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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 10-01-2010 and ending 09-30-2011

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

C Name of organization
Cumberland County Hospital System Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
PO Box 2000

City or town, state or country, and ZIP + 4
Fayetteville, NC 283022000

D Employer identification number
56-0845796

E Telephone number
(910)615-4829

G Gross receipts $ 999,026,452

F Name and address of principal officer
Sandra Williams
PO Box 2000
Fayetteville, NC 283022000

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

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

H(c) Group exemption number ▶

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

J Website: ▶ www capefearvalley com

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1956 | **M** State of legal domicile NC

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Cumberland County Hospital System, Inc exists to meet the health care needs of the residents of Cumberland and Bladen counties, and the surrounding area in North Carolina

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	20
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	20
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	6,594
6	Total number of volunteers (estimate if necessary)	**6**	425
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	-50,907
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-50,907

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	862,041	750,077
9	Program service revenue (Part VIII, line 2g)	684,330,101	747,761,734
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	10,386,182	16,528,780
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	6,688,549	7,789,242
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	702,266,873	772,829,833
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	6,207	183,391
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	335,263,359	355,490,906
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	350,120,051	386,053,651
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	685,389,617	741,727,948
19	Revenue less expenses Subtract line 18 from line 12	16,877,256	31,101,885

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	846,966,837	865,155,354
21	Total liabilities (Part X, line 26)	512,905,652	520,277,668
22	Net assets or fund balances Subtract line 21 from line 20	334,061,185	344,877,686

Part II Signature Block

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

Sign Here

Signature of officer — Date: 2012-08-15

SANDRA WILLIAMS CFO Chief Financial Officer
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed	PTIN
Charles B Freeman II	Charles B Freeman II		☐	

Firm's name ▶ Deloitte Tax LLP — Firm's EIN ▶

Firm's address ▶ 420 North 20th St Suite 2400
Birmingham, AL 35203 — Phone no ▶ (205) 321-6000

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

Cumberland County Hospital System, Inc exists to meet the health care needs of the residents of Cumberland and Bladen counties, and the surrounding area in North Carolina

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

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

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

4 Describe the 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 $ 707,407,095 including grants of $ 183,391) (Revenue $ 747,761,734)

As part of meeting the health care needs of the service area, CCHS, Inc admitted 35,052 patients, provided 219,374 patient days of care, had 138,957 emergency room visits and had over 452,400 outpatient visits for other services

4b (Code) (Expenses $ including grants of $) (Revenue $)

4c (Code) (Expenses $ including grants of $) (Revenue $)

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ $ 707,407,095

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	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
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		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, 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, line10? *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	Yes	
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? **Note.** 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? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
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? *If "Yes," complete Schedule I, Parts I and III*	**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? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	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? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**	Yes	
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**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)? *If "Yes," complete Schedule R, Part V, line 2* ☐ Yes ☑ No			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	487		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	6,594		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a	Yes	
b	If "Yes," enter the name of the foreign country ▶ CJ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g	Yes	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h	Yes	
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O			13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			14b		

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	20		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	20		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2			No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3			No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4			No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5			No
6	Does the organization have members or stockholders?	6			No
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a		Yes	
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b			No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	8a		Yes	
b	Each committee with authority to act on behalf of the governing body?	8b		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9			No

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

			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		No
b	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?	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Does the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	Yes	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c	Yes	
13	Does the organization have a written whistleblower policy?	13	Yes	
14	Does the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	Yes	
b	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?	16b		No

Section C. Disclosure

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

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 ▶

James Dupe
PO Box 2000
Fayetteville, NC 283022000
(910) 615-4829

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			
See Additional Data Table										

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			
See Additional Data Table										
1b **Sub-Total**										
c **Total from continuation sheets to Part VII, Section A**										
d **Total (add lines 1b and 1c)**								4,293,270	0	168,504

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 ▶ 408

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
Aramark Clinical Technology Services 12483 Collection Ctr Dr Chicago, IL 60693	Professional Services	3,757,691
Allied Barton Security Services PO Box 534265 Atlanta, GA 303534265	Security Services	3,456,090
Fayetteville Kidney Center PO Box 101518 Atlanta, GA 30392	Professional Services	2,285,428
Trinity Healthcare Staffing 1834 Sally Hill Farms Blvd Florence, SC 29501	Professional Services	1,771,598
Aramark Healthcare Support Services PO Box 905810 Charlotte, NC 28290	Professional Services	1,611,603

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 ▶ 76

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				
	e Government grants (contributions)	1e	189,666			
	f All other contributions, gifts, grants, and similar amounts not included above	1f	560,411			
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . . ▶		750,077			
Program Service Revenue		Business Code				
	2a Patient Service Rev	900099	735,061,259	735,061,259		
	b Ancillary Medical Ser	900099	12,496,674	12,496,674		
	c Education/Outreach	611710	203,801	203,801		
	d					
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		747,761,734			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		12,135,426			12,135,426
	4 Income from investment of tax-exempt bond proceeds . . ▶		1,875			1,875
	5 Royalties . . . . . ▶					

		(i) Real	(ii) Personal				
	6a Gross Rents	62,069					
	b Less rental expenses	16,000					
	c Rental income or (loss)	46,069					
	d Net rental income or (loss) . . . . . ▶			46,069			46,069

		(i) Securities	(ii) Other				
	7a Gross amount from sales of assets other than inventory	230,510,957	61,141				
	b Less cost or other basis and sales expenses	226,110,567	70,052				
	c Gain or (loss)	4,400,390	-8,911				
	d Net gain or (loss) . . . . . ▶			4,391,479			4,391,479
Other Revenue	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a						
	b Less direct expenses . . . b						
	c Net income or (loss) from fundraising events . . ▶						
	9a Gross income from gaming activities See Part IV, line 19 . a						
	b Less direct expenses . . . . . b						
	c Net income or (loss) from gaming activities . . . ▶						
	10a Gross sales of inventory, less returns and allowances . a						
	b Less cost of goods sold . . b						
	c Net income or (loss) from sales of inventory . . ▶						
	Miscellaneous Revenue		Business Code				
	11a Cafeteria and Parking		900099	3,381,000			3,381,000
	b Purchase Rebates, Dis		812900	3,306,108			3,306,108
	c Employee Daycare Rev		624410	1,106,972			1,106,972
	d All other revenue			-50,907		-50,907	
	e **Total.** Add lines 11a–11d . . . . . ▶			7,743,173			
	12 **Total revenue.** See Instructions . . . ▶			772,829,833	747,761,734	-50,907	24,368,929

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	183,391	183,391		
2	Grants and other assistance to individuals in the U S See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	1,670,844	1,503,759	167,085	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	287,034,767	287,034,767		
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	11,898,063	10,708,256	1,189,807	
9	Other employee benefits	35,717,188	32,145,469	3,571,719	
10	Payroll taxes	19,170,044	17,253,039	1,917,005	
a	Fees for services (non-employees) Management	5,858,834	5,272,950	585,884	
b	Legal	1,109,582	998,623	110,959	
c	Accounting	457,487	411,738	45,749	
d	Lobbying	85,000	85,000		
e	Professional fundraising services *See Part IV, line 17*				
f	Investment management fees				
g	Other				
12	Advertising and promotion	937,073	843,365	93,708	
13	Office expenses	4,416,181	3,974,562	441,619	
14	Information technology	10,352,657	9,317,391	1,035,266	
15	Royalties				
16	Occupancy	12,932,077	11,638,869	1,293,208	
17	Travel	218,075	109,038	109,037	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	1,161,852	580,926	580,926	
20	Interest	13,838,257	13,838,257		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	31,413,299	28,271,969	3,141,330	
23	Insurance	28,624,697	25,762,227	2,862,470	
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	Medical supplies	109,346,368	98,411,731	10,934,637	
b	Bad debt	90,749,698	90,749,698		
c	Purchased services	19,215,627	17,294,064	1,921,563	
d	Contract labor	13,730,693	12,357,623	1,373,070	
e	Repairs and Maintenance	12,148,085	12,148,085		
f	All other expenses	29,458,109	26,512,298	2,945,811	
25	**Total functional expenses.** Add lines 1 through 24f	741,727,948	707,407,095	34,320,853	0
26	**Joint costs.** Check here ▶ ☐ 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) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		5,288,284	1	2,089,182
	2	Savings and temporary cash investments		62,713,782	2	58,317,021
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		93,667,312	4	101,542,779
	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		9,040,533	8	9,101,968
	9	Prepaid expenses and deferred charges		4,595,501	9	6,038,843
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 651,214,809			
	b	Less accumulated depreciation	10b 353,680,657	295,968,496	10c	297,534,152
	11	Investments—publicly traded securities		213,961,693	11	235,082,670
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		161,731,236	15	155,448,739
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		846,966,837	16	865,155,354
Liabilities	17	Accounts payable and accrued expenses		74,262,155	17	65,444,177
	18	Grants payable			18	
	19	Deferred revenue		119,227	19	131,933
	20	Tax-exempt bond liabilities		304,484,909	20	298,476,441
	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			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		134,039,361	25	156,225,117
	26	**Total liabilities.** Add lines 17 through 25		512,905,652	26	520,277,668
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☐ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets			27	
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☑ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds		0	30	0
	31	Paid-in or capital surplus, or land, building or equipment fund		0	31	0
	32	Retained earnings, endowment, accumulated income, or other funds		322,932,674	32	333,749,175
	33	Total net assets or fund balances		334,061,185	33	344,877,686
	34	Total liabilities and net assets/fund balances		846,966,837	34	865,155,354

Part XI Reconcilliation 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	772,829,833
2	Total expenses (must equal Part IX, column (A), line 25)	2	741,727,948
3	Revenue less expenses Subtract line 2 from line 1	3	31,101,885
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	334,061,185
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-20,285,384
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	344,877,686

Part XII Financial Statements and Reporting

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

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	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	2c	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 ☐ Separate basis ☑ Consolidated basis ☐ 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?	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b		

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Cumberland County Hospital System Inc

Employer identification number
56-0845796

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?

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

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document? Yes	(iv) No	(v) Did you notify the organization in col (i) of your support? Yes	(v) No	(vi) Is the organization in col (i) organized in the U S ? Yes	(vi) No	(vii) Amount of support
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 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 section501(c)(3) organization, check this box and **stop here** ▶☐

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 **stop here.** 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 **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions ▶☐

Part IV **Supplemental Information.** 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).

Additional Data

Software ID:
Software Version:
EIN: 56-0845796
Name: Cumberland County Hospital System Inc

Form 990, Part VII - Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(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			
Jeannette Council Trustee	2 00	X						0	0	0
Jerry Dean Trustee	2 00	X						0	0	0
Mary Dickey Trustee	2 00	X						0	0	0
Kenneth Edge Trustee	2 00	X						0	0	0
Marshall Faircloth Trustee	2 00	X						0	0	0
Bradley Broussard Trustee	2 00	X						0	0	0
Earnest Curry Chairperson	2 00	X						0	0	0
John Henley Board Chairperson	2 00	X						0	0	0
Jimmy Keefe Trustee	2 00	X						0	0	0
Billy King Secretary/Treasurer	2 00	X						0	0	0
Ed Melvin Trustee	2 00	X						0	0	0
Marion Gillis Olion Trustee	2 00	X						0	0	0
Divyang Patel Trustee	2 00	X						0	0	0
Donald L Porter Vice Chair	2 00	X						0	0	0
Rueben Rivers Trustee	2 00	X						0	0	0
W Dickson Schaefer Trustee	2 00	X						0	0	0
Sanjeev Slehria Trustee	2 00	X						0	0	0
Charles Evans Trustee	2 00	X						0	0	0
Jennifer Twaddell Trustee	2 00	X						0	0	0
Denise Mahone Wyatt Trustee	2 00	X						0	0	0
James Martin Trustee	2 00	X						0	0	0
William Hurley Trustee	2 00	X						0	0	0
Joyce Korzen Former COO	0 00						X	177,408	0	15,429
Michael Nagowski CEO	55 00			X				637,350	0	69,329
Sandra Williams CFO	55 00			X				447,994	0	13,902

Form 990, Part VII - Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(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			
Michael Harrington COO	55 00			X				182,838	0	6,748
Richard Osenbach Medical Director	55 00					X		739,435	0	10,780
John Spitalieri Staff Physician	55 00					X		721,889	0	6,333
Stuart Shelton Medical Director	55 00					X		492,733	0	16,601
Matthew Wells Staff Physician	55 00					X		446,872	0	15,606
Bradley Setser Staff Physician	55 00					X		446,751	0	13,776

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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	Employer identification number
Cumberland County Hospital System Inc	56-0845796

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

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $ _____

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $ _____

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $ _____

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt 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 **Form 1120-POL** for this year? ☐ Yes ☐ No

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

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

A Check ☐ if the filing organization belongs to an affiliated group
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		
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-		

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

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ Yes ☐ No

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 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) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		85,000
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV		No	
j	Total lines 1c through 1i			85,000
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 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).**		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Cumberland County Hospital System Inc

Employer identification number
56-0845796

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

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

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

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds 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 ☐ Yes ☐ No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or 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	2a	
b	Total acreage restricted by conservation easements	2b	
c	Number of conservation easements on a certified historic structure included in (a)	2c	
d	Number of conservation easements included in (c) acquired after 8/17/06	2d	

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

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

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

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

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

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 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 ▶ $ _____

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

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

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

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

b If "Yes," explain the arrangement in Part 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					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2 Provide the estimated percentage of the 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
(i) unrelated organizations	3a(i)		
(ii) related organizations	3a(ii)		
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

4 Describe in Part 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		15,610,783		15,610,783
b Buildings		382,809,804	165,211,173	217,598,631
c Leasehold improvements		1,000,812	498,506	502,306
d Equipment		241,334,934	179,278,589	62,056,345
e Other		10,458,476	8,692,389	1,766,087
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				297,534,152

