)	(2,518,558)
(758,002)	(17,444,273)
607,500	(892,500)
(150,502)	(18,336,773)
(321,973)	72,142,724
$ (472,475)	$ 53,805,951

	Hospital	ASV	Total
Current Assets			
Cash and cash equivalents	$ 5,486,057	$ 124,480	$ 5,610,537
Assets limited as to use	690,000	-	690,000
Receivables			
Patient	36,303,508	-	36,303,508
Less allowance for uncollectible accounts	(22,920,133)	-	(22,920,133)
Estimated third-party payor settlements	324,838	-	324,838
Other	1,578,131	561,556	2,139,687
Supplies	2,788,791	-	2,788,791
Prepaid expenses	1,575,612	30,426	1,606,038
Total current assets	25,826,804	716,462	26,543,266
Assets Limited as to Use	10,157,119	-	10,157,119
Property and Equipment, Net	101,035,399	679,625	101,715,024
Other Assets			
Investment in affiliates	718,305	-	718,305
Deferred financing costs, net	385,219	-	385,219
Other intangible assets, net	54,375	-	54,375
Total other assets	1,157,899	-	1,157,899
Total assets	$ 138,177,221	$ 1,396,087	$ 139,573,308

Eliminations	Consolidated
$ -	$ 5,610,537
-	690,000
-	36,303,508
-	(22,920,133)
-	324,838
(578,622)	1,561,065
-	2,788,791
-	1,606,038
(578,622)	- 25,964,644
-	10,157,119
-	101,715,024
(402,973)	315,332
-	385,219
-	54,375
(402,973)	754,926
$ (981,595)	$ 138,591,713

	Hospital	ASV	Total
Liabilities Not Subject to Compromise			
Current Liabilities			
Current maturities of long-term debt	$ 622,198	$ 150,000	$ 772,198
Accounts payable	8,358,740	222,408	8,581,148
Construction and retainage payables	298,332	-	298,332
Accrued expenses			
Salaries and wages	1,259,854	23,827	1,283,681
Vacation	2,989,113	38,157	3,027,270
Payroll taxes	397,809	16,256	414,065
Other	55,440	139,088	194,528
Total current liabilities	13,981,486	589,736	14,571,222
Long-Term Debt, Less Current Maturities	2,340,256	2,137	2,342,393
Liabilities Subject to Compromise	50,194,996	-	50,194,996
Total liabilities	66,516,738	591,873	67,108,611
Unrestricted Net Assets			
Gerald Champion Regional Medical Center	71,660,483	804,214	72,464,697
Noncontrolling interests in ASV	-	-	-
Total unrestricted net assets	71,660,483	804,214	72,464,697
Total liabilities and net assets	$ 138,177,221	$ 1,396,087	$ 139,573,308

Eliminations	Consolidated
$ -	$ 772,198
(621,565)	7,959,583
-	298,332
-	1,283,681
-	3,027,270
-	414,065
-	194,528
(621,565)	13,949,657
-	2,342,393
(38,057)	50,156,939
(659,622)	66,448,989
(723,214)	71,741,483
401,241	401,241
(321,973)	72,142,724
$ (981,595)	$ 138,591,713

	Hospital	ASV	Total
Unrestricted Revenues, Gains, and Other Support			
Patient service revenue (net of contractual adjustments and discounts)	$ 97,769,507	$ 6,965,006	$ 104,734,513
Provision for bad debts	(8,194,546)	-	(8,194,546)
Net patient service revenue less provision for bad debts	89,574,961	6,965,006	96,539,967
Other revenue	3,846,623	-	3,846,623
Total revenues, gains, and other support	93,421,584	6,965,006	100,386,590
Expenses			
Salaries and wages	38,505,845	1,333,651	39,839,496
Employee benefits	9,027,325	406,079	9,433,404
Professional fees and purchased services	25,513,955	771,025	26,284,980
Utilities and maintenance	6,732,066	234,813	6,966,879
Supplies and other	14,714,075	355,225	15,069,300
Insurance	2,028,394	32,691	2,061,085
Leases and rentals	1,300,855	542,945	1,843,800
Taxes	735,440	-	735,440
Interest	422,196	17,461	439,657
Depreciation and amortization	9,172,315	187,726	9,360,041
Other	2,093,868	346,277	2,440,145
Total expenses	110,246,334	4,227,893	114,474,227
Operating Income (Loss)	(16,824,750)	2,737,113	(14,087,637)
Other Income (Losses)			
Reorganization costs (Note 2)	(5,957,244)	-	(5,957,244)
Contribution to the City of Alamogordo	(2,286,444)	-	(2,286,444)
Investment income (loss)	727,847	-	727,847
Gain (loss) on sale of property and equipment	35,590	(944)	34,646
Other income, net	(7,480,251)	(944)	(7,481,195)
Revenues in Excess of (Less Than) Expenses	(24,305,001)	2,736,169	(21,568,832)
Distributions to Shareholders	-	(3,000,000)	(3,000,000)
Decrease in Unrestricted Net Assets	(24,305,001)	(263,831)	(24,568,832)
Net Assets, Beginning of Year	95,965,484	1,068,045	97,033,529
Net Assets, End of Year	$ 71,660,483	$ 804,214	$ 72,464,697

