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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
THE OUTER BANKS HOSPITAL INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
4800 S CROATAN HIGHWAY

City or town, state or country, and ZIP + 4
NAGS HEAD, NC 27959

D Employer identification number
56-2112733

E Telephone number
(252) 847-5129

G Gross receipts $ 48,855,921

F Name and address of principal officer
D VAN SMITH JR
4800 S CROATAN HIGHWAY
NAGS HEAD,NC 27959

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 UHSEAST COM

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 2002 | **M** State of legal domicile NC

Part I Summary

1 Briefly describe the organization's mission or most significant activities
TO PROVIDE A WIDE RANGE OF QUALITY SERVICES TO THE RESIDENTS AND VISITORS OF THE OUTER BANKS

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**	10
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	8
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	0
6	Total number of volunteers (estimate if necessary)	**6**	50
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	8,655	0
9	Program service revenue (Part VIII, line 2g)	45,352,980	48,733,785
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	59,117	52,862
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-544,531	69,274
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	44,876,221	48,855,921
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	6,030	0
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	17,645,018	19,226,039
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)	18,604,995	19,726,938
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	36,256,043	38,952,977
19	Revenue less expenses Subtract line 18 from line 12	8,620,178	9,902,944

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	61,098,866	59,742,470
21	Total liabilities (Part X, line 26)	16,416,610	5,157,270
22	Net assets or fund balances Subtract line 21 from line 20	44,682,256	54,585,200

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

****** | 2012-03-29
Signature of officer | Date

DAVID HUGHES SECRETARY/TREASURER
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ☐	PTIN
GREGORY W JOHNS	GREGORY W JOHNS			

Firm's name ▶ CLIFTONLARSONALLEN LLP | Firm's EIN ▶

Firm's address ▶ 101 N TRYON STREET SUITE 1000
CHARLOTTE, NC 28246 | Phone no ▶ (704) 998-5200

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

TO ENHANCE THE QUALITY OF LIFE FOR THE RESIDENTS & VISITORS OF DARE COUNTY & THE SURROUNDING REGION BY PROMOTING WELLNESS & PROVIDING THE HIGHEST QUALITY HEALTHCARE SERVICE

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 $ 23,307,361 including grants of $) (Revenue $ 38,885,016)

OUTPATIENT AND EMERGENCY SERVICES PROVIDED EMERGENCY SERVICES TO 22,496 PATIENTS 24 HOURS A DAY FOR 365 DAYS PROVIDED OUTPATIENT DIAGNOSTIC AND THERAPEUTIC SERVICES TO 18,699 PATIENTS PERFORMED 1,449 OUTPATIENT SURGICAL PROCEDURES PROVIDED A PHYSICIAN CLINIC STAFFED WITH 6 PHYSICIANS THAT CARED FOR 18,699 PATIENTS

4b (Code) (Expenses $ 12,606,424 including grants of $) (Revenue $ 9,848,769)

INPATIENT SERVICES PROVIDED INPATIENT CARE 24 HOURS A DAY FOR 365 DAYS TO 1,295 PATIENTS DELIVERED 348 BABIES PERFORMED 461 INPATIENT SURGICAL PROCEDURES

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** ▶ $ 35,913,785

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		No
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
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	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a	Yes	
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**		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *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**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *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**		No
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	0		
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			
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	0		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2b			
	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			No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

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

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

			Yes	No
10a	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		No
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	Yes	

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 ▶

TODD WARLITNER
4800 S CROATAN HIGHWAY
NAGS HEAD, NC 27959
(252) 449-4514

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) ROBERT OWENS CHAIRMAN	4 00	X		X				0	0	0
(2) LINDA PALOMBO VICE CHAIRMAN	4 00	X		X				0	0	0
(3) BEULAH CHARITY ASHBY BOARD DIRECTOR	2 00	X						0	0	0
(4) DR JEFF C HAMMER BOARD DIRECTOR	2 00	X						0	0	0
(5) ROGER ROBERTSON PRESIDENT, ECH & HA	40 00	X		X				0	297,420	133,683
(6) MARGARET WELLS BOARD DIRECTOR	2 00	X						0	0	0
(7) TERRY WHEELER BOARD DIRECTOR	2 00	X						0	0	0
(8) WYNN DIXON BOARD DIRECTOR, PRESIDENT CHESAPEAKE REGIONAL	2 00	X		X				0	0	0
(9) ERNIE LARKIN BOARD DIRECTOR	2 00	X						0	0	0
(10) JODY MIDGETTE BOARD DIRECTOR	2 00	X						0	0	0
(11) DONALD SMITH PRESIDENT, OUTER BANKS HOSP-UHS	40 00			X				0	228,981	43,094
(12) VERN METCALF PHYSICIAN	40 00					X		359,780	0	15,315
(13) JENNIFER HALLORAN PHYSICIAN	40 00					X		183,771	0	11,425
(14) DAVID THOMPSON PHYSICIAN	40 00					X		213,301	0	17,919
(15) GEORGIA HENNESSY PHYSICIAN	40 00					X		169,297	0	116
(16) DAVID LUSTIG PHYSICIAN	40 00					X		161,538	0	0

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								1,087,687	526,401	221,552

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 ▶ 14

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
GE MEDICAL SYSTEMS PO BOX 402076 ATLANTA, GA 303842076	SERVICE CONTRACT	385,448
AVIATION ANESTHESIA ASSOC INC 158 BATTLEFIELD COURT MANTEO, NC 27954	PROVIDE CNAS	316,980
OUTER BANKS ANESTHESIA PC 128 WEIR POINT DR MANTEO, NC 27954	PROVIDE CNAS	305,745
AUREUS RADIOLOGY LLC PO BOX 3037 OMAHA, NE 68103	PROFESSIONAL SERVICES	237,685
SHARED HOSPITAL SERVICES 3530 ELMHURST LANE PORTSMOUTH, VA 23701	CONTRACT EMPLOYEES	168,543

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 ▶ 9

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				
	f All other contributions, gifts, grants, and similar amounts not included above	1f				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . . ▶					
Program Service Revenue		Business Code				
	2a PATIENT REVENUE	621110	48,130,288	48,130,288		
	b					
	c					
	d					
	e					
	f All other program service revenue		603,497	603,497		
	g **Total.** Add lines 2a–2f . . . . . ▶		48,733,785			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		52,862			52,862
	4 Income from investment of tax-exempt bond proceeds . . ▶					
	5 Royalties . . . . . ▶					
		(i) Real	(ii) Personal			
	6a Gross Rents					
	b Less rental expenses					
	c Rental income or (loss)					
	d Net rental income or (loss) . . . . . ▶					
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory					
	b Less cost or other basis and sales expenses					
	c Gain or (loss)					
	d Net gain or (loss) . . . . . ▶					
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 MEALS	722210	69,274			69,274
	b					
	c					
	d All other revenue					
	e **Total.** Add lines 11a–11d . . . . . ▶		69,274			
	12 **Total revenue.** See Instructions . . . ▶		48,855,921	48,733,785	0	122,136

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				
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				
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	15,485,631	14,848,004	637,627	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	517,295	509,643	7,652	
9 Other employee benefits	2,027,417	1,964,292	63,125	
10 Payroll taxes	1,195,696	1,145,961	49,735	
a Fees for services (non-employees) Management	113,040		113,040	
b Legal	34,733		34,733	
c Accounting	13,700		13,700	
d Lobbying				
e Professional fundraising services *See Part IV, line 17*				
f Investment management fees				
g Other	3,390,641	3,386,237	4,404	
12 Advertising and promotion	92,725		92,725	
13 Office expenses	3,266,295	3,244,142	22,153	
14 Information technology	113,357	113,357		
15 Royalties				
16 Occupancy	1,639,463	1,639,463		
17 Travel	181,187	181,187		
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest				
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	2,473,583	2,473,583		
23 Insurance	487,757	487,757		
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 CHARGEABLE SUPPLIES	5,618,752	5,618,752		
b INTERCO SHARED SERV	2,000,298		2,000,298	
c RECRUITMENT	301,407	301,407		
d				
e				
f All other expenses				
25 **Total functional expenses.** Add lines 1 through 24f	38,952,977	35,913,785	3,039,192	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		0	1	0
	2	Savings and temporary cash investments		4,248,043	2	4,564,646
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		8,485,064	4	8,493,586
	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		891,706	8	949,673
	9	Prepaid expenses and deferred charges		261,993	9	266,669
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 39,853,256			
	b	Less accumulated depreciation	10b 19,918,767	21,078,862	10c	19,934,489
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		24,170,178	13	23,173,997
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		1,963,020	15	2,359,410
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		61,098,866	16	59,742,470
Liabilities	17	Accounts payable and accrued expenses		3,945,588	17	4,027,978
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities			20	
	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		10,842,223	23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		1,628,799	25	1,129,292
	26	**Total liabilities.** Add lines 17 through 25		16,416,610	26	5,157,270
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		44,682,256	27	54,585,200
	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			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		44,682,256	33	54,585,200
	34	Total liabilities and net assets/fund balances		61,098,866	34	59,742,470

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	48,855,921
2	Total expenses (must equal Part IX, column (A), line 25)	2	38,952,977
3	Revenue less expenses Subtract line 2 from line 1	3	9,902,944
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	44,682,256
5	Other changes in net assets or fund balances (explain in Schedule O)	5	0
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	54,585,200

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
THE OUTER BANKS HOSPITAL INC

Employer identification number
56-2112733

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

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

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

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

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

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

_____

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

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

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

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

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

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

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

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - 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).

