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Form 990   Department of the Treasury Internal Revenue Service	<b>Return of Organization Exempt From Income Tax</b>  <b>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</b>  ▶ The organization may have to use a copy of this return to satisfy state reporting requirements	OMB No 1545-0047
		<b>2010</b>
		<b>Open to Public Inspection</b>

<b>A For the 2010 calendar year, or tax year beginning 10-01-2010 and ending 09-30-2011</b>		
<b>B</b> Check if applicable <input type="checkbox"/> Address change  <input type="checkbox"/> Name change  <input type="checkbox"/> Initial return  <input type="checkbox"/> Terminated  <input type="checkbox"/> Amended return  <input type="checkbox"/> Application pending	<b>C</b> Name of organization RUTHERFORD HOSPITAL INC	<b>D Employer identification number</b>  56-0619367
	Doing Business As RUTHERFORD REGIONAL HEALTH SYSTEM	<b>E Telephone number</b>  (828) 286-5000
	Number and street (or P O box if mail is not delivered to street address) 288 SOUTH RIDGECREST AVENUE	
	Room/suite	
	City or town, state or country, and ZIP + 4 RUTHERFORDTON, NC 28139	
	<b>F</b> Name and address of principal officer CINDY BUCK 288 SOUTH RIDGECREST AVENUE RUTHERFORDTON, NC 28139	<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) <b>H(c)</b> Group exemption number ▶
<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀ (Insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		
<b>J Website:</b> ▶ WWW.RUTHERFORDHOSP.ORG		
<b>K</b> Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶	<b>L</b> Year of formation 1906	<b>M</b> State of legal domicile NC

Part I		Summary	
Activities & Governance	<b>1</b> Briefly describe the organization's mission or most significant activities RUTHERFORD HOSPITAL IS A GENERAL ACUTE CARE HOSPITAL THAT PROVIDES TRADITIONAL PATIENT CARE TO RESIDENTS OF ITS SERVICE AREA, REGARDLESS OF ABILITY TO PAY		
	<b>2</b> Check this box <input checked="" type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a) . . . . .	<b>3</b>	15
	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b) . . . . .	<b>4</b>	14
	<b>5</b> Total number of individuals employed in calendar year 2010 (Part V, line 2a) . . . . .	<b>5</b>	984
	<b>6</b> Total number of volunteers (estimate if necessary) . . . . .	<b>6</b>	329
	<b>7a</b>	233,048	
	<b>7b</b>	-158,615	
Revenue		<b>Prior Year</b>	<b>Current Year</b>
	<b>8</b> Contributions and grants (Part VIII, line 1h) . . . . .	51,486	84,050
	<b>9</b> Program service revenue (Part VIII, line 2g) . . . . .	95,454,996	94,250,107
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d ) . . . . .	2,955,048	479,486
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		168,617
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .	98,461,530	94,982,260
Expenses	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3 ) . . . . .	7,586	1,225
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4) . . . . .		0
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	45,524,628	48,739,454
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e) . . . . .		0
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) <input type="text" value="0"/>		
	<b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f) . . . . .	50,182,250	51,357,598
	<b>18</b> Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	95,714,464	100,098,277
	<b>19</b> Revenue less expenses Subtract line 18 from line 12 . . . . .	2,747,066	-5,116,017
	Net Assets or Fund Balances		<b>Beginning of Current Year</b>
<b>20</b> Total assets (Part X, line 16) . . . . .		99,800,759	99,630,976
<b>21</b> Total liabilities (Part X, line 26) . . . . .		22,097,538	27,544,695
<b>22</b> Net assets or fund balances Subtract line 21 from line 20 . . . . .		77,703,221	72,086,281

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

<b>Sign Here</b>	***** Signature of officer	2012-08-15 Date			
	CINDY BUCK INTERIM CEO/VP FINANCE/CFO Type or print name and title				
<b>Paid Preparer Use Only</b>	Print/Type preparer's name Brian D Todd	Preparer's signature Brian D Todd	Date	Check if self-employed <input type="checkbox"/>	PTIN
	Firm's name ▶ BKD LLP	Firm's EIN ▶			
	Firm's address ▶ 910 E ST LOUIS 200/PO BOX 1190  SPRINGFIELD, MO 658062523	Phone no ▶ (417) 865-8701			
May the IRS discuss this return with the preparer shown above? (see instructions) . . . . . <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No					

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization's mission

RUTHERFORD HOSPITAL'S MISSION IS TO COMPASSIONATELY IMPROVE THE HEALTH AND WELL-BEING OF OUR PATIENTS

2

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

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

☒ Yes

☐ No

3

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

If "Yes," describe these changes on Schedule O

☐ Yes

☒ No

4

Describe the exempt purpose achievements for each of the organization's three largest program services by expenses

Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts 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 \$ 47,897,056 including grants of \$ ) (Revenue \$ 49,508,327 )

THE HOSPITAL PROVIDES OUTPATIENT SERVICES WITH IMPROVED TECHNOLOGY, MANY LESS INVASIVE SURGICAL PROCEDURES ARE NOW BEING PERFORMED ON AN OUTPATIENT BASIS THE HOSPITAL'S OUTPATIENT SURGERIES INCLUDE GENERAL, ONCOLOGY, ORTHOPEDIC, PLASTIC, PODIATRIC, UROLOGY, GASTROENTEROLOGY, GYNECOLOGY, OPHTHALMOLOGY, EAR, NOSE, AND THROAT SURGERY DURING FY 2011, THERE WERE 49,520 OUTPATIENT VISITS

4b

(Code ) (Expenses \$ 31,728,534 including grants of \$ ) (Revenue \$ 32,795,892 )

THE HOSPITAL PROVIDES INPATIENT SERVICES INCLUDING SURGICAL PROCEDURES, AN INTENSIVE CARE UNIT, AND THE BIRTH PLACE GENERAL SURGEONS PROVIDE A FULL RANGE OF CONSULTING, DIAGNOSTIC, AND TREATMENT SERVICES THE ICU IS SPECIFICALLY DESIGNED TO PROVIDE ONGOING, INTENSIVE NURSING ATTENTION FOR THOSE WHO ARE SERIOUSLY ILL OR INJURED OR WHO SUFFER FROM COMPLEX HEALTH CONDITIONS THE BIRTH PLACE OFFERS COMFORT, PRIVACY, PEACE OF MIND, AND FLEXIBILITY TO ITS PATIENTS, AS WELL AS EDUCATIONAL CLASSES FOR EXPECTANT FAMILIES INPATIENT FLOORS UTILIZE HOURLY ROUNDING TO ENSURE THE PATIENT PROGRESS AND NEEDS ARE CONTINUALLY MONITORED DURING FY 2011, 5,310 PATIENTS RECEIVED INPATIENT SERVICES

4c

(Code ) (Expenses \$ 12,408,105 including grants of \$ ) (Revenue \$ 9,469,427 )

RUTHERFORD REGIONAL HAS TEN PHYSICIAN PRACTICES TO SERVE THE COMMUNITY'S SURGICAL, FAMILY PRACTICE, AND PSYCHIATRIC NEEDS THE HOSPITAL HAS BEEN HONORED FOUR TIMES AS A THOMPSON COMPANY 100 TOP PERFORMANCE IMPROVEMENT LEADER FACILITY EDUCATION DEPARTMENT MAKES HEALTH FAIRS, EDUCATION, AND SUPPORT AVAILABLE TO OUR COMMUNITY SOME OF THE ACTIVITIES OFFERED INCLUDE CLASSES FOR EXPECTANT MOTHERS AND THEIR FAMILIES, SAFE SITTER COURSES, SUPPORT GROUPS FOR THOSE EXPERIENCING PARTICULAR ILLNESSES, FREEDOM FROM SMOKING CLASSES, THE LIFELINE PROGRAM, DIABETES EDUCATION, AND CPR/FIRST AID TRAINING

4d

Other program services (Describe in Schedule O )

(Expenses \$ 1,161,547 including grants of \$ 1,225 ) (Revenue \$ 2,243,413 )



















4e

Total program service expenses

\$ 93,195,242

Form 990 (2010)

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 instruction)? 	2	Yes
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4	<b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4	Yes
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	
6	Did the organization maintain any donor advised funds or any similar funds or accounts where 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	Yes
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, 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 term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI. 	11a	Yes
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII. 	11b	No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII. 	11c	No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX. 	11d	No
e	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X. 	11e	Yes
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X. 	11f	No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII 	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, XII, and XIII 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, and program service activities outside the United States? If "Yes," complete Schedule F, Parts I and IV	14b	No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? If "Yes," complete Schedule F, Parts II and IV	15	No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? 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 hospitals? If "Yes," complete Schedule H 	20a	Yes
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	Yes

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b-24d and complete Schedule K. If "No," go to line 25</i> . . . . .	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		No
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i> . . . . .	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i> . . . . .	34	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)? . . . . .	35	Yes	
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . . <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

<b>Part V</b> <b>Statements Regarding Other IRS Filings and Tax Compliance</b>			
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>			
		<b>Yes</b>	<b>No</b>
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	<b>1a</b>	117
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	<b>1b</b>	0
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	<b>1c</b>	Yes
<b>2a</b>	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	<b>2a</b>	984
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?  <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	<b>2b</b>	Yes
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?	<b>3a</b>	Yes
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	<b>3b</b>	Yes
<b>4a</b>	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)?	<b>4a</b>	No
<b>b</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.		
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	<b>5a</b>	No
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	<b>5b</b>	No
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	<b>5c</b>	
<b>6a</b>	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?	<b>6a</b>	No
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	<b>6b</b>	
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>		
<b>a</b>	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?	<b>7a</b>	No
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?	<b>7b</b>	
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	<b>7c</b>	No
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year.	<b>7d</b>	
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	<b>7e</b>	No
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	<b>7f</b>	No
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	<b>7g</b>	
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	<b>7h</b>	
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	<b>8</b>	
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>		
<b>a</b>	Did the organization make any taxable distributions under section 4966?	<b>9a</b>	
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?	<b>9b</b>	
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter		
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12.	<b>10a</b>	
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	<b>10b</b>	
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter		
<b>a</b>	Gross income from members or shareholders.	<b>11a</b>	
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	<b>11b</b>	
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	<b>12a</b>	
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	<b>12b</b>	
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.	<b>13a</b>	
<b>b</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.	<b>13b</b>	
<b>c</b>	Enter the amount of reserves on hand.	<b>13c</b>	
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?	<b>14a</b>	No
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	<b>14b</b>	

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.  
Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1b	Enter the number of voting members included in line 1a, above, who are independent		
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?		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?	Yes	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	Yes	
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		No
6	Does the organization have members or stockholders?		No
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?		No
7b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	Yes	
8b	Each committee with authority to act on behalf of the governing body?	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		No

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

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

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you make these available. Check all that apply.  
☐ Own website ☐ Another's website ☒ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization.  
CINDY BUCK  
288 SOUTH RIDGECREST AVENUE  
RUTHERFORDTON, NC 28139  
(828) 286-5202

Part VII

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

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

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

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees. 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, and 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 (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(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) JOSEPH L CARSON JR CHAIRMAN	1 0	X		X				0	0	0
(2) DIANE HAMRICK VICE CHAIRMAN	1 0	X		X				0	0	0
(3) E THOMAS HARDIN SECRETARY	1 0	X		X				0	0	0
(4) MATT BRIGHT TREASURER	1 0	X		X				0	0	0
(5) J THOMAS DAVIS TRUSTEE	1 0	X						0	0	0
(6) PAUL DECK TRUSTEE	1 0	X						0	0	0
(7) DAVID EAKER TRUSTEE	1 0	X						0	0	0
(8) J LARRY HARRILL TRUSTEE	1 0	X						0	0	0
(9) LEE HARRILL TRUSTEE	1 0	X						0	0	0
(10) THOMAS J JASKI MD TRUSTEE	1 0	X						0	0	0
(11) MYRA JOHNSON TRUSTEE	1 0	X						0	0	0
(12) MICHAEL S WHEELER MD TRUSTEE	40 0	X						749,087	0	0
(13) TERRY HINES TRUSTEE	1 0	X						0	0	0
(14) JERALD DELAGARZA MD TRUSTEE	1 0	X						0	0	0
(15) BETH MILLER TRUSTEE beg 11/10	1 0	X						0	0	0
(16) DAVID BIXLER CEO	40 0			X				0	0	0



Part VII

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(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			
(17) MARY K MILLINGTON VP/CFO	40 0			X				160,875	0	663
(18) DEAN R BACKSTROM MEDICAL DIRECTOR	40 0				X			223,941	0	2,489
(19) CHARLES BOND PHYSICIAN	40 0					X		729,226	0	3,515
(20) MICHAEL ROBERTS PHYSICIAN	40 0					X		720,598	0	3,515
(21) GREGG ALLEN DRABEK PHYSICIAN	40 0					X		463,879	0	3,515
(22) JAMES L KIRKPATRICK PHYSICIAN	40 0					X		378,922	0	2,986
(23) WILLIAM C HADEN PHYSICIAN	40 0					X		358,898	0	2,490
<b>1b Sub-Total</b>										
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>								3,785,426	0	19,173

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization▶36

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

(A) Name and business address	(B) Description of services	(C) Compensation
HOSPITAL MEDICINE ASSOC LLC	HOSPITALIST	1,807,453
QUORUM	HOSPITAL MGMT	820,206
SODEXO	NUTRITION & EVS MGMT	783,344
MICHAEL S WHEELER	MEDICAL DIRECTOR	749,087
MISSION MEDICAL ASSOC INC	CARDIOLOGIST SVS	517,499

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization ▶12

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections  512, 513, or 514		
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a						
	b	Membership dues . . . . .	1b						
	c	Fundraising events . . . . .	1c						
	d	Related organizations . . . . .	1d	72,115					
	e	Government grants (contributions)	1e						
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	11,935					
	g	Noncash contributions included in lines 1a-1f \$							
	h	Total. Add lines 1a-1f . . . . .			84,050				
	Program Service Revenue	2a	Business Code						
		NET PATIENT SERVICE REVENUE	621110	76,960,493	76,960,493				
b		LABORATORY CLIENT REVENUE	621500	13,997,998	13,774,546	223,452			
c		PATHOLOGY CLIENT REVENUE	621110	2,197,374	2,189,934	7,440			
d		CAFETERIA & VENDING REVENUE	722210	474,735	472,579	2,156			
e		OTHER REVENUE	900099	619,507	619,507				
f		All other program service revenue							
g		Total. Add lines 2a-2f . . . . .			94,250,107				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . .			1,147,539		1,147,539		
	4	Income from investment of tax-exempt bond proceeds . .			0				
	5	Royalties . . . . .			0				
	6a	Gross Rents	(i) Real	(ii) Personal				98,965	
			111,210						
		b	Less rental expenses	12,245					
		c	Rental income or (loss)	98,965					
	d	Net rental income or (loss) . . . . .			98,965		98,965		
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				-668,053	
			49,920,876	35,848					
		b	Less cost or other basis and sales expenses	50,382,446					242,331
		c	Gain or (loss)	-461,570					-206,483
	d	Net gain or (loss) . . . . .			-668,053		-668,053		
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .	a						
		b	Less direct expenses . . . . .	b					
		c	Net income or (loss) from fundraising events . .						0
	9a	Gross income from gaming activities See Part IV, line 19 . .	a						
		b	Less direct expenses . . . . .	b					
		c	Net income or (loss) from gaming activities . .						0
	10a	Gross sales of inventory, less returns and allowances . . . . .	a	152,178				69,652	
b		Less cost of goods sold . . . . .	b	82,526					
c		Net income or (loss) from sales of inventory . .		69,652					
Miscellaneous Revenue			Business Code						
11a									
	b								
	c								
	d		All other revenue . . . . .						
	e		Total. Add lines 11a-11d . . . . .		0				
12	Total revenue. See Instructions . . . . .			94,982,260	94,017,059	233,048	648,103		

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) but are not required to complete columns (B), (C), and (D).