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

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

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

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

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) Other Receivables	58,488,314
(2) Self Insurance Trusts	39,738,603
(3) Trusts - Bond Funds	21,153,036
(4) Other Assets	20,821,564
(5) Construction in Progress	15,247,222
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	155,448,739

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
Estimated Prof Liability & Worker Comp Costs	53,829,715
Due to Payor Agencies	56,568,732
Derivative Instrument	45,826,670
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	156,225,117

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

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	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	

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

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

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

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

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Cumberland County Hospital System Inc

Employer identification number
56-0845796

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .	1a	Yes	
b	If "Yes," is it a written policy?	1b	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 ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ 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			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %	3a	Yes	
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . . ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☑ Other 500.000000000000 %	3b	Yes	
c	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			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . .	5a		No
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Does the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			24,840,230	1,927,500	22,912,730	3 090 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			39,093,500	25,480,000	13,613,500	1 840 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			63,933,730	27,407,500	36,526,230	4 930 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			75,000		75,000	0 010 %
f Health professions education (from Worksheet 5)			3,176,000	3,080,000	96,000	0 010 %
g Subsidized health services (from Worksheet 6)			17,745,330	10,455,500	7,289,830	0 980 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			10,000		10,000	0 %
j **Total** Other Benefits			21,006,330	13,535,500	7,470,830	1 000 %
k **Total.** Add lines 7d and 7j			84,940,060	40,943,000	43,997,060	5 930 %

Part II **Community 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
1	Physical improvements and housing						
2	Economic development						
3	Community support						
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building			160,000	0	160,000	0 020 %
7	Community health improvement advocacy						
8	Workforce development			45,000	0	45,000	0 010 %
9	Other						
10	**Total**			205,000		205,000	0 030 %

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1			No
2	Enter the amount of the organization's bad debt expense (at cost)	2	25,913,000		
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	3			
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)	5	173,683,733
6	Enter Medicare allowable costs of care relating to payments on line 5	6	192,961,760
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-19,278,027
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☑ Cost accounting system ☐ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a	Yes		
b	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	9b	Yes		

Part IV **Management 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					

Part V Facility Information

Section A. Hospital Facilities

(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? 3

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Bladen County Hospital 501 South Poplar Street Elizabethtown, NC 28337	X				X		X		
2	Highsmith Rainey Hospital 150 Robeson Street Fayetteville, NC 28301									Long Term Acute Care Hospital
3	Cape Fear Valley Health System 1638 Owen Drive Fayetteville, NC 28304	X	X					X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Name of Hospital Facility: NA

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in the execution of a community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals?	9		
If "Yes," indicate the FPG family income limit for eligibility for free care __%			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10		
If "Yes," indicate the FPG family income limit for eligibility for discounted care __%			
11 Explained the basis for calculating amounts charged to patients?	11		
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☐ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	12		
13 Included measures to publicize the policy within the community served by the hospital facility?	13		
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted at all times on the hospital facility's web site			
b ☐ The policy was attached to all billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
f ☐ The policy was available upon request			
g ☐ Other (describe in Part VI)			

Billing and Collections

14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14		
15 Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
16 Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year?	16		
If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
17 Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)			
a ☐ Notified patients of the financial assistance policy upon admission			
b ☐ Notified patients of the financial assistance policy prior to discharge			
c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☐ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance			
e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**		
If "No," indicate the reasons why (check all that apply)			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility did not have a policy relating to emergency medical care			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Charges for Medical Care

19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a ☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b ☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c ☐ The hospital facility used the Medicare rate for those services			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient?	**21**		
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Name of Hospital Facility: NA

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 2

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in the execution of a community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals?	9		
If "Yes," indicate the FPG family income limit for eligibility for free care __%			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10		
If "Yes," indicate the FPG family income limit for eligibility for discounted care __%			
11 Explained the basis for calculating amounts charged to patients?	11		
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☐ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	12		
13 Included measures to publicize the policy within the community served by the hospital facility?	13		
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted at all times on the hospital facility's web site			
b ☐ The policy was attached to all billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
f ☐ The policy was available upon request			
g ☐ Other (describe in Part VI)			

Billing and Collections

14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14		
15 Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
16 Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year?	16		
If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
17 Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)			
a ☐ Notified patients of the financial assistance policy upon admission			
b ☐ Notified patients of the financial assistance policy prior to discharge			
c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☐ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance			
e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**		
If "No," indicate the reasons why (check all that apply)			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility did not have a policy relating to emergency medical care			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Charges for Medical Care

19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a ☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b ☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c ☐ The hospital facility used the Medicare rate for those services			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient?	**21**		
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Name of Hospital Facility: NA

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 3

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
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a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in the execution of a community-wide community benefit plan			
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f ☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
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7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals?	9		
If "Yes," indicate the FPG family income limit for eligibility for free care __%			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10		
If "Yes," indicate the FPG family income limit for eligibility for discounted care __%			
11 Explained the basis for calculating amounts charged to patients?	11		
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☐ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	12		
13 Included measures to publicize the policy within the community served by the hospital facility?	13		
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted at all times on the hospital facility's web site			
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c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
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14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14		
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a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
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16 Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year?	16		
If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
17 Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)			
a ☐ Notified patients of the financial assistance policy upon admission			
b ☐ Notified patients of the financial assistance policy prior to discharge			
c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☐ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance			
e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**		
If "No," indicate the reasons why (check all that apply)			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility did not have a policy relating to emergency medical care			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Charges for Medical Care

19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a ☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b ☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c ☐ The hospital facility used the Medicare rate for those services			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient?	**21**		
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

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? _____

	Name and address	Type of Facility (Describe)
1		
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the 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
		Part II Cumberland County Hospital System, Inc ("CCHS") reported coalition building and workforce development details in the Community Building Activities Part II Coalition building promotes the health of the communities it serves by networking with other community agencies to address the health and safety issues of the community The employees of CCHS utilize their clinical expertise to collaborate with other community agencies and county and state health departments to provide education and other initiatives that benefit the health of people in the community Workforce development activities include the recruitment of physicians and other health professionals to medical shortage areas

Identifier	ReturnReference	Explanation
		Part III, Line 4 A patient's record is reviewed for possible charity care and if the patient does not qualify for charity and the patient then does not pay, their charges are written-off as bad debt Amounts in 2 are determined by calculating a cost-to-charge ratio Total expenses (less bad debt and other operating revenue) is divided into total gross patient revenue Total bad debt charges are multiplied by this percentage

Identifier	ReturnReference	Explanation
		Part III, Line 8 Cumberland County Hospital Systems, Inc treats the total shortfall of Medicare reimbursement compared to the amount of computed Medicare allowable costs as a community benefit The hospital improves access to patient care by providing services regardless of a patient's ability to pay or the hospital's ability to receive full cost reimbursement for services The hospital also relieves the government of a financial burden when it provides care to publicly insured patients where reimbursement is less than cost of providing the service

Identifier	ReturnReference	Explanation
		Part III, Line 9b If determined to qualify for charity, account is written-off to charity rather than bad debt

Identifier	ReturnReference	Explanation
		Cumberland County Hospital System files a community benefit report annually in the state of North Carolina to the NC Hospital Association

Identifier	ReturnReference	Explanation
		Part VI, Line 2 The mission of Cape Fear Valley Health System is to strengthen the health and well-being of the greater Cape Fear Valley region through high-quality, compassionate care provided to all who need it As a community not-for-profit organization, we take seriously our responsibility to invest our resources and energies into understanding and meeting the diverse health care needs of all, and ensure that everyone, regardless of their ability to pay, receive the care they need Our facility is a member of a group called Greater Fayetteville Futures As a member of this group we participate in community meetings to gain insight needs and community suggestions The Senior Administrative team serves in various capacities on several local community boards and groups As members of these various groups, they are able to gain insight to needs of the community Our community partners are critical to helping us improve the health and well-being of the Cape Fear Valley region Together, we can combine resources and strengths, positively impacting the greatest number of people By working closely with the community leaders, we also build a greater sense of community and a shared commitment toward our common goal of improving the community's health The results help us to determine our short and long term priorities as well as strategies for improving community health Those community groups and partners CCCC, SRAHEC, CCMAP, Chamber of Commerce, Fayetteville Area PR Alliance, Cumberland County Education Foundation, Communities in Schools of NC, Fort Bragg Regional Alliance, Care Clinic, and the Methodist University Physician Assistant program

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Uninsured patients are screened at the time of registration for their ability to pay for their health care services If the patient has no ability to pay and is deemed ineligible for governmental programs (Medicare, Medicaid, etc) then they are informed of the Hospital Charity program They are provided with an application and a listing of the appropriate documents necessary to establish eligibility for the Hospital Charity program All patients receive a copy of our Charity Care Application accompanying the first billing statement

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Cumberland County Hospital System, Inc ("CCHS") doing business as Cape Fear Valley Medical Center ("CFVMC") is the flag ship of Cape Fear Valley Health System ("CFVHS") CFVHS operates a variety of healthcare facilities from its headquarters in Fayetteville, North Carolina including a tertiary acute care hospital, a long-term acute care hospital, a critical access hospital, an inpatient rehabilitation facility, county emergency medical services, an outpatient psychiatric facility, a detoxification facility, a wellness center, 13 primary care clinics, 16 specialty care clinics, 5 walk-in clinics, and Health Pavilion North, an outpatient complex Cape Fear Valley Health System serves a six-county service area made up of the five counties contiguous to Cumberland County, NC, which is its Primary Service Area Per information from the 2010 Census Data, Cumberland has a population of over 319,000 residents, this was a growth of 5 4% from the 2000 Census Data Approximately 48 6% of the 319,000 residents in our primary service area are minorities, compared to 31 5% for the state

Identifier	ReturnReference	Explanation
		Part VI, Line 6 Chronic diseases like diabetes and obesity are increasing within our community Our facility has opened a diabetes and endocrine clinic to help those patients diagnosed with diabetic Our healthplex provides both nutritional and exercise programs to help those in the community address the problem of obesity The goal is to help all residents learn to manage their conditions and live healthier lives by addressing the challenges associated with these conditions Example of Program at Cape Fear Valley Cape Fear Valley Health System's Take Charge of Your Health Program began as an initiative to close the healthcare gap between African-Americans and non-Hispanic Whites in Cumberland County through public service announcements, health fairs, screenings and speaking engagements It has since broadened its focus to all of Cumberland County Darvin Jones is the Coordinator of Take Charge of Your Health Program He serves on the Board of Directors of Community Health Interventions & Sickle Cell Agency, a non-profit that works with individuals with sickle cell disease, hypertension and diabetes Darvin is also a member of the Cumberland County Council for Healthy Living, a group assembled by the Health Department, and the Cumberland County Schools School Health Advisory Council Take Charge of Your Health is affiliated with Eat Smart, Move More North Carolina, a statewide initiative At Cape Fear Valley Health System, it is important to us to give back to our community In addition to employee United Way donations and volunteer time, our employees participate in a variety of community service initiatives, to include Habitat for Humanity and the Friends of Cancer River Walk Last year our employees gave over $150,000 in donations to various community organizations

Identifier	ReturnReference	Explanation
		Part VI, Line 7 Cumberland County Hospital System is a stand-alone health care organization and is not a part of an affiliated health care system

Identifier	ReturnReference	Explanation
Reports Filed With States	Part VI, Line 7	NC

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Cumberland County Hospital System Inc

Employer identification number
56-0845796

Part I General Information on Grants and Assistance

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

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

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

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Part II can be duplicated if additional space is needed. . . . ▶ ☐

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) Cape Fear Valley Health FoundationPO Box 87526 Fayetteville, NC 28304	56-1947017	501(c)(3)		171,241			General Support
(2) UNC - Chapel Hill104 Airport Drive CB1220 Chapel Hill, NC 27599	56-6001393	501(c)(3)		10,000			General Support

2 Enter total number of section 501(c)(3) and government organizations . . . ▶ 2

3 Enter total number of other organizations . . . ▶ 0

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. Use Schedule I-1 (Form 990) if additional space is needed.