Facts And Circumstances Test

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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
THE OUTER BANKS HOSPITAL INC

Employer identification number
56-2112733

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		1,694,182		1,694,182
b Buildings		27,959,996	12,938,947	15,021,049
c Leasehold improvements				0
d Equipment		10,194,006	6,979,820	3,214,186
e Other		5,072		5,072
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				19,934,489

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
(1) INVESTMENTS	23,173,997	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶	23,173,997	

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

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

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
DUE TO THIRD PARTY PAYORS	851,292
RESERVE FOR PROFESSIONAL LIABILITY LOSSES	278,000
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	1,129,292

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	48,855,921
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	38,952,977
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	9,902,944
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	0
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	9,902,944

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	48,855,921
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	0
3	Subtract line **2e** from line **1**			3	48,855,921
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	0
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	48,855,921

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

1	Total expenses and losses per audited financial statements			1	38,952,977
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	0
3	Subtract line **2e** from line **1**			3	38,952,977
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	0
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	38,952,977

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
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE OUTER BANKS HOSPITAL, INC IS EXEMPT FROM INCOME TAXES UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE
PART XIII, LINE 2D - OTHER ADJUSTMENTS		RENTAL EXPENSES
PART XIII, LINE 4B - OTHER ADJUSTMENTS		INTEREST EXPENSE NON-OPERATING EXPENSES

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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
THE OUTER BANKS HOSPITAL INC

Employer identification number
56-2112733

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 _____ %	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	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
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)			1,695,138		1,695,138	4 350 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			4,234,134	4,111,903	122,231	0 310 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			5,929,272	4,111,903	1,817,369	4 660 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	14	2,731	290,928		290,928	0 750 %
f Health professions education (from Worksheet 5)	2	30	36,302		36,302	0 090 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)	6	11,999	129,386		129,386	0 330 %
j **Total** Other Benefits	22	14,760	456,616		456,616	1 170 %
k **Total.** Add lines 7d and 7j	22	14,760	6,385,888	4,111,903	2,273,985	5 830 %

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	1		2,856		2,856	0 010 %
2	Economic development	1		2,178		2,178	0 010 %
3	Community support	1		3,400		3,400	0 010 %
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development	1	219	10,881		10,881	0 030 %
9	Other						
10	**Total**	4	219	19,315		19,315	0 060 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense (at cost)	2	2,912,775		
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	12,251,305
6	Enter Medicare allowable costs of care relating to payments on line 5	6	12,128,575
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	122,730
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	1 THE OUTER BANKS HOSPITAL MEDICAL OFFICE BUILDING LLC	HEALTHCARE	100 000 %		
2	2 OUTER BANKS PROFESSIONAL SERVICES LLC	HEALTHCARE	100 000 %		
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? 1

	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	THE OUTER BANKS HOSPITAL INC 4800 SOUTH CROATAN HIGHWAY NAGS HEAD,NC 27959	X				X		X		

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 I, LINE 3C CHARITY CARE IS DETERMINED BASED UPON MEETING 200% OF FEDERAL POVERTY GUIDELINES AND HAVING LIMITED ASSETS OTHER THAN A HOME DISCOUNTS ARE ALSO PROVIDED FOR ANY PATIENTS WITHOUT INSURANCE, REGARDLESS OF INCOME LEVELS

Identifier	ReturnReference	Explanation
		PART I, LINE 6A REPORTS ARE PREPARED FOR EACH INDIVIDUAL HOSPITAL ALSO INFORMATION REGARDING COMMUNITY BENEFITS IS INCLUDED IN THE REPORT FOR UNIVERSITY HEALTH SYSTEMS OF EASTERN CAROLINA

Identifier	ReturnReference	Explanation
		PART II SEE SCHEDULE O

Identifier	ReturnReference	Explanation
		PART III, LINE 4 LINE 2 COSTS WERE CALCULATED USING THE ESTIMATED COST TO CHARGE RATIO FROM THE MEDICARE COST REPORT

Identifier	ReturnReference	Explanation
		PART III, LINE 8 ANY SHORTFALL OF MEDICARE REVENUE TO MEDICARE ALLOWABLE COSTS OF CARE COULD BE CONSIDERED COMMUNITY BENEFIT BECAUSE IN THE AREA SERVED BY THE ORGANIZATION OTHER PROVIDERS WOULD NOT BE AVAILABLE TO PROVIDE THE SERVICES REQUIRED THEREFORE, THE CARE WOULD BECOME A GOVERNMENT OBLIGATION

Identifier	ReturnReference	Explanation
		PART III, LINE 9B THE ORGANIZATION DOES NOT PURSUE COLLECTION OF AMOUNTS DETERMINED TO QUALIFY AS CHARITY CARE OR DETERMINED TO QUALIFY FOR FINANCIAL ASSISTANCE

Identifier	ReturnReference	Explanation
THE OUTER BANKS HOSPITAL, INC		PART V, SECTION B, LINE 11H N/A

Identifier	ReturnReference	Explanation
THE OUTER BANKS HOSPITAL, INC		PART V, SECTION B, LINE 13G N/A

Identifier	ReturnReference	Explanation
THE OUTER BANKS HOSPITAL, INC		PART V, SECTION B, LINE 15E N/A

Identifier	ReturnReference	Explanation
THE OUTER BANKS HOSPITAL, INC		PART V, SECTION B, LINE 16E N/A

Identifier	ReturnReference	Explanation
THE OUTER BANKS HOSPITAL, INC		PART V, SECTION B, LINE 17E N/A

Identifier	ReturnReference	Explanation
THE OUTER BANKS HOSPITAL, INC		PART V, SECTION B, LINE 18C N/A

Identifier	ReturnReference	Explanation
THE OUTER BANKS HOSPITAL, INC		PART V, SECTION B, LINE 18D N/A

Identifier	ReturnReference	Explanation
THE OUTER BANKS HOSPITAL, INC		PART V, SECTION B, LINE 19D N/A

Identifier	ReturnReference	Explanation
THE OUTER BANKS HOSPITAL, INC		PART V, SECTION B, LINE 20 N/A

Identifier	ReturnReference	Explanation
THE OUTER BANKS HOSPITAL, INC		PART V, SECTION B, LINE 21 N/A

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 THE ORGANIZATION ASSESSES COMMUNITY NEED IN CONJUNCTION WITH THE STATE AFFILIATED COUNTY HEALTH DEPARTMENTS IN EACH AREA

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 INFORMATION IS AVAILABLE ON THE ORGANIZATION'S WEBSITE AND AT REGISTRATION FOR PATIENTS IN ADDITION, FACE TO FACE FINANCIAL COUNSELING IS AVAILABLE TO PATIENTS AND THEIR FAMILIES IN THE CENTRAL BUSINESS OFFICE

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 SEE SCHEDULE O

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 SEE SCHEDULE O

Identifier	ReturnReference	Explanation
		PART VI, LINE 7 SEE SCHEDULE O

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	NC

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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
THE OUTER BANKS HOSPITAL INC

Employer identification number
56-2112733

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**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**		No
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in 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) ROGER ROBERTSON	(i)	0	0	0	0	0	0	0
	(ii)	289,345	7,077	998	124,745	8,938	431,103	0
(2) DONALD SMITH	(i)	0	0	0	0	0	0	0
	(ii)	198,062	30,673	246	42,874	220	272,075	0
(3) VERN METCALF	(i)	359,780	0	0	0	15,315	375,095	0
	(ii)	0	0	0	0	0	0	0
(4) JENNIFER HALLORAN	(i)	183,771	0	0	0	11,425	195,196	0
	(ii)	0	0	0	0	0	0	0
(5) DAVID THOMPSON	(i)	213,301	0	0	0	17,919	231,220	0
	(ii)	0	0	0	0	0	0	0
(6) GEORGIA HENNESSY	(i)	169,297	0	0	0	116	169,413	0
	(ii)	0	0	0	0	0	0	0
(7) DAVID LUSTIG	(i)	161,538	0	0	0	0	161,538	0
	(ii)	0	0	0	0	0	0	0
(8)								
(9)								
(10)								
(11)								
(12)								
(13)								
(14)								
(15)								
(16)								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation

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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
THE OUTER BANKS HOSPITAL INC

Employer identification number
56-2112733

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6		ACCORDING TO THE ORGANIZATION'S AMENDED AND RESTATED BYLAWS, ARTICLE II, THE ORGANIZATION HAS TWO MEMBERS, EAST CAROLINA HEALTH AND CHESAPEAKE HOSPITAL AUTHORITY

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7A		THE MEMBERS ELECT THE BOARD OF DIRECTORS

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7B		THE FOLLOWING ACTIONS SHALL NOT BE TAKEN WITHOUT UNANIMOUS CONSENT OF THE MEMBERS POSSESS PROPERTY, INVEST FUNDS, ADDITIONAL CAPITAL CONTRIBUTIONS, ADMIT MEMBERS, MERGER OR DISSOLUTION, AMENDMENT, CON LITIGATION, SALE OF ASSETS, BUSINESS OF CORPORATION

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		A DRAFT FORM 990 WILL BE REVIEWED BY THE PRESIDENT AND THE VP OF BUSINESS OPERATIONS BEFORE IT IS FILED WITH THE IRS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	CONFLICTS OF INTEREST ARE REQUIRED TO BE SUBMITTED ANNUALLY THESE SUBMISSIONS ARE REVIEWED BY LEGAL COUNSEL AGAINST CORPORATE COMPLIANCE POLICIES WHEN A CONFLICT ARISES, THE MEMBER OF THE GOVERNING BODY IS RECUSED FROM VOTING

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	COMPENSATION IS DETERMINED BY THE BOARD IN CONSULTATION WITH THE MEMBERS, CONSIDERING THE PERFORMANCE AND PREVAILING MARKET RATES THIS PROCESS WAS LAST PERFORMED IN 2009

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST

Identifier	Return Reference	Explanation
	FORM 990, PART XII, LINE 2C	NO CHANGES FOR APPROVING AUDITED FINANCIAL STATEMENTS OR SELECTION OF INDEPENDENT ACCOUNTANTS HAVE OCCURRED FROM THE PRIOR YEAR

