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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
McLeod Regional Medical Center of the Pee Dee Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address) 555 East Cheves Street

Room/suite

City or town, state or country, and ZIP + 4
Florence, SC 295020551

**D Employer identification number**
57-0370242

**E Telephone number**
(843) 777-2256

**G** Gross receipts $ 945,467,110

**F** Name and address of principal officer
Robert L Colones
555 East Cheves St
Florence, SC 295020551

**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 mcleodhealth org

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

**L** Year of formation 1906

**M** State of legal domicile SC

## Part I Summary

**1** Briefly describe the organization's mission or most significant activities
Acute Care Hospital

**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** | 16 |
| **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** | 4,239 |
| **6** | Total number of volunteers (estimate if necessary) | **6** | 274 |
| **7a** | Total unrelated business revenue from Part VIII, column (C), line 12 | **7a** | 2,087 |
| **b** | Net unrelated business taxable income from Form 990-T, line 34 | **7b** | 2,087 |

| | | Prior Year | Current Year |
|---|---|---|---|
| **8** | Contributions and grants (Part VIII, line 1h) | 1,299,517 | 1,311,549 |
| **9** | Program service revenue (Part VIII, line 2g) | 610,995,733 | 612,409,821 |
| **10** | Investment income (Part VIII, column (A), lines 3, 4, and 7d ) | 10,106,230 | 23,778,776 |
| **11** | Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) | 4,293,798 | 4,816,222 |
| **12** | Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) | 626,695,278 | 642,316,368 |
| **13** | Grants and similar amounts paid (Part IX, column (A), lines 1–3 ) | 0 | 83,000 |
| **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) | 202,451,853 | 206,209,355 |
| **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) | 365,654,367 | 361,421,632 |
| **18** | Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25) | 568,106,220 | 567,713,987 |
| **19** | Revenue less expenses Subtract line 18 from line 12 | 58,589,058 | 74,602,381 |

| | | Beginning of Current Year | End of Year |
|---|---|---|---|
| **20** | Total assets (Part X, line 16) | 983,429,431 | 1,009,514,518 |
| **21** | Total liabilities (Part X, line 26) | 357,104,420 | 351,497,267 |
| **22** | Net assets or fund balances Subtract line 21 from line 20 | 626,325,011 | 658,017,251 |

## Part II Signature Block

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

**Sign Here**

Signature of officer — Date: 2012-08-14

S FULTON ERVIN III Sr VP/CFO
Type or print name and title

**Paid Preparer Use Only**

| Print/Type preparer's name | Preparer's signature | Date | Check if self-employed | PTIN |
|---|---|---|---|---|
| John W Sadoff Jr | John W Sadoff Jr | | ☐ | |

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

Firm's address ▶ 191 Peachtree St Ste 2000
Atlanta, GA 303031749

Phone no ▶ (404) 220-1500

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

Organization is part of McLeod Health system The mission of McLeod Health is to improve the overall health and well being of people living within South Carolina and eastern North Carolina by providing excellence in healthcare

**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 $ 469,138,912 including grants of $ 83,000 ) (Revenue $ 612,409,821 )

See the Community Benefit Report at Schedule H

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

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

**4d** Other program services (Describe in Schedule O )

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

**4e** **Total program service expenses** ▶ $ 469,138,912

## Part IV Checklist of Required Schedules

| | | | Yes | No |
|---|---|---|---|---|
| 1 | Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A* | 1 | Yes | |
| 2 | Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)? | 2 | Yes | |
| 3 | Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I* | 3 | | No |
| 4 | **Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II* | 4 | Yes | |
| 5 | Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III* | 5 | | |
| 6 | Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I* | 6 | | No |
| 7 | Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II* | 7 | | No |
| 8 | Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III* | 8 | | No |
| 9 | Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV* | 9 | | No |
| 10 | Did the organization, directly or through a related organization, hold assets in term, permanent,or quasi-endowments? *If "Yes," complete Schedule D, Part V* | 10 | | No |
| 11 | If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable | | | |
| a | Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.* | 11a | Yes | |
| b | Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.* | 11b | 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 | Yes | |
| e | Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.* | 11e | Yes | |
| f | Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.* | 11f | | No |
| 12a | Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII* | 12a | | No |
| b | Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional* | 12b | Yes | |
| 13 | Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E* | 13 | | No |
| 14a | Did the organization maintain an office, employees, or agents outside of the United States? | 14a | | No |
| b | Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV* | 14b | | No |
| 15 | Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Parts II and IV* | 15 | | No |
| 16 | Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Parts III and IV* | 16 | | No |
| 17 | Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)* | 17 | | No |
| 18 | Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II* | 18 | | No |
| 19 | Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III* | 19 | | No |
| 20a | Did the organization operate one or more hospitals? *If "Yes," complete Schedule H* | 20a | Yes | |
| b | If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions) | 20b | Yes | |