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

Part IV **Supplemental Information.** Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 Cumberland County Hospital System awards grants to patients for purposes of assisting them in paying various bills and other expenses which the patients cannot pay due their excessive medical expenses required for treating illness Patients apply and applications are reviewed by hospital social workers Any funds granted are not paid directly to the patients, instead the funds are paid directly to the organization for which patient owes the bill and/or expense

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Cumberland County Hospital System Inc

Employer identification number
56-0845796

Part I Questions Regarding Compensation

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

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

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

Note. The sum of columns (B)(i)-(iii) 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) Joyce Korzen	(i)	0	0	177,408	13,605	1,824	192,837	0
	(ii)	0	0	0	0	0	0	0
(2) Michael Nagowski	(i)	466,807	145,741	24,802	60,529	8,800	706,679	0
	(ii)	0	0	0	0	0	0	0
(3) Sandra Williams	(i)	321,083	101,384	25,527	9,900	4,002	461,896	0
	(ii)	0	0	0	0	0	0	0
(4) Michael Harrington	(i)	163,065	8,461	11,312	4,231	2,517	189,586	0
	(ii)	0	0	0	0	0	0	0
(5) Richard Osenbach	(i)	721,704	16,500	1,231	4,900	5,880	750,215	0
	(ii)	0	0	0	0	0	0	0
(6) John Spitalieri	(i)	721,087	0	802	0	6,333	728,222	0
	(ii)	0	0	0	0	0	0	0
(7) Stuart Shelton	(i)	399,536	73,515	19,682	9,900	6,701	509,334	0
	(ii)	0	0	0	0	0	0	0
(8) Matthew Wells	(i)	406,567	29,828	10,477	8,794	6,812	462,478	0
	(ii)	0	0	0	0	0	0	0
(9) Bradley Setser	(i)	395,936	33,801	17,014	9,900	3,876	460,527	0
	(ii)	0	0	0	0	0	0	0
(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
	Part I, Line 4a	Joyce Korzen received severance in the amount of $116,934 during the calendar year ending December 31, 2010
	Part I, Line 6	A component of the CEO's bonus at year end is dependent on the financial standing of the organization No specific percentage is tied to net income

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Cumberland County Hospital System Inc

Employer identification number
56-0845796

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	6579022Y7	05-04-2006	37,995,351	Construction and Equipment		X		X		X
B	North Carolina Medical Care Commission	52-1309402	65821DAL5	09-23-2008	285,335,000	To refund bonds issued 5/4/2006, and to fund building costs		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	21,520,000	2,420,000		
2	Amount of bonds legally defeased				
3	Total proceeds of issue	39,439,715	285,335,000		
4	Gross proceeds in reserve funds	366,802	14,626,234		
5	Capitalized interest from proceeds	2,974,844			
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	352,680	3,722,838		
8	Credit enhancement from proceeds	683,338			
9	Working capital expenditures from proceeds	12,370			
10	Capital expenditures from proceeds	35,416,483	10,007,178		
11	Other spent proceeds	260,250,000	260,250,000		
12	Other unspent proceeds				
13	Year of substantial completion	2008	2008		

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X	X					
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?	X		X					
b	Are there any research agreements that may result in private business use of bond-financed property?		X		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		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 ▶								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		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		X				
2	Is the bond issue a variable rate issue?		X	X					
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		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	X					
b	Name of provider	Morgan Stanley		Morgan Stanley					
c	Term of GIC	1 100000000000		1 100000000000					
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X		X					
5	Were any gross proceeds invested beyond an available temporary period?		X		X				
6	Did the bond issue qualify for an exception to rebate?	X		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
		Differences between the issue price (Part I) and total proceeds (Part II, line 3) are due to investment earnings Part II, line 4, column A - The amount shown here consists of debt service fund deposits Part II, line 4, column B - The amount shown here consists of $3,265,841 of debt service fund deposits plus $11,360,393 in a reasonably required reserve or replacement fund

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Cumberland County Hospital System Inc

Employer identification number
56-0845796

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 7a		The Board of Trustees of Cumberland County Hospital System shall be comprised of seven Trustees who are the seven members of the Cumberland County Board of Commissioners The Board of Trustees will also have eight at large trustees who are appointed by the Board of Commissioners The remaining five at large members are appointed by the Board of Trustees

Identifier	Return Reference	Explanation
Form 990, Part VI, Section B, line 11		The process the organization uses to review the Form 990 consists of providing the Form 990 to the Cumberland County Hospital System's Board of Trustees by electronic copy Board Members will be given time to do a thorough review before the filing date of August 15, 2012

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	Cumberland County Hospital System, Inc regularly and consistently monitors and enforces compliance with the conflict of interest policy in that any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of the committees with governing board delegated powers considering the proposed transaction or arrangement The remaining individuals on the governing board or committee meeting will decide if conflicts of interest exist Each director, principal officer and member of a committee with governing board delegated powers annually signs a statement which affirms such person has received a copy of the conflicts of interest policy, has read and understands the policy, has agreed to comply with the policy, and understands that the organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish its tax-exempt purpose

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	A human resources consulting firm is retained by Cumberland County Hospital Systems, Inc to review the competitiveness and reasonableness of the compensation provided to the CEO and other top management personnel

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	Provided upon request

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized losses on investments -20,285,384

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" 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
Cumberland County Hospital System Inc

Employer identification number
56-0845796

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
(1) Cape Fear Insurance LTD PO Box 30600 SMB West Bay Road F Grand Cayman, Cayman Island CJ 98-0449284	Insurance	CJ	10,986,078	36,366,448	100
(2) Bladen County Healthcare LLC PO Box 2000 Fayetteville, NC 28302 80-0164702	Health Services	NC	32,820,407	12,489,612	100
(3) Cumberland Health Affiliates LLC PO Box 2000 Fayetteville, NC 28302 56-2275588	Health Services	NC	0	0	100
(4) Valley Health Facilities LLC PO Box 2000 Fayetteville, NC 28302 20-4268819	Health Services	NC	0	0	100

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

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

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
(1) Highsmith-Rainey Medical Arts Center Assoc PO Box 2000 Fayetteville, NC28302 56-1747424	Rental Association	NC	Cumberland County Hospital System Inc	C	-70,870	918,963	100 000 %
(2) Cumberland Health Partners Inc PO Box 2000 Fayetteville, NC28302 56-2043978	Behavioral Health Care	NC	Cumberland County Hospital System Inc	C			100 000 %

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

		Yes	No
1	During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?		
a	Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	**1a**	**No**
b	Gift, grant, or capital contribution to other organization(s)	**1b**	**No**
c	Gift, grant, or capital contribution from other organization(s)	**1c**	**No**
d	Loans or loan guarantees to or for other organization(s)	**1d**	**No**
e	Loans or loan guarantees by other organization(s)	**1e**	**No**
f	Sale of assets to other organization(s)	**1f**	**No**
g	Purchase of assets from other organization(s)	**1g**	**No**
h	Exchange of assets	**1h**	**No**
i	Lease of facilities, equipment, or other assets to other organization(s)	**1i**	**No**
j	Lease of facilities, equipment, or other assets from other organization(s)	**1j**	**No**
k	Performance of services or membership or fundraising solicitations for other organization(s)	**1k**	**No**
l	Performance of services or membership or fundraising solicitations by other organization(s)	**1l**	**No**
m	Sharing of facilities, equipment, mailing lists, or other assets	**1m**	**No**
n	Sharing of paid employees	**1n**	**No**
o	Reimbursement paid to other organization for expenses	**1o**	**No**
p	Reimbursement paid by other organization for expenses	**1p**	**No**
q	Other transfer of cash or property to other organization(s)	**1q**	**Yes**
r	Other transfer of cash or property from other organization(s)	**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)				
(2)				
(3)				
(4)				
(5)				
(6)				

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproprtionate allocations?		(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No

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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Form **4562**

Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

OMB No 1545-0172

2010

Attachment Sequence No **67**

Name(s) shown on return	Business or activity to which this form relates	**Identifying number**
Cumberland County Hospital System Inc	Form 990 Page 10	56-0845796

Part I **Election To Expense Certain Property Under Section 179**

Note: *If you have any listed property, complete Part V before you complete Part I.*

1 Maximum amount See the instructions for a higher limit for certain businesses	**1**	500,000
2 Total cost of section 179 property placed in service (see instructions)	**2**	
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	**3**	2,000,000
4 Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	**4**	
5 Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	**5**	

6	**(a)** Description of property	**(b)** Cost (business use only)	**(c)** Elected cost

7 Listed property Enter the amount from line 29	**7**		
8 Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	**8**		
9 Tentative deduction Enter the **smaller** of line 5 or line 8	**9**		
10 Carryover of disallowed deduction from line 13 of your 2009 Form 4562	**10**		
11 Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions)	**11**		
12 Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	**12**		
13 Carryover of disallowed deduction to 2011 Add lines 9 and 10, less line 12 ▶	**13**		

Note: *Do not use Part II or Part III below for listed property. Instead, use Part V.*

Part II **Special Depreciation Allowance and Other Depreciation (Do not** include listed property **)** (See instructions)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	**14**	
15 Property subject to section 168(f)(1) election	**15**	
16 Other depreciation (including ACRS)	**16**	

Part III **MACRS Depreciation (Do not** include listed property.**)** (See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2010	**17**	
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ ☐		

Section B—Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

	(a) Classification of property	**(b)** Month and year placed in service	**(c)** Basis for depreciation (business/investment use only—see instructions)	**(d)** Recovery period	**(e)** Convention	**(f)** Method	**(g)** Depreciation deduction
19a	3-year property						
b	5-year property						
c	7-year property						
d	10-year property						
e	15-year property						
f	20-year property						
g	25-year property			25 yrs		S/L	
h	Residential rental property			27 5 yrs	MM	S/L	
				27 5 yrs	MM	S/L	
i	Nonresidential real property			39 yrs	MM	S/L	
					MM	S/L	

Section C—Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

20a	Class life				S/L	
b	12-year		12 yrs		S/L	
c	40-year		40 yrs	MM	S/L	

Part IV **Summary** (see instructions)

21 Listed property Enter amount from line 28	**21**	
22 **Total.** Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	**22**	31,413,299
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	**23**	

Part V **Listed Property** (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

Note: *For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete* ***only*** *24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.*

Section A—Depreciation and Other Information (Caution: *See the instructions for limits for passenger automobiles.***)**

24a Do you have evidence to support the business/investment use claimed? ☐ **Yes** ☐ **No** | **24b** If "Yes," is the evidence written? ☐ **Yes** ☐ **No**

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation/ deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)						**25**		
26 Property used more than 50% in a qualified business use								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use								
		%				S/L -		
		%				S/L -		
		%				S/L -		
28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1						**28**		
29 Add amounts in column (i), line 26 Enter here and on line 7, page 1						**29**		

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person
If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year (**do not** include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal(noncommuting) miles driven												
33 Total miles driven during the year Add lines 30 through 32												
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons (see instructions)

	Yes	**No**
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions)		
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles		

Part VI **Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2010 tax year (see instructions)					
43 Amortization of costs that began before your 2010 tax year				**43**	
44 Total. Add amounts in column (f) See the instructions for where to report				**44**	

Cumberland County Hospital System, Inc.

(d/b/a Cape Fear Valley Health System)

Financial Statements as of and for the
Years Ended September 30, 2011 and 2010,
Required Supplementary Information
as of and for the Years Ended
September 30, 2006 Through September 30, 2011,
and Independent Auditors' Report

CUMBERLAND COUNTY HOSPITAL SYSTEM, INC.
(d/b/a Cape Fear Valley Health System)

TABLE OF CONTENTS

CUMBERLAND COUNTY HOSPITAL SYSTEM, INC.
(d/b/a Cape Fear Valley Health System)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
(Dollar amounts in thousands)

This section of the Cape Fear Valley Health System's (the "Health System") annual financial report presents our analysis of the Health System's financial performance during the years ended September 30, 2011 and 2010. Please read this analysis in conjunction with the financial statements, which follow this section.

Overview of the Financial Statements

This annual financial report includes this management's discussion and analysis report, the independent auditors' report, and the financial statements of the Health System and required supplementary information. The financial statements also include notes that explain in more detail some of the information in the financial statements. As required by accounting principles generally accepted in the United States of America, the financial statements also include the Health System's discreetly presented component units, the Cape Fear Valley Medical Foundation (the "Foundation") and Bladen Healthcare, LLC (d/b/a Cape Fear Valley - Bladen County Hospital) ("Bladen County Hospital" or "Bladen").

Required Financial Statements

The Health System's financial statements report information of the Health System using accounting methods similar to those used by private sector health care organizations. These statements offer short- and long-term financial information about its activities. The balance sheets include all of the Health System's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Health System creditors (liabilities). The balance sheets also provide the basis for evaluating the capital structure of the Health System and assessing the liquidity and financial flexibility of the Health System.

Revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net assets. These statements measure the success of the Health System's operations and can be used to determine whether the Health System has successfully recovered all of its costs through its fees and other sources of revenue, profitability, and creditworthiness.

The final required statements are the statements of cash flows. These statements report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. They also provide information on where cash came from, what cash was used for, and what the change was in the cash balance during the reporting period.

Financial Analysis of the Health System

The balance sheets and the statements of revenues, expenses, and changes in net assets report the net assets of the Health System and the changes in them. The Health System's net assets — the difference between assets and liabilities — is a way to measure financial health or financial position. Over time, increases or decreases in the Health System's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other nonfinancial factors, such as changes in economic conditions, population growth, and new or changed governmental legislation.

Net Assets

A summary of the Health System's balance sheets as of September 30, 2011, 2010, and 2009, is presented in Table A-1

Table A-1
Condensed Balance Sheets
of Cape Fear Valley Health System
As of September 30, 2011, 2010, and 2009

	2011	2010	2009
Current assets	$221,772	$241,103	$213,335
Capital assets — net	311,647	310,628	316,222
Other noncurrent assets	319,247	283,933	234,378
Total assets	$852,666	$835,664	$763,935
Long-term debt, including current maturities	$286,382	$291,925	$297,535
Other liabilities	210,778	201,821	151,345
Total liabilities	497,160	493,746	448,880
Invested in capital assets — net of related debt	41,026	48,146	44,808
Restricted	9,599	4,902	9,514
Unrestricted	304,881	288,870	260,733
Total net assets	355,506	341,918	315,055
Total liabilities and net assets	$852,666	$835,664	$763,935

The net assets of the Health System increased to $355,506 during 2011 and increased to $341,918 during 2010 The increase in net assets in 2011 was due to favorable results of operations net of unfavorable returns on the Health System's investments The increase in net assets in 2010 was due to favorable results of operations and favorable returns on the Health System's investments

The net assets of the Cape Fear Valley Medical Foundation, Inc (the "Foundation") increased to $3,879 and $3,685 during 2011 and 2010, respectively The increase in 2011 was due to an increase in operating income

Bladen County Hospital had a deficiency of net assets of $10,629 and $7,856 as of September 30, 2011 and as of September 30, 2010, respectively, as a result of expenses exceeding revenues during each period

Revenues, Expenses, and Changes in Net Assets

While the balance sheets show the change in financial position of net assets, the statements of revenues, expenses, and changes in net assets provide information about the nature and source of these changes

Table A-2
Condensed Statements of Revenues, Expenses, and Changes in Net Assets of Cape Fear Valley Health System
For the Years Ended September 30, 2011, 2010, and 2009