Identifier	Return Reference	Explanation
WYNN DIXON	FORM 990, PART VII	WYNN DIXON IS A BOARD MEMBER OF THE OUTER BANKS HOSPITAL, INC AND IS ALSO THE PRESIDENT OF CHESAPEAKE HOSPITAL AUTHORITY, AN ENTITY THAT IS LISTED ON SCHEDULE R AS A RELATED PARTNERSHIP CHESAPEAKE HOSPITAL AUTHORITY IS A NON-MAJORITY PARTNER OF THE OUTER BANKS HOSPITAL AND DOES NOT CONTROL THE OUTER BANKS HOSPITAL ACCORDING TO IRS DEFINITIONS CHESAPEAKE HOSPITAL AUTHORITY IS A TAX-EXEMPT HOSPITAL THAT IS CONSIDERED A GOVERNMENTAL INSTRUMENTALITY AND IS NOT REQUIRED TO FILE A 990 OR MAKE PUBLIC COMPENSATION DISCLOSURES CONSEQUENTLY, NO COMPENSATION INFORMATION IS REPORTED ON PART VII FOR WYNN DIXON

Identifier	Return Reference	Explanation
	FORM 990, PART 1, LINE 1	OVERVIEW OF UNIVERSITY HEALTH SYSTEMS OF EASTERN CAROLINA AT UNIVERSITY HEALTH SYSTEMS OF EASTERN CAROLINA (UHS), WE ARE COMMITTED TO IMPROVING THE HEALTH OF OUR COMMUNITIES EASTE RN NORTH CAROLINA RESIDENTS LOOK TO OUR HOSPITALS FOR QUALITY HEALTH CARE WE WORK HARD TO UPHOLD THE TRUST THAT OUR COMMUNITIES PLACE IN US THROUGH A CLEAR VISION, DISCIPLINED LE ADERSHIP AND COMMITTED EMPLOYEES, UHS SERVES THE NEEDS OF THE REGION, INCLUDING THOSE WHO ARE UNDERSERVED AND NEED US THE MOST OUR MISSION AT UHS - TO ENHANCE THE QUALITY OF LIFE FOR THE PEOPLE AND COMMUNITIES WE SERVE, TOUCH AND SUPPORT - DRIVES US FAR BEYOND CARING F OR PATIENTS WITHIN THE CONFINES OF OUR HOSPITAL WALLS IT CALLS US TO HELP MAKE EASTERN NO RTH CAROLINA A BETTER, HEALTHIER PLACE TO LIVE UHS IS A NORTH CAROLINA NON-PROFIT CORPORA TION WITH HEADQUARTERS IN GREENVILLE, NORTH CAROLINA UHS AND ITS AFFILIATES OPERATE AN IN TEGRATED HEALTH CARE DELIVERY SYSTEM THAT SERVES A TOTAL MARKET OF APPROXIMATELY 1 4 MILLI ON PEOPLE IN 29 CONTIGUOUS COUNTIES IN EASTERN NORTH CAROLINA THE HEALTH SYSTEM INCLUDES HOSPITALS, PHYSICIAN PRACTICES, OUTPATIENT SERVICES, LONG-TERM CARE, HOME HEALTH, HOSPICE, AND WELLNESS SERVICES THE HEALTH SYSTEM'S OWNED HOSPITALS ARE PITT COUNTY MEMORIAL HOSPI TAL (PCMH), WHICH IS A TERTIARY CARE HOSPITAL AND AN ACADEMIC MEDICAL CENTER, AND SEVEN OT HER ACUTE CARE HOSPITALS ROANOKE-CHOWAN HOSPITAL, HERITAGE HOSPITAL, CHOWAN HOSPITAL, BER TIE MEMORIAL HOSPITAL, DUPLIN GENERAL HOSPITAL, BEAUFORT HOSPITAL AND THE OUTER BANKS HOSP ITAL UHS ALSO MANAGES ALBEMARLE HOSPITAL PCMH SERVES AS THE TEACHING HOSPITAL FOR THE BR ODY SCHOOL OF MEDICINE, EAST CAROLINA SCHOOLS OF NURSING AND ALLIED HEALTH AND PITT COMMUN ITY COLLEGE THE SYSTEM ALSO SERVES AS A REGIONAL REFERRAL CENTER FOR EASTERN NORTH CAROLI NA THE SYSTEM'S EIGHT OWNED ACUTE CARE HOSPITALS ARE LICENSED TO OPERATE 1,451 BEDS EACH HOSPITAL IS LICENSED BY THE DIVISION OF FACILITY SERVICES OF THE NORTH CAROLINA DEPARTMEN T OF HEALTH AND HUMAN SERVICES AND APPROVED AS A PROVIDER BY THE MEDICARE AND MEDICAID PRO GRAMS UHS AND ITS HOSPITALS AND AFFILIATE ORGANIZATIONS PROVIDE SERVICES TO PATIENTS WITH OUT REGARD TO THEIR ABILITY TO PAY IN FISCAL YEAR 2011 UHS' COMBINED PATIENT CARE STATIST ICS WERE INPATIENT ADMISSIONS, 62,839, INPATIENT DAYS OF CARE, 339,060, SURGERIES, 43,155 , BIRTHS, 5,781, AND OUTPATIENT VISITS, 434,794 OUR SYSTEMS WORKFORCE INCLUDED 11,485 EMP LOYEES EACH OF UHS' HOSPITALS OPERATES AN EMERGENCY ROOM, WHICH IS OPEN 24 HOURS A DAY P CMH ALSO OFFERS A FULL SPECTRUM OF TRAUMA SERVICES EMERGENT AND TRAUMA SERVICES ARE PROVI DED TO PATIENTS WITHOUT REGARD TO THEIR ABILITY TO PAY IN FISCAL YEAR 2011 UHS PROVIDED C ARE TO 225,289 EMERGENCY ROOM PATIENTS IN 2011 UHS AND PCMH HAD THE SAME GOVERNING BOARD, WHICH IS COMPRISED OF 20 VOTING MEMBERS THAT MEET MONTHLY THE BOARD OF COMMISSIONERS OF PITT COUNTY APPOINTS 11 MEMBERS, AND 9 MEMBERS ARE APPOINTED BY THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA THE BOARD MEMBERS HAVE DIVERSE BACKGROUNDS AND ARE SELEC TED TO REPRESENT THE CITIZENS OF EASTERN CAROLINA PCMH, IN AFFILIATION WITH THE BRODY SCH OOL OF MEDICINE, WHICH IS OWNED BY THE STATE OF NORTH CAROLINA, OPERATES 30 RESIDENT-TRAIN ING PROGRAMS WITH OVER 340 MEDICAL RESIDENTS THIS RELATIONSHIP ENABLES PCMH AND THE BRODY SCHOOL OF MEDICINE TO COMBINE THEIR RESOURCES FOR THE PROVISION OF QUALITY PATIENT CARE, MEDICAL EDUCATION AND RESEARCH FOR THE RESIDENTS OF EASTERN NORTH CAROLINA THE BRODY SCHO OL OF MEDICINE HAS THREE IMPORTANT GOALS EDUCATING PRIMARY CARE PHYSICIANS, MAKING MEDICA L CARE MORE READILY AVAILABLE TO THE PEOPLE OF EASTERN NORTH CAROLINA, AND PROVIDING OPPOR TUNITIES TO MINORITY AND DISADVANTAGED STUDENTS AS A NON-PROFIT ORGANIZATION, UHS REINVES TS ALL EXCESS OF REVENUES OVER EXPENSES IN PROGRAMS, SERVICES, AND FACILITIES THAT PROVIDE ACCESS TO PATIENT CARE AND HEALTH SERVICES TO THE CITIZENS OF EASTERN CAROLINA OVERVIEW OF UNIVERSITY HEALTH SYSTEMS OF EASTERN CAROLINA COMMUNITY BENEFIT PROGRAMS 1 EASTERN NOR TH CAROLINA IS COMPRISED OF 1 4 MILLION PEOPLE LIVING IN 14,000 SQUARE MILES BOUNDARIES A RE FROM I-95 EAST TO THE COAST, AND FROM THE VIRGINIA LINE UP TO AND INCLUDING ONSLOW COUN TY THE AREA IS LARGELY RURAL AND LARGELY POOR, WITH HIGHER THAN STATE OR NATIONAL AVERAGE RATES FOR POVERTY AND UNINSURED HEALTH STATUS INDICATORS SHOW INCREASED INCIDENCE OF DIS EASE IN THE REGION, ESPECIALLY CANCER, HEART DISEASE AND STROKE UHS DETERMINES PRIORITIES FOR TARGET POPULATIONS BY WORKING IN CONCERT WITH MEDICAL AND COMMUNITY AGENCY PARTNERS I N ONGOING ASSESSMENT OF THE MOST PRESSING HEALTH CARE NEEDS MANY EFFORTS OVER THE PAST DE CADE HAVE FOCUSED ON DIABETES, PEDIATRIC ASTHMA, SCHOOL HEALTH, INJURY PREVENTION, ACCESS TO CARE, NUTRITION ENHANCEMENT, PHYSICAL ACTIVITIES AND CHRONIC DISEASE SCREENINGS ALSO, SPECIAL PROGRAMS TO MANAGE THE CARE OF MEDICAID ENROLLEES, ADDRESS ACCESS TO BOTH MEDICAL CARE AND MEDICATIONS FOR THE UNINSURED, AND COORDI