**Part IV Checklist of Required Schedules** *(continued)*

| | | | | |
|---|---|---|---|---|
| **21** | Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II* | **21** | Yes | |
| **22** | Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III* | **22** | | No |
| **23** | Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J* | **23** | Yes | |
| **24a** | Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25* | **24a** | Yes | |
| **b** | Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? | **24b** | | No |
| **c** | Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? | **24c** | | No |
| **d** | Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? | **24d** | | No |
| **25a** | **Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I* | **25a** | | No |
| **b** | Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I* | **25b** | | No |
| **26** | Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II* | **26** | | No |
| **27** | Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III* | **27** | | No |
| **28** | Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions) | | | |
| **a** | A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV* | **28a** | | No |
| **b** | A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV* | **28b** | | No |
| **c** | An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV* | **28c** | | No |
| **29** | Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M* | **29** | | No |
| **30** | Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M* | **30** | | No |
| **31** | Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I* | **31** | | No |
| **32** | Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II* | **32** | | No |
| **33** | Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I* | **33** | | No |
| **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 | 275 | | |
| b | Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable | 1b | 0 | | |
| c | Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? . . . . . | | | 1c | Yes | |
| 2a | Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return . . . . . | 2a | 4,239 | | |
| b | If at least one is reported on line 2a, did the organization file all required federal employment tax returns? | | | 2b | Yes | |
| | **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions) | | | | | |
| 3a | Did the organization have unrelated business gross income of $1,000 or more during the year? . . . . . | | | 3a | Yes | |
| b | If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O* . . . . . | | | 3b | Yes | |
| 4a | At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)? . . . . | | | 4a | | 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 | Yes | |
| h | If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? . . . . . | | | 7h | Yes | |
| 8 | **Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? . . . . . | | | 8 | | |
| 9 | **Sponsoring organizations maintaining donor advised funds.** | | | | | |
| a | Did the organization make any taxable distributions under section 4966? . . . . . | | | 9a | | |
| b | Did the organization make a distribution to a donor, donor advisor, or related person? . . . . . | | | 9b | | |
| 10 | **Section 501(c)(7) organizations.** Enter | | | | | |
| a | Initiation fees and capital contributions included on Part VIII, line 12 . . . | 10a | | | | |
| b | Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities | 10b | | | | |
| 11 | **Section 501(c)(12) organizations.** Enter | | | | | |
| a | Gross income from members or shareholders . . . . . | 11a | | | | |
| b | Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them ) . . . . . | 11b | | | | |
| 12a | **Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041? | | | 12a | | |
| b | If "Yes," enter the amount of tax-exempt interest received or accrued during the year | 12b | | | | |
| 13 | **Section 501(c)(29) qualified nonprofit health insurance issuers.** | | | | | |
| a | Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O | | | 13a | | |
| b | Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans | 13b | | | | |
| c | Enter the amount of reserves on hand | 13c | | | | |
| 14a | Did the organization receive any payments for indoor tanning services during the tax year? . . . . . | | | 14a | | No |
| b | If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . . | | | 14b | | |

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

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

## Section A. Governing Body and Management

| | | | | Yes | No |
|---|---|---|---|---|---|
| 1a | Enter the number of voting members of the governing body at the end of the tax year | 1a | 16 | | |
| 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 | Yes | |
| b | Describe in Schedule O the process, if any, used by the organization to review this Form 990 | | | |
| 12a | Does the organization have a written conflict of interest policy? *If "No," go to line 13* | 12a | Yes | |
| b | Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? | 12b | Yes | |
| c | Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done | 12c | Yes | |
| 13 | Does the organization have a written whistleblower policy? | 13 | Yes | |
| 14 | Does the organization have a written document retention and destruction policy? | 14 | Yes | |
| 15 | Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision? | | | |
| a | The organization's CEO, Executive Director, or top management official | 15a | Yes | |
| b | Other officers or key employees of the organization | 15b | Yes | |
| | If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions ) | | | |
| 16a | Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? | 16a | Yes | |
| b | If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements? | 16b | Yes | |