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 U S See Part IV, line 21	1,225	1,225		
2	Grants and other assistance to individuals in the U S See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees . . . . .	1,137,055	975,517	161,538	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .	0			
7	Other salaries and wages	39,006,853	37,179,530	1,827,323	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	0			
9	Other employee benefits . . . . .	6,219,934	5,946,702	273,232	
10	Payroll taxes . . . . .	2,375,612	2,260,769	114,843	
a	Fees for services (non-employees) Management . . . . .	628,466		628,466	
b	Legal . . . . .	365,783		365,783	
c	Accounting . . . . .	126,283		126,283	
d	Lobbying . . . . .	0			
e	Professional fundraising services See Part IV, line 17 . . . . .	0			
f	Investment management fees . . . . .	265,266		265,266	
g	Other . . . . .	8,295,079	7,877,528	417,551	
12	Advertising and promotion . . . . .	304,894	304,108	786	
13	Office expenses . . . . .	2,736,934	2,474,341	262,593	
14	Information technology . . . . .	621,008	536,133	84,875	
15	Royalties . . . . .	0			
16	Occupancy . . . . .	2,181,362	2,157,455	23,907	
17	Travel . . . . .	307,343	275,801	31,542	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .	0			
19	Conferences, conventions, and meetings . . . . .	23,654	23,654		
20	Interest . . . . .	345,507	49,111	296,396	
21	Payments to affiliates . . . . .	0			
22	Depreciation, depletion, and amortization . . . . .	5,419,844	5,061,431	358,413	
23	Insurance . . . . .	603,928	138	603,790	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O )				
a	BAD DEBT	16,642,721	16,642,721		
b	MEDICAL SUPPLIES & DRUGS	9,924,563	9,924,563		
c	REPAIRS & MAINTENANCE	2,207,181	1,374,060	833,121	
d	LICENSES, DUES & SUBS	192,399	64,918	127,481	
e	RECRUITING & RETENTION	131,731	42,064	89,667	
f	All other expenses	33,652	23,473	10,179	
25	Total functional expenses. Add lines 1 through 24f	100,098,277	93,195,242	6,903,035	0
26	Joint costs. Check here <input checked="" type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing . . . . .			3,400	1	3,900
	2	Savings and temporary cash investments . . . . .			6,790,151	2	2,049,175
	3	Pledges and grants receivable, net . . . . .				3	
	4	Accounts receivable, net . . . . .			11,146,959	4	13,363,299
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .				5	
	6	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) Schedule L . . . . .				6	
	7	Notes and loans receivable, net . . . . .				7	
	8	Inventories for sale or use . . . . .			2,071,898	8	1,788,160
	9	Prepaid expenses and deferred charges . . . . .			930,414	9	1,053,533
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D.	10a	122,610,045			
	b	Less: accumulated depreciation . . . . .	10b	75,403,319	42,740,328	10c	47,206,726
	11	Investments—publicly traded securities . . . . .			34,459,783	11	32,432,260
	12	Investments—other securities. See Part IV, line 11 . . . . .				12	
	13	Investments—program-related. See Part IV, line 11 . . . . .				13	
	14	Intangible assets . . . . .			599,042	14	599,042
	15	Other assets. See Part IV, line 11 . . . . .			1,058,784	15	1,134,881
16	Total assets. Add lines 1 through 15 (must equal line 34) . . . . .			99,800,759	16	99,630,976	
Liabilities	17	Accounts payable and accrued expenses . . . . .			8,971,104	17	9,305,153
	18	Grants payable . . . . .				18	
	19	Deferred revenue . . . . .				19	2,990
	20	Tax-exempt bond liabilities . . . . .			8,140,000	20	15,030,386
	21	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .				21	
	22	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 . . . . .			979,797	23	806,566
	24	Unsecured notes and loans payable to unrelated third parties . . . . .				24	
	25	Other liabilities. Complete Part X of Schedule D . . . . .			4,006,637	25	2,399,600
	26	Total liabilities. Add lines 17 through 25 . . . . .			22,097,538	26	27,544,695
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets . . . . .			77,703,221	27	72,086,281
	28	Temporarily restricted net assets . . . . .				28	
	29	Permanently restricted net assets . . . . .				29	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds . . . . .				30	
	31	Paid-in or capital surplus, or land, building or equipment fund . . . . .				31	
	32	Retained earnings, endowment, accumulated income, or other funds . . . . .				32	
	33	Total net assets or fund balances . . . . .			77,703,221	33	72,086,281
	34	Total liabilities and net assets/fund balances . . . . .			99,800,759	34	99,630,976

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	94,982,260
2	Total expenses (must equal Part IX, column (A), line 25)	2	100,098,277
3	Revenue less expenses Subtract line 2 from line 1	3	-5,116,017
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	77,703,221
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-500,923
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	72,086,281

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
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		

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public  
Inspection

Name of the organization RUTHERFORD HOSPITAL INC	Employer identification number 56-0619367
---	--

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 - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of 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) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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 2010 (line 6 column (f) divided by line 11 column (f))					14	
15 Public Support Percentage for 2009 Schedule A, Part II, line 14					15	
16a 33 1/3% support test—2010. 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—2009. If the organization did not check the 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—2010. 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—2009. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶						
18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶						




Part IIIPart III

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) 	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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 section 501(c)(3) organization, check this box and <b>stop here</b> 						

Section C. Computation of Public Support Percentage		
15 Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2009 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2010 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2009 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2010. 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 <b>stop here</b> . The organization qualifies as a publicly supported organization 		
b 33 1/3% support tests—2009. 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 <b>stop here</b> . 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.** Supplemental Information. Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

SCHEDULE C  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527  
▶ **Complete if the organization is described below.**  
▶ **Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

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

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

Name of the organization RUTHERFORD HOSPITAL INC	Employer identification number 56-0619367
---	--

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

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

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

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

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

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

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

Part II-A

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

- A

Check

☒

if the filing organization belongs to an affiliated group
- B

Check

☒

if the filing organization checked box A and "limited control" provisions apply

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?			
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?			
	c Media advertisements?			
	d Mailings to members, legislators, or the public?			
	e Publications, or published or broadcast statements?			
	f Grants to other organizations for lobbying purposes?			
	g Direct contact with legislators, their staffs, government officials, or a legislative body?			
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?			
	i Other activities? If "Yes," describe in Part IV			
	j Total lines 1c through 1i			
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?			
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
OTHER LOBBYING ACTIVITIES	SCHEDULE C, PART II-B, LINE 1I	THE ORGANIZATION PAYS DUES TO THE NORTH CAROLINA HOSPITAL ASSOCIATION, OF WHICH \$7,095 IS ATTRIBUTABLE TO LOBBYING ACTIVITIES AND TO AHA OF WHICH \$967 IS ATTRIBUTABLE TO LOBBYING ACTIVITIES. IN ADDITION, THE ORGANIZATION PAYS DUES TO THE ASSOCIATION FOR HOME AND HOSPICE CARE, OF WHICH \$338 IS ATTRIBUTABLE TO LOBBYING

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, 11, or 12.**  
▶ **Attach to Form 990. ▶ See separate instructions.**

OMB No 1545-0047

2010

Open to Public  
Inspection

**Name of the organization**  
RUTHERFORD HOSPITAL INC

**Employer identification number**  
  
56-0619367

Part I

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

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

Part II

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

1

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

☐ Preservation of land for public use (e g , recreation or pleasure)

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☒ Preservation of a certified historic structure

☐ Preservation of open space

2

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

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶ 0

4

Number of states where property subject to conservation easement is located ▶ 1

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 ▶ \$ 0

8

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

☐ Yes☐ No

9

In Part XIV, 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, 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 XIV, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116, 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 relating to these items

a

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

b

Assets included in Form 990, Part X▶ \$

For Privacy Act and Paperwork Reduction Act Notice, see the Intructions for Form 990

Cat No 52283D

Schedule D (Form 990) 2010

Part III

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

3

Using the organization's 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 XIV

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

1b

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

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

2b

If "Yes," explain the arrangement in Part XIV

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 . . . . .				
1b	Contributions . . . . .				
1c	Investment earnings or losses . . . . .				
1d	Grants or scholarships . . . . .				
1e	Other expenditures for facilities and programs . . . . .				
1f	Administrative expenses . . . . .				
1g	End of year balance . . . . .				

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

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

3a

(i) unrelated organizations . . . . .

3a

(ii) related organizations . . . . .

b

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

4

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

Part VI

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

Description of investment	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .		1,528,211		1,528,211
1b Buildings . . . . .		59,581,383	31,167,987	28,413,396
1c Leasehold improvements . . . . .				
1d Equipment . . . . .		55,845,404	43,096,182	12,749,222
1e Other . . . . .		5,655,047	1,139,150	4,515,897
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . . ▶				47,206,726

Schedule D (Form 990) 2010



Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements		
1	Total revenue (Form 990, Part VIII, column (A), line 12)	1 94,982,260
2	Total expenses (Form 990, Part IX, column (A), line 25)	2 100,098,277
3	Excess or (deficit) for the year Subtract line 2 from line 1	3 -5,116,017
4	Net unrealized gains (losses) on investments	4 -517,510
5	Donated services and use of facilities	5
6	Investment expenses	6
7	Prior period adjustments	7
8	Other (Describe in Part XIV)	8 16,587
9	Total adjustments (net) Add lines 4 - 8	9 -500,923
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10 -5,616,940

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return		
1	Total revenue, gains, and other support per audited financial statements . . . . .	1 94,310,842
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12	
a	Net unrealized gains on investments . . . . .	2a -517,510
b	Donated services and use of facilities . . . . .	2b
c	Recoveries of prior year grants . . . . .	2c
d	Other (Describe in Part XIV) . . . . .	2d -248,679
e	Add lines 2a through 2d . . . . .	2e -766,189
3	Subtract line 2e from line 1 . . . . .	3 95,077,031
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 XIV) . . . . .	4b -94,771
c	Add lines 4a and 4b . . . . .	4c -94,771
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12 ) . . . . .	5 94,982,260

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return		
1	Total expenses and losses per audited financial statements . . . . .	1 99,927,782
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 XIV) . . . . .	2d 94,771
e	Add lines 2a through 2d . . . . .	2e 94,771
3	Subtract line 2e from line 1 . . . . .	3 99,833,011
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 XIV) . . . . .	4b 265,266
c	Add lines 4a and 4b . . . . .	4c 265,266
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18 ) . . . . .	5 100,098,277

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
CONSERVATION EASEMENT FINANCIAL REPORTING	SCHEDULE D, PART II, LINE 9	THERE IS NO REVENUE ASSOCIATED WITH THE CONSERVATION EASEMENT REPORTED IN SCHEDULE D, PART II. THE ONLY EXPENSES RELATED TO THE EASEMENT RELATES TO NORMAL COSTS OF HOLDING THE BUILDING SUCH AS UTILITIES. THE BUILDING IS SHOWN IN THE BALANCE SHEET AS PART OF FIXED ASSETS AT COST, BUT IS FULLY DEPRECIATED. THERE WAS NO NOTE REGARDING THE CONSERVATION EASEMENT IN THE AUDITED FINANCIAL STATEMENTS.
RECONCILING ITEMS	SCHEDULE D, PART XI, QUESTION 8	133,243 CHANGE IN FAIR VALUE OF INTEREST RATE SWAP ( 116,656) LOSS ON REFUNDING OF DEBT ----- 16,587 SCHEDULE D, PART XII, LINE 2D 133,243 CHANGE IN FAIR VALUE OF INTEREST RATE SWAP ( 116,656) LOSS ON REFUNDING OF DEBT ( 265,266) INVESTMENT FEES ----- ( 248,679) SCHEDULE D, PART XII, QUESTION 4B AND PART XIII, QUESTION 2D 82,526 COST OF GOODS SOLD 12,245 RENTAL EXPENSES ----- 94,771 SCHEDULE D, PART XIII, QUESTION 4B 265,266 INVESTMENT FEES