Identifier	Return Reference	Explanation
	FORM 990, PART 1, LINE 1	NATION OF SERVICES FOR CHILDREN WITH OBESITY HAVE BEEN UNDERTAKEN THE POPULATIONS THAT AR E SERVED BY ADDRESSING THESE ISSUES ARE LARGELY THE POOR, THE UNDERSERVED, AND MINORITIES DETERMINATION OF SPECIFIC POPULATIONS TO ADDRESS OCCURS WHEN PARTNERS SUCH AS THE NORTH C AROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES, LOCAL HEALTH DEPARTMENTS, COUNTY HEALTHY CAROLINIAN TASK FORCES, AND PHYSICIANS IDENTIFY A QUANTIFIABLE NEED, AND COMMUNITY PARTNER S ARE ENGAGED TO WORK TOGETHER WITH THE HEALTH SYSTEM 2 FUNDING FOR COMMUNITY HEALTH PRO GRAMS IS OBTAINED FROM BOTH THE OPERATING FUNDS OF UHS ENTITIES AND EXTERNAL GRANT-AWARDIN G ORGANIZATIONS THE UHS BOARD ANNUALLY PROVIDES FINANCIAL SUPPORT FOR THE COMMUNITY BENEF IT INITIATIVES PROGRAM OF ITS FOUNDATION THESE FUNDS ARE THEN AWARDED TO COMMUNITY AGENCI ES THAT SUCCESSFULLY DEMONSTRATE BOTH NEED AND A WELL-DESIGNED PLAN TO ADDRESS ONE OF THE FOUNDATION'S PRIORITY CATEGORIES IN ADDITION, EACH UHS HOSPITAL FINANCIALLY SUPPORTS COMM UNITY HEALTH RESOURCES WITHIN ITS OPERATING BUDGET PROGRAMS VARY ACCORDING TO THE HOSPITA L'S FINANCIAL ABILITY AND COMMUNITY NEED, BUT ALL INCLUDE COLLABORATIVE EFFORTS WITH LOCAL HEALTH DEPARTMENTS, INCLUDING HEALTH SCREENINGS AND EDUCATION TO TARGETED POPULATIONS UH S ALSO HAS A SUCCESSFUL TRACK RECORD OF OBTAINING COMMUNITY HEALTH PROGRAM SUPPORT FROM EX TERNAL AGENCIES THAT AWARD GRANT FUNDING TO APPROVED PROJECTS THE UHS GRANTS OFFICE WAS E STABLISHED IN 2008 AND SERVES AS THE CENTRAL POINT FOR GRANT MINING, ACQUISITION AND MANAG EMENT OF GRANTS AWARDED TO UHS HOSPITALS FOR COMMUNITY-BASED PROGRAMS GRANT FUNDS ARE UTI LIZED TO DEMONSTRATE THE EFFECTIVENESS OF A PROPOSED COMMUNITY PROGRAM, MEASURE THE OUTCOM ES ACHIEVED, AND GARNER LONG-TERM SUSTAINABILITY FROM EITHER THE HEALTH SYSTEM, OTHER COMM UNITY AGENCIES OR AS A COLLABORATIVE PROGRAM MANY COMMUNITY HEALTH PROGRAMS ARE COLLABORA TIVE IN NATURE WITH LOCAL SERVICE AGENCIES, AND OFTEN A PORTION OF THE GRANT FUNDS ARE USE D TO SUPPORT RESOURCES OR SERVICES IN THESE AGENCIES 3 COMMUNITY HEALTH PRIORITIES ARE D ETERMINED IN SEVERAL WAYS IN PARTNERSHIP WITH THE LOCAL HEALTH DEPARTMENTS, THE RESULTS O F STATE-MANDATED COMMUNITY HEALTH ASSESSMENTS ARE STUDIED BY EACH LOCAL HEALTHY CAROLINIAN S TASK FORCE THOSE TASK FORCE GROUPS THEN COMPILE A LIST OF THE MOST PRESSING ISSUES IN T HEIR COMMUNITIES BASED ON DATA COMMUNITY INPUT BOTH ESTABLISHED RESOURCES WITHIN VARIOUS AGENCIES AND POTENTIAL OPPORTUNITIES TO GARNER NEW SUPPORT ARE REVIEWED

Identifier	Return Reference	Explanation
		4 COMMUNITY PRIORITIES ARE ALSO ESTABLISHED IN RESPONSE TO A COMPELLING NEED IDENTIFIED BY HEALTH PRACTITIONERS OR COMMUNITY GROUPS EXAMPLES INCLUDE THE PEDIATRIC ASTHMA PROGRAM THAT HAS BEEN IN PLACE FOR OVER 10 YEARS IN PITT COUNTY, AND EXPANDED TO OTHER COMMUNITIES IN THE REGION THIS MAJOR COMMUNITY-BASED PROGRAM WAS ESTABLISHED FOLLOWING A PLEA FOR ASSISTANCE BY PEDIATRICIANS AND PEDIATRIC CLINICAL NURSE SPECIALISTS CARING FOR CHILDREN WITH ASTHMA IN THE ACUTE CARE SETTING THE PITT COUNTY SCHOOL SYSTEM AND LOCAL PARENTS IDENTIFIED A LACK OF HEALTH CARE SUPPORT IN THE SCHOOLS, RESULTING IN AN AWARD-WINNING SCHOOL NURSE PROGRAM THAT HAS BEEN REPLICATED IN SEVERAL COUNTIES MOST RECENTLY, THE FOCUSED ATTENTION ON PEDIATRIC OBESITY AND ASSOCIATED DISEASES HAS RESULTED IN MULTIPLE COMMUNITY-BASED PROGRAMS DIRECTED AT IMPROVING NUTRITION, PHYSICAL ACTIVITY, AND CASE MANAGEMENT FOR THAT POPULATION UHS IS FORTUNATE TO HAVE A STRONG COLLABORATIVE PARTNERSHIP WITH EAST CAROLINA UNIVERSITY, AND WORKS CLOSELY WITH THE SCHOOLS WITHIN THE HEALTH SCIENCES DIVISION, ESPECIALLY THE BRODY SCHOOL OF MEDICINE BSOM IS AN ACTIVE PARTICIPANT IN ALMOST EVERY COMMUNITY HEALTH INITIATIVE, SUPPORTING THE RESEARCH AND EVALUATION OF THESE PROGRAMS, AND CONTRIBUTES TO PROGRAMS FOR THE UNDER AND UNINSURED IN MULTIPLE WAYS ECU AND OTHER EDUCATIONAL INSTITUTIONS WHOSE STUDENTS MATRICULATE THROUGH UHS FACILITIES ALSO PROVIDE OPPORTUNITIES FOR COLLABORATION AND PARTICIPATION IN VARIOUS COMMUNITY HEALTH INITIATIVES 5 PROVIDED BELOW ARE A FEW HIGHLIGHTS OF THE COMMUNITY BENEFIT AND EDUCATION ACTIVITIES A COMMUNITY HEALTH IMPROVEMENT SERVICES - COMMUNITY HEALTH IMPROVEMENT SERVICES ARE PROGRAMS AND SERVICES THAT MEET AN IDENTIFIED NEED AND ARE OFFERED TO THE COMMUNITY AT LITTLE OR NO CHARGE UHS HOSPITALS SPONSOR PROGRAMS THAT IMPROVE ACCESS TO HEALTH CARE FOR THE UNDERSERVED AND ENHANCE THE IDENTIFICATION AND MANAGEMENT OF CHRONIC DISEASES, SUCH AS CANCER, DIABETES AND HEART DISEASE HERE ARE A FEW EXAMPLES OF THESE PROGRAMS - MEDICATION ASSISTANCE PROGRAMS FOR UNINSURED PATIENTS - THE PEDIATRIC HEALTHY WEIGHT PROGRAM - SUPPORT FOR HEALTH CAROLINIANS COLLABORATIVES, INCLUDING PITT PARTNERS FOR HEALTH, THE HERTFORD PARTNERSHIP FOR HEALTH AND THREE RIVERS HEALTHY CAROLINIANS - SCHOOL NURSE PROGRAMS - SUPPORT FOR THE COMMUNITY CARE PLAN OF EASTERN CAROLINA FOR MEDICAID RECIPIENTS AND HEALTHASSIST FOR THE UNINSURED -SUPPORT OF LOCAL FEDERALLY QUALIFIED HEALTH CENTER B HEALTH PROFESSIONAL EDUCATION - PREPARING FUTURE HEALTH CARE PROFESSIONALS IS IMPORTANT TO US OUR HOSPITALS PROVIDE CLINICAL SETTINGS FOR STUDENTS OF HEALTH PROFESSIONS, SUCH AS FUTURE PHYSICIANS, NURSES AND OTHER ALLIED HEALTH PROFESSIONALS WE ALSO SUPPORT STUDENTS THROUGH DEFERRED FORGIVABLE LOANS AND INTERNSHIPS INCLUDING RESIDENT TRAINING, NURSING CLINIC SITES, ALLIED HEALTH PROFESSIONALS, AND FINANCIAL SUPPORT OF NURSING PROGRAMS C RESEARCH - EAST CAROLINA UNIVERSITY (ECU) CONDUCTS RESEARCH TO EVALUATE NEW TREATMENTS AND PROTOCOLS THESE STUDIES HELP HEALTH PROFESSIONALS EVERYWHERE PROVIDE QUALITY CARE TO PATIENTS UHS SUPPORTS THIS THROUGH VARIOUS MEANS INCLUDING SUPPORTING THE INSTITUTIONAL REVIEW BOARD AT ECU AND PROVIDING STUDY SITES D FINANCIAL AND IN-KIND CONTRIBUTIONS - UHS DONATES MONEY AND IN-KIND SERVICES TO COMMUNITY GROUPS AND ACTIVITIES THAT SHARE OUR MISSION OF IMPROVING HEALTH THEY INCLUDE MEALS ON WHEELS, AMERICAN RED CROSS BLOOD DRIVES, MEDICAL SUPPLIES TO EMERGENCY MEDICAL SERVICES, AND FREE MEDICATIONS TO QUALIFYING PATIENTS UHS HOSPITALS ARE KEY PARTNERS IN FUNDRAISING FOR ORGANIZATIONS SUCH AS THE UNITED WAY, AMERICAN HEART ASSOCIATION, JUVENILE DIABETES ASSOCIATION AND THE AMERICAN CANCER SOCIETY UHS CONTRIBUTED $1 7 MILLION TO THE COMMUNITY BENEFITS GRANTS PROGRAM WHICH AWARDS GRANTS TO LOCAL NON-PROFITS FOR HEALTH RELATED PROGRAMS E COMMUNITY BUILDING - COMMUNITY-BUILDING ACTIVITIES INCLUDE PROGRAMS THAT ARE NOT DIRECTLY RELATED TO HEALTH CARE BUT ADDRESS UNDERLYING ISSUES THAT IMPACT THE HEALTH OF COMMUNITIES POVERTY, CRIME, HOMELESSNESS, WORKFORCE DEVELOPMENT AND ECONOMIC DEVELOPMENT ALL AFFECT THE OVERALL HEALTH OF COMMUNITIES UHS HAS PROVIDED SUPPORT FOR OUR LOCAL CHAMBERS OF COMMERCE, FINANCIAL SUPPORT FOR ROAD IMPROVEMENTS, INVESTMENTS IN COMMUNICATION INFRASTRUCTURE VIA INFORMATION TECHNOLOGY CONNECTIONS, SUPPORT FOR THE TEEN LEADERSHIP ACADEMY, RECRUITMENT OF PHYSICIANS TO OUR RURAL COMMUNITIES, AND PROGRAMS THAT ENCOURAGE STUDENTS TO PURSUE HEALTH CAREERS