## Section C. Disclosure

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

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 ▶

Mark W Cameron
555 East Cheves Street
Florence, SC 295020551
(843) 777-5304

## 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 L Colones<br>CEO of Related Org | 40 00 | X | | X | | | | 0 | 729,167 | 74,257 |
| (2) S Fulton Ervin III<br>CFO of Related Org | 40 00 | X | | X | | | | 0 | 384,170 | 81,706 |
| (3) Marie G Segars<br>VP of Related Org | 40 00 | X | | | | | | 0 | 370,121 | 101,306 |
| (4) John C Pittard MD<br>Chairman | 1 00 | X | | X | | | | 0 | 0 | 0 |
| (5) William N Boulware MD<br>Trustee | 1 00 | X | | | | | | 0 | 0 | 0 |
| (6) Frank J Buddy Brand II<br>Trustee | 1 00 | X | | | | | | 0 | 0 | 0 |
| (7) Kievers Cunningham MD<br>Staff Physician | 40 00 | X | | | | | | 158,333 | 0 | 34,260 |
| (8) Patrick K Denton MD<br>Trustee | 1 00 | X | | | | | | 0 | 0 | 0 |
| (9) Leanne Huminski<br>Chief Nursing Officer | 40 00 | X | | | | | | 153,241 | 0 | 41,664 |
| (10) E Coy Irvin Jr<br>Chief Medical Officer | 40 00 | X | | | | | | 176,367 | 0 | 23,349 |
| (11) D Parker Lilly MD<br>Staff Physician | 40 00 | X | | | | | | 377,238 | 0 | 37,575 |
| (12) Fred N Krainin MD<br>Trustee | 1 00 | X | | | | | | 0 | 0 | 0 |
| (13) Michael J Sutton MD<br>Staff Physician, Related Org | 40 00 | X | | | | | | 0 | 525,530 | 58,151 |
| (14) Andrew H Rhea MD<br>Trustee | 1 00 | X | | | | | | 0 | 0 | 0 |
| (15) John W Sonfield MD<br>Staff Physician, Related Org | 40 00 | X | | | | | | 0 | 487,776 | 57,190 |
| (16) Vinod K Jona MD<br>Trustee | 1 00 | X | | | | | | 0 | 0 | 0 |

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

| (A) Name and Title | (B) Average hours per week (describe hours for related organizations in Schedule O) | (C) Position (check all that apply) | | | | | | (D) Reportable compensation from the organization (W-2/1099-MISC) | (E) Reportable compensation from related organizations (W- 2/1099-MISC) | (F) Estimated amount of other compensation from the organization and related organizations |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Individual trustee or director | Institutional Trustee | Officer | Key employee | Highest compensated employee | Former | | | |
| (17) Peter D Hyman MD<br>Staff Physician | 40 00 | | | | | X | | 427,808 | 0 | 38,920 |
| (18) Jeremy R Robertson MD<br>Staff Physician | 40 00 | | | | | X | | 365,760 | 0 | 40,565 |
| (19) Thomas G Lewis MD<br>Staff Physician | 40 00 | | | | | X | | 378,962 | 0 | 41,145 |
| (20) Bryon Frost MD<br>Staff Physician | 40 00 | | | | | X | | 430,926 | 0 | 47,748 |
| (21) James R Yarnal MD<br>Staff Physician | 40 00 | | | | | X | | 329,762 | 0 | 36,174 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| **1b** **Sub-Total** | | | | | | | | | | |
| **c** **Total from continuation sheets to Part VII, Section A** | | | | | | | | | | |
| **d** **Total (add lines 1b and 1c)** | | | | | | | | 2,798,397 | 2,496,764 | 714,010 |

**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 ▶ 156

| | | | 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 |
|---|---|---|
| Design StrategiesLLC<br>130 S Main St<br>Greenville, SC 29601 | Consulting Services | 6,845,754 |
| SNB Construction<br>PO Box 1438<br>Hartsville, SC 29551 | Construction Services | 1,682,408 |
| Pee Dee Lithotripsy of the Carolinas LL<br>PO Box 6171<br>Florence, SC 29501 | Medical Services | 1,237,600 |
| Pee Dee Pathology Associates PA<br>PO BOX 6166<br>Florence, SC 29502 | Medical Services | 852,002 |
| Medical Doctor Associates<br>PO Box 277185<br>Atlanta, GA 303847185 | Medical Services | 826,611 |