	2011	2010	2009
Operating revenues	$ 640,915	$ 585,726	$ 563,795
Operating expenses	623,464	575,618	555,610
Operating income	17,451	10,108	8,185
Nonoperating (loss) income	(3,863)	16,755	11,354
Change in net assets	13,588	26,863	19,539
Net assets			
Beginning	341,918	315,055	295,516
Ending	$ 355,506	$ 341,918	$ 315,055

The Health System's operating revenues increased $55,189, or 9 4%, in 2011 compared to 2010 and $21,931, or 3 9%, in 2010 compared to 2009 The increases in 2011 and 2010 operating revenues were primarily due to an increase in patient volumes, rate increases, and improved revenue collection efforts compared to the prior years Total discharges were 7 5% higher in the fiscal year ended September 30, 2011 than in the fiscal year ended September 30, 2010, physician practice visits were 11 9% higher in the fiscal year ended September 30, 2011 than in the fiscal year ended September 30, 2010, and outpatient visits in most areas increased slightly

Operating expenses increased $47,846, or 8 3%, in 2011 compared to 2010 and $20,008, or 3 6%, in 2010 compared to 2009 The increase in total expenses included increases in salaries and fringe benefits of 8 2% and medical supplies and other expenses of 9 9% Salaries and fringe benefits increased due to additional staffing in clinical areas including new nursing units opening, new physician practices, and higher costs related to pension funding and health benefits The increase in medical supplies and other expenses primarily resulted from increased expenditures for professional liability and the allowance related to a receivable due from Bladen County Hospital, and patient volume and price increases related to pharmaceuticals and supplies Nonoperating (loss) income decreased $20,618 in 2011 compared to 2010, and increased $5,401 in 2010 compared to 2009 These changes in nonoperating income are attributed to unrealized investment losses being incurred during 2008 and a subsequent recovery of investment values during 2009 and 2010 In 2011 losses in unrealized investment income occurred in the last two months of the year Prior to that late-year decline, investments had accumulated unrealized gains

The Foundation's operating revenues increased in 2011 by 23 4% compared to 2010 and remained the same in 2010 compared to 2009

The Foundation's operating expenses increased $81, or 14 4%, in 2011 compared to 2010 and increased $12, or 2%, in 2010 compared to 2009

Bladen County Hospital's expenses exceeded its revenues by $2,773 for the year ended September 30, 2011, as compared to $2,790 for the year ended September 30, 2010

Capital Assets and Debt Administration

The Health System has invested $311,647, $310,628, and $316,222 in net capital assets as shown in Table A-3, for fiscal years 2011, 2010, and 2009, respectively. Construction-in-progress related to improvement projects decreased $6,068 and decreased $14,315 during 2011 and 2010, respectively. The decrease in 2010 is reflective of the Emergency Generator Building becoming operational. The Construction-in-progress amount in 2009 relates primarily to the construction of Valley Pavilion, which opened in October 2008. Valley Pavilion is a six-story building expansion that includes an expanded Emergency Department. The Emergency Department is larger and has increased its size from 57 to 76 rooms. Valley Pavilion also includes State of the Art Imaging Services and a first-class Heart and Vascular Center, including 36 observation beds. The addition of Valley Pavilion increased the Health System's inpatient acute care beds from 394 to 490.

Table A-3
Capital Assets
of Cape Fear Valley Health System
As of September 30, 2011, 2010, and 2009

	2011	2010	2009
Land and land improvements	$ 30,075	$ 25,906	$ 25,610
Buildings	382,810	375,595	354,114
Equipment	242,945	220,181	205,440
Construction-in-progress	9,153	15,221	29,536
Subtotal	664,983	636,903	614,700
Accumulated depreciation	(353,336)	(326,275)	(298,478)
Net capital assets	$ 311,647	$ 310,628	$ 316,222

On September 23, 2008, the Health System closed a Debt Restructuring Project that resulted in the removal of the Series 2006B synthetic fixed rate and variable interest auction rate bonds by issuing Series 2008A and 2008C fixed and variable rate revenue bonds, totaling $285,335. The Health System has a Letter of Credit in conjunction with its 2008A Series bonds in the amount of $153,700 (see Note 5 to the financial statements).

At year-end, the Health System had $280,222 and $286,020 of long-term bond principal outstanding in 2011 and 2010, respectively. The Health System made principal payments of $5,905 and $5,670 for 2011 and 2010, respectively. More detailed information about the Health System's capital debt is presented in Note 5 to the financial statements.

The Foundation has invested $7, $9, and $11 in capital assets for fiscal years 2011, 2010, and 2009, respectively. The decreases in capital assets over time are due to normal annual depreciation.

Bladen County Hospital has invested $1,134, $561, and $488 in capital assets for the fiscal years 2011, 2010, and 2009, respectively. The increases in capital assets over time are due to routine replacement of capital equipment and minor building renovations and upkeep.

Economic and Other Factors

The infusion of military, civilian, and supporting contractors is expected to provide a boost to the Cumberland County economy and lead to more than a $524 million increase in Gross Regional Product by 2013 The Fort Bragg expansion as part of the Base Realignment and Closure Act (BRAC) is expected to also account for an additional $68 million in personal income, $587 million in disposable income, $403 million in output (sales), and $792 million in demand in 2013 The total population for Cumberland County and surrounding counties in 2013 is expected to increase by 40,000 as a result of military and civilian expansion Management believes that the additional projected growth in population will drive an expansion in economic activity and increase demand for additional health care services The Health System has begun to see the effects of that growth in its patient volume increases during 2011

The Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Affordability Reconciliation Act, which contains a number of amendments to PPACA, was signed into law in March 2010 These health care bills (collectively, the "Reform Legislation") seek to increase the number of persons with access to health insurance in the United States by requiring substantially all U S citizens to maintain medical insurance coverage The Reform Legislation makes a number of other changes to Medicare and Medicaid, such as reductions to the annual market basket update for federal fiscal years 2010 through 2019, a productivity offset to the market basket update beginning October 1, 2011, and a reduction to the disproportionate share payments The various provisions in the Reform Legislation that directly or indirectly affect reimbursement are scheduled to take effect over a number of years

Also included in the Reform Legislation are provisions aimed at reducing fraud, waste and abuse in the health care industry These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments The Reform Legislation amends several existing federal laws, including the Medicare Anti-Kickback Statute and False Claims Act, making it easier for government agencies and private plaintiffs to prevail in lawsuits brought against health care providers These amendments also make it easier for potentially severe fines and penalties to be imposed on health care providers accused of violating applicable laws and regulations

Management cannot predict the full impact the Reform Legislation may have on the Health System's financial position, results of operations, or cash flows Management stays abreast of the various provisions in the Reform Legislation and routinely analyzes the relevant issues as they develop for their potential impact

Finance Contact

The Health System's financial statements are designed to present users with a general overview of the Health System's finances and to demonstrate the Health System's accountability If you have any questions about the report or need additional financial information, please contact the Chief Financial Officer, Cape Fear Valley Health System, Post Office Box 2000, Fayetteville, North Carolina, 28302

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Cumberland County Hospital System, Inc
(d/b/a Cape Fear Valley Health System)
Fayetteville, North Carolina

We have audited the accompanying balance sheets of Cumberland County Hospital System, Inc (d/b/a Cape Fear Valley Health System) (the "Health System") and its discretely presented component units as of September 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Health System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Health System'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 financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

The schedule of plan funding progress under Governmental Accounting Standards Board (GASB) Statement No. 27 and GASB Statement No. 50 as of September 30, 2006 through September 30, 2011 (unaudited), the historical summary of actual and required pension contributions under GASB Statement No. 27 and GASB Statement No. 50 for the years ended September 30, 2006 through September 30, 2011 (unaudited), and Management's Discussion and Analysis, listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Deloitte + Touche LLP

January 31, 2012

CUMBERLAND COUNTY HOSPITAL SYSTEM, INC.
(d/b/a Cape Fear Valley Health System)

BALANCE SHEETS
AS OF SEPTEMBER 30, 2011 AND 2010
(In thousands)

	2011			2010		
	Cape Fear Valley Health System	Cape Fear Valley Health Foundation	Bladen County Hospital	Cape Fear Valley Health System	Cape Fear Valley Health Foundation	Bladen County Hospital
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 60,324	$ 445	$ 82	$ 67,262	$ 839	$ 740
Short-term investments	19,893	3,170	148	41,841	2,486	148
Patient accounts receivable — net	95,918		5,625	88,479		5,188
Other accounts receivable	10,103	261	1,802	10,332	360	941
Assets limited as to use — current portion	21,141			20,262		
Inventories	8,807		295	8,717		324
Prepaid expenses	5,586		453	4,210		385
Total current assets	221,772	3,876	8,405	241,103	3,685	7,726
CAPITAL ASSETS — Net	311,647	7	1,134	310,628	9	561
OTHER NONCURRENT ASSETS						
Assets limited as to use						
Designated for capital improvements	83,551			87,179		
Other trusted assets	39,751			54,380		
Total assets limited as to use	123,302	-	-	141,559	-	-
Investments	131,638			84,795		
Deferred outflows	45,827			37,097		
Other assets	18,480		2,951	20,482		3,015
Total other noncurrent assets	319,247	-	2,951	283,933	-	3,015
TOTAL	$852,666	$3,883	$ 12,490	$835,664	$3,694	$11,302
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	$ 24,202	$ 4	$ 1,141	$ 23,815	$ 9	$ 2,096
Salaries and benefits payable	24,596		1,856	34,180		2,140
Other liabilities and accruals	16,601		5,935	17,038		4,422
Estimated third-party payor settlements	53,367		3,202	52,031		
Current maturities of long-term debt	6,160			5,905		
Total current liabilities	124,926	4	12,134	132,969	9	8,658
LONG-TERM DEBT — Less current maturities	280,222			286,020		
INTEREST RATE SWAP LIABILITY	45,827			37,097		
OTHER LIABILITIES	46,185		10,985	37,660		10,500
COMMITMENTS AND CONTINGENCIES (Notes 10 and 13)						
NET ASSETS (DEFICIT)						
Invested in capital assets — net of related debt	41,026	7	1,134	48,146	9	561
Restricted	9,599	2,616		4,902	2,470	
Unrestricted	304,881	1,256	(11,763)	288,870	1,206	(8,417)
Total net assets (deficit)	355,506	3,879	(10,629)	341,918	3,685	(7,856)
TOTAL	$852,666	$3,883	$ 12,490	$835,664	$3,694	$11,302

See notes to financial statements

CUMBERLAND COUNTY HOSPITAL SYSTEM, INC.
(d/b/a Cape Fear Valley Health System)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In thousands)

	2011			2010		
	Cape Fear Valley Health System	Cape Fear Valley Health Foundation	Bladen County Hospital	Cape Fear Valley Health System	Cape Fear Valley Health Foundation	Bladen County Hospital
REVENUE						
Net patient service revenue	$620,082	$ -	$ 24,230	$566,535	$ -	$23,091
Other revenue	20,833	949	510	19,191	769	612
Total revenue	640,915	949	24,740	585,726	769	23,703
OPERATING EXPENSES						
Salaries	287,887		14,673	264,864		13,720
Fringe benefits	63,368		3,294	59,716		3,539
Medical supplies and other expenses	227,246	641	9,216	206,872	560	8,988
Depreciation and amortization	31,128	2	329	30,135	2	240
Interest expense	13,835		3	14,031		6
Total operating expenses	623,464	643	27,515	575,618	562	26,493
OPERATING INCOME (LOSS)	17,451	306	(2,775)	10,108	207	(2,790)
NONOPERATING (LOSS) INCOME	(3,863)	(112)	2	16,755	222	
CHANGE IN NET ASSETS (DEFICIT)	13,588	194	(2,773)	26,863	429	(2,790)
NET ASSETS (DEFICIT)						
Beginning of year	341,918	3,685	(7,856)	315,055	3,256	(5,066)
End of year	$355,506	$3,879	$(10,629)	$341,918	$3,685	$ (7,856)

See notes to financial statements

CUMBERLAND COUNTY HOSPITAL SYSTEM, INC.
(d/b/a Cape Fear Valley Health System)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In thousands)

	2011			2010		
	Cape Fear Valley Health System	Cape Fear Valley Health Foundation	Bladen County Hospital	Cape Fear Valley Health System	Cape Fear Valley Health Foundation	Bladen County Hospital
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from patients and insurers	$ 613.979	$ -	$ 26.995	$ 572.319	$ -	$ 21.250
Payments to employees	(360.839)		(18.251)	(323.854)		(16.621)
Payments to vendors	(212.617)	(546)	(11.142)	(195.577)	(705)	(5.937)
Other	25.926	949	509	19.831	771	610
Net cash provided by (used in) operating activities	66.449	403	(1.889)	72.719	66	(698)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of capital assets	(31.128)		(768)	(24.650)		(178)
Principal and interest payments on debt	(17.061)		(3)	(19.967)		(5)
Other long-term assets	2.003		(70)	600		
Funds (provided to) received from affiliate	(2.070)		2.070	(1.000)		1.000
Net cash (used in) provided by capital and related financing activities	(48.256)	-	1.229	(45.017)	-	817
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends on investments	11.067	121	2	8.227	52	(2)
Proceeds from the sale and maturity of investments	202.977	142		124.496	172	40
Purchases of investments	(239.175)	(1.060)		(146.382)	(961)	
Net cash (used in) provided by investing activities	(25.131)	(797)	2	(13.659)	(737)	38
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6.938)	(394)	(658)	14.043	(671)	157
CASH AND CASH EQUIVALENTS						
Beginning of year	67.262	839	740	53.219	1.510	583
End of year	$ 60.324	$ 445	$ 82	$ 67.262	$ 839	$ 740

(Continued)

CUMBERLAND COUNTY HOSPITAL SYSTEM, INC.
(d/b/a Cape Fear Valley Health System)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In thousands)

	2011			2010		
	Cape Fear Valley Health System	Cape Fear Valley Health Foundation	Bladen County Hospital	Cape Fear Valley Health System	Cape Fear Valley Health Foundation	Bladen County Hospital
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	$ 17,451	$ 306	$ (2,773)	$ 10,108	$ 207	$ (2,790)
Interest expense considered capital financing activity	13,835		3	14,031		6
Adjustments not affecting cash						
Provision for bad debts	82,669		8,081	76,395		6,935
Depreciation and amortization	31,128	2	329	30,135	2	240
Change in assets and liabilities						
Patient and other accounts receivable	(87,809)	100	(9,379)	(66,333)	(139)	(5,214)
Inventory and prepaid expenses	(1,467)		(39)	(292)		125
Accounts payable	(305)	(5)	(955)	(2,325)	(4)	(967)
Salaries and benefits payable	(9,584)		(285)	726		638
Other liabilities and accruals	19,195		(72)	(1,006)		329
Estimated third-party payor settlements	1,336		3,201	11,280		
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 66,449	$ 403	$ (1,889)	$ 72,719	$ 66	$ (698)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES — Property and equipment acquired through accounts payable	$ 1,776	$ -	$ -	$ 1,084	$ -	$ -

See notes to financial statements (Concluded)

1. REPORTING ENTITY

Cumberland County Hospital System, Inc., d/b/a Cape Fear Valley Health System (the "Health System"), was incorporated under the laws of North Carolina on July 7, 1964, by the Board of Commissioners of Cumberland County (the "County") for the primary purpose of operating and maintaining certain hospital facilities, owned by the County, under the terms and conditions of a management lease agreement with the County. On May 4, 2006, a transfer agreement (the "Transfer Agreement") was entered into with the County converting the Health System, as permitted under North Carolina General Statute (NCGS) § 131E-8, from a public hospital to a private, nonprofit hospital system. The Articles of Incorporation provide for the Health System to be governed by a board of trustees (the "Board of Trustees"), the majority of which are to be appointed by the County.