SCHEDULE H  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

**Name of the organization**  
RUTHERFORD HOSPITAL INC

**Employer identification number**  
56-0619367

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 . . . . .	Yes	
1b	If "Yes," is it a written policy? . . . . .	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year  <input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Applied uniformly to most hospitals <input type="checkbox"/> Generally tailored to individual hospitals		
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year  <b>a</b> Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care  <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other <u>120. %</u>  <b>b</b> Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . .  <input type="checkbox"/> 200% <input checked="" type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %  <b>c</b> If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care  <b>4</b> 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"? . . . . .	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	Yes	
5b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .	Yes	
5c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .		No
6a	Does the organization prepare a community benefit report during the tax year? . . . . .	Yes	
6b	If "Yes," did the organization make it available to the public? . . . . .	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H		

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			2,375,846	0	2,375,846	2 850 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			16,231,258	9,281,014	6,950,244	8 330 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)			0	0	0	0 %
d Total Financial Assistance and Means-Tested Government Programs . . . . .			18,607,104	9,281,014	9,326,090	11 180 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			558,400	119,726	438,674	0 530 %
f Health professions education (from Worksheet 5)			245,033	5,470	239,563	0 290 %
g Subsidized health services (from Worksheet 6)			17,244,609	15,161,472	2,083,137	2 500 %
h Research (from Worksheet 7)			0	0	0	0 %
i Cash and in-kind contributions to community groups (from Worksheet 8)			1,225	0	1,225	0 %
j Total Other Benefits . . . . .			18,049,267	15,286,668	2,762,599	3 320 %
k Total. Add lines 7d and 7j			36,656,371	24,567,682	12,088,689	14 500 %

Part IICommunity Building Activities

during the tax year, and describe in Part VI how its community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

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

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1Yes	
2	Enter the amount of the organization's bad debt expense (at cost)	25,150,467	
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	31,066,147	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	537,998,513		
6	Enter Medicare allowable costs of care relating to payments on line 5	637,059,714		
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7938,799		
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: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9aYes	
9b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI.	9bYes	

Part IVManagement Companies and Joint Ventures

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 1

[illegible]

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 10

Name and address	Type of Facility (Describe)
------------------------	-----------------------------

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc )
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
PERCENT OF TOTAL EXPENSE	SCHEDULE H, PART I, QUESTION 7, COLUMN F	TO ARRIVE AT THE PERCENT OF TOTAL EXPENSES, THE DENOMINATOR WHICH EQUALS TOTAL OPERATING EXPENSES PER PART IX, LINE 25, OF THE FORM 990 (\$100,098,277) WAS REDUCED BY BAD DEBT EXPENSE (\$16,642,721)

Identifier	ReturnReference	Explanation
COST TO CHARGE RATIO	SCHEDULE H, PART I, LINE 7	THE COST TO CHARGE RATIO COMPUTED ON IRS WORKSHEET 2 WAS USED IN THE CALCULATIONS ON IRS WORKSHEETS 1 AND 3 FOR IRS WORKSHEET 6 CALCULATING SUBSIDIZED SERVICES, THE ORGANIZATION USED A COST ACCOUNTING SYSTEM USING DIRECTLY ALLOCABLE DEDUCTIONS FOR THE CALCULATION OF ONE GROUP OF SUBSIDIZED SERVICES AND USED THE COST TO CHARGE RATIO COMPUTED ON IRS WORKSHEET 2 FOR THE CALCULATION OF ANOTHER GROUP OF SUBSIDIZED SERVICES THE COSTS ASSOCIATED WITH PHYSICIAN PRACTICES, INCLUDING RURAL HEALTH CLINICS INCLUDED NET COMMUNITY BENEFIT EXPENSE OF \$1,385,301

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE	SCHEDULE H, PART III, SECTION A, QUESTION 4	THE AUDITED FINANCIAL STATEMENTS DO NOT CONTAIN A FOOTNOTE THAT DESCRIBES BAD DEBT EXPENSE THEY DO , HOWEVER, CONTAIN A FOOTNOTE THAT DESCRIBES PATIENT ACCOUNTS RECEIVABLE ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS ARE COMPUTED BASED ON HISTORICAL COLLECTION EXPERIENCE AND A REVIEW OF THE CURRENT STATUS OF EXISTING RECEIVABLES THE HOSPITAL GRANTS CREDIT TO PATIENTS WITHOUT COLLATERAL, SUBSTANTIALY ALL OF WHOM ARE FROM THE SURROUNDING AREA

Identifier	ReturnReference	Explanation
COMMUNITY BENEFIT	SCHEDULE H, PART III, SECTION C, QUESTION 8	SERVING PATIENTS WITH GOVERNMENT HEALTH BENEFITS, SUCH AS MEDICARE, IS A COMPONENT OF THE COMMUNITY BENEFIT STANDARD THAT TAX-EXEMPT HOSPITALS ARE HELD TO THIS IMPLIES THAT SERVING MEDICARE PATIENTS IS A COMMUNITY BENEFIT AND THAT THE HOSPITAL OPERATES TO PROMOTE THE HEALTH OF THE COMMUNITY



Identifier	ReturnReference	Explanation
COLLECTION POLICY	SCHEDULE H, PART III, SECTION C, QUESTION 9B	RUTHERFORD HOSPITAL, INC , WILL RECOGNIZE PATIENTS WHO DO NOT QUALIFY UNDER THE CREDIT AND COLLECTION POLICY GUIDELINES AND PROVIDE ASSISTANCE IN OBTAINING THIRD PARTY COVERAGE OR IN QUALIFYING FOR THE MEDICAL ASSISTANCE PROGRAM AS OUTLINED IN ESTABLISHED HOSPITAL PROCEDURES ALL PATIENTS WILL BE GIVEN THE OPPORTUNITY TO APPLY FOR THE MEDICAL ASSISTANCE PROGRAM IF THEY ARE UNABLE TO PAY FOR DESIRED MEDICAL TREATMENT SELF-PAY ACCOUNTS WHICH REMAIN UNPAID, OR HAVE NO PAYMENT CONTRACT ESTABLISHED, WILL BE TRANSFERRED TO A BAD DEBT STATUS 60 DAYS AFTER THE ACCOUNT IS BILLED BY THE HOSPITAL'S BILLING SYSTEM INSURANCE ACCOUNTS WILL BE TRANSFERRED TO A BAD DEBT STATUS WHEN IT IS DETERMINED BY THE FINANCIAL COUNSELOR THAT THE ACCOUNT WILL REQUIRE MORE INTENSE COLLECTION EFFORTS THAN THOSE PROVIDED BY THE HOSPITAL BUSINESS OFFICE FOR PATIENTS COVERED BY MEDICARE, THIS TRANSFER TO A BAD DEBT STATUS WILL NOT OCCUR BEFORE 120 DAYS AFTER FINAL BILLING BY THE HOSPITAL PATIENT ACCOUNTING SYSTEM

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	SCHEDULE H, PART VI, QUESTION 2	THE ORGANIZATION USES A NEEDS ASSESSMENT CONDUCTED BY THE UNITED WAY OF RUTHERFORD COUNTY (UWRC) IN 2008 TO ASSESS THE HEALTH CARE NEEDS OF THE COMMUNITY IT SERVES TO CONDUCT THIS ASSESSMENT, THE UWRC AND THE RUTHERFORD HEALTH DEPARTMENT, IN COLLABORATION WITH THE COMMUNITY HEALTH COUNCIL (OF WHICH RUTHERFORD HOSPITAL, INC WAS A FOUNDING MEMBER AND CONTINUES AS ITS PRIMARY SPONSOR), WORKED TOGETHER AND COMPILED LEADERS IN VARIOUS FIELDS FROM THE COMMUNITY AS MEMBERS OF A STEERING COMMITTEE THE COMMITTEE REVIEWED SEVERAL NEEDS ASSESSMENTS CONDUCTED BY OTHER COMMUNITIES IN NORTH CAROLINA AND OTHER STATES AND USED "COMPASS", A NEEDS ASSESSMENT GUIDE CREATED BY THE UNITED WAY OF AMERICA, WHICH PROVIDED A BASIC FRAMEWORK FOR THE ASSESSMENT THE COMMITTEE SURVEYED THE GENERAL PUBLIC, SURVEYED SERVICE PROVIDERS (INCLUDING RUTHERFORD HOSPITAL), AND CONDUCTED FOCUS GROUPS NEEDS IDENTIFIED IN THIS ASSESSMENT WERE UNEMPLOYMENT/LACK OF JOBS, FOLLOWED BY SUBSTANCE ABUSE, AND ACCESS TO AFFORDABLE MEDICAL CARE TEEN PREGNANCY, CRIME, AND OBESITY WERE ALSO IDENTIFIED AS ISSUES IN SOME CATEGORIES

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	SCHEDULE H, PART VI, QUESTION 3	PATIENTS WITH ESTIMATED BALANCES AFTER INSURANCE ARE CONTACTED PRIOR TO VISIT THIS ALLOWS THE ESTIMATE TO BE PROVIDED TO PATIENT, AND TO DISCUSS INSURANCE BENEFITS AND ESTIMATED BALANCES AFTER INSURANCE THIS DOES INCLUDE ALL SELF PAY PATIENTS AS WELL A FINANCIAL COUNSELOR MAKES THIS CALL AND EXPLAINS ALL PAYMENT OPTIONS AND OPPORTUNITIES TO APPLY FOR MEDICAL ASSISTANCE PATIENT REPRESENTATIVES ALSO FOLLOW UP WITH ALL SELF PAY PATIENTS TO PURSUE QUALIFICATION OF PATIENT INTO SOME TYPE OF ASSISTANCE (NCMEDICAID, DISABILITY, CRIME VICTIMS, VOCATIONAL REHAB OR OTHER POSSIBLE PAYMENT SOURCE) IF NO RESOURCES ARE IDENTIFIED FROM PATIENT REPRESENTATIVES, THE REPRESENTATIVE FACILITATES GETTING A MEDICAL ASSISTANCE APPLICATION TO THE PATIENT FOR POSSIBLE QUALIFICATION REGISTRATION EMPLOYEES HAVE MEDICAL ASSISTANCE FORMS AND ARE TO PROVIDE THESE TO PATIENTS AT TIME OF REGISTRATION PMAB (EXTENDED BUSINESS OFFICE) STAFF ALSO HAVE MEDICAL ASSISTANCE APPLICATIONS AND ARE TO PROVIDE THESE AS NECESSARY TO PATIENTS AFTER PHONE CONTACT THE MEDICAL ASSISTANCE POLICY IS ON THE RRHS WEBSITE FOR PUBLIC VIEWING, ALONG WITH THE APPLICATION THAT CAN BE PRINTED FOR COMPLETION FROM THE INDIVIDUAL REQUESTING ASSISTANCE

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	SCHEDULE H, PART VI, QUESTION 4	<p>RUTHERFORD COUNTY, NORTH CAROLINA IS LOCATED AT THE BASE OF THE BLUE RIDGE MOUNTAINS AND IS CENTERED BETWEEN ASHEVILLE AND CHARLOTTE IT IS DESIGNATED AS RURAL BY HRSA RURAL HEALTH POLICY THE COUNTY IS COMPRISED OF EIGHT MUNICIPALITIES BOSTIC, CHIMNEY ROCK, ELLENBORO, FOREST CITY, RUTHERFORDTON, RUTH, SPINDALE AND LAKE LURE RUTHERFORD COUNTY IS 563 SQ MILES, THE COUNTY SEAT IS RUTHERFORDTON ONE MUNICIPALITY, FOREST CITY, IS CONSIDERED A MICROPOLITAN STATISTICAL AREA, HOWEVER, IT DOES NOT HAVE A METROPOLITAN STATISTICAL AREA DESIGNATION (AS DESIGNATED BY OMB BULLETIN FOR FY04 B04-03) ACCORDING TO THE MOST RECENT US CENSUS BUREAU DATA FROM 2010, THE TOTAL POPULATION OF RUTHERFORD COUNTY IS 67,810 OF THIS AMOUNT, 49% ARE MALE AND 51% ARE FEMALE THE RACIAL/ETHNIC BACKGROUND OF THE POPULATION INCLUDES 87.3% WHITE, 10.3% BLACK OR AFRICAN AMERICAN, 3.7% HISPANIC OR LATINO WITH THE REMAINING AS OTHER OF THE TOTAL POPULATION, 20.4% HAVE NOT GRADUATED FROM HIGH SCHOOL OR OBTAINED A HIGH SCHOOL EQUIVALENCY PERSONS BELOW POVERTY LEVEL FOR 2006-2010 WERE 20.7%, WITH MEDIAN HOUSEHOLD INCOME AT \$35,364</p>