**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 ▶ 30

## 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 | 1,080,527 | | | |
| | e | Government grants (contributions) | 1e | 161,375 | | | |
| | f | All other contributions, gifts, grants, and similar amounts not included above | 1f | 69,647 | | | |
| | g | Noncash contributions included in lines 1a-1f $ | | | | | |
| | h | **Total.** Add lines 1a-1f | | 1,311,549 | | | |
| Program Service Revenue | | | Business Code | | | | |
| | 2a | Patient Services | 624100 | 604,997,080 | 604,997,080 | | |
| | b | All other Program Serv | 900099 | 7,412,741 | 7,412,741 | | |
| | c | | | | | | |
| | d | | | | | | |
| | e | | | | | | |
| | f | All other program service revenue | | | | | |
| | g | **Total.** Add lines 2a–2f | | 612,409,821 | | | |
| | 3 | Investment income (including dividends, interest and other similar amounts) | | 8,807,257 | | | 8,807,257 |
| | 4 | Income from investment of tax-exempt bond proceeds | | | | | |
| | 5 | Royalties | | | | | |
| | | | (i) Real | (ii) Personal | | | |
| | 6a | Gross Rents | 2,753,929 | | | | |
| | b | Less rental expenses | 2,623,867 | | | | |
| | c | Rental income or (loss) | 130,062 | | | | |
| | d | Net rental income or (loss) | | 130,062 | | | 130,062 |
| | | | (i) Securities | (ii) Other | | | |
| | 7a | Gross amount from sales of assets other than inventory | 315,147,359 | 351,035 | | | |
| | b | Less cost or other basis and sales expenses | 299,640,276 | 886,599 | | | |
| | c | Gain or (loss) | 15,507,083 | -535,564 | | | |
| | d | Net gain or (loss) | | 14,971,519 | | | 14,971,519 |
| 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 | Pharmacy Income | | 446110 | 2,312,119 | | | 2,312,119 |
| | b | Cafeteria Income | | 722210 | 1,500,484 | | | 1,500,484 |
| | c | Gift Shop | | 453220 | 431,235 | | | 431,235 |
| | d | All other revenue | | | 442,322 | | 2,087 | 440,235 |
| | e | **Total.** Add lines 11a–11d | | | 4,686,160 | | | |
| | 12 | **Total revenue.** See Instructions | | | 642,316,368 | 612,409,821 | 2,087 | 28,592,911 |

## 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 | 83,000 | 83,000 | | |
| 2 Grants and other assistance to individuals in the U S See Part IV, line 22 | | | | |
| 3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16 | | | | |
| 4 Benefits paid to or for members | | | | |
| 5 Compensation of current officers, directors, trustees, and key employees | 1,223,396 | 1,101,056 | 122,340 | |
| 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 | 161,272,535 | 143,190,546 | 18,081,989 | |
| 8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions) | | | | |
| 9 Other employee benefits | 43,713,424 | 38,812,093 | 4,901,331 | |
| 10 Payroll taxes | | | | |
| a Fees for services (non-employees) Management | 34,450,379 | 178,778 | 34,271,601 | |
| b Legal | 3,894,656 | 19,197 | 3,875,459 | |
| c Accounting | | | | |
| d Lobbying | | | | |
| e Professional fundraising services *See Part IV, line 17* | | | | |
| f Investment management fees | 1,910,033 | | 1,910,033 | |
| g Other | 21,308,014 | 10,805,999 | 10,502,015 | |
| 12 Advertising and promotion | 464,162 | 85,936 | 378,226 | |
| 13 Office expenses | 115,980,164 | 113,896,328 | 2,083,836 | |
| 14 Information technology | 1,042,509 | 814,434 | 228,075 | |
| 15 Royalties | | | | |
| 16 Occupancy | 8,248,074 | 1,211,839 | 7,036,235 | |
| 17 Travel | 712,752 | 678,394 | 34,358 | |
| 18 Payments of travel or entertainment expenses for any federal, state, or local public officials | | | | |
| 19 Conferences, conventions, and meetings | 249,025 | 214,672 | 34,353 | |
| 20 Interest | 10,797,706 | 10,797,706 | | |
| 21 Payments to affiliates | | | | |
| 22 Depreciation, depletion, and amortization | 29,578,257 | 29,578,257 | | |
| 23 Insurance | 1,433,729 | 250 | 1,433,479 | |
| 24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O ) | | | | |
| a Bad Debt | 97,272,133 | 97,272,133 | 0 | 0 |
| b Licenses and Taxes | 12,272,031 | 364,585 | 11,907,446 | 0 |
| c MPA Subsidy | 9,231,907 | 9,231,907 | 0 | 0 |
| d Fees-Physicians | 5,273,508 | 5,273,508 | 0 | 0 |
| e Medical | 2,704,861 | 2,704,861 | 0 | 0 |
| f All other expenses | 4,597,732 | 2,823,433 | 1,774,299 | |
| 25 **Total functional expenses.** Add lines 1 through 24f | 567,713,987 | 469,138,912 | 98,575,075 | 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 | | | 1 | |
| | 2 | Savings and temporary cash investments | | 18,356,395 | 2 | 18,772,451 |
| | 3 | Pledges and grants receivable, net | | | 3 | |
| | 4 | Accounts receivable, net | | 70,060,150 | 4 | 58,262,725 |
| | 5 | Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L | | | 5 | |
| | 6 | Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L | | | 6 | |
| | 7 | Notes and loans receivable, net | | | 7 | |
| | 8 | Inventories for sale or use | | 2,417,037 | 8 | 2,622,627 |
| | 9 | Prepaid expenses and deferred charges | | 5,397,160 | 9 | 5,019,563 |
| | 10a | Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D* | 10a 717,492,358 | | | |
| | b | Less accumulated depreciation | 10b 386,166,587 | 282,968,109 | 10c | 331,325,771 |
| | 11 | Investments—publicly traded securities | | | 11 | |
| | 12 | Investments—other securities See Part IV, line 11 | | 552,528,278 | 12 | 530,382,383 |
| | 13 | Investments—program-related See Part IV, line 11 | | | 13 | |
| | 14 | Intangible assets | | | 14 | |
| | 15 | Other assets See Part IV, line 11 | | 51,702,302 | 15 | 63,128,998 |
| | 16 | **Total assets.** Add lines 1 through 15 (must equal line 34) | | 983,429,431 | 16 | 1,009,514,518 |
| Liabilities | 17 | Accounts payable and accrued expenses | | 41,412,281 | 17 | 39,747,992 |
| | 18 | Grants payable | | | 18 | |
| | 19 | Deferred revenue | | 285,633 | 19 | 212,094 |
| | 20 | Tax-exempt bond liabilities | | 264,436,926 | 20 | 261,685,964 |
| | 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 | | 11,861,204 | 23 | 10,558,988 |
| | 24 | Unsecured notes and loans payable to unrelated third parties | | | 24 | |
| | 25 | Other liabilities Complete Part X of Schedule D | | 39,108,376 | 25 | 39,292,229 |
| | 26 | **Total liabilities.** Add lines 17 through 25 | | 357,104,420 | 26 | 351,497,267 |
| 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 | | 626,325,011 | 27 | 658,017,251 |
| | 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 | | 626,325,011 | 33 | 658,017,251 |
| | 34 | Total liabilities and net assets/fund balances | | 983,429,431 | 34 | 1,009,514,518 |