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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
THE OUTER BANKS HOSPITAL INC

Employer identification number
56-2112733

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) OUTER BANKS PROFESSIONAL SVC LLC 604 AMANDA ST MANTEO, NC 27954 27-0484506	FAMILY PRACTICE	NC	-432,560	828,552	N/A
(2) OUTER BANKS MEDICAL OFFICE BUILDING LLC 4810 S CROATAN HWY NAGS HEAD, NC 27959 16-1740979	MED OFFICE BLDG	NC	-555,234	4,659,630	N/A

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
See Additional Data Table							

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

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	Yes	
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	Yes	
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) UNIVERSITY HEALTH SYSTEMS OF EASTERN CAROLINA INC	O	2,273,597	ACTUAL CASH PAYMENT
(2) EAST CAROLINA HEALTH INC	Q	6,702,513	ACTUAL CASH PAYMENT
(3) CHESAPEAKE HOSPITAL AUTHORITY	Q	4,426,542	ACTUAL CASH PAYMENT
(4) UHS PHYSICIANS LLC	L	113,040	ACTUAL CASH PAYMENT
(5) PITT COUNTY MEMORIAL HOSPITAL	O	3,105,494	ACTUAL CASH PAYMENT
(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

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 56-2112733
Name: THE OUTER BANKS HOSPITAL INC

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(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
UNIVERSITY HEALTH SYSTEMS OF EASTERN CAROLINA INC 2100 STANTONSBURG ROAD GREENVILLE, NC27835 56-2141073	HEALTHCARE	NC	501(C)(3)	LINE 11C, III-FI	N/A		No
EAST CAROLINA HEALTH INC 2100 STANTONSBURG ROAD GREENVILLE, NC27835 91-1997979	HEALTHCARE	NC	501(C)(3)	509(A)(3)	N/A		No
PCMH MANAGEMENT INC 2100 STANTONSBURG ROAD GREENVILLE, NC27835 56-1690740	HEALTHCARE	NC	501(C)(3)	509(A)(3)	N/A		No
SURGICENTER SERVICES OF PITTINC 2100 STANTONSBURG ROAD GREENVILLE, NC27835 56-1690553	HEALTHCARE	NC	501(C)(3)	509(A)(3)	N/A		No
THE OUTER BANKS HOSPITAL INC 2100 STANTONSBURG ROAD GREENVILLE, NC27835 56-2112733	HEALTHCARE	NC	501(C)(3)	509(A)(3)	N/A		No
HEALTHACCESS 2100 STANTONSBURG ROAD GREENVILLE, NC27835 56-1396133	HEALTHCARE	NC	501(C)(3)	509(A)(3)	N/A		No
UHS PHYSICIANS LLC 2100 STANTONSBURG ROAD GREENVILLE, NC27835 38-3740839	HEALTHCARE	NC	501(C)(3)	509(A)(3)	N/A		No
PITT COUNTY MEMORIAL HOSPITAL 2100 STANTONSBURG ROAD GREENVILLE, NC27835 56-0585243	HEALTHCARE	NC	501(C)(3)	LINE 3	N/A		No
CHESAPEAKE HOSPITAL AUTHORITY 736 N BATTLEFIELD BLVD CHESAPEAKE, VA23320	HEALTHCARE	VA	501(C)(3)	N/A	N/A		No

THE OUTER BANKS HOSPITAL, INC.
(A BLENDED COMPONENT UNIT OF EAST CAROLINA HEALTH, INC.)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

THE OUTER BANKS HOSPITAL, INC.
TABLE OF CONTENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Outer Banks Hospital, Inc
Nags Head, North Carolina

We have audited the accompanying balance sheets of The Outer Banks Hospital, Inc ("TOBH") for the years ended September 30, 2011 and 2010 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended These financial statements are the responsibility of TOBH's management Our responsibility is to express an opinion on these financial statements based on our audits

We conducted our audits in accordance with U S generally accepted auditing standards Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements An audit also includes 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, the financial statements referred to above present fairly, in all material respects the financial position of The Outer Banks Hospital, Inc for the years ended September 30, 2011 and 2010, and the combined results of its operations and its cash flows for the years then ended in conformity with U S generally accepted accounting principles

The Management's Discussion and Analysis on pages 2 through 7 is supplementary information required by the Governmental Accounting Standards Board 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 the information and express no opinion on it

LarsonAllen LLP

LarsonAllen LLP

Charlotte, North Carolina
December 13, 2011

NEXIA INTERNATIONAL
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Annual Financial Report

The discussion and analysis of The Outer Banks Hospital, Inc 's ("TOBH" or "Hospital") financial performance provides an overview of the Hospital's financial activities for the fiscal years ended September 30, 2011 and 2010 TOBH is a non-profit, tax-exempt corporation, which is a blended component unit of East Carolina Health, Inc ("ECH"), which is a component unit of University Health Systems of Eastern Carolina, Inc ("UHS") ECH, also a non-profit, tax-exempt corporation, consists of the parent entity and five blended component entities Roanoke-Chowan Hospital, Roanoke-Chowan Medical Practices (collectively referred to as "RCH"), The Outer Banks Hospital, Inc , Bertie Memorial Hospital, Heritage Hospital, and Chowan Hospital TOBH is a joint venture between ECH (60 percent) and Chesapeake General Hospital (40 percent) and is combined with ECH Please read this information in conjunction with TOBH's financial statements, which begin on page 8 The financial statements also include comprehensive notes that describe the Hospital, its history, and significant accounting policies

Financial Highlights

- TOBH's net assets increased in 2011 by $9 9 million and increased in 2010 by $8 7 million
- TOBH had income from operations of $10 1 million in 2011 and $9 4 million in 2010 In 2011 income from operations increased by $0 7 million over income from operations in 2010 and in 2010 decreased by $1 1 million over income from operations in 2009
- TOBH's overall performance in 2011 exceeded that of 2010 as the Hospital experienced growth of 2 2% in admissions and 8 2% in outpatient visits

Overview of the Financial Statements

TOBH presents three basic financial statements balance sheets, statements of revenues, expenses and changes in net assets, and statements of cash flows The statements and related notes provide information about the financial activity of TOBH

The balance sheets describe the financial position on September 30, 2011 and 2010 and depict the resources (assets) owned by the Hospital and the obligations (liabilities) owed to others The financial information included in the balance sheets reflects the Hospital's assets relative to its obligations to bondholders, suppliers, employees, and other creditors The excess of assets over liabilities represents the Hospital's net assets

The statements of revenues, expenses, and changes in net assets report the financial results from operations during the fiscal year These statements show how much net assets increased or decreased during the past year as a result of operating and non-operating activities

The statements of cash flows describe the flow of cash into and out of TOBH during the fiscal year The statements show cash flows received during the year from operations, management of current assets and liabilities, additional debt, contributions, investing activities, and other sources The statements also reflect how cash was used for repayment of principal and interest on debt, investment in capital projects and equipment, contributions and transfers, and other uses

Financial Summary of Statements of The Outer Banks Hospital, Inc.

Financial Position

A summary of The Outer Banks Hospital, Inc 's balance sheets at September 30 is presented below

Condensed Balance Sheets
(IN THOUSANDS OF DOLLARS)

	2011	2010	2009
Current Assets	$ 16,635	$ 15,850	$ 16,427
Capital Assets, Net	19,934	21,079	22,865
Other Assets	23,174	24,170	20,761
Total Assets	$ 59,743	$ 61,099	$ 60,053
Current Liabilities	$ 4,880	$ 7,159	$ 5,457
Long-Term Liabilities	278	9,258	18,645
Total Liabilities	5,158	16,417	24,102
Total Net Assets	54,585	44,682	35,951
Total Liabilities and Net Assets	$ 59,743	$ 61,099	$ 60,053

As shown above, total assets were $59 7 million for fiscal year 2011, down $1 4 million compared to fiscal year 2010 while fiscal year 2010 was up $1 0 million as compared to fiscal year 2009 Current assets, which primarily consist of cash and accounts receivables, totaled $16 6 million in fiscal year 2011, up $0 8 million from fiscal year 2010 Capital assets totaled $19 9 million at the end of fiscal year 2011, down $1 1 million from fiscal year 2010 and down $1 8 million in 2010 from fiscal year 2009 With the Hospital opening in fiscal year 2002, TOBH continues to have only moderate capital needs as the facility and equipment are in excellent condition Total liabilities in fiscal year 2011 were $5 2 million, down $11 3 million as compared to fiscal year 2010

The net assets at year-end totaled $54 6 million, an increase of $9 9 million from fiscal year 2010, which increased $8 7 million over 2009 The $9 9 million and $8 7 million increases were from the excess of revenue over expenses generated by TOBH in fiscal years 2011 and 2010, respectively