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH	SCHEDULE H, PART VI, QUESTION 5	COMMUNITY BENEFIT IS COLLABORATION WITH A COMMUNITY TO BENEFIT ITS RESIDENTS - PARTICULARLY THOSE BELOW THE POVERTY LEVEL, MINORITIES AND UNDERSERVED GROUPS - BY IMPROVING THEIR HEALTHCARE STATUS AND QUALITY OF LIFE AS A NOT-FOR-PROFIT HOSPITAL, RHI EMBRACES ITS ROLE AS THE HEALTHCARE PROVIDER OF CHOICE FOR THE COMMUNITY RUTHERFORD HOSPITAL HOSTED A SERIES OF SEVEN RUTHERFORD REGIONAL CONNECTS EVENTS IN 2011 RUTHERFORD REGIONAL CONNECTS EVENTS WERE HELD IN THE FOLLOWING LOCATIONS FOREST CITY - DUNBAR ELEMENTARY, LAKE LURE TOWN HALL, R-S CENTRAL HIGH SCHOOL, ELLENBORO ELEMENTARY, CLIFFSIDE ELEMENTARY AND SUNSHINE ELEMENTARY EVENTS WERE SCHEDULED FOR EITHER A MORNING OR EVENING EACH EVENT INCLUDED FREE CHOLESTEROL, GLUCOSE, BLOOD PRESSURE AND BODY MASS INDEX (BMI) SCREENINGS EXHIBITS PROVIDED INFORMATION ON THE CHANGES AT RUTHERFORD REGIONAL HOSPITAL, AND PARTICIPANTS HAD THE OPPORTUNITY TO VISIT WITH DEPARTMENT REPRESENTATIVES AND RRHS PRESIDENT AND CEO DAVE BIXLER TO ASK QUESTIONS DURING THE RUTHERFORD REGIONAL CONNECTS EVENTS, 123 SCREENINGS WERE GIVEN FREE OF CHARGE THOSE WHO VISITED BOOTHS AT THE EVENTS LEARNED ABOUT THE MANY PROGRAMS OFFERED THROUGH THE ORGANIZATION SIXTY INDUSTRIES ENROLLED IN THE WELLNESSWORKS PROGRAM, RUTHERFORD HOSPITAL'S EMPLOYER HEALTH PROGRAM, IN 2011 DESIGNED TO HELP PROVIDE ONGOING COMMUNICATION AND EASY ACCESS TO HEALTHCARE SERVICES TO EMPLOYERS AND THEIR EMPLOYEES, THE FOUR BASIC COMPONENTS THAT MAKE UP THE WELLNESSWORKS PROGRAM ARE OCCUPATIONAL HEALTH SERVICES, WORKER'S COMPENSATION SERVICES, PREVENTATIVE HEALTH/WELLNESS SERVICES AND GROUP HEALTH SERVICES THERE IS NO COST ASSOCIATED WITH ENROLLING IN THE PROGRAM IN JULY 2011, THE RUTHERFORD REGIONAL CANCER OUTREACH PROGRAM LAUNCHED A NEW CANCER SUPPORT GROUP FOR ANYONE WHO HAS EVER HEARD THE WORDS "YOU HAVE CANCER " SURVIVIN' MEETS ON THE THIRD MONDAY OF EACH MONTH AT THE CANCER RESOURCE CENTER EACH MONTH THE GROUP EXPLORES WAYS TO LIVE LIFE TO THE FULLEST AFTER A CANCER DIAGNOSIS INFORMATION REGARDING NUTRITION, EXERCISE AND EMOTIONAL WELL-BEING IS ALSO PRESENTED FRIENDS AND FAMILY MAY ATTEND AS WELL THE RUTHERFORD REGIONAL AUXILIARY RAISED MONEY DURING SEVERAL FUNDRAISING EFFORTS, THE GIFT SHOP, BABY PHOTO PROGRAM, VENDING MACHINES AND EVENTS SUCH AS THE \$5 JEWELRY, BOOK AND UNIFORM SALES THE AUXILIARY'S SERVICE AREAS INCLUDE FRONT DESK, GIFT SHOP, INTENSIVE CARE WAITING, MESSENGER, OUTPATIENT SERVICES AND SURGERY WAITING VOLUNTEERS ALSO SERVE IN THE PET THERAPY PROGRAM, AS CLERICAL ASSISTANTS IN MEDICAL RECORDS, AS CARETAKERS OF ST LUKE'S CHAPEL, AS CLOWNS WITH THE TOY CHEST, AT THE CANCER RESOURCE CENTER MAKING TRAY FAVORS FOR PATIENT FOOD TRAYS, WITH THE EDUCATION DEPARTMENT FOR COMMUNITY SCREENINGS, AND AS TEEN VOLUNTEERS IN JUNE, 106 TEEN VOLUNTEERS ATTENDED ORIENTATION, AND FOR THE NEXT EIGHT WEEKS THEY VOLUNTEERED IN 17 DIFFERENT DEPARTMENTS AT THE HOSPITAL, ALLOWING MANY ADULT VOLUNTEERS TO TAKE TIME OFF THE TOY CHEST COMMITTEE MADE A TOTAL OF 1,165 ITEMS, WHICH INCLUDED STUFFED ANIMALS, "PATIENT PALS" FOR PEDIATRIC PATIENTS, PILLOWS FOR MASTECTOMY PATIENTS AND BABY CAPS FOR INFANTS AS A REMINDER TO PARENTS OF THE DANGERS OF CHILD ABUSE DONATIONS WERE MADE TO LIFELINE DURING THE YEAR IN MEMORY AUXILIARY MEMBERS WHO PASSED AWAY A TOTAL OF 215 ADULT VOLUNTEERS VOLUNTEERED 22,239 HOURS AND A TOTAL OF 100 TEEN VOLUNTEERS VOLUNTEERED 3,028 HOURS WITH A COMBINED TOTAL OF 25,267 SERVICE HOURS FOR THE YEAR THE ACCUMULATED HOURS OF SERVICE TO RUTHERFORD HOSPITAL, SINCE THE FOUNDING OF THE AUXILIARY 46 YEARS AGO, IS 822,337 HOURS AND THE ACCUMULATED DONATION IS \$2,782,656 THE SCHOOL OF CLINICAL PASTORAL EDUCATION OF RUTHERFORD REGIONAL MEDICAL CENTER IS ACCREDITED TO OFFER CPE LEVELS I & II BY THE ASSOCIATION FOR CLINICAL PASTORAL EDUCATION, INC CLINICAL PASTORAL EDUCATION WILL ENABLE YOU TO INTEGRATE FAITH, EXPERIENCE AND KNOWLEDGE FOR MORE EFFECTIVE MINISTRY CPE IS PROFESSIONAL TRAINING FOR MINISTRY DESIGNED FOR SEMINARIANS, CLERGY AND LAITY OF DIVERSE CULTURES, ETHNIC GROUPS AND FAITH TRADITIONS THE METHOD IS LEARNING BY DOING AND REFLECTING UNDER THE DIRECTION OF A CERTIFIED ACPE SUPERVISOR, INSTRUCTED BY AN INTERDISCIPLINARY ADJUNCT FACULTY IN A SUPPORTIVE COLLEGIAL GROUP

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM	SCHEDULE H, PART VI, QUESTION 6	RUTHERFORD HOSPITAL IS AFFILIATED WITH RUTHERFORD HOSPITAL FOUNDATION, WHOSE PRIMARY PURPOSE IS TO PROVIDE SUPPORT FOR THE HOSPITAL THE FOUNDATION PROVIDES SCHOLARSHIPS TO INDIVIDUALS AND GRANTS TO ORGANIZATIONS IN THE COMMUNITY, WHICH IS THE SAME COMMUNITY THAT RUTHERFORD HOSPITAL SERVES THE MISSION OF RUTHERFORD HOSPITAL FOUNDATION IS TO "SECURE CURRENT AND FUTURE GIFTS OF SUPPORT FOR RUTHERFORD REGIONAL MEDICAL SYSTEM, ENSURING THAT ALL MEMBERS OF OUR COMMUNITY CONTINUE TO HAVE ACCESS TO A BROAD RANGE OF COMPASSIONATE, HIGH QUALITY HEALTH SERVICES " THE RUTHERFORD HOSPITAL FOUNDATION SEEKS TO GIVE ALL SEGMENTS OF THE COMMUNITY THE OPPORTUNITY TO INVEST IN THE FUTURE OF THE HOSPITAL, TO ENSURE GOOD STEWARDSHIP OF AVAILABLE RESOURCES, AND TO BE RECOGNIZED AS A SIGNIFICANT CONTRIBUTOR TO ECONOMIC GROWTH AND DEVELOPMENT OF RUTHERFORD REGIONAL HEALTH SYSTEM RUTHERFORD HOSPITAL CONTINUES TO HAVE AN AFFILIATION WITH DUKE ONCOLOGY NETWORK THIS AGREEMENT PROVIDES EDUCATION FOR PHYSICIANS AND NURSING STAFF, PHYSICIAN CONSULTATION AND A REVIEW AND EVALUATION OF THE CARE PROVIDED OUR CANCER PATIENTS IN 2011, AN EXPERT IN THE FIELD OF BREAST CANCER HELPED TO CONDUCT A STUDY ABOUT OUR CARE AND PRESENTED INFORMATION RELATED TO THE STUDY AS AN EDUCATION SESSION IT IS A GREAT OPPORTUNITY FOR RUTHERFORD REGIONAL MEDICAL CENTER TO BE ALIGNED WITH DUKE, WHICH HAS BEEN CONSISTENTLY IN THE TOP-RANKED CENTERS FOR CANCER CARE IN THE UNITED STATES

Schedule J  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Compensation Information

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

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization  
RUTHERFORD HOSPITAL INC

Employer identification number  
56-0619367

Part I

Questions Regarding Compensation

	Yes	No
<div><div>1a</div><div>Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items</div><div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div></div>		
<div><div>1b</div><div>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 the expenses described above? If "No," complete Part III to explain</div></div>		
<div><div>2</div><div>Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?</div></div>		
<div><div>3</div><div>Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply</div><div><div><div><input type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div><div><div><input type="checkbox"/> Written employment contract</div><div><input type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Approval by the board or compensation committee</div></div></div></div>		
<div><div>4</div><div>During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization</div></div>		
<div><div>a</div><div>Receive a severance payment or change-of-control payment from the organization or a related organization?</div></div>		No
<div><div>b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div>		No
<div><div>c</div><div>Participate in, or receive payment from, an equity-based compensation arrangement?</div></div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</div>		No
<div><div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div></div>		
<div><div>5</div><div>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</div></div>		
<div><div>a</div><div>The organization?</div></div>		No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 5a or 5b, describe in Part III</div>		No
<div><div>6</div><div>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</div></div>		
<div><div>a</div><div>The organization?</div></div>		No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 6a or 6b, describe in Part III</div>		No
<div><div>7</div><div>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</div></div>		No
<div><div>8</div><div>Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III</div></div>		No
<div><div>9</div><div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</div></div>		

**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) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		(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 in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) MICHAEL S WHEELER MD	(i)	749,087	0	0	0	0	749,087	0
	(ii)	0	0	0	0	0	0	0
(2) MARY K MILLINGTON	(i)	160,875	0	0	0	663	161,538	0
	(ii)	0	0	0	0	0	0	0
(3) DEAN R BACKSTROM	(i)	223,941	0	0	0	2,489	226,430	0
	(ii)	0	0	0	0	0	0	0
(4) CHARLES BOND	(i)	712,726	0	16,500	0	3,515	732,741	0
	(ii)	0	0	0	0	0	0	0
(5) MICHAEL ROBERTS	(i)	704,098	0	16,500	0	3,515	724,113	0
	(ii)	0	0	0	0	0	0	0
(6) GREGG ALLEN DRABEK	(i)	428,332	12,089	23,458	0	3,515	467,394	0
	(ii)	0	0	0	0	0	0	0
(7) JAMES L KIRKPATRICK	(i)	346,809	0	32,113	0	2,986	381,908	0
	(ii)	0	0	0	0	0	0	0
(8) WILLIAM C HADEN	(i)	315,207	0	43,691	0	2,490	361,388	0
	(ii)	0	0	0	0	0	0	0
( 9 )								
( 10 )								
( 11 )								
( 12 )								
( 13 )								
( 14 )								
( 15 )								
( 16 )								



Part III

Supplemental Information

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

Identifier	Return Reference	Explanation
CEO COMPENSATION DETERMINATION	SCHEDULE J, PART I, LINE 3	QUORUM, AN UNRELATED MANAGEMENT COMPANY, PROVIDES COMPENSATION TO THE CEO. THE COMPENSATION DETERMINATION IS ADMINISTERED BY THE COMPENSATION SUBCOMMITTEE OF THE PCQ COMMITTEE OF THE BOARD. IT USES COMPARABLE DATA TO DETERMINE CEO COMPENSATION, WHICH IS THEN APPROVED BY THE RUTHERFORD HOSPITAL BOARD OF DIRECTORS. QUORUM USES THE FOLLOWING ITEMS WHEN REVIEWING CEO COMPENSATION: COMPENSATION COMMITTEE, COMPENSATION SURVEY OR STUDY AND APPROVAL BY THE BOARD OR COMPENSATION COMMITTEE. SEE NARRATIVE ON SCHEDULE O FOR QUESTION 15A ON PART VI, SECTION B FOR MORE DETAILS.

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 Schedule O (Form 990).  
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public  
Inspection

Name of the organization  
RUTHERFORD HOSPITAL INC

Employer identification number  
56-0619367

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 NORTH CAROLINA MEDICAL CARE COMMISSION	52-1309402		12-16-2010	22,160,000	SEE PART V		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	22,160,000							
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow	8,140,000							
7	Issuance costs from proceeds	252,250							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	6,638,137							
11	Other spent proceeds								
12	Other unspent proceeds	7,129,613							
13	Year of substantial completion								
		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?		X						
b	Are there any research agreements that may result in private business use of bond-financed property?		X						
c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?		X						
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 %							
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	0 %							
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?		X						

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X						
2	Is the bond issue a variable rate issue?	X							
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a 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?								
5	Were any gross proceeds invested beyond an available temporary period?		X						
6	Did the bond issue qualify for an exception to rebate?		X						

Part V

Supplemental Information

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

Identifier	Return Reference	Explanation
PURPOSE	SCHEDULE K, PART I, LINE A, COLUMN F	A PORTION OF THE BONDS WERE USED TO ADVANCE REFUND THE OUTSTANDING PORTIONS OF PREVIOUSLY ISSUED REVENUE BONDS THE REMAINING PROCEEDS WERE USED TO FINANCE THE UPGRADE AND EXPANSION OF AN INTENSIVE CARE UNIT, THE REPLACEMENT OF THE WOMEN'S CENTER ON THE HOSPITAL'S PREMISES AND THE PURCHASE OF MOBILE MAGNETIC RESONANCE IMAGING EQUIPMENT

SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on  
Form 990 or to provide any additional information.  
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2010

Open to Public  
Inspection

Name of the organization RUTHERFORD HOSPITAL INC	Employer identification number 56-0619367
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Identifier	Return Reference	Explanation
ORGANIZATION'S MISSION OR MOST SIGNIFICANT ACTIVITIES	FORM 990, PART I, QUESTION 1	OUR VISION IS THAT WE WILL PROVIDE AN EXCELLENT PATIENT CARE EXPERIENCE EVERY TIME. OUR VALUES ARE TRUST, EXCELLENCE, ACCOUNTABILITY, AND MUTUAL RESPECT.