## 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 | 642,316,368 |
| 2 | Total expenses (must equal Part IX, column (A), line 25) | 2 | 567,713,987 |
| 3 | Revenue less expenses Subtract line 2 from line 1 | 3 | 74,602,381 |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) | 4 | 626,325,011 |
| 5 | Other changes in net assets or fund balances (explain in Schedule O) | 5 | -42,910,141 |
| 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 | 658,017,251 |

## 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
McLeod Regional Medical Center of the Pee Dee Inc

**Employer identification number**
57-0370242

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

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

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

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

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

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

_____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Part II** **Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

## Section A. Public Support

| Calendar year (or fiscal year beginning in) ▶ | (a) 2006 | (b) 2007 | (c) 2008 | (d) 2009 | (e) 2010 | (f) Total |
|---|---|---|---|---|---|---|
| 1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ") | | | | | | |
| 2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf | | | | | | |
| 3 The value of services or facilities furnished by a governmental unit to the organization without charge | | | | | | |
| 4 **Total.** Add lines 1 through 3 | | | | | | |
| 5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f) | | | | | | |
| 6 **Public Support.** Subtract line 5 from line 4 | | | | | | |

## Section B. Total Support

| Calendar year (or fiscal year beginning in) ▶ | (a) 2006 | (b) 2007 | (c) 2008 | (d) 2009 | (e) 2010 | (f) Total |
|---|---|---|---|---|---|---|
| 7 Amounts from line 4 | | | | | | |
| 8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources | | | | | | |
| 9 Net income from unrelated business activities, whether or not the business is regularly carried on | | | | | | |
| 10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV ) | | | | | | |
| 11 **Total support** (Add lines 7 through 10) | | | | | | |

12 Gross receipts from related activities, etc (See instructions ) **12**

13 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

## Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2009 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2010.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2009.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2009.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶☐

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

## Section A. Public Support

| **Calendar year** (or fiscal year beginning in) ▶ | **(a)** 2006 | **(b)** 2007 | **(c)** 2008 | **(d)** 2009 | **(e)** 2010 | **(f)** Total |
|---|---|---|---|---|---|---|
| **1** Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ") | | | | | | |
| **2** Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose | | | | | | |
| **3** Gross receipts from activities that are not an unrelated trade or business under section 513 | | | | | | |
| **4** Tax revenues levied for the organization's benefit and either paid to or expended on its behalf | | | | | | |
| **5** The value of services or facilities furnished by a governmental unit to the organization without charge | | | | | | |
| **6** **Total.** Add lines 1 through 5 | | | | | | |
| **7a** Amounts included on lines 1, 2, and 3 received from disqualified persons | | | | | | |
| **b** Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year | | | | | | |
| **c** Add lines 7a and 7b | | | | | | |
| **8** **Public Support** (Subtract line 7c from line 6 ) | | | | | | |