The Transfer Agreement also contains certain covenants that give the County a reversionary interest in the facilities and related property. Such covenants relate to the Health System's operation as a community general hospital, including the provision of services to indigent patients and adhering to certain requirements covering additional liens, additional debt, disposition of assets, maintaining certain financial strength ratios, and maintaining tax-exempt status among other criteria. The Health System was in compliance with all such covenants on September 30, 2011. In addition, the Transfer Agreement provides for an annual payment in lieu of taxes by the Health System to the County (see Note 10).

The Health System operates Cape Fear Valley Medical Center (CFVMC) (a 531-bed regional medical center), Behavioral Health Care (a 32-bed psychiatric care facility and outpatient clinic), Cape Fear Valley Rehabilitation Center (a 78-bed rehabilitation facility), Cumberland County Emergency Medical Services, Highsmith-Rainey Memorial Hospital (a 66-bed long-term acute care facility), Health Pavilion North (a multispecialty outpatient facility), 27 primary care and specialty physician practices in Fayetteville and surrounding communities, and the Healthplex (a medically oriented wellness center to provide cardiovascular conditioning and strength training). The assets, liabilities, revenue, and expenses of all these divisions are included in the accompanying financial statements.

Cape Fear Insurance, Ltd., SPC ("Cape Fear Insurance") is a legally separate, wholly owned subsidiary of the Health System. Its purpose is to provide professional and general liability insurance coverage to the Health System and to purchase reinsurance policies from external markets. Specialty Care LLC ("Specialty Care") is also a legally separate, wholly owned subsidiary of the Health System. Its purpose is to provide physician specialty services to areas outside Cumberland County. Hoke Health Services, LLC (HHS) is also a legally separate, wholly owned subsidiary of the Health System and is in the process of building a Health Pavilion. HHS's purpose is to provide outpatient care services to residents of Hoke County and southwestern Cumberland County. Cape Fear Insurance, Specialty Care, and HHS have been included as blended component units because the Health System is financially accountable for Cape Fear Insurance, Specialty Care, and HHS. Since Cape Fear Insurance and Specialty Care perform health care-related functions exclusively for the Health System, the blending method has been used to incorporate their financial statements into the Health System's financial statements. Under the blending method, transactions between the companies and the Health System that generate intercompany receivables, payables, revenues, and expenses are eliminated. After eliminations,

the remaining balances and transactions of Cape Fear Insurance, Specialty Care, and HHS are included in the Health System's assets, liabilities, revenues, and expenses Separate financial statements for Cape Fear Insurance, Specialty Care, and HHS can be obtained by contacting the administrative offices of the Health System

Discreetly Presented Component Units — As required by accounting principles generally accepted in the United States of America, these financial statements reflect the activities of the Health System and its discretely presented component units The Health System's component units are Cape Fear Valley Medical Foundation, Inc (d/b/a Cape Fear Valley Health Foundation) (the "Foundation"), and Bladen Healthcare, LLC (d/b/a Cape Fear Valley — Bladen County Hospital) ("Bladen County Hospital" or "Bladen")

The Foundation is a legally separate, nonstock charitable corporation Its purpose is to solicit and receive contributions to assist with and further the mission of the Health System The Foundation has been included as a component unit because almost all of the resources it holds are available to benefit the Health System and its patients The Foundation's financial statements have been incorporated into the Health System's financial statements using the discrete presentation method Under the discrete presentation method, intercompany receivables, payables, revenues, and expenses are not eliminated The Foundation's financial statements are included in a separate column apart from the Health System's financial statements Separate financial statements for the Foundation can be obtained by contacting the administrative offices of the Health System

On June 1, 2008, the "Health System, entered into a Lease and Operating Agreement (the "Agreement") with the County of Bladen, d/b/a Bladen County Hospital ("Bladen") The Agreement has an initial term of five years and can be renewed for five additional five-year terms Also on June 1, 2008, the Health System entered into a Sublease and Assignment Agreement (the "Sublease") with Bladen, a 100%-owned subsidiary of the Health System The Sublease assigned all rights, duties, and obligations under the Agreement to Bladen Under the Agreement, the Health System will pay $1,000 annually in monthly installments of $83 In addition, during the initial five-year term, the Health System will pay $2,500 or approximately $500 per year to fund necessary capital expenditures associated with the cost of capital replacement and expansion of Bladen All payments made by the Health System under the Agreement will be deposited in an escrow account to be released and disbursed according to the terms of the Agreement for capital improvements, repairs and maintenance, real property additions, alterations, construction of a new facility, and indemnification of the Health System for any breaches of the Agreement by the County of Bladen

Since the Agreement began, the Health System has provided cash to Bladen to fund its operations These transactions created a liability for Bladen and a related receivable for the Health System The liability for Bladen was $16,055 and $13,985 as of September 2011 and 2010, respectively The Health System has established an allowance on the receivable, resulting in a net receivable from Bladen of $9,486 and $10,985 as of September 2011 and 2010, respectively, and is included in the Health System's balance sheet within other assets

The accompanying Bladen financial statements have been prepared under the assumption that Bladen will continue as a going concern and do not include any adjustments relating to the recoverability and classification of asset carrying amounts that may result should it be unable to continue as a going concern Bladen has incurred operating losses of approximately $2 7 million in both fiscal years 2011 and 2010 In addition, Bladen had a net deficit of $10 6 million as of September 30, 2011 Through September 30, 2011, the Health System has provided Bladen with cash funding of approximately $16 million to support its operations, including $2 million in fiscal year 2011 The Health System affiliated with Bladen to protect and grow market share and to expand medical services to a neighboring

community The Health System plans to continue to provide cash funding to Bladen to support its ongoing operations, including approximately $1 million in both fiscal years 2012 and 2013 Further, the Health System will not require any repayments of the funding provided to date until Bladen's cash flows are sufficient to support its operations, which is expected to be in 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Presentation — In 1993, the Governmental Accounting Standards Board (GASB) issued GASB Statement No 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, which provides guidance on how GASB pronouncements affect government entities that use business-type accounting and financial reporting The provisions of the GASB Statement No 20 were effective for periods beginning after December 15, 1993 As is allowable under the GASB Statement No 20, the Health System has elected to follow the GASB hierarchy exclusively regarding authoritative literature issued after November 30, 1989

Use of Estimates — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period The Health System considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its financial statements, including the following recognition of net patient revenues, valuation of accounts receivable, including contractual allowances and provisions for bad debt, reserves for losses and expenses related to employee health care, professional, workers' compensation, and general liabilities, valuation of pension and other retirement obligations, and estimated third-party settlements Management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgments and estimates Actual results could differ from those estimates

Cash and Cash Equivalents — For purposes of the statements of cash flows, all highly liquid investments with an original maturity of three months or less, and which are not limited as to their use or been designated as short- or long-term investments, are considered to be cash equivalents and are recorded at cost, which approximates market

Patient Accounts Receivable — Net — The Health System's patient accounts receivable is recorded net of allowances for uncollectible accounts of $53,066 and $52,988 at September 30, 2011 and 2010, respectively The Health System's net patient revenue is shown net of provision for uncollectible accounts of $82,669 and $76,395 for the years ended September 30, 2011 and 2010, respectively

Bladen's patient accounts receivable is recorded net of allowances for uncollectible accounts of $3,930 and $5,386 at September 30, 2011 and 2010, respectively Bladen's net patient revenue is shown net of provision for uncollectible accounts of $8,081 and $6,935 for the years ended September 30, 2011 and 2010, respectively

Inventories — Inventories are stated at the lower of cost (first-in, first-out method) or market

Investments — Investments in marketable debt and equity securities with readily determinable fair values, including assets whose use is limited, are measured at fair value in the accompanying balance sheets Investment (loss) income (including realized and unrealized gains and losses on investments, interest, and dividends) of ($4,148) and $15,223 for the years ended September 30, 2011 and 2010, respectively, are included in nonoperating (loss) income in the accompanying financial statements

Assets Limited as to Use — Assets limited as to use consist of assets set aside by the Health System's Board of Trustees for future capital improvements over which the Board of Trustees maintains control and may, at its discretion, subsequently use for other purposes In addition, assets limited as to use consist of other trusteed assets, including amounts held in self-insurance accounts, and bond proceeds held by trustee consisting of cash and investments held for capital projects and debt service in accordance with the requirements of the Health System's bond indenture Investments held by the trustee required for obligations classified as current liabilities are reported in current assets

Other Assets — Other assets consist of goodwill, bond issuance costs, and investments in certain health care-related businesses Goodwill for the Health System is fully amortized as of September 30, 2010 Goodwill for Bladen is being amortized over a period of 25 years using the straight-line method Bond issuance costs, which include underwriters' discounts, printing costs, legal expenses, and other fees incurred in issuing the debt, are being amortized over the life of the debt using the effective interest method

Capital Assets — Capital assets are recorded at cost or, if donated, at fair market value on the date of receipt Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method Such depreciation is included in depreciation and amortization in the accompanying financial statements

Property Classification	Estimated Lives (Years)
Land improvements	12–20
Buildings	10–40
Equipment	3–10

Expenditures for repairs and maintenance are charged to expense as incurred, unless the betterments extend the useful lives of the assets, at which point these costs are capitalized Interest cost incurred on borrowed funds, less any interest earned on temporary investment of those funds, during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets

The Health System evaluates long-lived assets regularly for impairment under the provisions of GASB Statement No 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* If circumstances suggest that assets may be impaired, an assessment of recoverability is performed prior to any write-down of assets An impairment charge is recorded on those assets for which the estimated fair value is below its carrying amount No impairment charges to long-lived assets were recorded for the fiscal years ended September 30, 2011 and 2010

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

Interest Rate Swap — The fair value of the Health System's interest rate swap agreement is reported on the balance sheet as a liability and deferred outflows because Health System management has determined that the interest rate swap is an effective derivative instrument

Net Patient Service Revenue — Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors Retroactive

adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined

Net Assets — The financial statements utilize a net asset presentation Net assets are categorized as invested in capital assets, net of related debt, restricted, and unrestricted

Invested in capital assets, net of related debt, is intended to reflect the portion of net assets that are associated with nonliquid capital assets, less outstanding debt associated with the capital assets Restricted net assets are assets generated from revenues that have third-party limitation on their use Unrestricted net assets have no third-party restrictions on use

Statements of Revenues, Expenses, and Changes in Net Assets — All revenue and expenses directly related to the delivery of health care services are included in operating revenue and expenses in the statements of revenues, expenses, and changes in net assets Nonoperating revenue and expenses consist of those revenue and expenses that are related to financing and investing types of activities and result from nonexchange transactions or investment income

Estimated Malpractice Costs — The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported

New Accounting Pronouncements — On October 1, 2010 the Health System adopted GASB Statement No 59, *Financial Instruments Omnibus* GASB Statement No 59 addresses issues that have arisen in accounting for certain financial instruments and external investment pools GASB Statement No 59 had no impact on the financial statements of the Health System or its component units

In December 2010, the GASB issued GASB Statement No 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is effective for periods beginning after December 15, 2011 GASB Statement No 60 addresses how to account for and report service concession arrangements (SCA), a type of public-private or public-public partnership that governmental entities are increasingly entering into Common examples of SCAs include long-term arrangements in which a government (the "transferor") engages a company or another government (the "operator") to operate a major capital asset — such as toll roads, hospitals, and student housing — in return for the right to collect fees from users of the capital asset In these SCAs, the operator generally makes a large up-front payment to the transferor Alternatively, the operator may build a new capital asset for the transferor and operate it on the transferor's behalf The statement provides guidance on whether the transferor or the operator should report the capital asset in its financial statements, when to recognize up-front payments from an operator as revenue, and how to record any obligations of the transferor to the operator The statement also provides guidance for governments that are operators in an SCA The Health System is currently assessing GASB Statement No 60 to determine what effect, if any, adoption will have on the financial statements