Identifier	Return Reference	Explanation
SIGNIFICANT NEW PROGRAM SERVICES	FORM 990, PART III, QUESTION 2	THE ORGANIZATION OPENED A PEDIATRIC PRACTICE WITH ONE PROVIDER AND ACQUIRED ONE FAMILY PRACTICE WITH ONE PROVIDER

Identifier	Return Reference	Explanation
DESCRIPTION OF OTHER PROGRAM SERVICES	FORM 990, PART III, QUESTION 4D	THE HOSPITAL PROVIDES REGIONAL TREATMENT FOR BEHAVIORAL & MENTAL HEALTH SERVICES PROGRAMS AND SERVICES INCLUDE 24-HR NURSING CARE, MEDICATION MANAGEMENT & EDUCATION, GROUP OR RECREATIONAL THERAPY, & FAMILY EDUCATION THE BEHAVIORAL DEPARTMENT ALSO OFFERS PSYCHIATRIC INDEPENDENT MEDICAL EVALUATIONS, CONSULTATIONS, DIAGNOSIS, & TREATMENT OF VARIOUS CONDITIONS, INCLUDING DEPRESSION, ANXIETY, AUTISM, SLEEP DISORDERS, BRAIN INJURIES, HEADACHES, & DEMENTIA, AMONG OTHERS DURING FISCAL YEAR 2011, 743 PATIENTS RECEIVED BEHAVIORAL HEALTH SERVICES ADDITIONALLY, THE ORGANIZATION PROVIDES GRANTS TO ORGANIZATIONS IN THE COMMUNITY

Identifier	Return Reference	Explanation
DELEGATION OF CONTROL TO A MANAGEMENT COMPANY	FORM 990, PART VI, SECTION A, QUESTION 3	THE ORGANIZATION USES A MANAGEMENT COMPANY, QUORUM, TO DELEGATE DAY TO DAY MANAGEMENT FUNCTIONS. ADDITIONALLY, THE CEO IS COMPENSATED THROUGH THE MANAGEMENT COMPANY. PAYMENTS TO QUORUM ARE REPORTED ON FORM 990, PART X, LINE 11A.

Identifier	Return Reference	Explanation
SIGNIFICANT CHANGES TO GOVERNING DOCUMENTS	FORM 990, PART VI, SECTION A, QUESTION 4	THE PREVIOUS HOSPITAL BYLAWS EXPRESSLY CONTEMPLATED THAT THE RHI BOARD OF TRUSTEES WAS TO MEET ONLY INFREQUENTLY (AS LITTLE AS ONCE A YEAR), AND THAT IT WAS THE RESPONSIBILITY OF THE BOARD'S EXECUTIVE COMMITTEE TO MAINTAIN OVERSIGHT OF THE ORGANIZATION AND TO MAKE OPERATIONAL DECISIONS UNDER DELEGATED AUTHORITY FROM THE BOARD. OVER TIME, THE BOARD BEGAN MEETING MORE FREQUENTLY (NOW MEETING ON A REGULAR SCHEDULE AT LEAST MONTHLY), TOOK ON PROVIDING THESE OVERSIGHT AND DECISION MAKING ACTIVITIES DIRECTLY. AT THE SAME TIME, THE EXECUTIVE COMMITTEE ASSUMED THE LESSER ROLE OF REVIEWING AND VETTING CERTAIN ISSUES AT THE REQUEST OF ADMINISTRATIVE STAFF PRIOR TO THE PRESENTATION OF THOSE ISSUES TO THE FULL BOARD FOR CONSIDERATION AND DISPOSITION. BY DOING SO, THE EXECUTIVE COMMITTEE NOW RETAINS LITTLE ACTUAL AUTHORITY FOR ITSELF OVER DECISIONS DIRECTLY EFFECTING OPERATIONS. THE BYLAWS WERE AMENDED TO REFLECT THIS REALITY.



Identifier	Return Reference	Explanation
PROCESS TO REVIEW THE FORM 990	FORM 990, PART VI, SECTION B, QUESTION 11B	THE FORM 990 IS PREPARED BY AN INDEPENDENT ACCOUNTING FIRM BASED ON THE AUDITED FINANCIAL STATEMENTS AND INFORMATION PROVIDED BY THE ACCOUNTING DEPARTMENT OF THE ORGANIZATION. THE ORGANIZATION PROVIDES A COPY OF THE 990 TO EACH BOARD MEMBER VIA EMAIL, PRIOR TO FILING THE 990.

Identifier	Return Reference	Explanation
PROCESS FOR MONITORING COMPLIANCE WITH CONFLICT OF INTEREST POLICY	FORM 990, PART VI, SECTION B, QUESTION 12C	<p>THE ORGANIZATION HAS AN OBLIGATION TO CONDUCT ITS BUSINESS OPERATIONS, INCLUDING THE PROVISION OF PATIENT CARE, IN AN OBJECTIVE MANNER THAT IS NOT MOTIVATED BY AN INDIVIDUALS' DESIRE FOR PERSONAL OR FINANCIAL GAIN, EITHER FOR THEMSELVES, THEIR FRIENDS, OR THEIR FAMILY MEMBERS. ESPECIALLY FOR THOSE ON THE BOARD OF TRUSTEES, EXECUTIVE COMMITTEE, KEY LEADERS OF RHI MEDICAL STAFF, EXECUTIVE AND MANAGEMENT LEADERSHIP TEAM, AND RHI STAFF DIRECTLY INVOLVED IN PROCUREMENT AND CASE MANAGEMENT SERVICES, THERE IS INCREASING REGULATORY OVERSIGHT AND ACCOMPANYING PUBLIC SCRUTINY OF SPECIFIC SITUATIONS ASSOCIATED WITH CONFLICTS OF INTEREST. THE ORGANIZATION'S COMPLIANCE OFFICER COMPLETES AN ANNUAL COMPLIANCE SURVEY TO ENSURE THAT THE CONFLICT OF INTEREST POLICY IS BEING ENFORCED EFFECTIVELY. IN ADDITION, EMPLOYEES ARE REQUIRED TO PROACTIVELY IDENTIFY SPECIFIC CONFLICTS OF INTEREST. EMPLOYEES MUST SEEK GUIDANCE AND APPROVAL FROM THEIR DEPARTMENT DIRECTOR WHEN POTENTIAL CONFLICTS OF INTEREST ARE IDENTIFIED. WHEN DEEMED NECESSARY BY THEIR DEPARTMENT DIRECTOR, EMPLOYEES MUST AVOID OR DISCONTINUE THE ACTIVITY OR INTEREST AND MAY ALSO BE REQUIRED TO TAKE CORRECTIVE ACTION IF THEIR ACTIVITY HAS HARMED RHI IN ANY WAY. VIOLATION OF THE CONFLICT OF INTEREST POLICY IS GROUNDS FOR DISCIPLINARY ACTION APPROPRIATE TO THE VIOLATION UP TO AND INCLUDING TERMINATION.</p>

Identifier	Return Reference	Explanation
REVIEW OF CEO COMPENSATION	FORM 990, PART VI, SECTION B, QUESTION 15A	THE ORGANIZATION'S MANAGEMENT COMPANY PROVIDES COMPARATIVE DATA AND INDUSTRY AND MARKET STANDARDS FROM A COMPENSATION REVIEW PERFORMED USING NC HOSPITAL ASSOCIATION DATA FOR THE CEO COMPENSATION. THE ORGANIZATION HAS A REBUTTABLE PRESUMPTION POLICY ADMINISTERED BY THE PCQ COMMITTEE OF THE BOARD THAT COVERS THE REVIEW AND THE APPROVAL OF THE CEO AND OTHER LEADERS USING THE IRS MODEL. THE COMMITTEE SHALL REVIEW PROPOSALS FOR THE COMPENSATION OF THE CEO ANNUALLY FOR THE FOLLOWING YEAR.

Identifier	Return Reference	Explanation
REVIEW OF OTHER OFFICER OR KEY EMPLOYEES COMPENSATION	FORM 990, PART VI, SECTION B, QUESTION 15B	THE ORGANIZATION HAS A REBUTTABLE PRESUMPTION POLICY ADMINISTERED BY THE PCQ COMMITTEE OF THE BOARD THAT COVERS THE REVIEW AND APPROVAL OF THE CEO AND OTHER LEADERS USING THE IRS MODEL. AFTER THE COMMITTEE'S INITIAL BENEFIT TRANSACTION REVIEW OF COMPENSATION FOR EACH OF THE OFFICERS AND KEY EMPLOYEES, FURTHER REVIEW WILL NOT BE NECESSARY EXCEPT FOR INSTANCES WHERE THERE HAS BEEN SIGNIFICANT CHANGES MADE IN THE SPAN OF AUTHORITY OR THE TOTAL VALUE OF THE EXISTING COMPENSATION ARRANGEMENT IS INCREASING BY MORE THAN THREE PERCENT.

Identifier	Return Reference	Explanation
DOCUMENT DISCLOSURE	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS ARE MADE AVAILABLE TO THE PUBLIC UPON REQUEST

Identifier	Return Reference	Explanation
CEO COMPENSATION	FORM 990, PART VII	THE ORGANIZATION'S CEO WAS COMPENSATED BY AN UNRELATED MANAGEMENT COMPANY FOR HIS SERVICES PERFORMED FOR THE ORGANIZATION

Identifier	Return Reference	Explanation
TRUSTEE COMPENSATION	FORM 990, PART VII	MICHAEL S WHEELER MD, A TRUSTEE, IS CONTRACTED BY THE ORGANIZATION AS A MEDICAL DIRECTOR THE COMPENSATION REPORTED IN PART VII IS RELATED TO HIS ROLE AS MEDICAL DIRECTOR AND NOT AS A TRUSTEE OF THE BOARD

Identifier	Return Reference	Explanation
RELATED HOURS	FORM 990, PART VII	THE FOLLOWING BOARD MEMBERS AND OFFICERS SERVE ON THE BOARD OF RUTHERFORD HOSPITAL FOUNDATION, A RELATED ORGANIZATION, FOR AN AVERAGE OF ONE HOUR OF SERVICE PER WEEK DIANE HAMRICK THOMAS J JASKI, MD MICHAEL S WHEELER, MD DAVID BIXLER IN ADDITION, DAVID BIXLER, CEO, IS AN EX-OFFICIO MEMBER OF THE BOARD OF TRUSTEES FOR RUTHERFORD HOSPITAL FOUNDATION, A RELATED ORGANIZATION, FOR AN AVERAGE OF 1 HOUR PER WEEK MARY K MILLINGTON SERVES AS VP/CFO FOR RUTHERFORD HOSPITAL FOUNDATION AND SERVES AN AVERAGE OF 40 HOURS PER WEEK BETWEEN THE TWO ORGANIZATIONS MICHAEL ROBERTS, MD, HIGHEST COMPENSATED EMPLOYEE, IS ALSO ON THE BOARD OF RUTHERFORD HOSPITAL FOUNDATION, AND WORKS APPROXIMATELY 1 HOUR PER WEEK FOR THAT ORGANIZATION



Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS	FORM 990, PART XI, LINE 5	\$( 517,510) NET UNREALIZED LOSS 133,243 CHANGE IN FAIR VALUE OF INTEREST RATE SWAP ( 116,656) LOSS ON REFUNDING OF DEBT ----- \$( 500,923)

SCHEDULE R  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization  
RUTHERFORD HOSPITAL INC

Employer identification number  
56-0619367

Part I

Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN 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 organization	
						Yes	No
(1) RUTHERFORD HOSPITAL FOUNDATION INC  288 S RIDGECREST AVENUE  RUTHERFORDTON, NC 28139 56-1968736	SUPPORT	NC	501(C)(3)	11A I	NA		

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) Disproporionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by other organization(s)

f Sale of assets to other organization(s)

g Purchase of assets from other organization(s)

h Exchange of assets

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

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

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

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

m Sharing of facilities, equipment, mailing lists, or other assets

n Sharing of paid employees

o Reimbursement paid to other organization for expenses

p Reimbursement paid by other organization for expenses

q Other transfer of cash or property to other organization(s)

r Other transfer of cash or property from other organization(s)

Yes

No

1a

No

1b

No

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

No

1l

No

1m

Yes

1n

Yes

1o

No

1p

No

1q

No

1r

No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) RUTHERFORD HOSPITAL FOUNDATION INC	C	72,115	
(2) RUTHERFORD HOSPITAL FOUNDATION INC	N	61,240	
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2010

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation
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**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL SCHEDULES**  
**YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES  
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YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

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CliftonLarsonAllen LLP  
www.cliftonlarsonallen.com

## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Rutherford Hospital, Inc. and Affiliates  
Rutherfordton, North Carolina

We have audited the accompanying consolidated balance sheets of Rutherford Hospital, Inc. and Affiliates (the "Hospital") as of September 30, 2011 and 2010, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Hospital's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Hospital as of September 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental schedules on pages 19-22 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and changes in net assets of the individual entities. Accordingly, we do not express an opinion on the financial position, results of operations and changes in net assets of the individual entities. However, such information has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
May 8, 2012

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 495,848	\$ 5,713,960
Restricted Cash	116,897	102,184
Patients Accounts Receivable, Net of Allowance for Uncollectible		
Accounts of Approximately \$8,763,000 in 2011 and \$8,211,000 in 2010	13,363,299	11,146,959
Other Receivables, Net	1,118,882	1,041,215
Drugs and Supplies	1,788,160	2,071,898
Prepaid Expenses and Other	791,017	801,894
Total Current Assets	<u>17,674,103</u>	<u>20,878,110</u>
<b>ASSETS LIMITED AS TO USE</b>		
By Board for Acquisition of Property and Equipment	34,028,199	35,636,785
Donor Restricted	146,816	147,120
Endowment	68,552	68,552
Total Assets Limited as to Use	<u>34,243,567</u>	<u>35,852,457</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	47,208,311	42,742,181
<b>INVESTMENTS</b>	412,593	424,742
<b>OTHER, NET</b>	861,558	727,562
Total Assets	<u><u>\$ 100,400,132</u></u>	<u><u>\$ 100,625,052</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Long-Term Debt	\$ -	\$ 740,000
Current Portion of Obligations Under Capital Lease	183,916	173,231
Accounts Payable	4,192,515	4,192,133
Accrued Expenses	5,112,638	4,778,971
Deferred Revenue	2,990	24,350
Estimated Third-Party Payor Settlements, Net	2,399,600	3,873,394
Total Current Liabilities	<u>11,891,659</u>	<u>13,782,079</u>
<b>LONG-TERM DEBT, NET OF CURRENT PORTION</b>	15,030,386	7,400,000
<b>OBLIGATIONS UNDER CAPITAL LEASE, NET OF CURRENT PORTION</b>	622,650	806,566
<b>OTHER LIABILITIES</b>	-	133,243
Total Liabilities	<u>27,544,695</u>	<u>22,121,888</u>
<b>NET ASSETS</b>		
Unrestricted	72,545,314	78,214,648
Temporarily Restricted	241,571	219,964
Permanently Restricted	68,552	68,552
Total Net Assets	<u>72,855,437</u>	<u>78,503,164</u>
Total Liabilities and Net Assets	<u><u>\$ 100,400,132</u></u>	<u><u>\$ 100,625,052</u></u>