## Section B. Total Support

| **Calendar year** (or fiscal year beginning in) | **(a)** 2006 | **(b)** 2007 | **(c)** 2008 | **(d)** 2009 | **(e)** 2010 | **(f)** Total |
|---|---|---|---|---|---|---|
| **9** Amounts from line 6 | | | | | | |
| **10a** Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources | | | | | | |
| **b** Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 | | | | | | |
| **c** Add lines 10a and 10b | | | | | | |
| **11** Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on | | | | | | |
| **12** Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV ) | | | | | | |
| **13** **Total support** (Add lines 9, 10c, 11 and 12 ) | | | | | | |

**14** **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section501(c)(3) organization, check this box and **stop here** ▶☐

## Section C. Computation of Public Support Percentage

| | | | |
|---|---|---|---|
| **15** | Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f)) | **15** | |
| **16** | Public support percentage from 2009 Schedule A, Part III, line 15 | **16** | |

## Section D. Computation of Investment Income Percentage

| | | | |
|---|---|---|---|
| **17** | Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f)) | **17** | |
| **18** | Investment income percentage from **2009** Schedule A, Part III, line 17 | **18** | |

**19a** **33 1/3% support tests—2010.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

**b** **33 1/3% support tests—2009.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

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

**Part IV** **Supplemental Information.** Supplemental Information. Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

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# SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

## Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ Complete if the organization is described below.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

**2010**

**Open to Public Inspection**

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

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

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

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

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

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

| Name of the organization | Employer identification number |
|---|---|
| McLeod Regional Medical Center of the Pee Dee Inc | 57-0370242 |

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

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

2 Political expenditures ▶ $

3 Volunteer hours

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities ▶ $

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

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

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

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

A Check ☐ if the filing organization belongs to an affiliated group
B Check ☐ if the filing organization checked box A and "limited control" provisions apply

| Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.) | (a) Filing Organization's Totals | (b) Affiliated Group Totals |
|---|---|---|
| 1a Total lobbying expenditures to influence public opinion (grass roots lobbying) | | |
| b Total lobbying expenditures to influence a legislative body (direct lobbying) | | |
| c Total lobbying expenditures (add lines 1a and 1b) | | |
| d Other exempt purpose expenditures | | |
| e Total exempt purpose expenditures (add lines 1c and 1d) | | |
| f Lobbying nontaxable amount Enter the amount from the following table in both columns | | |
| g Grassroots nontaxable amount (enter 25% of line 1f) | | |
| h Subtract line 1g from line 1a If zero or less, enter -0- | | |
| i Subtract line 1f from line 1c If zero or less, enter -0- | | |

| If the amount on line 1e, column (a) or (b) is: | The lobbying nontaxable amount is: |
|---|---|
| Not over $500,000 | 20% of the amount on line 1e |
| Over $500,000 but not over $1,000,000 | $100,000 plus 15% of the excess over $500,000 |
| Over $1,000,000 but not over $1,500,000 | $175,000 plus 10% of the excess over $1,000,000 |
| Over $1,500,000 but not over $17,000,000 | $225,000 plus 5% of the excess over $1,500,000 |
| Over $17,000,000 | $1,000,000 |

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

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

### Lobbying Expenditures During 4-Year Averaging Period

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

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

| | | (a) Yes | (a) No | (b) Amount |
|---|---|---|---|---|
| 1 | During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of | | | |
| a | Volunteers? | | No | |
| b | Paid staff or management (include compensation in expenses reported on lines 1c through 1i)? | | No | |
| c | Media advertisements? | | No | |
| d | Mailings to members, legislators, or the public? | | No | |
| e | Publications, or published or broadcast statements? | | No | |
| f | Grants to other organizations for lobbying purposes? | Yes | | 83,000 |
| g | Direct contact with legislators, their staffs, government officials, or a legislative body? | | No | |
| h | Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means? | | No | |
| i | Other activities? If "Yes," describe in Part IV | | No | |
| j | Total lines 1c through 1i | | | 83,000 |
| 2a | Did the activities in line 1 cause the organization to be not described in section 501(c)(3)? | | No | |
| b | If "Yes," enter the amount of any tax incurred under section 4912 | | | |
| c | If "Yes," enter the amount of any tax incurred by organization managers under section 4912 | | | |
| d | If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year? | | | |

## Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

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

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

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

## Part IV Supplemental Information

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

| Identifier | Return Reference | Explanation |
|---|---|---|
| Explanation of Other Lobbying Activities | Part II-B, Line 1i | Limited contributions to civic group which was formed in September of 2011 with the sole purpose of supporting a referendum to provide better healthcare services to the citizens of Horry County, South Carolina |

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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**
McLeod Regional Medical Center of the Pee Dee Inc