In December 2010, the GASB issued GASB Statement No 61, *The Financial Reporting Entity Omnibus*, which is effective for periods beginning after June 15, 2012, with earlier application encouraged GASB Statement No 61 amends the requirements of GASB Statement No 14, *The Financial Reporting Entity*, and GASB Statement No 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* The statement relates to the information presented about the financial reporting entity, which is composed of a primary government and related entities (component units) The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials of the primary government by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that the government

determines would be misleading to exclude In addition, the statement amends the criteria for blending — that is, reporting component units as if they were part of the primary government — in certain circumstances The amendments to the criteria for blending will help ensure that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and will clarify which component units have that characteristic For primary governments that are business-type activities reporting in a single column, the new guidance for reporting blended component units will require condensed combining information to be included in the notes to the financial statements, which will allow users to better distinguish between the primary government and its component units Lastly, the new requirements for reporting equity interests in component units help ensure that the primary government's financial statements do not understate financial position and provide for more consistent and understandable display of those equity interests The Health System is currently assessing GASB Statement No 61 to determine what effect, if any, adoption will have on the financial statements

In December 2010, the GASB issued Statement No 62 — *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for reporting periods beginning after December 15, 2011 The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that was issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements including Financial Accounting Standards Board (FASB) statements and Accounting Principles Board Opinions This statement also supersedes GASB Statement No 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB statements that do not conflict with or contradict GASB pronouncements However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements The Health System is currently assessing GASB Statement No 62 to determine what effect, if any, adoption will have on the financial statements

In June 2011, the GASB issued Statement No 63 — *Financial Reporting of Deferred Outflows of resources, Deferred Inflows of Resources, and Net Pension*, effective for reporting periods beginning after December 15, 2011 This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources Concepts Statement No 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position This Statement amends the net asset reporting requirements in Statement No 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets
The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011 The Health System is currently assessing GASB Statement No 63 to determine what effect, if any, adoption will have on the financial statements

In June 2011, the GASB issued Statement No 64 — *Derivative Instrument Application of Hedge Accounting Termination Provisions*, effective for reporting periods beginning after June 15, 2011 The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider This Statement

sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011 The Health System is currently assessing GASB Statement No 64 to determine what effect, if any, adoption will have on the financial statements

3. CASH, INVESTMENTS, AND OTHER FINANCIAL INSTRUMENTS

Cash — As of September 30, 2011, the Health System's deposits had a carrying amount of $60,324 and a bank balance of $68,592 Of the bank balance, $500 was covered by federal depository insurance As of September 30, 2010, the Health System's deposits had a carrying amount of $67,262 and a bank balance of $70,322 Of the bank balance, $500 was covered by federal depository insurance

Investments and Assets Limited as to Use — In accordance with GASB Statement No 40, *Deposit and Investment Risk Disclosures — an amendment of GASB Statement No 3*, the Health System's investments are categorized by investment type As of September 30, 2011 and 2010, the Health System had the following investments (modified durations are in years)

	2011		2010	
Investment Type	**Fair Value**	**Modified Duration**	**Fair Value**	**Modified Duration**
Liquid funds and interest receivable				
Investment account cash (pending reinvestment)				
Short, noncurrent, and board-designated investments	$ 8,226	N A	$ 9,211	N A
Other trusteed assets — self-insurance	134	N A	12,860	N A
Other trusteed assets — bond related	21,153	N A	29,811	N A
	29,513		51,882	N A
Interest receivable				
Short, noncurrent, and board-designated investments	826	N A	852	N A
Other trusteed assets — self-insurance	236	N A	166	N A
	1,062	N A	1,018	N A
Subtotal of liquid funds and interest receivable	30,575	N A	52,900	N A
Short, intermediate, and broad duration funds				
Fixed-income notes — short, noncurrent, and board-designated investments	25,685	6 66	17,722	4 89
Fixed-income notes — short, noncurrent, and board-designated investments	64,732	N A	63,635	N A
U S treasury notes				
Short, noncurrent, and board-designated investments	7,163	17 55	4,249	6 18
Other trusteed assets — self-insurance	7,315	N A	12,750	N A
	104,895		98,356	
U S agency obligations				
Short, noncurrent, and board-designated investments	42,206	2 10	64,553	2 13
Other trusteed assets — self-insurance	17,139	N A	19,056	N A
	59,345		83,609	
Equities				
Asset-backed securities (mortgage related) — short, noncurrent, and board-designated investments	8,458	3 76	5,186	3 68
Domestic — short, noncurrent, and board-designated investments	52,484	N A	37,517	N A
Foreign — short, noncurrent, and board-designated investments	25,303	N A	10,889	N A
Other trusteed assets — self-insurance	14,914	N A		N A
Subtotal of short, intermediate, and broad duration funds	265,399		235,557	
Total fair value	$295,974		$288,457	

The Foundation held investments of $3,170 and $2,486 and as of September 30, 2011 and 2010, respectively Bladen held investments of $148 as of September 30, 2011 and 2010

Credit Risk — The Health System holds a combination of money market and fixed-income securities, including Government-Sponsored Enterprises (GSEs), such as the Federal Home Loan Mortgage Corporation ("Freddie Mac"), the Federal National Mortgage Association ("Fannie Mae"), and the Government National Mortgage Association ("Ginnie Mae") Based on the Transfer Agreement in May 2006, the Health System is no longer subject to NCGS §159-30, as such, the Health System holds certain nongovernmental equity investments

The credit quality ratings for the Health System's applicable securities as of September 30, 2011 and 2010, are listed below

Credit Quality Distribution for Securities with Credit Exposure as a Percentage of Total Investments	2011		2010	
	Rating	Investment Percentage	Rating	Investment Percentage
Fannie Mae	AAA	8 %	AAA	1 %
Freddie Mac	AAA	4	AAA	3
Federal Farm Credit Bank	AAA	1	AAA	2
Federal Home Loan Bank	AAA	2	AAA	3
Ginnie Mae	AAA	3	AAA	
Fixed income	AAA	11	AAA	6

Custodial Credit Risk — Custodial credit risk is the risk that the Health System will not be able to recover the value of its bank deposits, which are exposed to custodial credit risk if they are uninsured and uncollateralized

Fixed-income investments and equity securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Health System, and are held by either the counterparty or the counterparty's trust department or agent, but not in the Health System's name As of September 30, 2011, all of the Health System's fixed-income investments and equity securities are held by the Health System's custodial bank in the Health System's name and are, therefore, not exposed to custodial credit risk

Interest Rate Risk — The Health System maintains a formal investment policy to manage its exposure to fair value losses arising from increasing interest rates by holding equity investments in addition to fixed-income investments and by segregating its fixed-income investments between short-term and long-term investments Short-term funds, investments with a time horizon of one year or less, amount to $29,513 as of September 30, 2011 The remaining portfolio is allocated to long-term investments Within the long-term section of the portfolio, our targeted allocations are approximately 55% fixed-income investments, 35% equity investments, 5% global tactical investments, and 5% global real estate investments

The Health System invests in asset-backed securities The fair values of these securities are based on cash flows from principal and interest payments on the underlying mortgages Prepayments reduce the future cash flows of these investments and consequently their fair values Therefore, these securities are sensitive to decreases in interest rates, which may result in an increase in prepayments by mortgagees As of September 30, 2011 and 2010, the Health System had $8,458 and $5,186, respectively, invested in this type of asset-backed security

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements

4. CAPITAL ASSETS

A summary of the Health System's changes in capital assets as of September 30, 2011, is as follows

	Balance Beginning	Additions	Transfers/ Disposals	Balance Ending
Depreciable capital assets — gross				
Land improvements	$ 10,295	$ 179	$ (16)	$ 10,458
Buildings	375,595	8,197	(982)	382,810
Equipment	220,181	25,993	(3,229)	242,945
Depreciable capital assets — gross	606,071	34,369	(4,227)	636,213
Accumulated depreciation	(326,275)	(30,802)	3,741	(353,336)
Depreciable capital assets — net	279,796	3,567	(486)	282,877
Nondepreciable capital assets				
Land	15,611	4,006		19,617
Construction in progress	15,221	25,793	(31,861)	9,153
Nondepreciable capital assets	30,832	29,799	(31,861)	28,770
Net capital assets	$ 310,628	$ 33,366	$(32,347)	$ 311,647

A summary of the Health System's changes in capital assets as of September 30, 2010, is as follows

	Balance Beginning	Additions	Transfers/ Disposals	Balance Ending
Depreciable capital assets — gross				
Land improvements	$ 10,113	$ 182	$ -	$ 10,295
Buildings	354,114	21,940	(459)	375,595
Equipment	205,440	16,847	(2,106)	220,181
Depreciable capital assets — gross	569,667	38,969	(2,565)	606,071
Accumulated depreciation	(298,478)	(30,329)	2,532	(326,275)
Depreciable capital assets — net	271,189	8,640	(33)	279,796
Nondepreciable capital assets				
Land	15,497	114		15,611
Construction in progress	29,536	17,509	(31,824)	15,221
Nondepreciable capital assets	45,033	17,623	(31,824)	30,832
Net capital assets	$ 316,222	$ 26,263	$(31,857)	$ 310,628

The Foundation held net equipment of $7 and $9 as of September 30, 2011 and 2010, respectively Bladen held net equipment of $1,134 and $561 as of September 30, 2011 and 2010, respectively

Depreciation expense for the Health System was $30,802 and $29,809 for the years ended September 30, 2011 and 2010, respectively

5. LONG-TERM DEBT

In September 2008, the Health System issued $152,000 in Health Care Facilities Revenue Bonds, Series 2008A (the "Series 2008A Bonds") and $133,335 in Health Care Facilities Revenue Bonds, Series 2008C (the "Series 2008C Bonds") through the North Carolina Medical Care Commission These bonds are collateralized by substantially all of the assets of the Health System The bonds (both 2008 Series and 2006 Series) are governed by multiple bond documents that include the Bond Indenture, the Master Trust Indenture, and the Supplemental Master Trust Indenture that will be referred to collectively within as the "Bond Indenture "

The Series 2008A Bonds are fully registered, whereby interest is payable at a weekly rate as determined by the remarketing agent The 2008A Bonds are backed by a letter of credit from BB&T in the amount of $153,700 The Series 2008C Bonds are fully registered, whereby interest is payable at fixed rates ranging from 3 1% to 4 75% for 2010 to 2019 and 5 25% to 5 625% for 2020 to 2033 The Series 2006A Bonds are fully registered bonds, whereby interest is payable at fixed rates ranging from 3 75% to 5%

As discussed above, the Health System has entered into an irrevocable letter of credit related to the Series 2008A Bonds The letter of credit expires on September 23, 2013 In the event of a failed remarketing of the bonds, the bank is required to make a letter of credit payment to tendering bondholders The Health System is required to pay the bank the aggregate amount of the tender advances on the earliest of (I) the subsequent remarketing of such bonds or (II) the date 180 days following such liquidity draw, provided that if any liquidity draw is outstanding 180 days following such liquidity draw ("term-out commencement date"), then the amount outstanding shall be repaid in equal monthly principal payments sufficient to fully amortize the principal balance of the amount outstanding over the period (not to exceed 60 months) from the term-out commencement date to the expiration of the term of the letter of credit Drawings under the letter of credit will bear interest, payable monthly, at a fluctuating interest rate equal to (I) for the first 90 days the 30-day London InterBank Offered Rate (LIBOR) plus 2 75% and (II) beginning on the 91st day the 30-day LIBOR plus 3 25% The letter of credit agreement includes certain covenants, including financial ratio covenants related to debt to capitalization, long-term debt service coverage ratio, and days of unrestricted cash on hand The Health System was in compliance with all such financial ratio covenants as of September 30, 2011

In addition, the Health System had previously entered into an interest rate swap agreement with Citibank, N A , New York with respect to the Health Care Facilities Revenue Bonds, Series 2006B (the "Series 2006B Bonds") in a notional amount of $202,275 (the "Swap Agreement") (see Note 6) In conjunction with the refunding of the Series 2006B Bonds and the issuance of the Series 2008A and 2008C Bonds, the Health System terminated 30% of the Swap Agreement, and therefore, the outstanding notional amount of the Swap Agreement is $137,000 after the refunding

The Health System used the proceeds from the Series 2008A Bonds and Series 2008C Bonds to advance refund the existing Series 2006B Bonds and a portion of the Health Care Facilities Revenue Bonds, Series 2006A (the "Series 2006A Bonds") to construct a patient care tower and to pay certain expenses incurred in connection with the issuance of the Series 2008A Bonds and Series 2008C Bonds

Under the terms of the advance refunding related to the issuance of the Series 2008A Bonds and Series 2008C Bonds, the Bond Indenture permits the 2006 bonds to be defeased in whole or in part with no security requirement by the Bond Indenture or any obligation of the Health System if the bond trustee holds cash or defeasance obligations sufficient to provide for the payment of such 2006 bonds At the issuance of the respective Series 2008 bonds, the Health System secured a sufficient amount of cash to meet all scheduled principal and interest payments associated with outstanding balances on the Health System's Series 2006B Bonds

In accordance with GASB Statement No 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, the difference between the reacquisition price and the net carrying amount of the old debt of approximately $4,500 is being deferred and amortized as a component of interest expense over the remaining scheduled life of the old debt, which represents the shorter of the original amortization period remaining from the prior refundings or the life of the latest refunding debt For financial reporting purposes, the debt has been considered defeased and, therefore, removed from the Health System's balance sheet As of September 30, 2009, the amount of defeased debt outstanding but removed from the Health System's balance sheet amounted to $94,040, including unamortized discounts All defeased bonds were paid in full on October 1, 2009

The indentures for the Health System's Series 2008A Bonds and Series 2008C Bonds include covenants that require the Health System to maintain specified financial ratios, levels of working capital, and equity and other nonfinancial covenants The Health System was in compliance with these covenants under the Bond Indenture as of and during the years ended September 30, 2011 and 2010