Changes in Net Assets

A summary of The Outer Banks Hospital, Inc 's statements of revenues and expenses and changes in net assets for the years ended September 30 is presented below

Condensed Statements of Revenues, Expenses and Changes in Net Assets
(IN THOUSANDS OF DOLLARS)

	2011	2010	2009
Revenues	$ 48,803	$ 45,856	$ 44,410
Operating Expenses			
Salaries and Wages	15,486	14,443	14,225
Employee Benefits	3,740	3,202	2,900
Supplies and Other	15,550	14,999	13,341
Depreciation and Amortization	2,474	2,433	2,412
Operating Lease Expense	1,466	1,400	1,007
Total Operating Expenses	38,716	36,477	33,885
Income from Operations	10,087	9,379	10,525
Nonoperating Revenues (Expenses)	(184)	(648)	(700)
Excess of Revenues over Expenses and Change in Net Assets	9,903	8,731	9,825
Net Assets - Beginning of Year	44,682	35,951	26,126
NET ASSETS - END OF YEAR	$ 54,585	$ 44,682	$ 35,951

TOBH generated operating revenues of $48 8 million in fiscal year 2011, up $2 9 million or 6 3 percent compared to fiscal year 2010 TOBH experienced an increase in admissions of 35 or 2 2 percent, patient days increased 3 1 percent and average length of stay remained neutral with 2 4 days Inpatient surgical cases declined 11 cases or 2 3 percent and outpatient surgical cases increased by 135 cases or 10 3 percent Outpatient visits increased 8 2 percent and emergency room visits decreased 1 0 percent Inpatient revenue was strengthened through growth in medical admissions These gains were evidenced by the total increase of 35 admissions, despite surgical admissions and deliveries both declining Outpatient growth was mostly attributed to growth in chemotherapy services in the first half of the year The growth slowed the second half of the year and actually declined during the fourth quarter

TOBH generated operating revenues of $45 9 million in fiscal year 2010, up $1 4 million or 3 3 percent compared to fiscal year 2009 TOBH experienced a decline in admissions of 91 or 6 9 percent, patient days decreased 5 5 percent and average length of stay increased 1 4 percent from 2 34 to 2 37 days Inpatient surgical cases increased 14 cases or 3 1 percent and outpatient surgical cases increased by 172 cases or 15 1 percent Outpatient visits increased 15 0 percent and emergency room visits decreased 6 1 percent Outpatient revenue was strengthened through growth in chemotherapy services, surgical services, and urology services Chemotherapy services were initiated late in the year

in 2009, but available for all of 2010 The growth in surgical services was due to a second general surgeon joining the staff, and new surgical services added in urologic surgery and cosmetic surgery The gains in outpatient services were mitigated by losses in emergency and inpatient services These losses were related to the weak economy as patients opted to avoid or delay care for less serious medical conditions

Operating expenses for fiscal year 2011 were $38 7 million, up $2 2 million or 6 0 percent compared to fiscal year 2010 The most significant increases in 2011 were in salaries and wages which totaled $15 5 million, a $1 1 million or 7 6 percent increase over prior year and supplies and other where the increase was $0 6 million or 4 percent This increase in salaries and wages reflected the addition of physician practice late in fiscal year 2010, several new FTEs, and wage increases The increase in supplies and other was largely related to the cost of chemotherapy drugs and the cost of surgical implant devices

Operating expenses for fiscal year 2010 were $36 5 million, up $2 6 million or 7 6 percent compared to fiscal year 2009 Salaries and wages for fiscal year 2010 totaled $14 4 million, which represented a $0 2 million or 1 5 percent increase over prior year The most significant increases over 2009 levels were in supplies and other where the increase was $1 7 million or 12 4 percent This increase was largely related to the cost of chemotherapy drugs and the cost of surgical implant devices

Non-operating expenses for fiscal year 2011 were $0 2 million, down $0 5 million compared to fiscal year 2010 Interest expense totaled $0 2 million in fiscal year 2011, which represented a $0 6 million decrease over prior year The interest is made up of amounts owed to ECH and Chesapeake for debt and loans made for working capital and construction of the facility The decrease was the result of extra principal payments made in February 2011 to ECH and Chesapeake of $6 1 million and $4 0, million, respectively

Cash Flows

A summary of The Outer Banks Hospital, Inc 's cash flows for the years ended September 30 is presented below

CONDENSED STATEMENT OF CASH FLOWS
(IN THOUSANDS OF DOLLARS)

	2011	2010	2009
Cash Flows			
Operating Activities	$ 11,961	$ 14,042	$ 10,540
Noncapital Financing Activities	-	(157)	(261)
Financing Activities	(12,689)	(10,120)	(9,152)
Investing Activities	49	161	607
Net Increase (Decrease) in Cash and Cash Equivalents	(679)	3,926	1,734
Cash and Cash Equivalents - Beginning of Year	28,418	24,492	22,758
Cash and Cash Equivalents - End of Year	$ 27,739	$ 28,418	$ 24,492

The cash position for TOBH at the end of the fiscal year 2011 totaled $27 7 million, a decrease of $0 7 million compared to fiscal year 2010 The cash position at the end of fiscal year 2010 increased by $3 9 million compared to fiscal year 2009 Cash flows from operations decreased $2 0 million in fiscal year 2011

Capital Assets and Debt Administration

Capital Assets

Net capital assets at the end of fiscal year 2011 totaled $19 9 million, a decrease of $1 1 million as compared to fiscal year 2010 As the Hospital and its equipment remained relatively new and as the economy was quite soft, capital expenditures were limited during the year The three most significant expenditures that occurred were the acquisition of a new phone system, an upgrade to the network infrastructure, and the installation of a new water line connection Each project was approximately $0 2 million Capital expenditures are expected to increase only slightly during fiscal year 2012 However, amounts are expected to increase somewhat in future years as the plant and equipment ages out and needs replacement

Net capital assets at the end of fiscal year 2010 totaled $21 0 million, a decrease of $1 8 million as compared to fiscal year 2009 As the Hospital and its equipment remained relatively new and the economy was quite soft, capital expenditures were limited during the year The only significant expenditure that occurred was the acquisition of an ultrasound machine at a cost of $0 1 million Capital expenditures are expected to increase during fiscal year 2010 as the amount spent in 2009 and 2008 was unusually low The largest single project anticipated in 2010 is the installation of an additional water main into the Hospital at a cost of $0 2 million

Long-Term Debt

At September 30, 2011 and 2010, TOBH had outstanding long-term debt, net of current maturities, of $0 and $9 0 million, respectively, due to ECH and Chesapeake General Hospital for funds provided to (1) build the new hospital in 2002 and (2) for working capital requirements in the start up phase of operations Debt in 2011 was paid in full with principal payments of $6 1 million to ECH and $4 0 million to Chesapeake General Hospital that occurred in February 2011 Interest payments totaling $0 2 million in fiscal year 2011 and $0 8 million in fiscal year 2010 were made by TOBH Total principal and interest payments of $11 1 million and $9 3 million, including the additional principal payments, were made in 2011 and 2010, respectively

Contacting Financial Management

If you have questions about this report or need additional information, please contact UHS' Chief Financial Officer at University Health Systems of Eastern Carolina, Inc , 2100 Stantonsburg Road, P O Box 6028, Greenville, North Carolina 27835-6028

THE OUTER BANKS HOSPITAL, INC.
BALANCE SHEETS
SEPTEMBER 30, 2011 AND 2010
(IN THOUSANDS OF DOLLARS)

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash	$ 4,565	$ 4,248
Accounts Receivable, Patients, Net	8,494	8,485
Other Receivables	490	436
Estimated Settlements Due from Third-Party Payors	1,869	1,527
Inventories	950	892
Prepaid Expenses	267	262
Total Current Assets	16,635	15,850
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	19,934	21,079
ASSETS LIMITED AS TO USE		
By Management for Non-Working Capital Purposes	23,174	24,170
Total Assets	$ 59,743	$ 61,099
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 1,680	$ 1,925
Accrued Expenses	2,349	2,021
Estimated Settlements Due to Third-Party Payors	851	1,384
Current Maturities of Long-Term Debt	-	1,829
Total Current Liabilities	4,880	7,159
LONG-TERM DEBT	-	9,013
RESERVE FOR PROFESSIONAL LIABILITY LOSSES	278	245
Total Liabilities	5,158	16,417
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	19,934	12,345
Unrestricted Net Assets	34,651	32,337
Total Net Assets	54,585	44,682
Total Liabilities and Net Assets	$ 59,743	$ 61,099

See accompanying Notes to Financial Statements

THE OUTER BANKS HOSPITAL, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(IN THOUSANDS OF DOLLARS)

	2011	2010
OPERATING REVENUES		
Net Patient Service Revenue, Net of Provision for Bad Debts	$ 48,130	$ 45,093
Other Revenue	673	763
Total Operating Revenues	48,803	45,856
OPERATING EXPENSES		
Salaries and Wages	15,486	14,443
Employee Benefits	3,740	3,202
Supplies and Other	15,550	14,999
Depreciation and Amortization	2,474	2,433
Operating Lease Expense	1,466	1,400
Total Expenses	38,716	36,477
INCOME FROM OPERATIONS	10,087	9,379
NONOPERATING REVENUES (EXPENSES)		
Interest Expense	(233)	(809)
Investment Income	53	59
Other	(4)	102
Total Nonoperating Revenues (Expenses)	(184)	(648)
EXCESS OF REVENUE OVER EXPENSES AND CHANGE IN NET ASSETS	9,903	8,731
Net Assets - Beginning of Year	44,682	35,951
NET ASSETS - END OF YEAR	$ 54,585	$ 44,682