**Employer identification number**
57-0370242

## 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 | | 56,891,378 | | 56,891,378 |
| b Buildings | | 403,623,629 | 203,142,604 | 200,481,025 |
| c Leasehold improvements | | 2,141,354 | 1,697,947 | 443,407 |
| d Equipment | | 206,804,376 | 164,256,568 | 42,547,808 |
| e Other | | 48,031,621 | 17,069,468 | 30,962,153 |
| **Total.** Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶ | | | | 331,325,771 |

**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 | | |
| (3) Other | | |
| (A) Money Market - SSGA | 18,820 | F |
| (B) Large Cap - SSGA and JP Morgan | 88,214,430 | F |
| (C) SMID CAP - Thompson Siegel & Walmsley and Chartwell | 61,303,096 | F |
| (D) International - Barclays and Alliance | 106,301,248 | F |
| (E) Fixed - Alliance Bernstein, Wachovia, and Stone Harbor | 140,885,414 | F |
| (F) Hedge Funds - Blackstone | 47,300,579 | F |
| (G) Global - Dodge & Cox | 36,615,884 | F |
| (H) Bonds | 49,742,912 | F |
| | | |
| **Total.** *(Column (b) should equal Form 990, Part X, col (B) line 12 )* ▶ | 530,382,383 | |

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

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

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

| (a) Description | (b) Book value |
|---|---|
| (1) Other Receivables | 1,601,082 |
| (2) Intercompany | 43,050,976 |
| (3) Goodwill | 3,261,544 |
| (4) Investments in Affiliated Companies | 4,606,724 |
| (5) Life Insurance | 1,873,476 |
| (6) Net Bond Issue Cost | 5,984,186 |
| (7) Due From Assets | 2,751,010 |
| | |
| | |
| **Total.** *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶ | 63,128,998 |

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

| 1 (a) Description of Liability | (b) Amount |
|---|---|
| Federal Income Taxes | |
| Current Portion of Long Term Debt | 4,875,208 |
| Third Party Payors Reserve Estimates | 34,417,021 |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| **Total.** *(Column (b) should equal Form 990, Part X, col (B) line 25 )* ▶ | 39,292,229 |

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

## Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

| | | | |
|---|---|---|---|
| 1 | Total revenue (Form 990, Part VIII, column (A), line 12) | 1 | |
| 2 | Total expenses (Form 990, Part IX, column (A), line 25) | 2 | |
| 3 | Excess or (deficit) for the year Subtract line 2 from line 1 | 3 | |
| 4 | Net unrealized gains (losses) on investments | 4 | |
| 5 | Donated services and use of facilities | 5 | |
| 6 | Investment expenses | 6 | |
| 7 | Prior period adjustments | 7 | |
| 8 | Other (Describe in Part XIV) | 8 | |
| 9 | Total adjustments (net) Add lines 4 - 8 | 9 | |
| 10 | Excess or (deficit) for the year per financial statements Combine lines 3 and 9 | 10 | |

## Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

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

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

## Part XIV Supplemental Information

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

| Identifier | Return Reference | Explanation |
|---|---|---|

## Additional Data

**Software ID:**

**Software Version:**

**EIN:** 57-0370242

**Name:** McLeod Regional Medical Center of the Pee Dee Inc

### Form 990, Schedule D, Part VII - Investments— Other Securities

| **(a)** Description of security or cateory (including name of security) | **(b)**Book value | **(c)** Method of valuation Cost or end-of-year market value |
|---|---|---|
| Money Market - SSGA | 18,820 | F |
| Large Cap - SSGA and JP Morgan | 88,214,430 | F |
| SMID CAP - Thompson Siegel & Walmsley and Chartwell | 61,303,096 | F |
| International - Barclays and Alliance | 106,301,248 | F |
| Fixed - Alliance Bernstein, Wachovia, and Stone Harbor | 140,885,414 | F |
| Hedge Funds - Blackstone | 47,300,579 | F |
| Global - Dodge & Cox | 36,615,884 | F |
| Bonds | 49,742,912 | F |

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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**
McLeod Regional Medical Center of the Pee Dee Inc