The debt service requirements of the Series 2006A Bonds, 2008A Bonds, and Series 2008C Bonds as of September 30, 2011 (over the next five years and in five-year increments thereafter), are as follows

Years Ending September 30	Principal	Interest	Total
2012	$ 6,160	$ 12,971	$ 19,131
2013	6,455	12,675	19,130
2014	6,745	12,382	19,127
2015	7,030	12,102	19,132
2016	7,320	11,811	19,131
2017–2021	41,890	53,763	95,653
2022–2026	53,745	41,903	95,648
2027–2031	67,360	28,283	95,643
2032–2036	82,930	11,982	94,912
Thereafter	18,780	350	19,130
Total	$ 298,415	$ 198,222	$ 496,637

A summary of long-term debt as of September 30, 2011 and 2010, is as follows

	2011	2010
Hospital Facility Revenue Bonds, Series 2006A serial and term bonds, payable annually through 2014, in amounts ranging from $4,060 to $5,380, plus interest from 3 75% to 5%	$ 15,500	$ 20,190
Hospital Facility Revenue Bonds, Series 2008A serial and term bonds, payable annually through fiscal year 2037, in amounts ranging from $7,850 to $18,780, plus interest at 3 91% (Note 6)	152,000	152,000
Hospital Facility Revenue Bonds, Series 2008C serial and term bonds, payable annually through 2034, in amounts ranging from $1,205 to $10,760, plus interest at 5 2% to 5 65%	130,915	132,130
	298,415	304,320
Less		
Unamortized premium	(61)	(165)
Current maturities	6,160	5,905
Unamortized deferred loss on early extinguishment of debt (Series 2006, 1999, 1993, and 1991 bonds)	12,094	12,560
Total	$280,222	$286,020

A summary of changes in debt during 2011 is as follows

	Beginning Balance	Additions	Payments	Ending Balance
Series 2006A serial and term bonds	$ 20,190	$ -	$(4,690)	$ 15,500
Series 2008A serial and term bonds	152,000			152,000
Series 2008C serial and term bonds	132,130		(1,215)	130,915
Total	$304,320	$ -	$(5,905)	$298,415

6. INTEREST RATE SWAP

On April 1, 2006, the Health System entered into an interest rate swap agreement with Citibank, N A , New York (the Swap Agreement, see Note 5) as a means to lower its borrowing costs on the Series 2006B Bonds when compared against fixed-rate bonds at the time of issuance The agreement was effective May 4, 2006, with a notional amount of $202,275

The Series 2006B Bonds were issued as auction rate securities, whereby the auction rate for each series is generally determined during successive seven-day auction periods

Under the Swap Agreement, the Health System pays the swap provider fixed amounts based on a fixed rate of 3 91%, and the swap provider pays to the Health System floating amounts based on 63 5% of the British Bankers' Association 30-day LIBOR, plus 0 20% Each such amount is based on the outstanding notional amount of the Swap Agreement

On September 18, 2008, in conjunction with the issuance of the Series 2008A Bonds and the refunding of the Series 2006B Bonds (see Note 5), the Health System also terminated $65,275 of the swap resulting in a loss of $6,375 The significant terms of the swap remain unchanged as of September 30, 2011

The significant terms and features of the Swap Agreement are as follows

Corresponding bond series	2008A
Swap type	Floating to fixed
Notional amount	$ 137,000
Effective date	September 18, 2008
Termination date	October 1, 2036
Final bond maturity	October 1, 2036
Health System pays	3 91 %
Cash payments remitted by Health System for year ended September 30, 2011	$ 4,872
Health System receives	63 5% of 30-day LIBOR + 0 20%
Swap fair value — September 30, 2011	$ (45,827)
Change in fair value for the year ended September 30, 2011	$ (8,730)
Classification	Deferred outflow of resources

Fair Value — As of September 30, 2011 and 2010, the swap had a negative fair value of $45,827 and $37,097, respectively, developed by a mark-to-market pricing service using the zero-coupon method This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap

Credit Risk — The Health System seeks to limit its counterparty risk by contracting only with highly rated entities As of September 30, 2011, the credit rating for the counterparty of the interest rate swap was rated A1 by Moody's Investor Service, A+ by Standard & Poor's (S&P), and A+ by Fitch Investor Services ("Fitch") Subsequent to September 30, 2011, the credit rating for the counterparty was downgraded to A (negative outlook) by S&P on November 29, 2011, and A (stable outlook) by Fitch on December 15, 2011 To mitigate the potential for credit risk, under the terms of the Swap Agreement if the counterparty's credit quality falls below AA- for Fitch or S&P or Aa3 for Moody's and the swap has a fair value that is positive in favor of the Health System, the fair value of the swap will be collateralized by the counterparty with U S government securities Collateral would be posted by the counterparty with a third-party custodian

Basis Risk — The Health System is exposed to basis risk on its interest rate swap agreement because the variable rate payments received by the Health System on these hedging derivative instruments are based on a rate or index other than the interest rates that the Health System pays on its hedged variable rate debt

Termination Risk — The swap uses the International Swap Dealers Association Master Agreement (the "Master Agreement"), which includes standard termination events, such as failure to pay and bankruptcy The Master Agreement also includes an "Additional Termination Event " The agreement can be terminated if, at any time, a relevant rating with respect to a party declines below the termination level or is withdrawn, or if any party has no relevant rating but was previously rated by such rating agency The termination levels are, with respect to Moody's Investors Service, Baa3, S&P, BBB-, and Fitch, BBB-

The negative swap fair value is the termination payment that would be owed by the Health System to the swap counterparty if the swap were terminated The payments from the Health System to the swap counterparty are insured by Ambac Financial Group, Inc ("Ambac") This insurance provides protection to the swap counterparty in the event the Health System fails to make payments due under the swap When the Health System entered into the swap in 2006, Ambac was rated AAA by each of three rating agencies

Under the terms of the Swap Agreement, an "Insurer Event" will occur if both Moody's Investors Service's and S&P's ratings for Ambac fall below the A category If an Insurer Event happens, and the Health System were downgraded below the A category, the Health System would be required to post collateral in an amount equal to the market value of the swap minus a threshold of up to $5 million as defined in the Swap Agreement

As of September 30, 2011, Ambac's rating had been withdrawn by Moody's Investors Service, by S&P, and by Fitch As of September 30, 2011, the Health System was rated A3 by Moody's Investors Service and A- by S&P Accordingly, an Insurer Event has occurred, however, the Health System is not required to post collateral based on its current rating

7. NET PATIENT SERVICE REVENUE

The Health System has agreements with third-party payors that provide for payments to the Health System at amounts different from its established rates A summary of the payment arrangements with third-party payors is as follows

Medicare — Inpatient acute care services rendered to Medicare program beneficiaries are paid primarily at prospectively determined rates per discharge These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors and cover both operating and capital costs As of August 1, 2000, outpatient services are reimbursed at prospectively determined rates The Health System is reimbursed for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Health System, and audits thereof, by the Medicare fiscal intermediary The Health System's and Bladen's Medicare cost reports have been audited by the Medicare fiscal intermediary for cost report periods up through September 30, 2006

Laws 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 material amounts in the future

Medicaid — The North Carolina Department of Health and Human Services Division of Medical Assistance reimburses costs for "Inpatient" Medicaid services using a payment per discharge system with case-mix adjustments based on diagnostic related groups, similar to those used by the Medicare program The Health System is reimbursed for "Outpatient" costs at a tentative rate, with final settlement determined after submission of annual Medicaid cost reports by the Health System, and audits thereof, by the Medicaid fiscal intermediary The Health System recognizes the impact of new information obtained from audits or reviews as it is obtained The Health System's Medicaid cost reports have been audited by the Medicaid program through September 30, 2006

The Health System receives supplemental Medicaid funds under the North Carolina Medicaid Reimbursement Initiative (the "Program") The Health System received $30,744 and $27,414 in these funds during the years ended September 30, 2011 and 2010, respectively, and recognized as revenue $17,436 and $19,189, respectively Amounts reported as "Estimated third-party payor settlements" as of September 30, 2011, included $13,308 related to funds received in excess of the estimated amount

recognized as revenue for fiscal year 2011, and as of September 30, 2010, included $8,225 related to funds received in excess of the estimated amount recognized as revenue for fiscal year 2010 Management continues to evaluate the settlement process related to the Program and adjusts the recorded amounts in "Estimated third-party payor settlements" in accordance with this evaluation Future receipts under the Program are not assured

Other — The Health System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations, and directly with local employers The basis for payment to the Health System under these arrangements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates

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 Government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and/or 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 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 Management is proactively monitoring compliance with these matters through its corporate compliance program to mitigate the inherent risks of operating in the health care industry

8. CHARITY CARE

The Health System maintains records to identify and monitor the level of charity care it provides These records include the approximate amount of charges forgone for services and supplies furnished under its charity care policy The level of charity care provided based on charges forgone at established rates was $90,328 and $75,998 for the years ended September 30, 2011 and 2010, respectively

9. RISK MANAGEMENT

The Health System is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters The Health System is self-insured for medical malpractice and workers' compensation up to the various limits discussed below The Health System has purchased commercial insurance to cover losses exceeding the self-insurance limits

Estimated Malpractice Costs — The Health System is self-insured for medical malpractice risks up to $5,000 per claim and an annual aggregate of $25,000, on a claims-made basis In addition, the Health System has an excess coverage policy, which is limited to annual costs of $50,000

Losses from asserted claims and from unasserted claims identified under the Health System's incident reporting system, and possible losses attributable to incidents that may have occurred but that have not been identified under the incident reporting system, are accrued based on estimates that incorporate the Health System's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors The Health System has retained an independent actuary to assist management in preparing such estimates Accrued malpractice losses have not been discounted

The following is a summary of the activity in the liability for medical malpractice claims, reflected in the balance sheets within other liabilities, for the years ended September 30, 2011 and 2010 The summary includes the activities and liabilities of Cape Fear Insurance

	Beginning Balance	Additions	Deletions	Ending Balance
2011	$35,626	$21,774	$(13,219)	$44,181
2010	$32,630	$11,170	$ (8,174)	$35,626

The current portion of the above liabilities was $5,145 and $5,100 as of September 30, 2011 and 2010, respectively, and is included in the accompanying balance sheets within other liabilities and accruals The remaining noncurrent portion is included in other liabilities in the accompanying balance sheets

The Health System transfers funds to Cape Fear Insurance for the payment of medical malpractice claim settlements Independent actuaries have been retained to assist the Health System with the annual determination of funds to be transferred

Workers' Compensation — The Health System is self-insured for workers' compensation claims up to $400 per incident, with a corridor of $200 (e g , a one-time additional retention of $200 above $400) The Health System has an excess coverage policy with statutory limits The Health System has utilized independent actuaries to assist management in estimating the ultimate cost of the self-insurance portion of the settlement of such claims The workers' compensation liability reflected in the balance sheets within other liabilities was $9,649 and $9,284 as of September 30, 2011 and 2010, respectively The current portion of these liabilities was $2,500 and $2,150 as of September 30, 2011 and 2010, respectively Workers' compensation expense for the years ended September 30, 2011 and 2010, was $3,267 and $4,397, respectively

10. COMMITMENTS AND CONTINGENCIES

Leases — The Health System leases various types of equipment and outpatient clinic locations These leases are classified as operating leases with various expiration dates Management expects that in the normal course of events leases will be renewed or replaced by other leases Minimum lease payments projected below also include servicing and licensing agreements

Total expenses for all operating leases and related agreements, including the payment in lieu of taxes, were $9,547 and $8,974 for the years ended September 30, 2011 and 2010, respectively

Future minimum payments that have noncancelable lease terms in excess of one year as of September 30, 2011, are as follows

Years Ending September 30	Minimum Lease Payments
2012	$ 957
2013	957
2014	957
2015	957
2016	980
Thereafter	3,316
Total	$8,124

Transfer Agreement — The Transfer Agreement specifies that a payment in lieu of taxes will be paid by the Health System to the County on each July 1, beginning on July 1, 2006 The annual payment in lieu of taxes includes a base payment, the amount of which is specified in the Transfer Agreement The annual payment also includes an additional payment that shall be an amount equal to the ad valorem taxes that would have been received by the County on any real property acquired by or for the use of the Health System after January 1, 1998

Future estimated minimum payments in lieu of taxes required under the Transfer Agreement as of September 30, 2011, are as follows

Years Ending September 30	Minimum Payments
2012	$ 3,065
2013	3,065
2014	3,065
2015	3,065
2016	3,065
2017–2021	15,325
Each five-year period thereafter	15,325

Effective with the year ended September 30, 2010, the base payment shall be the previous agreement year's base payment amount adjusted by the most recently published Consumer Price Index for South Urban Size C Communities Minimum payments above do not include a Consumer Price Index adjustment or the additional payment in lieu of taxes specified under the Transfer Agreement The Health System made payments including these adjustments for a total of $3,558 and $3,462 for 2011 and 2010, respectively These payments are reflected in the Medical supplies and other expenses line of the statements of revenues and expenses

Health Care Industry Matters — The health care industry continues to attract legislative interest and public attention In recent years, an increasing number of legislative proposals have been introduced or proposed in Congress and in some state legislatures that, like the Medicare Modernization Act, would effect major changes in the health care system During 2010, the U S Congress passed the Patient Protection and Affordable Care Act, which calls for significant changes to the health care payment and delivery system The legislation calls for changes in Medicare, Medicaid, and other state and federal programs, cost controls on hospitals, and mandatory health insurance coverage for individuals While the Health System is planning and preparing for the certain changes called for in the legislation, it

cannot predict the ultimate impact of this or future health care legislation or other changes in the administration or interpretation of governmental health care programs and the effect that any legislation, interpretation, or change may have on the Health System Such effects may include material and adverse changes to the amounts of reimbursement received by the Health System