See accompanying Notes to Financial Statements

THE OUTER BANKS HOSPITAL, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(IN THOUSANDS OF DOLLARS)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Payments on Behalf of Patients	$ 47,192	$ 46,756
Receipts from Other Operations	958	628
Payments to Employees for Wages and Benefits	(18,898)	(17,664)
Payments to Vendors and Suppliers	(17,291)	(15,678)
Net Cash Provided by Operating Activities	11,961	14,042
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Paid Related to Working Capital	-	(157)
	-	(157)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Asset Additions	(1,614)	(647)
Principal Payments on Long-Term Debt	(10,842)	(8,777)
Interest Paid Related to Capital Financing Activities	(233)	(696)
Net Cash Used in Capital and Related Financing Activities	(12,689)	(10,120)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	53	59
Other Nonoperating Revenue (Expense)	(4)	102
Net Cash Provided by Investing Activities	49	161
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(679)	3,926
Cash and Cash Equivalents - Beginning of Year	28,418	24,492

See accompanying Notes to Financial Statements

THE OUTER BANKS HOSPITAL, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(IN THOUSANDS OF DOLLARS)

	2011	2010
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income from Operations	$ 10,087	$ 9,379
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities		
Depreciation and Amortization	2,474	2,433
Provision for Bad Debts	7,504	7,770
Losses on Disposal of Capital Assets	285	-
Changes in Operating Assets and Liabilities		
Accounts Receivable	(7,567)	(6,504)
Inventories	(58)	(124)
Prepaid Expenses	(5)	(48)
Estimated Third-Party Payor Settlements	(875)	261
Accounts Payable	(245)	1,010
Accrued Expenses	328	(66)
Reserve for Professional Liability Losses	33	(69)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 11,961	$ 14,042
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE COMBINED BALANCE SHEETS		
Cash and Cash Equivalents in Current Assets	$ 4,565	$ 4,248
Cash and Cash Equivalents in Assets Limited as to Use	23,174	24,170

See accompanying Notes to Financial Statements

NOTE 1 ORGANIZATION

The Outer Banks Hospital, Inc ("TOBH" or the "Hospital") is a blended component unit of East Carolina Health, Inc ("ECH") a non-profit, tax-exempt corporation East Carolina Health, Inc is a component unit of University Health Systems of Eastern Carolina, Inc ("UHS") UHS is a non-profit, tax-exempt corporation and its other blended component units include Pitt County Memorial Hospital, Inc ("PCMH") and HealthAccess, Inc TOBH is a joint venture between ECH (60 percent) and Chesapeake General Hospital ("Chesapeake") (40 percent) The Hospital was incorporated under the laws of the State of North Carolina

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

TOBH utilizes enterprise fund accounting whereby revenues and expenses are recognized on the accrual basis using the economic resources measurement focus Substantially all revenues and expenses are subject to accrual Pursuant to Governmental Accounting Standards Board ("GASB") Statement No 20, *Accounting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* as amended, TOBH has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board ("FASB"), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements

Use of Estimates in the Preparation of Financial Statements

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 as of September 30, 2011 and 2010, and the reported amount of revenues and expenses during the years ended September 30, 2011 and 2010 Actual results could differ from those estimates

An allowance for uncollectible accounts is provided in an amount equal to the estimated losses to be incurred in collection of the receivables The allowance is based on historical collection experience and a review of the current status of the existing receivables

Income Taxes

TOBH is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code

Charity Care

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

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets of TOBH are classified in two components Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets, excluding the borrowings for working capital needs Restricted net assets include amounts deposited with trustees as required by revenue bond indentures Unrestricted net assets (deficit) are remaining net assets or shortfall of assets that do not meet the definition of invested in capital assets, net of related debt or restricted

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 and estimated provision for bad debts 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

Operating Revenues and Expenses

The statements of revenues, expenses, and changes in net assets distinguish between operating and non-operating revenues and expenses Operating revenues result from exchange transactions associated with providing health care services – TOBH's principal activity Non-exchange revenues, including grants and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues Operating expenses are all expenses incurred to provide health care services, other than financing costs

Capital Assets

Capital assets are stated at cost or at fair value at date of donation and depreciated by the straight-line method over their estimated useful lives as follows

Capital Asset Classification	Estimated Useful Lives
Land Improvements	5–25 years
Buildings and Building Improvements	5–30 years
Equipment	3–20 years

Expenditures for repairs and maintenance are charged to expense as incurred The costs of major renewals and betterments are capitalized and depreciated over their estimated useful lives Upon disposition, the asset and related accumulated depreciation accounts are relieved and any related gain or loss is credited or charged to non-operating gains or losses

Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of 90 days or less when purchased

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market Market is considered as replacement cost or net realizable value

Assets Limited as to Use

Assets limited as to use include assets internally designated by management These assets have been set aside by management for non-working capital needs, such as capital improvements, additional non-scheduled repayments of long-term debt, and distributions to Members However, management retains control of these assets and may at its discretion subsequently use for working capital purposes

Concentration of Credit Risk

TOBH provides services primarily to the residents and visitors of eastern North Carolina without collateral or other proof of ability to pay Concentrations of credit risk with respect to patient accounts receivable are limited due to the large number of patients served and the formalized agreements with third-party payors TOBH has significant accounts receivable (approximately 32 percent in both 2011 and 2010) whose collectibility or realizability is dependent upon the performance of certain governmental programs, primarily Medicare and Medicaid Management does not believe there are significant credit risks associated with these governmental programs

Compensated Absences

TOBH employees earn paid days off at varying rates depending upon years of service The maximum carryover from one calendar year to the next is two years worth of accrued paid days off, as determined by the individual employee's years of service

Estimated Professional Liability Losses

The provision for estimated self-insured medical professional liability losses includes estimates of the ultimate costs for both reported claims and claims incurred but not reported

Fair Values of Financial Instruments

The following methods and assumptions were used by management in estimating fair values for financial instruments as required by *Disclosures About Fair Value of Financial Instruments*

Current Assets and Current Liabilities – The carrying amounts reported in the balance sheets for current assets and current liabilities qualifying as financial instruments approximate their fair values

Assets Limited as to Use – The fair values of TOBH's assets limited as to use have been based upon market quotations

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Values of Financial Instruments (Continued)

Long-Term Debt – The September 30, 2010 carrying amount of long-term debt approximates fair value

TOBH's remaining financial instruments at September 30, 2011 are not significant

Recent Accounting Pronouncements

In June 2007, the GASB issued Statement No 51, *Accounting and Financial Reporting for Intangible Assets* The objective of this statement is to establish accounting and financial reporting requirements for intangible assets to reduce inconsistencies in financial reporting, thereby enhancing the comparability of the accounting and financial reporting of such assets among entities This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets This statement also establishes guidance specific to intangible assets related to amortization This statement was effective for TOBH's fiscal year ending September 30, 2010, however, did not have any impact on its financial statements

In April 2009, the GASB issued Statement No 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* This statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events This statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards This statement was effective for TOBH's fiscal year ending September 30, 2010, however, did not have any impact on its financial statements

Reclassifications

Certain amounts in the 2010 combined financial statements have been reclassified to conform to the 2011 presentation for comparative purposes with no effect on previously reported excess of revenues over expenses or changes in net assets

NOTE 3 CHARITY CARE

TOBH maintains records to identify and monitor the level of charity care it provides These records include the amount of charges forgone for services and supplies furnished under its charity care policy and the estimated cost of these services and supplies During 2009 TOBH began a Presumptive Charity Program which recognizes that there is a segment of the population that should fall within the guidelines of its charity programs, yet do not qualify due to failure to apply or failure to provide income documentation The Hospital's Presumptive Charity Program seeks to identify and provide financial relief for those patients who would have qualified had their economic situation been known and documented Charity care rendered by the Hospital at established rates totaled approximately $4,400,000 for the year ended September 30, 2011 and approximately $3,900,000 for the year ended September 30, 2010

NOTE 4 NET PATIENT SERVICE REVENUE

TOBH has agreements with third-party payors that provide for payments to it at amounts different from its established rates A summary of these arrangements follows

Medicare

Prior to March of 2006, TOBH's inpatient acute care services rendered to Medicare program beneficiaries were paid at prospectively determined rates per discharge These rates varied according to a patient classification system that was based on clinical, diagnostic and other factors and covered both operating and capital costs Outpatient services were paid at prospectively determined rates TOBH was reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary As of March 2006, TOBH became a critical access hospital that provides for cost based reimbursement from the Medicare program TOBH's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization TOBH's Medicare cost reports have been audited by the Medicare fiscal intermediary through 2007

Medicaid

As of March 2006, TOBH became a critical access hospital that provides for cost-based reimbursement from the Medicaid program Reimbursement under this classification began for Medicaid with fiscal year 2007 Prior to fiscal year 2007, Medicaid inpatient reimbursement was based on a payment per discharge system with case-mix adjustments based on DRGs (Diagnosis Related Groups) similar to those used in the Medicare program Medicaid outpatient services were reimbursed based on costs, which were calculated based on TOBH's ratio of costs to charges Medicaid outpatient claims were based on an estimated interim payment rate, which are settled to actual upon submission of the annual cost reported by Hospital and audits thereof by the Medicaid fiscal intermediary TOBH's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through 2006

TOBH receives Medicaid Reimbursement Initiative funds under the North Carolina Medicaid Reimbursement Initiative Program (the "Program") TOBH recognized $791,000 and $195,000 of Medicaid Reimbursement Initiative funds as net patient service revenue during the years ended September 30, 2011 and 2010, respectively At September 30, 2011 and 2010, TOBH reserved Medicaid Reimbursement Initiative payments of $36,000 and $568,000, respectively, which are included in estimated settlements due to third-party payors in the accompanying balance sheets Management continues to evaluate the approval and settlement process relating to the Program and records reserves in accordance with such evaluation

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

NOTE 4 NET PATIENT SERVICE REVENUE (CONTINUED)