See accompanying Notes to Consolidated Financial Statements

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>REVENUES</b>		
Net Patient Service Revenue	\$ 93,155,865	\$ 93,988,953
Other Operating Revenue	1,318,749	1,652,199
Net Assets Released from Restrictions for Operations	284,077	4,952
Total Revenues	<u>94,758,691</u>	<u>95,646,104</u>
<b>OPERATING EXPENSES</b>		
Salaries and Wages	39,393,656	37,119,256
Employee Benefits	8,598,698	8,405,032
Medical Supplies and Other Expenses	29,941,455	29,638,276
Depreciation and Amortization	5,420,113	5,028,146
Interest Expense	345,507	357,218
Provision for Uncollectible Accounts	16,636,171	15,290,538
Total Operating Expenses	<u>100,335,600</u>	<u>95,838,466</u>
<b>LOSS FROM OPERATIONS</b>	(5,576,909)	(192,362)
<b>OTHER INCOME (LOSS)</b>		
Loss on Refunding of Long-Term Debt	(116,656)	-
Change in Fair Value of Interest Rate Swap Agreement	133,243	127,275
Investment Income	(109,012)	2,978,862
Total Other Income (Loss)	<u>(92,425)</u>	<u>3,106,137</u>
<b>Deficit of Revenues Over Expenses and Change in Unrestricted Net Assets</b>	<u><u>\$ (5,669,334)</u></u>	<u><u>\$ 2,913,775</u></u>

See accompanying Notes to Consolidated Financial Statements

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
**YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Net Assets at September 30, 2009</b>	\$ 75,300,873	\$ 179,791	\$ 68,552	\$ 75,549,216
Excess of Revenues Over Expenses	2,913,775	2,165	-	2,915,940
Gifts, Grants and Bequests	-	42,960	-	42,960
Net Assets Released from Restrictions for Operations	-	(4,952)	-	(4,952)
	<u>2,913,775</u>	<u>40,173</u>	<u>-</u>	<u>2,953,948</u>
<b>Net Assets at September 30, 2010</b>	78,214,648	219,964	68,552	78,503,164
Deficit of Revenues Over Expenses	(5,669,334)	(246)	-	(5,669,580)
Gifts, Grants and Bequests	-	305,930	-	305,930
Net Assets Released from Restrictions for Operations	-	(284,077)	-	(284,077)
	<u>(5,669,334)</u>	<u>21,607</u>	<u>-</u>	<u>(5,647,727)</u>
<b>Net Assets at September 30, 2011</b>	<u><u>\$ 72,545,314</u></u>	<u><u>\$ 241,571</u></u>	<u><u>\$ 68,552</u></u>	<u><u>\$ 72,855,437</u></u>

See accompanying Notes to Consolidated Financial Statements

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (5,647,727)	\$ 2,953,948
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities		
Depreciation and Amortization	5,420,113	5,028,146
Provision for Uncollectible Accounts	16,636,171	15,290,538
Loss on Refunding of Long-Term Debt	116,656	-
Loss on Disposals of Property and Equipment	(206,483)	14,192
Changes in Operating Assets and Liabilities		
Patient Accounts Receivable, Net	(18,852,511)	(15,094,053)
Drugs and Supplies	283,738	374,429
Prepaid Expenses	10,877	241,056
Investments and Assets Limited as to Use	1,487,796	2,565,466
Accounts Payable	382	(232,577)
Accrued Expenses	333,667	(864,707)
Other Operating Assets and Liabilities	(1,583,110)	(1,446,754)
Net Cash Provided by (Used in) Operating Activities	<u>(2,000,431)</u>	<u>8,829,684</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(8,559,054)	(5,410,371)
Proceeds from Disposals of Property and Equipment	35,848	-
Net Cash Used in Investing Activities	<u>(8,523,206)</u>	<u>(5,410,371)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Long-Term Debt	15,030,386	-
Payment of Financing Costs on Long-Term Debt	(252,250)	-
Repayment of Long-Term Debt	(8,140,000)	(740,000)
Repayment on Obligations Under Capital Lease	(1,317,898)	(288,811)
Net Cash Provided by (Used in) Financing Activities	<u>5,320,238</u>	<u>(1,028,811)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(5,203,399)	2,390,502
Cash and Cash Equivalents - Beginning of Year	5,816,144	3,425,642
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 612,745</u>	<u>\$ 5,816,144</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE CONSOLIDATED BALANCE SHEET</b>		
Cash and Cash Equivalents	\$ 495,848	\$ 5,713,960
Restricted Cash	116,897	102,184
Total Cash and Cash Equivalents	<u>\$ 612,745</u>	<u>\$ 5,816,144</u>
<b>SUPPLEMENTAL CASH FLOWS INFORMATION</b>		
Cash Paid During the Year for Interest	<u>\$ 345,507</u>	<u>\$ 357,218</u>

See accompanying Notes to Consolidated Financial Statements

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011 AND 2010**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES**

Rutherford Hospital, Inc. and Affiliates (the "Hospital") is a network of not-for-profit operating affiliates located in Rutherfordton, North Carolina. The activities of the principal entities comprising the Hospital are summarized as follows:

**Rutherford Hospital** – Rutherford Hospital is a 143-bed acute care hospital providing inpatient, outpatient and emergency services primarily to the residents of Rutherford County, North Carolina.

**Carolina Community Care** – Carolina Community Care provides comprehensive health care in the home environment primarily to the residents of Rutherford County, North Carolina and surrounding counties. Services provided include home health care, companion services, alternative programs for disabled adults, case management and personal care.

**Physician Practices** – Physician Practices is comprised of eight physician practices specializing in family medicine, behavioral health services, general surgery, anesthesia, plastic surgery, and orthopedic surgery practice.

**Rutherford East Pharmacy** – Rutherford East Pharmacy is a pharmacy primarily serving residents of eastern Rutherford County, North Carolina, and ceased operations in 2010.

**Rutherford Hospital Auxiliary** – Rutherford Hospital Auxiliary (the "Auxiliary") provides support to the programs, services and staff of Rutherford Hospital. The Auxiliary carries out this purpose by operating a gift shop within Rutherford Hospital.

**Rutherford Hospital Foundation** – Rutherford Hospital Foundation (the "Foundation") supports the health and welfare of the people of Rutherford County, North Carolina by promoting philanthropic contributions and public support for Rutherford Hospital.

**Principles of Consolidation**

The consolidated financial statements include the accounts of Rutherford Hospital and all wholly-owned or controlled subsidiaries. All significant intercompany balances and transactions have been eliminated.

**Use of Estimates**

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011 AND 2010**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)**

**Cash and Cash Equivalents**

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

The Hospital maintains bank accounts at various financial institutions covered by the FDIC. At times throughout the year, the Hospital may maintain bank account balances in excess of the FDIC insured limit. The Hospital believes it is not exposed to any significant credit risk related to cash.

**Restricted Cash**

Restricted cash includes cash received from donors with temporary restrictions.

**Patient Accounts Receivable**

Allowances for uncollectible accounts are computed based on historical collection experience and a review of the current status of existing receivables. The Hospital grants credit to patients without collateral, substantially all of whom are from the surrounding area.

**Drugs and Supplies**

Drugs and supplies are stated at the lower of cost (first-in, first-out method) or market.

**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. The Hospital's investments are classified as trading securities. As a result of this classification, interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in other income (loss) when earned.

**Assets Limited as to Use**

Assets limited as to use include assets set aside by the Board of Trustees for future capital improvements, over which the Board of Trustees retains control and may at its discretion subsequently use for other purposes and donor-restricted contributions.

**Property and Equipment**

Property and equipment acquisitions are recorded at cost. Assets under capital lease obligations are stated at the present value of the minimum lease payments at the inception of the lease. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Expenditures which substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful life of each class of depreciable asset, which range from 5 to 40 years. 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. Such amortization is included in depreciation and amortization in the accompanying consolidated financial statements.

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011 AND 2010**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)**

**Property and Equipment (Continued)**

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support based on their fair market value at the date of donation, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

When capital assets are retired or otherwise disposed of, the cost of the assets and related allowances for depreciation are removed from the accounts, and any resulting gain or loss is recognized in other operating revenue in the consolidated statement of operations.

**Deferred Financing Costs**

Other assets include deferred financing costs, which are amortized over the period the related obligation is outstanding. Accumulated amortization for deferred financing costs was approximately \$8,000 and \$109,000 for September 30, 2011 and 2010, respectively.

**Goodwill**

Other assets include goodwill that related to the purchase of physician practices. The Hospital tests goodwill for impairment on an annual basis, relying on a number of factors including operating results, business plans and future cash flows. Recoverability of goodwill is evaluated using a two-step process. The first step involves a comparison of the fair value of a reporting unit with its carrying value. If the carrying amount of the reporting unit exceeds its fair value, the second step of the process involves a comparison of the fair value and carrying value of the goodwill of that reporting unit. If the carrying value of the goodwill of a reporting unit exceeds the fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess. Goodwill had a carrying value of approximately \$600,000 at September 30, 2011 and 2010.

**Interest Rate Swap Instruments**

The Hospital enters into derivatives, exclusively interest rate swap agreements, to manage interest rate exposures on floating rate Hospital Revenue Bonds. Interest rate swaps allow the Hospital to swap variable interest rates on a stated notational amount for fixed rates. The gain or loss for the period associated with the fair market value of the agreements is included in other income (loss).

The Hospital is exposed to credit loss in the event of nonperformance by the counterparty in relation to its interest rate swap agreement. Management believes that the counterparty will be able to fully satisfy its obligations under the agreement. Credit exposure exists in relation to all the Hospital's financial instruments, and is not unique to derivatives.



**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011 AND 2010**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)**

**Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are transferred to unrestricted net assets when donor restrictions as to time and purpose have been met and are shown as net assets released from restrictions in the accompanying financial statements.

Permanently restricted net assets are those which have been restricted by donors to be maintained by the Hospital in perpetuity. Permanently restricted net assets at September 30, 2011 and 2010 consist of donations given to establish a scholarship endowment fund.

**Excess (Deficit) of Revenue Over Expenses**

The consolidated statements of operations include excess (deficit) of revenue over expenses. Changes in unrestricted net assets, which are excluded from excess (deficit) of revenue over expenses, consistent with industry practice include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

**Net Patient Service Revenue**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered. These amounts are subject to audit by the governmental agencies. Adjustments, if any, are included in contractual revenue adjustments in the year of determination.

**Charity Care**

The Hospital provides care to patients who meet criteria under its charity care policy as defined by the Hospital without charge or at amounts less than its established rates. The Hospital does not pursue collection of amounts determined to qualify as charity care; therefore, they are not reported as revenue or accounts receivable in the accompanying consolidated financial statements.

**Contributions**

Unconditional promises to give cash and other assets to the Hospital 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.

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011 AND 2010**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)**

**Income Taxes**

The Hospital is comprised of tax-exempt organizations, which have been recognized by the Internal Revenue Service as tax-exempt under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Income Tax Topic of the FASB Accounting Standards Codification clarified the accounting for the recognition and measurement of uncertainties in income taxes for all entities, including not-for-profit entities. The Hospital adopted the provisions of the Income Tax Topic during the year ended September 30, 2010. Adoption of these provisions did not have a significant impact on the Hospital's consolidated financial statements.

**Functional Expenses**

The Hospital does not present expense information by functional classification because its resources and activities are primarily related to providing health care services. Further, since the Hospital receives substantially all of its resources from providing health care services in a manner similar to a business enterprise, other indicators contained in these consolidated financial statements are considered more important in evaluating how well management has discharged its stewardship responsibilities.

**Reclassifications**

Certain amounts in the 2010 consolidated financial statements have been reclassified to be consistent with the 2011 presentation. These reclassifications had no impact on the previously reported change in net assets.

**Subsequent Events**

Subsequent events have been evaluated through May 8, 2012, the date the consolidated financial statements were available to be issued.

**NOTE 2 NET PATIENT SERVICE REVENUE**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with third-party payors, follows:

*Medicare* – Inpatient acute care services rendered to Medicare program beneficiaries are paid at primarily prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are reimbursed based on a prospective payment system, called the Ambulatory Payment Classification System ("APCS"). The Hospital's classification of patients under the Medicare Program and the appropriateness of their admission are subject to review by an independent peer review organization. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2007.

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011 AND 2010**

**NOTE 2    NET PATIENT SERVICE REVENUE (CONTINUED)**

*Medicaid* – The North Carolina Department of Human Resources Division of Medical Assistance reimburses inpatient Medicaid services using a payment per discharge system with case-mix adjustments based on a Diagnosis Related Group (“DRG”) system. Outpatient Medicaid services are reimbursed at a certain percentage of allowable costs.

The Hospital is reimbursed at a tentative rate with final settlement determined after it submits its annual Medicaid cost report. The Hospital's Medicaid cost reports have been audited by the Medicaid program through September 30, 2009.

The Hospital participates in a voluntary Medicaid disproportionate share program (the “Program”). The Program allows the Hospital to receive additional annual Medicaid funding. Prior to 2010, the Hospital's policy was to defer 100% of the amounts received until the fiscal year after CMS approved the Program year, at which time the Hospital recognized a portion of the amounts received. During 2010, the State of North Carolina provided additional information related to the operation of the Program. With this new information, the Hospital updated its revenue recognition policy related to the Program and now recognizes all funds from the Program as net patient service revenue when received. For the years ended September 30, 2011 and 2010, the Hospital recognized net patient revenue increased approximately \$1,637,000 and \$5,655,000, respectively, related to the Program.