Eliminations	Consolidated
$ (6,965,006)	$ 97,769,507
-	(8,194,546)
(6,965,006)	89,574,961
(457,030)	3,389,593
(7,422,036)	92,964,554
-	39,839,496
-	9,433,404
(6,965,006)	19,319,974
-	6,966,879
-	15,069,300
-	2,061,085
(457,030)	1,386,770
-	735,440
-	439,657
-	9,360,041
-	2,440,145
(7,422,036)	107,052,191
-	(14,087,637)
-	(5,957,244)
-	(2,286,444)
(1,108,146)	(380,299)
-	34,646
(1,108,146)	(8,589,341)
(1,108,146)	(22,676,978)
1,215,000	(1,785,000)
106,854	(24,461,978)
(428,827)	96,604,702
$ (321,973)	$ 72,142,724

	2013		
	Inpatient	Outpatient	Total
Patient Service Revenue			
Routine services			
Adults and pediatrics	$ 4,527,357	$ 926,785	$ 5,454,142
Nursery	403,688	1,523	405,211
	4,931,045	928,308	5,859,353
Ancillary services			
Emergency room	1,773,202	12,581,938	14,355,140
Intensive Care	4,603,922	109,334	4,713,256
Surgical services	7,590,759	19,827,989	27,418,748
Anesthesiology	464,945	2,406,718	2,871,663
Recovery room	1,103,386	996,271	2,099,657
OB/GYN	2,054,273	286,807	2,341,080
Delivery room	1,127,671	202,185	1,329,856
Pharmacy	8,395,437	21,242,709	29,638,146
IV Solutions	283,416	2,049,697	2,333,113
Chemo infusion	15,891	1,641,051	1,656,942
Laboratory	9,505,171	40,452,205	49,957,376
Blood bank	399,643	324,853	724,496
Central service supplies	1,361,669	2,690,279	4,051,948
Cardiac telemetry	14,430	325,100	339,530
Cardiopulmonary	4,812,310	1,642,137	6,454,447
Stress testing	6,588	1,363,955	1,370,543
EKG/EEG	997,476	3,492,071	4,489,547
Sleep studies	1,949	2,563,266	2,565,215
Physical therapy	916,584	50,368	966,952
Radiology	1,415,667	7,480,697	8,896,364
CT scan	2,633,693	14,516,640	17,150,333
MRI	551,979	3,807,303	4,359,282
Ultrasound	513,711	3,374,674	3,888,385
Nuclear imaging	104,744	1,197,610	1,302,354
Ortho/trauma	2,263,599	55,861	2,319,460
Life transitions	4,040,083	1,421,037	5,461,120
Wound care	7,570	2,036,371	2,043,941
Other patient revenue	4,694,551	706,614	5,401,165
Physician practices	-	22,978,029	22,978,029
	61,654,319	171,823,769	233,478,088
	$ 66,585,364	$ 172,752,077	239,337,441
Charity care, at charges foregone			(4,426,451)
Total patient service revenue			234,910,990
Contractual Adjustments			
Hospital			
Medicare			(56,189,514)
Medicaid			(21,980,241)
Tricare			(16,028,046)
Blue Cross			(5,706,173)
Other			(20,529,156)
Physician practices			(13,885,527)
Total contractual adjustments			(134,318,657)
Net Patient Service Revenue			$ 100,592,333

2012		
Inpatient	Outpatient	Total
$ 5,709,875	$ 1,106,177	$ 6,816,052
505,971	2,494	508,465
6,215,846	1,108,671	7,324,517
1,704,446	12,136,251	13,840,697
4,347,813	133,449	4,481,262
7,518,063	20,513,073	28,031,136
527,145	2,620,837	3,147,982
933,462	985,525	1,918,987
2,286,375	201,703	2,488,078
1,357,668	197,334	1,555,002
8,028,279	15,465,876	23,494,155
341,976	2,260,855	2,602,831
-	16,453	16,453
9,479,564	38,593,130	48,072,694
496,656	363,365	860,021
1,488,513	3,058,615	4,547,128
871,354	425,530	1,296,884
3,866,776	1,739,330	5,606,106
3,924	1,327,213	1,331,137
1,069,573	3,520,356	4,589,929
5,577	3,121,800	3,127,377
1,291,667	77,514	1,369,181
1,410,194	7,687,233	9,097,427
2,778,477	14,628,594	17,407,071
595,581	3,408,376	4,003,957
607,291	3,597,547	4,204,838
111,539	1,199,270	1,310,809
1,851,137	(26,772)	1,824,365
2,301,999	1,340,894	3,642,893
-	-	-
3,017,801	842,619	3,860,420
-	20,465,565	20,465,565
58,292,850	159,901,535	218,194,385
$ 64,508,696	$ 161,010,206	225,518,902
		(3,883,841)
		221,635,061
		(51,454,558)
		(22,923,597)
		(13,377,037)
		(5,094,350)
		(18,515,303)
		(12,500,709)
		(123,865,554)
		$ 97,769,507