Revenue from the Medicare and Medicaid programs accounted for approximately 24 percent and 12 percent, respectively, of TOBH's net patient revenue for the year ended September 30, 2011, and 23 percent and 10 percent, respectively, of TOBH's net patient revenue for the year ended September 30, 2010 Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term The 2011 net patient service revenue increased approximately $3,037,000 or approximately 6 7%, revenues increased 4 4% over 2010 The 2010 net patient service revenue decreased approximately $816,000 due to changes in estimates related to settlements of prior-year cost reports

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 participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse Recently, government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse statutes and/or 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 Management believes that TOBH is in compliance with fraud and abuse as well as other applicable government laws and regulations Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time Management is monitoring compliance through its Corporate Compliance Program

Net patient service revenue for the years ended September 30 is comprised of (in thousands of dollars)

	2011	2010
Charges at Established Rates	$ 97,402	$ 93,261
Deductions		
Medicare Adjustments	23,425	22,403
Medicaid Adjustments	5,845	6,290
Other Contractual Adjustments	8,131	7,805
Provision for Bad Debts	7,504	7,770
Charity Care	4,367	3,900
Net Patient Service Revenue	$ 48,130	$ 45,093

NOTE 5 DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, TOBH's deposits may not be returned TOBH does not have a deposit policy for custodial credit risk As of September 30, 2011, TOBH's deposits had a carrying value of approximately $27,739,000 and a bank balance of approximately $27,715,000 Of the approximately $27,715,000 bank balance, approximately $27,161,000 was exposed to custodial credit risk as it exceeded the FDIC insurance limit

Interest Rate and Credit Risks

At September 30, 2011 and 2010, TOBH has only invested in bank deposits and interest bearing money market accounts with financial institutions Management believes these financial institutions have strong credit ratings and the risk of loss is not significant

NOTE 6 ACCOUNTS RECEIVABLE AND PAYABLE AND ACCRUED EXPENSES

TOBH provides services to the residents and visitors of eastern North Carolina without collateral An allowance for uncollectible accounts is provided in an amount equal to the estimated losses to be incurred in collection of the receivables The allowance is based on historical collection experiences and a review of the current status of the existing receivables The mix of receivables from patients and third-party payors at September 30 is as follows (in thousands of dollars)

	2011	2010
Receivables		
Patients	$ 6,447	$ 5,017
Commercial Payors	4,084	5,480
Medicare	3,373	3,328
Medicaid	1,697	1,407
Total Patient Accounts Receivable	15,601	15,232
Less Contractual Allowances	(3,285)	(2,836)
Less Allowance for Uncollectible Accounts	(3,822)	(3,911)
Patient Accounts Receivable, Net	$ 8,494	$ 8,485
Other Miscellaneous Operating Receivables	$ 490	$ 436
Estimated Settlements Due from Third-Party Payors	$ 1,869	$ 1,527

NOTE 6 ACCOUNTS RECEIVABLE AND PAYABLE AND ACCRUED EXPENSES (CONTINUED)

Accounts payable and accrued expenses and other current liabilities reported by TOBH consist of the following amounts at September 30 (in thousands of dollars)

	2011	2010
Accounts Payable to Vendors	$ 1,680	$ 1,925
Payable to Employees (including Payroll Taxes)	$ 2,342	$ 1,964
Accrued Interest Payable	-	54
Other	7	3
Accrued Expenses	$ 2,349	$ 2,021
Estimated Settlements Due to Third-Party Payors	$ 851	$ 1,384

NOTE 7 CAPITAL ASSETS

Capital assets additions, retirements and balances for the years ended September 30 are as follows (in thousands of dollars)

	September 30, 2010	Transfers/ Additions	Transfers/ Retirements	September 30, 2011
Land	$ 1,694	$ -	$ -	$ 1,694
Buildings	27,646	604	(285)	27,965
Equipment	9,184	1,010	-	10,194
Total at Historical Cost	38,524	1,614	(285)	39,853
Less Accumulated Depreciation				
Buildings	11,551	1,388	-	12,939
Equipment	5,894	1,086	-	6,980
Total Accumulated Depreciation	17,445	2,474	-	19,919
	$ 21,079	$ (860)	$ (285)	$ 19,934

	September 30, 2009	Transfers/ Additions	Transfers/ Retirements	September 30, 2010
Land	$ 1,694	$ -	$ -	$ 1,694
Buildings	27,632	14	-	27,646
Equipment	8,551	633	-	9,184
Total at Historical Cost	37,877	647	-	38,524
Less Accumulated Depreciation				
Buildings	10,162	1,389	-	11,551
Equipment	4,850	1,044	-	5,894
Total Accumulated Depreciation	15,012	2,433	-	17,445
	$ 22,865	$ (1,786)	$ -	$ 21,079

Depreciation expense for the years ended September 30, 2011 and 2010 was approximately $2,474,000 and $2,433,000, respectively

There were no significant capital commitments at September 30, 2011 and 2010

NOTE 8 LONG-TERM OBLIGATIONS

A summary of long-term obligations for the years ended September 30 follows

	September 30, 2010	Additions/ Transfers	Reductions/ Transfers	September 30, 2011	Current Portion
Note Payable	$ 10,842	$ -	$ (10,842)	$ -	$ -
Reserve for Professional Liability Losses	245	33	-	278	-
Total Noncurrent Liabilities	$ 11,087	$ 33	$ (10,842)	$ 278	$ -

	September 30, 2009	Additions/ Transfers	Reductions/ Transfers	September 30, 2010	Current Portion
Note Payable	$ 19,619	$ -	$ (8,777)	$ 10,842	$ 1,829
Reserve for Professional Liability Losses	314	-	(69)	245	-
Total Noncurrent Liabilities	$ 19,933	$ -	$ (8,846)	$ 11,087	$ 1,829

During 2002, TOBH borrowed $32,936,000 from ECH and Chesapeake for capital projects and working capital In the first quarter of fiscal year 2003, additional funds in the amount of $875,000 were needed by TOBH for working capital and capital expenditures The note is due in equal monthly installments of $121,675 to ECH and $80,828 to Chesapeake at an interest rate of 6 percent through 2016 Additional principal payments of $6,080,000 and $4,320,000 to ECH were made in February 2011 and 2010, respectively, and additional principal payments of $4,013,000 and $2,880,000 to Chesapeake were made in February 2011 and 2010, respectively The debt was paid in full effective February 2011

NOTE 9 OPERATING LEASES

The following schedule discloses future minimum lease payments under non-cancellable operating leases at September 30, 2011 (in thousands of dollars)

Operating Lease Runout	Amount
2012	$ 521,314
2013	310,267
2014	134,685
	$ 966,266

NOTE 10 COMMITMENTS AND CONTINGENCIES

Defined Contribution Retirement Plan

Employees of TOBH participate in a defined contribution retirement plan, sponsored by UHS for the benefit of its affiliates and all employees who meet the plan's eligibility requirements During fiscal years 2011 and 2010, TOBH contributed approximately $360,000 and $342,000, respectively, to the plan TOBH also has a non-elective Employer contribution plan Employees whose length of service is between 5 and10 years receive a contribution of the greater of $1,000 or 2 percent of salary to the plan and employees with a length of service of 10 or more years receive a contribution of the greater of $1,500 or 3 percent of salary to the plan For fiscal years 2011 and 2010, $157,000 and $136,000, respectively, was expensed as employer contributions to the plan

Medical Malpractice Costs

TOBH is insured under a claims-made policy for professional liability claims that covers annual malpractice costs with coverage up to certain limits per claim and in the annual aggregate, with a $10,000 deductible The excess coverage policy is limited to a maximum of the policy limit

Workers' Compensation

TOBH has first dollar workers' compensation coverage with Advantage Insurance Company providing statutory limits for employee accidents and disease, with no deductible In addition, the insurance policy provides Employer's Liability coverage with limits of $1,000,000 The Hospital's Excess Liability policy with Zurich provides coverage for Employers Liability above the primary policy with Advantage Insurance Company

Medical Coverage

TOBH is covered under the UHS self-insurance policy for employee medical and dental coverage with an excess coverage (stop loss) policy that covers annual medical and dental costs in excess of $250,000 on a claims-made basis The medical insurance expense is allocated from UHS based on average cost per participant of the overall plan for UHS to each corporation based on the corporation's number of participants Annual costs allocated to TOBH were approximately $1,764,000 and $1,409,000 for the years ended September 30, 2011 and 2010, respectively

NOTE 11 RELATED PARTY TRANSACTIONS

During the years ended September 30, 2011 and 2010, TOBH recorded expenses related to a shared services agreement with UHS of $2,000,000 and $1,929,000, respectively Shared services provided by UHS include human resources, legal services, financial services, corporate compliance, information systems, planning and marketing, managed care, quality, and other operational services

Excess Cash Policy

In February of each year after completion of the external audit, TOBH shall distribute unrestricted cash above the threshold amount to Members The initial threshold amount was set at an amount equal to 150 days of cash on hand based upon the most recently completed fiscal year The excess cash payment shall be used to pay accrued and unpaid interest and then shall be used to pay the outstanding principal on TOBH's note payable to the Members and then will be used to pay future interest expense payable to the Members After the note payable to the Members has been paid in full, cash distributions shall be applied to the Members' respective unreturned capital contributions After the Members' respective unreturned capital contributions have been paid in full, cash distributions shall be made to the Members, sixty percent (60%) to ECH and forty percent (40%) to Chesapeake (or based on the relative capital contributions ratio then in existence) TOBH will have the financial flexibility to request that the Members either make additional loans or guarantee loans from outside lenders to meet significant, unforeseen capital or working capital needs based on the approval mechanisms set forth in TOBH governing documents Members will be represented on TOBH's Budget Committee that recommends annual operating and capital budgets to TOBH Board for approval Each member will appoint at least one of its employees who are not board members to the Budget Committee If the aggregate capital expenditures would exceed the annual capital budget in any fiscal year, all capital expenditures in excess of the budget will be recommended by the Budget Committee to TOBH Board