Legal and Regulatory Matters — The Health System is involved in litigation, administrative proceedings, and regulatory examinations arising in the normal course of business The health care industry is subject to numerous laws and regulations of federal and state governments These laws and regulations include, but are not necessarily limited to, matters such as licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid related matters The Health System's management believes that the ultimate outcome of these matters will not have any material impact on the Health System's net assets, operations, or its cash flows

Systems Improvement Agreement (and Subsequent Event) — Between October 21, 2011, and January 3, 2012, surveyors from the Centers for Medicare and Medicaid Services (CMS) began assessing Cape Fear Valley Medical Center's (CFVMC) compliance with the Medicare Hospital Conditions of Participation for acute care hospitals — the health and safety standards health care organizations must meet in order to participate in the Medicare and Medicaid, programs including the Emergency Medical Treatment and Labor Act (collectively, the "COP") Due to three separate and unrelated incidents, the CMS assessments determined that CFVMC was not in full compliance with the COP and notified the hospital that it intended to terminate CFVMC's participation in the Medicare and Medicaid program In accordance with CMS guidelines, CFVMS submitted corrective action plans that were all accepted in their entirety and without modification CMS was expected to return later in January 2012 to conduct an additional survey to ensure CFVMC's compliance with all COPs

Prior to the additional survey being conducted, CFVMC entered into discussions with CMS regarding a collaborative arrangement whereby CFVMC would enlist the assistance of an outside expert in CMS compliance to assist in a full assessment of all policies and systems related to COP This arrangement provided CFVMC with a voluntary methodology to review all of its systems in collaboration with CMS and a recognized national expert

Recognizing the demonstrated commitments and corrective actions taken by the hospital to improve the cited deficiencies, CMS suspended termination upon CFVMC voluntarily entering into an agreement titled, "Systems Improvement Agreement" on January 19, 2012 The term of this agreement is one year The agreement affects CFVMC only and not the other entities within Cape Fear Valley Health System CMS determined that affording the hospital an opportunity to be surveyed to demonstrate compliance with the COP is in the best interest of the Medicare program and the community served by CFVMC Under the terms of the agreement, CFVMC agrees to do the following (a) obtain and work in conjunction with an independent expert to provide comprehensive analysis and recommendations for improvement opportunities to ensure compliance with the COP, (b) with the independent consultant, issue a written report within 60 days of the agreement identifying potential areas of improvement to ensure full compliance with the COP, c) with the independent consultant, develop a detailed written action plan within 30 days of CMS's acceptance of the written report that identifies specific actions taken that will lead to full compliance, and d) engage an independent on-site expert as a compliance monitor to provide oversight and coordination of CFVMC's compliance efforts

Within three months to a year from the date that CMS accepts the consultative experts' action plans, CMS will authorize a Medicare certification survey of all Medicare hospital Conditions of Participation and the Emergency Medical Treatment and Active Labor Act (EMTALA) In the event that the survey demonstrates CFVMC is substantially in compliance with all COPS and EMTALA, CMS will promptly rescind the pending termination and restore the deemed status of CFVMC However, in the event that the survey demonstrates that CFVMC is found to be noncompliant, CMS will promptly notify CFVMC of such finding and set a date for termination of the hospital's Medicare provider agreement

CFVMC remains fully committed to providing high quality health care services to its patients and the communities it serves CFVMC intends to work expeditiously and collaboratively with CMS to resolve the matters identified by CMS Failure to resolve these matters would have a material adverse effect on CFVMC's finances, as approximately 52% of CFVMC's revenues are generated from service to Medicare and Medicaid patients This percentage can fluctuate over time CFVMC previous collaboration with CMS in the Health Quality Improvement Demonstration project has resulted in CFVMC being named in one of the following categories five years in a row "Top Performer," "Attainment," or "Most Improved" in all areas that CMS has issued awards (AMI, CHF, CABG, pneumonia, Surgical Care Improvement Project) Subject to the provisions and conditions of the agreement and during its term, CFVMC will continue to fully participate in the Medicare and Medicaid program

Hoke Health Pavilion (and Subsequent Event) — In July of 2011, Hoke Health Services entered into a contract for construction services to build an outpatient pavilion in Hoke County The contract is a gross maximum price contract not to exceed $29,920 The budget for the entire project including land, equipment, consulting, and architecture costs is $42,740 Hoke Health Services executed a draw note of $38,448 on November 7, 2011, to fund the majority of the project costs during the period The Health System serves as the guarantor for this draw note The draw note will be repaid by a United States Department of Agriculture (USDA) loan secured by Hoke Health Services The borrowings under the draw note bear interest at LIBOR plus 0 75%, while interest under the USDA loan will bear interest at 4% The construction process began in January 2012 and is expected to take approximately 12 months

11. EMPLOYEE BENEFITS

Retirement Plan — The Health System has a single-employer defined benefit pension plan administered by the Pension Committee of the Health System (the "Plan") The Plan provides retirement benefits to Plan members and beneficiaries Employees are eligible to become participants in the Plan on the first day of the Plan year in which the employee has completed five years of credited service and attained age 25 The Plan provides pension benefits to vested participants who have attained at least five years of service The benefits are based on years of service, age, and the employee's compensation The Health System reserves the right to amend or terminate the Plan at any time Accordingly, the amounts disclosed herein relate to the Plan as a whole Separate financial statements for the Plan have not been issued The Plan is not subject to the requirements of the Employee Retirement Income Security Act of 1974, and the assets and liabilities of the Plan are not recorded in the basic financial statements in accordance with governmental accounting standards The Plan was closed to new employees hired on or after July 1, 2011, through an amendment to the Plan effective July 1, 2011

Upon retirement, the normal retirement benefit is computed based on a formula that includes the following factors average compensation (highest 10 years out of the last 15 years), years of credited service (maximum of 35 years), age, the Social Security taxable wage base, and employee's accrued benefit as of December 31, 2008 However, for Plan participants with a sum total of age and credited service of at least 85 years as of January 1, 2009, average compensation is based on highest five years out of the last 10 years and a maximum credited service of 25 years Normal retirement age under the

Plan is 65 with provisions for early retirement if the participant is 55 years of age and has attained 15 years of credited service or 60 years of age with 10 years of credited service These benefit levels may be modified upon approval by the Board of Trustees Benefits under the early retirement provision are reduced to reflect the Plan participant's age at the time benefits begin

The Health System intends to fund the annual required contribution (ARC) during the employer's fiscal year beginning after the valuation date The ARC is composed of the normal cost, plus amortization of the unfunded actuarial accrued liability (UAAL) on a level-dollar basis over an open period of 20 years

Based on the funding status of the Plan, there was no net pension obligation as of September 30, 2011 and 2010 The Health System's annual pension cost for the years ended September 30, 2011 and 2010, were as follows

Years Ending September 30	2011	2010	2009
Annual required cost	$7,963	$6,252	$4,016
Contribution made	7,963	6,252	4,016
Percentage of annual required cost contributed	100 %	100 %	100 %

The ARC for 2011 and 2010 was determined as part of the January 1, 2011 and 2010, actuarial valuations, respectively The actuarial cost method used to determine the ARC is called the "Attained Age Normal Method" Participant data used for 2011 is as follows

Covered payroll for the calculation of the 2011 actuarial information	$139,171
Covered payroll as a percentage of total payroll of $250,104	56 %
Participant data as of January 1, 2011 (date of most recent valuation)	
Active	2,311
Retired	259
Terminated vested	1,081
Total	3,651

The more significant actuarial assumptions utilized in the most recent actuarial valuation (January 1, 2011) for computing the annual required contributions for the Plan are as follows

Mortality basis	RP-2000 Combined Healthy Male and Female Table, projected to 2011 with Scale AA
Termination	The following indicates the probability that a participant will terminate within the year

Age	Male	Female
25	0 07743	0 07752
30	0 07420	0 07438
35	0 06881	0 06920
40	0 06126	0 06198
45	0 05219	0 05335
50	0 03773	0 03961
55	0 01621	0 01925
60	0 00402	0 00893

Interest rate	8 %
Salary increases	4 %
Retirement age	At normal retirement, or age on actuarial valuation date, if greater
Amortization method	Level-dollar method
Underfunded accrued liability amortization period	20 years

Funding Status and Progress — The Health System accounts for the Plan under the provisions of GASB Statement No 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No 27, *Accounting for Pensions by State and Local Governmental Employers* GASB Statement No 27 adopts the use of an actuarial accrued liability (AAL) as the standardized measure of disclosure on a net present value basis of pension benefits, which will become payable at future dates The calculation of the AAL includes projected salary data This measure is intended to help users assess the funding status of the pension plan on a going-concern basis, assess progress in accumulating sufficient assets to pay benefits when due, and make comparisons among employers The actuarial measure is the basis for the determination of the annual funding requirements used to determine the contributions made to the Plan Funding levels and obligations to contribute to the Plan are established by the Board of Trustees and can be amended by the Board of Trustees The actuarial value of plan assets are determined based on a three-year smoothing method with a 30% corridor

Trend Information — The Health System's progress in accumulating sufficient assets to pay benefits when due is presented as follows

Actuarial Valuation Date	Actuarial Value of Assets	AAL Projected Unit Credit	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
January 1, 2009	$94,201	$ 99,371	$ 5,170	94.8 %	$136,620	3.8 %
January 1, 2010	95,085	110,968	15,883	85.7	144,164	11.0
January 1, 2011	94,126	124,838	30,712	75.4	144,737	21.2

The schedules of Plan funding progress, presented as required supplementary information following the notes to the basic financial statements, present multiyear trend information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the AAL for benefits

A summary of Plan assets as of September 30, 2011 and 2010, and of the changes in Plan assets for the years ended September 30, 2011 and 2010, is as follows

	2011	2010
Statement of plan net assets		
Cash and short-term investments	$ 4,844	$ 2,443
Investments at fair value		
Equity — domestic	26,286	44,381
Equity — international	19,644	11,439
Fixed income — domestic	37,856	26,377
Total investments	83,786	82,197
Net assets held in trust for pension benefits	$88,630	$84,640
Statement of changes in plan net assets		
Beginning plan net assets	$84,640	$76,654
Receipts		
Employer contributions	7,963	6,657
Investment gain — net	2,635	5,651
Total receipts	10,598	12,308
Disbursements		
Benefit payments	6,049	3,740
Administrative expenses	559	582
Total disbursements	6,608	4,322
Ending plan net assets	$88,630	$84,640

12. INVESTMENTS IN JOINT VENTURES

The Health System purchased a 22% limited partnership interest in Fayetteville Ambulatory Surgery Center Limited Partnership in October 1995 The investment is accounted for using the equity method The Health System's investment in Fayetteville Ambulatory Surgery Center Limited Partnership as of September 30, 2011 and 2010, is $1,290 and $1,228, respectively, reflected within other assets in the balance sheets

The Health System has a 49% equity interest in Valley Regional Imaging The investment is accounted for using the equity method The Health System's investment in Valley Regional Imaging as of September 30, 2011 and 2010, is $3,029 and $3,266, respectively, reflected within other assets in the balance sheets

The Health System is an investor in other medical-related organizations that are accounted for using the cost method and had a carrying amount of $469 and $469 as of September 30, 2011 and 2010, respectively, reflected within other assets in the balance sheet Information about the availability of separate financial statements of the above-mentioned organizations may be obtained from the Health System's office of financial services

13. REGULATORY INVESTIGATION

During 2004, the Health System was advised that it was the subject of an investigation by the Office of the Inspector General of the Department of Health and Human Services (OIG) related to billing practices associated with Emergency Medical Services and LifeLink services On July 24, 2009, the Health System reached an agreement with the OIG to resolve the investigation by paying the government approximately $1,500 and entering into a five-year corporate integrity agreement that requires the Health System to maintain a formal compliance program for the term of the agreement As of September 30, 2011, management believes it is in compliance with this corporate integrity agreement

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REQUIRED SUPPLEMENTARY INFORMATION

CUMBERLAND COUNTY HOSPITAL SYSTEM, INC.
(d/b/a Cape Fear Valley Health System)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PLAN FUNDING PROGRESS UNDER
GASB STATEMENT No. 27 AND GASB STATEMENT No. 50 (UNAUDITED)
AS OF SEPTEMBER 30, 2006 THROUGH SEPTEMBER 30, 2011
(In thousands)

Actuarial Valuation Date	(Fiscal) Plan Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age Normal (b)	Unfunded ALL ("UAAL") (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
January 1, 2006	September 30, 2006	$ 77,490	$ 81,747	$ 4,258	94 8 %	$ 103,727	4 1 %
January 1, 2007	September 30, 2007	91,738	93,957	2,219	97 6	115,054	1 9
January 1, 2008	September 30, 2008	105,141	91,893	(13,248)	114 4	122,921	(10 8)
January 1, 2009	September 30, 2009	94,201	99,371	5,170	94 8	136,620	3 8
January 1, 2010	September 30, 2010	95,085	110,968	15,883	85 7	144,164	11 0
January 1, 2011	September 30, 2011	94,126	124,838	30,712	75 4	144,737	21 2

CUMBERLAND COUNTY HOSPITAL SYSTEM, INC.
(d/b/a Cape Fear Valley Health System)

REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL SUMMARY OF ACTUAL AND REQUIRED
PENSION CONTRIBUTIONS UNDER GASB STATEMENT No. 27 AND
GASB STATEMENT No. 50 (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH SEPTEMBER 30, 2011
(In thousands)

	Employer Contributions		
(Fiscal) Plan Year Ending	Annual Required Contributions	Actual Contributions	Percentage Contributed
September 30, 2006	$6,378	$6,378	100 %
September 30, 2007	7,263	7,263	100
September 30, 2008	7,814	7,814	100
September 30, 2009	4,016	4,016	100
September 30, 2010	6,252	6,252	100
September 30, 2011	7,963	7,963	100