Revenue from the Medicare and Medicaid program accounted for approximately 48% and 51% of the Hospital's net patient service revenue for the years ended September 30, 2011 and 2010, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The filed cost reports are subject to audits, reviews, and investigations. The 2011 and 2010 net patient service revenue did not change significantly due to a change in the allowances previously estimated for tentative cost report settlements.

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

For the years ended September 30, 2011 and 2010, net patient revenue increased approximately \$93,000 and \$3,017,000, respectively, as a result of changes in various estimated third-party payor settlements and reserves.

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011 AND 2010**

**NOTE 2 NET PATIENT SERVICE REVENUE (CONTINUED)**

Effective October 1, 2010, the Hospital implemented a policy to record a 20% discount on true self-pay receivables upon billing to the self-pay patient.

The health care industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Contractual adjustments related to Medicare and Medicaid programs and other allowances were deducted from gross patient charges to arrive at net patient service revenue as follows:

	<u>2011</u>	<u>2010</u>
Gross Patient Charges, Net of Charity Care	\$ 240,810,620	\$ 226,226,134
Deductions from Gross Patient Charges		
Medicaid and Medicare Contractual Adjustments	(114,597,707)	(100,773,212)
Other Deductions	<u>(33,057,048)</u>	<u>(31,463,969)</u>
Total Deductions from Gross Patient Charges	<u>(147,654,755)</u>	<u>(132,237,181)</u>
Net Patient Service Revenue	<u>\$ 93,155,865</u>	<u>\$ 93,988,953</u>

**NOTE 3 CHARITY CARE**

Charges excluded from revenue under the Hospital's charity care policy were approximately \$7,241,000 and \$8,271,000 in 2011 and 2010, respectively.

**NOTE 4 ASSETS LIMITED AS TO USE AND INVESTMENTS**

The composition of assets limited as to use and investments as of September 30, at fair value, was as follows:

	<u>2011</u>	<u>2010</u>
Cash and Cash Equivalents	\$ 1,648,494	\$ 1,359,782
Fixed Income Securities	13,648,981	15,088,110
Equity Securities	13,559,623	15,200,660
Mutual Funds	<u>5,799,062</u>	<u>4,628,647</u>
	<u>\$ 34,656,160</u>	<u>\$ 36,277,199</u>

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011 AND 2010**

**NOTE 4 ASSETS LIMITED AS TO USE AND INVESTMENTS (CONTINUED)**

Included on the consolidated balance sheets as follows:

	<u><b>2011</b></u>	<u><b>2010</b></u>
Assets Limited as to Use		
By Board for Acquisition of Property and Equipment	\$ 34,028,199	\$ 35,636,785
Donor Restricted	146,816	147,120
Endowment	68,552	68,552
Investments	<u>412,593</u>	<u>424,742</u>
	<u><u>\$ 34,656,160</u></u>	<u><u>\$ 36,277,199</u></u>

Investment income, in the accompanying consolidated statements of operations, consisted of the following for the years ended September 30, 2011 and 2010:

	<u><b>2011</b></u>	<u><b>2010</b></u>
Interest and Dividend Income	\$ 891,803	\$ 23,693
Realized Gains/(Losses)	(461,570)	4,551,933
Unrealized Gains/(Losses)	<u>(539,245)</u>	<u>(1,596,764)</u>
	<u><u>\$ (109,012)</u></u>	<u><u>\$ 2,978,862</u></u>

**NOTE 5 PROPERTY AND EQUIPMENT**

A summary of property and equipment at September 30 follows:

	<u><b>2011</b></u>	<u><b>2010</b></u>
Land and Land Improvements	\$ 3,338,190	\$ 3,214,353
Building and Improvements	63,984,656	60,837,687
Equipment	<u>51,651,836</u>	<u>47,272,517</u>
	118,974,682	111,324,557
Less Accumulated Depreciation and Amortization	<u>(75,423,606)</u>	<u>(71,220,372)</u>
	43,551,076	40,104,185
Construction in Progress	<u>3,657,235</u>	<u>2,637,996</u>
	<u><u>\$ 47,208,311</u></u>	<u><u>\$ 42,742,181</u></u>

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011 AND 2010**

**NOTE 6 LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS**

Long-term debt and capital lease obligations at September 30 consists of the following:

	<u>2011</u>	<u>2010</u>
Series 2010 Bonds	\$ 15,030,386	\$ 8,140,000
Obligations Under Capital Lease	806,472	979,797
	<u>15,836,858</u>	<u>9,119,797</u>
Less Current Portion	<u>(183,916)</u>	<u>(913,231)</u>
Long-Term Debt and Obligations Under Capital Lease, Net of Current Portion	<u>\$ 15,652,942</u>	<u>\$ 8,206,566</u>

In August 2001, the Hospital entered into an agreement with the North Carolina Medical Care Commission (the "Commission") whereby the Commission issued \$16,800,000 of North Carolina Medical Care Commission Health Care Facility Revenue Bonds, Series 2001 ("Series 2001 Bonds"). The Hospital used approximately \$5,900,000 of the proceeds to advance refund the outstanding portions of previously issued revenue bonds. The remaining proceeds of the bond issuance were used to finance the upgrade and expansion of an intensive care unit, the replacement of the Women's Center on the Hospital's premises and the purchase of mobile magnetic resonance imaging equipment.

In December 2010, the Hospital entered into an agreement with the North Carolina Medical Care Commission (the "Commission") whereby the Commission issued up to \$22,160,000 of North Carolina Medical Care Commission Health Care Facilities Revenue and Refunding Bonds, Series 2010 ("Series 2010 Bonds"). The Hospital used approximately \$8,100,000 of the proceeds to advance refund the outstanding portions of the Series 2001 Bonds. The remaining proceeds of the bond issuance will be used to finance the capital projects and pay for the costs of issuance. The Hospital has drawn approximately \$15,030,000 on the Series 2010 Bonds at September 30, 2011. The 2010 Bonds are Bank-Qualified variable rate bonds (1.618% at September 30, 2011) that mature in December 2030. In the event the Series 2010 Bonds have a Determination of Taxability or a Determination of Non-Bank Qualified Status, the Hospital has entered into a demand Reimbursement Note with Branch Banking and Trust Company to reimburse them in full for all outstanding amounts under the Series 2010 Bonds. In connection with the refunding of the Series 2001 Bonds, the Hospital recognized a loss on refunding of approximately \$117,000 during the year ended September 30, 2011.

The Hospital entered into a 10-year interest rate swap agreement in 2001 in order to stabilize the expected amount of interest expense from the Series 2001 Bonds. The Hospital recognized an unrealized gain on the change in fair value of the interest rate swap agreement of approximately \$133,000 and \$127,000, respectively, for the years ended September 30, 2011 and 2010. Such amounts are classified as other income (loss) in the accompanying consolidated statements of operations. The swap agreement matured in 2011.

The Series 2010 bonds contain several restrictive covenants, including the requirement to maintain certain financial ratios. The Hospital was not in compliance with certain of these covenants at September 30, 2011, however, management has either obtained a waiver of the noncompliance, or has taken the corrective actions required by the covenants.

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011 AND 2010**

**NOTE 6 LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)**

The future debt service requirements of long-term debt and obligations under capital lease are as follows:

<u>September 30,</u>	<u>Long-Term Debt</u>	<u>Capital Lease Obligations</u>	<u>Total</u>
2012	\$ -	\$ 183,916	\$ 183,916
2013	75,000	195,259	270,259
2014	900,000	207,303	1,107,303
2015	945,000	219,994	1,164,994
2016	960,000	-	960,000
Thereafter	12,150,386	-	12,150,386
	<u>\$ 15,030,386</u>	<u>\$ 806,472</u>	<u>\$ 15,836,858</u>

**NOTE 7 EMPLOYEE BENEFITS**

The Hospital sponsors a defined contribution retirement plan (the "Retirement Plan"), organized under Section 403(b) of the Internal Revenue Code, for all employees who work at least 1,000 hours per year. The Retirement Plan provides tax-deferred annuities to its participants. In January 2009, the Hospital amended the Retirement Plan and discontinued making matching contributions at that time.

**NOTE 8 OPERATING LEASES**

The Hospital has various non-cancelable operating leases for equipment that expire over the next five years. Total rent expense under operating leases was approximately \$860,000 and \$830,000 for the years ended September 30, 2011 and 2010, respectively. Future minimum rental payments required under these leases for the five fiscal years subsequent to September 30, 2011 are as follows:

2012	\$ 306,860
2013	260,704
2014	244,903
2015	162,264
2016	117,056
	<u>\$ 1,091,787</u>

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011 AND 2010**

**NOTE 9    COMMITMENTS AND CONTINGENCIES**

The Hospital is subject to legal proceedings and claims that arise in the course of providing health care services. The Hospital maintains claims-made professional liability insurance coverage for claims made during the policy year with coverage up to \$1,000,000 per occurrence and an aggregate limit of \$3,000,000. For the policy year ended September 30, 2002, the Hospital maintained professional liability insurance through the Reciprocal of America (the "Reciprocal"). Subsequent to September 30, 2002, the Reciprocal was placed in the receivership of the State Corporation Commission of the Commonwealth of Virginia. The Hospital reported all known claims to the Reciprocal and has changed professional liability insurance carriers beginning with the policy year ended September 30, 2003. There is no assurance that the Reciprocal will be able to pay claims related to services provided in and prior to September 30, 2002. The Hospital's current professional liability coverage has a retroactive date of October 1, 1985. Management believes, taking into account the current Reciprocal situation, the Hospital's experience with past claims and lawsuits, and the amount accrued for professional liability as of September 30, 2011 and 2010, that such claims, if asserted, will not have a material adverse effect on the Hospital's consolidated balance sheet or consolidated results of operations; however, the ultimate disposition of liability relating to such claims is subject to inherent uncertainties.

The Hospital is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates these matters will be resolved without a material adverse effect on the Hospital's consolidated financial statements.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, governmental health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse.

Management believes the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

***Conditional Asset Retirement Obligation***

The Hospital has asbestos in its facility, the disposition of which must occur in a special manner if the facility undergoes major renovations or is demolished. Otherwise, the Hospital is not required to remove the asbestos from the facility. The Hospital does not have sufficient information to estimate the fair value of the asset retirement obligation because the settlement date or the range of potential settlement dates has not been specified by others and information is not available to apply an expected present value technique. Therefore, the Hospital cannot reasonably estimate the fair value of the liability.



**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011 AND 2010**

**NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

***Management Contract***

The Hospital has a management agreement with an unrelated corporation whereby the management company will perform administrative services on a day-to-day basis. The agreement calls for an annual fee, payable monthly, for the first year and subsequent fee amounts will be adjusted by a formula using the Consumer Price Index. The contract term is through June 2012. For the years ended September 30, 2011 and 2010, management fees were approximately \$628,000 and \$624,000, respectively.

**NOTE 10 CONCENTRATION OF CREDIT RISK**

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

	<u>2011</u>	<u>2010</u>
Medicare	28%	23%
Medicaid	20%	20%
Commercial insurance	21%	25%
Self-pay patients	31%	32%
	<u>100%</u>	<u>100%</u>

**NOTE 11 RELATED PARTY TRANSACTIONS**

The Hospital has a board member who is also a member on the board of advisors of a bank with which the Hospital transacts business.

The Hospital has a board member whose spouse is a partner in an architectural firm in which the hospital transacts business. In the current year the expenditures paid to the firm were approximately \$700.

**NOTE 12 FAIR VALUE DISCLOSURES**

The Hospital adopted the provisions of Fair Value Measurements which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provision does not require any new fair value measurements, but clarifies and standardizes some divergent practices that have emerged since prior guidance was issued. The provision creates a three-level hierarchy under which individual fair value estimates are to be ranked based on the relative reliability of the inputs used in the valuation.

The provision defines fair value as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, the Hospital

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011 AND 2010**

**NOTE 12 FAIR VALUE DISCLOSURES (CONTINUED)**

considers the principal or most advantageous market in which those assets or liabilities are sold and considers assumptions that market participants would use when pricing those assets or liabilities. Fair values determined using level 1 inputs rely on active and observable markets to price identical assets or liabilities. In situations where identical assets and liabilities are not traded in active markets, fair values may be determined based on level 2 inputs, which exist when observable data exists for similar assets and liabilities.

Fair values for assets and liabilities that are not actively traded in observable markets are based on level 3 inputs, which are considered to be unobservable.

Among the Hospital's assets and liabilities, investment trading securities and interest rate swaps accounted for as cash flow hedges were reported at their fair values on a recurring basis.

For assets and liabilities carried at fair value, the following table provides fair value information as of September 30, 2011 and 2010:

	<b>Fair Value at 9/30/2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Money Market Funds	\$ 1,648,495	\$ 1,648,495	\$ -	\$ -
Fixed Income Securities	13,648,981	13,648,981	-	-
Common Stock	13,559,623	13,559,623	-	-
Mutual Funds	5,799,062	5,799,062	-	-
Goodwill	599,042	-	-	599,042
	<u>\$ 35,255,203</u>	<u>\$ 34,656,161</u>	<u>\$ -</u>	<u>\$ 599,042</u>

	<b>Value at 9/30/2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Money Market Funds	\$ 1,359,782	\$ 1,359,782	\$ -	\$ -
Fixed Income Securities	15,088,110	15,088,110	-	-
Common Stock	15,200,660	15,200,660	-	-
Mutual Funds	4,628,647	4,628,647	-	-
Goodwill	599,042	-	-	599,042
Derivative Financial Instrument	(133,243)	-	(133,243)	-
	<u>\$ 36,742,998</u>	<u>\$ 36,277,199</u>	<u>\$ (133,243)</u>	<u>\$ 599,042</u>

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**CONSOLIDATING BALANCE SHEET**  
**SEPTEMBER 30, 2011**

	<b>Rutherford Hospital</b>	<b>Carolina Community Care</b>	<b>Physician Practices</b>	<b>Rutherford Hospital Auxillary</b>	<b>Rutherford Hospital Foundation</b>	<b>Total</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>ASSETS</b>								
<b>CURRENT ASSETS</b>								
Cash and Cash Equivalents	\$ 438,514	\$ 100	\$ 1,900	\$ 16,622	\$ 38,712	\$ 495,848	\$ -	\$ 495,848
Restricted Cash	-	-	-	-	116,897	116,897	-	116,897
Patient Accounts Receivable, Net	11,456,982	643,642	1,262,675	-	-	13,363,299	-	13,363,299
Other Receivables, Net	1,023,287	-	95,595	-	-	1,118,882	-	1,118,882
Drugs and Supplies	1,721,105	-	44,628	22,427	-	1,788,160	-	1,788,160
Prepaid Expenses	772,374	13,611	5,032	-	-	791,017	-	791,017
Total Current Assets	15,412,262	657,353	1,409,830	39,049	155,609	17,674,103	-	17,674,103
<b>ASSETS LIMITED AS TO USE</b>								
By Board for Acquisition of Property and Equipment	34,028,199	-	-	-	-	34,028,199	-	34,028,199
Donor Restricted	-	-	-	-	146,816	146,816	-	146,816
Endowment	-	-	-	-	68,552	68,552	-	68,552
Total Assets Limited as to Use	34,028,199	-	-	-	215,368	34,243,567	-	34,243,567
<b>DUE FROM (TO) AFFILIATES</b>	13,861,058	12,120,969	(25,966,028)	-	(15,999)	-	-	-
<b>PROPERTY AND EQUIPMENT, NET</b>	41,060,668	576,011	5,568,844	1,203	1,585	47,208,311	-	47,208,311
<b>INVESTMENTS</b>	-	-	-	-	412,593	412,593	-	412,593
<b>OTHER, NET</b>	262,516	-	599,042	-	-	861,558	-	861,558
Total Assets	<u>\$ 104,624,703</u>	<u>\$ 13,354,333</u>	<u>\$ (18,388,312)</u>	<u>\$ 40,252</u>	<u>\$ 769,156</u>	<u>\$ 100,400,132</u>	<u>\$ -</u>	<u>\$ 100,400,132</u>
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT LIABILITIES</b>								
Current Portion of Long-Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current Portion of Obligations Under Capital Lease	183,916	-	-	-	-	183,916	-	183,916
Accounts Payable	4,142,099	12,500	37,943	(27)	-	4,192,515	-	4,192,515
Accrued Expenses	4,341,590	164,426	606,622	-	-	5,112,638	-	5,112,638
Deferred Revenue	-	-	2,990	-	-	2,990	-	2,990
Estimated Third-Party Payor Settlements	2,389,012	10,588	-	-	-	2,399,600	-	2,399,600
Total Current Liabilities	11,056,617	187,514	647,555	(27)	-	11,891,659	-	11,891,659
<b>LONG-TERM DEBT, NET OF CURRENT PORTION</b>	15,030,386	-	-	-	-	15,030,386	-	15,030,386
<b>OBLIGATIONS UNDER CAPITAL LEASE, NET OF CURRENT PORTION</b>	622,650	-	-	-	-	622,650	-	622,650
<b>OTHER LIABILITIES</b>	-	-	-	-	-	-	-	-
Total Liabilities	26,709,653	187,514	647,555	(27)	-	27,544,695	-	27,544,695
<b>NET ASSETS</b>								
Unrestricted	77,915,050	13,166,819	(19,035,867)	40,279	459,033	72,545,314	-	72,545,314
Temporarily Restricted	-	-	-	-	241,571	241,571	-	241,571
Permanently Restricted	-	-	-	-	68,552	68,552	-	68,552
Total Net Assets	77,915,050	13,166,819	(19,035,867)	40,279	769,156	72,855,437	-	72,855,437
Total Liabilities and Net Assets	<u>\$ 104,624,703</u>	<u>\$ 13,354,333</u>	<u>\$ (18,388,312)</u>	<u>\$ 40,252</u>	<u>\$ 769,156</u>	<u>\$ 100,400,132</u>	<u>\$ -</u>	<u>\$ 100,400,132</u>

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF OPERATIONS**  
**YEAR ENDED SEPTEMBER 30, 2011**

	<b>Rutherford Hospital</b>	<b>Carolina Community Care</b>	<b>Physician Practices</b>	<b>Rutherford Hospital Auxillary</b>	<b>Rutherford Hospital Foundation</b>	<b>Total</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>REVENUE</b>								
Net Patient Service Revenue	\$ 78,303,453	\$ 5,789,628	\$ 9,062,784	\$ -	\$ -	\$ 93,155,865	\$ -	\$ 93,155,865
Other Operating Revenue	985,156	1,950	81,379	166,712	83,552	1,318,749	-	1,318,749
Net Assets Released from Restrictions for Operations	-	-	-	-	284,077	284,077	-	284,077
Total Revenues	<u>79,288,609</u>	<u>5,791,578</u>	<u>9,144,163</u>	<u>166,712</u>	<u>367,629</u>	<u>94,758,691</u>	<u>-</u>	<u>94,758,691</u>
<b>EXPENSES</b>								
Salaries and Wages	26,907,878	3,441,500	9,042,291	-	1,987	39,393,656	-	39,393,656
Employee Benefits	6,783,535	918,437	896,726	-	-	8,598,698	-	8,598,698
Medical Supplies and Other Expenses	27,522,604	521,691	1,386,559	105,039	405,562	29,941,455	-	29,941,455
Depreciation and Amortization	5,010,708	37,219	371,675	242	269	5,420,113	-	5,420,113
Interest Expense	345,507	-	-	-	-	345,507	-	345,507
Provision for Uncollectible Accounts	15,697,858	-	938,313	-	-	16,636,171	-	16,636,171
Total Operating Expenses	<u>82,268,090</u>	<u>4,918,847</u>	<u>12,635,564</u>	<u>105,281</u>	<u>407,818</u>	<u>100,335,600</u>	<u>-</u>	<u>100,335,600</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>(2,979,481)</u>	<u>872,731</u>	<u>(3,491,401)</u>	<u>61,431</u>	<u>(40,189)</u>	<u>(5,576,909)</u>	<u>-</u>	<u>(5,576,909)</u>
<b>NONOPERATING INCOME (LOSS)</b>								
Loss on Refunding of Long-Term Debt	(116,656)	-	-	-	-	(116,656)	-	(116,656)
Change in Fair Value of Interest Rate Swap Agreement	133,243	-	-	-	-	133,243	-	133,243
Investment Income	(96,973)	-	-	166	(12,205)	(109,012)	-	(109,012)
Total Other Income (Loss)	<u>(80,386)</u>	<u>-</u>	<u>-</u>	<u>166</u>	<u>(12,205)</u>	<u>(92,425)</u>	<u>-</u>	<u>(92,425)</u>
<b>Excess (Deficit) of Revenue Over Expenses and Increase (Decrease) in Unrestricted Net Assets</b>	<u>\$ (3,059,867)</u>	<u>\$ 872,731</u>	<u>\$ (3,491,401)</u>	<u>\$ 61,597</u>	<u>\$ (52,394)</u>	<u>\$ (5,669,334)</u>	<u>\$ -</u>	<u>\$ (5,669,334)</u>

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**CONSOLIDATING BALANCE SHEET**  
**SEPTEMBER 30, 2010**

	Rutherford Hospital	Carolina Community Care	Physician Practices	Rutherford East Pharmacy	Rutherford Hospital Auxillary	Rutherford Hospital Foundation	Rutherford Hospital, Inc and Affiliates
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	\$ 5,595,343	\$ 100	\$ 1,300	\$ -	\$ 19,806	\$ 97,411	\$ 5,713,960
Restricted Cash	-	-	-	-	-	102,184	102,184
Patient Accounts Receivable, Net	9,522,514	671,114	953,331	-	-	-	11,146,959
Other Receivables, Net	1,041,215	-	-	-	-	-	1,041,215
Drugs and Supplies	2,004,843	-	44,628	-	22,427	-	2,071,898
Prepaid Expenses	784,444	11,797	5,653	-	-	-	801,894
Total Current Assets	18,948,359	683,011	1,004,912	-	42,233	199,595	20,878,110
<b>ASSETS LIMITED AS TO USE</b>							
By Board for Acquisition of Property and Equipment	35,636,785	-	-	-	-	-	35,636,785
Donor Restricted	-	-	-	-	-	147,120	147,120
Endowment	-	-	-	-	-	68,552	68,552
Total Assets Limited as to Use	35,636,785	-	-	-	-	215,672	35,852,457
<b>DUE FROM (TO) AFFILIATES</b>	10,905,560	11,246,871	(22,134,862)	-	-	(17,569)	-
<b>PROPERTY AND EQUIPMENT, NET</b>	36,780,402	543,639	5,414,842	-	1,445	1,853	42,742,181
<b>INVESTMENTS</b>	-	-	-	-	-	424,742	424,742
<b>OTHER, NET</b>	128,520	-	599,042	-	-	-	727,562
Total Assets	<u>\$ 102,399,626</u>	<u>\$ 12,473,521</u>	<u>\$ (15,116,066)</u>	<u>\$ -</u>	<u>\$ 43,678</u>	<u>\$ 824,293</u>	<u>\$ 100,625,052</u>
<b>LIABILITIES AND NET ASSETS</b>							
<b>CURRENT LIABILITIES</b>							
Current Portion of Long-Term Debt	\$ 740,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 740,000
Current Portion of Obligations Under Capital Lease	173,231	-	-	-	-	-	173,231
Accounts Payable	4,192,137	-	-	-	(4)	-	4,192,133
Accrued Expenses	4,204,967	145,604	428,400	-	-	-	4,778,971
Deferred Revenue	-	-	-	-	-	24,350	24,350
Estimated Third-Party Payor Settlements	3,839,565	33,829	-	-	-	-	3,873,394
Total Current Liabilities	13,149,900	179,433	428,400	-	(4)	24,350	13,782,079
<b>LONG-TERM DEBT, NET OF CURRENT PORTION</b>	7,400,000	-	-	-	-	-	7,400,000
<b>OBLIGATIONS UNDER CAPITAL LEASE, NET OF CURRENT PORTION</b>	806,566	-	-	-	-	-	806,566
<b>OTHER LIABILITIES</b>	133,243	-	-	-	-	-	133,243
Total Liabilities	21,489,709	179,433	428,400	-	(4)	24,350	22,121,888
<b>NET ASSETS</b>							
Unrestricted	80,909,917	12,294,088	(15,544,466)	-	43,682	511,427	78,214,648
Temporarily Restricted	-	-	-	-	-	219,964	219,964
Permanently Restricted	-	-	-	-	-	68,552	68,552
Total Net Assets	80,909,917	12,294,088	(15,544,466)	-	43,682	799,943	78,503,164
Total Liabilities and Net Assets	<u>\$ 102,399,626</u>	<u>\$ 12,473,521</u>	<u>\$ (15,116,066)</u>	<u>\$ -</u>	<u>\$ 43,678</u>	<u>\$ 824,293</u>	<u>\$ 100,625,052</u>

**RUTHERFORD HOSPITAL, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF OPERATIONS**  
**YEAR ENDED SEPTEMBER 30, 2010**

	<b>Rutherford Hospital</b>	<b>Carolina Community Care</b>	<b>Physician Practices</b>	<b>Rutherford East Pharmacy</b>	<b>Rutherford Hospital Auxillary</b>	<b>Rutherford Hospital Foundation</b>	<b>Rutherford Hospital, Inc. and Affiliates</b>
<b>REVENUE</b>							
Net Patient Service Revenue	\$ 79,928,116	\$ 5,610,002	\$ 8,450,835	\$ -	\$ -	\$ -	\$ 93,988,953
Other Operating Revenue	1,047,882	17	36,502	253,137	179,991	134,670	1,652,199
Net Assets Released from Restrictions for Operations	3,168	-	-	-	-	1,784	4,952
Total Revenues	<u>80,979,166</u>	<u>5,610,019</u>	<u>8,487,337</u>	<u>253,137</u>	<u>179,991</u>	<u>136,454</u>	<u>95,646,104</u>
<b>EXPENSES</b>							
Salaries and Wages	25,357,412	3,135,281	8,561,455	65,108	-	-	37,119,256
Employee Benefits	6,424,364	1,007,635	961,512	11,521	-	-	8,405,032
Medical Supplies and Other Expenses	27,444,178	391,103	1,221,699	347,831	109,750	123,715	29,638,276
Depreciation and Amortization	4,850,749	28,751	145,790	2,281	288	287	5,028,146
Interest Expense	357,218	-	-	-	-	-	357,218
Provision for Uncollectible Accounts	14,548,030	-	726,687	15,821	-	-	15,290,538
Total Operating Expenses	<u>78,981,951</u>	<u>4,562,770</u>	<u>11,617,143</u>	<u>442,562</u>	<u>110,038</u>	<u>124,002</u>	<u>95,838,466</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	1,997,215	1,047,249	(3,129,806)	(189,425)	69,953	12,452	(192,362)
<b>OPERATING INCOME (LOSS)</b>							
Change in Fair Value of Interest Rate Swap Agreement	127,275	-	-	-	-	-	127,275
Investment Income	2,955,048	-	-	-	219	23,595	2,978,862
Transfer (to) from Affiliate	(573,337)	-	-	581,606	(104,462)	96,193	-
Total Other Income (Loss)	<u>2,508,986</u>	<u>-</u>	<u>-</u>	<u>581,606</u>	<u>(104,243)</u>	<u>119,788</u>	<u>3,106,137</u>
<b>Excess (Deficit) of Revenue Over Expenses and Increase (Decrease) in Unrestricted Net Assets</b>	<u>\$ 4,506,201</u>	<u>\$ 1,047,249</u>	<u>\$ (3,129,806)</u>	<u>\$ 392,181</u>	<u>\$ (34,290)</u>	<u>\$ 132,240</u>	<u>\$ 2,913,775</u>