**Employer identification number**
57-0370242

## 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<br>☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals<br>☐ 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<br>☐ 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 . . . . .<br>☐ 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 | | No |
| c | If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care? . . . . . | 5c | | |
| 6a | 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) | | | 40,694,728 | 21,839,862 | 18,854,866 | 3 320 % |
| b Unreimbursed Medicaid (from Worksheet 3, column a) | | | 93,803,046 | 67,924,395 | 25,878,651 | 4 560 % |
| c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b) | | | | | | |
| d **Total** Financial Assistance and Means-Tested Government Programs | | | 134,497,774 | 89,764,257 | 44,733,517 | 7 880 % |
| **Other Benefits** | | | | | | |
| e Community health improvement services and community benefit operations (from (Worksheet 4) | | | 256,213 | 840 | 255,373 | 0 040 % |
| f Health professions education (from Worksheet 5) | | | 4,100,641 | 3,606,330 | 494,311 | 0 090 % |
| g Subsidized health services (from Worksheet 6) | | | 491,246 | 129,752 | 361,494 | 0 060 % |
| h Research (from Worksheet 7) | | | 870,294 | 130,486 | 739,808 | 0 130 % |
| i Cash and in-kind contributions to community groups (from Worksheet 8) | | | 173,280 | | 173,280 | 0 030 % |
| j **Total** Other Benefits | | | 5,891,674 | 3,867,408 | 2,024,266 | 0 350 % |
| k **Total.** Add lines 7d and 7j | | | 140,389,448 | 93,631,665 | 46,757,783 | 8 230 % |

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

| | | (a) Number of activities or programs (optional) | (b) Persons served (optional) | (c) Total community building expense | (d) Direct offsetting revenue | (e) Net community building expense | (f) Percent of total expense |
|---|---|---|---|---|---|---|---|
| 1 | Physical improvements and housing | | | | | | |
| 2 | Economic development | | | | | | |
| 3 | Community support | | | | | | |
| 4 | Environmental improvements | | | | | | |
| 5 | Leadership development and training for community members | | | | | | |
| 6 | Coalition building | | | | | | |
| 7 | Community health improvement advocacy | | | 185,416 | 110,822 | 74,594 | 0 010 % |
| 8 | Workforce development | | | 200,000 | | 200,000 | 0 040 % |
| 9 | Other | | | | | | |
| 10 | **Total** | | | 385,416 | 110,822 | 274,594 | 0 050 % |

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

**Section A. Bad Debt Expense**

| | | | | Yes | No |
|---|---|---|---|---|---|
| 1 | Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15? | 1 | | | No |
| 2 | Enter the amount of the organization's bad debt expense (at cost) | 2 | 30,085,649 | | |
| 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 | 1,995,881 | | |
| 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 | 163,183,599 |
| 6 | Enter Medicare allowable costs of care relating to payments on line 5 | 6 | 177,260,180 |
| 7 | Subtract line 6 from line 5 This is the surplus or (shortfall) | 7 | -14,076,581 |
| 8 | Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used | | |

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

**Section C. Collection Practices**

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

**Part IV** **Management Companies and Joint Ventures**

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

## Part V Facility Information

### Section A. Hospital Facilities

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

How many hospital facilities did the organization operate during the tax year? 3

| | Name and address | Licensed hospital | General medical & surgical | Children's hospital | Teaching hospital | Critical access hospital | Research facility | ER-24 hours | ER-other | Other (Describe) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | McLeod Regional Medical Center<br>555 East Cheves St<br>Florence, SC 29502 | X | X | X | X | X | X | X | | |
| 2 | McLeod Medical Center Darlington<br>701 Cashua Ferry Road<br>Darlington, SC 29532 | X | X | | | | | | | |
| 3 | McLeod Behavioral Health<br>701 Cashua Ferry Road<br>Darlington, SC 29532 | X | | | | | | | | |
| | | | | | | | | | | |
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| | | | | | | | | | | |

**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 |
|---|---|---|
| | | 1 Part I, Item 6a - Community Benefit report for McLeod Health (Sole Member of McLeod Regi onal Medical Center of the Pee Dee, Inc ) is filed annually with South Carolina Hospital A ssociation Highlights are published in McLeod Magazine which is a publication that is dis tributed free to the public Entire report is available to anyone upon request Part I, It em 7g - These subsidized services come from the operation of a Cancer Clinic Part II - On e of the main McLeod activities which would be classified as Community Building activities under the Schedule H sub-category "Community Health Improvement Advocacy" is our digital Mobile Mammography van that we have operated since 2008 A brief descriptıon of the benefi ts this brings to the community follows Breast cancer is the most commonly diagnosed cance r among women in South Carolina regardless of race Breast cancer is also the second leadi ng cause of cancer deaths for women in the state and the leading cancer site diagnosed at McLeod According to the American Cancer Society, breast cancer deaths could be lowered if women ages 40 and older had an annual mammogram, an annual breast exam by a physician, an d practiced monthly breast self-exams A mammogram is valuable because it can identify bre ast abnormalities before they can be felt In addition, it has been shown that early detec tion increases survival and treatment options When cancers are detected early, survival r ates are better than 95% The McLeod Mobile Mammography Unit takes digital mammogram scree nings to women at health care facilities, businesses, industries, and health fairs to reac h those women who do not undergo a mammogram for lack of time, awareness, and access The unit provides a convenient, comfortable, and private setting in which women can undergo a screening mammogram (an X-ray of the breast used to detect breast changes in women who hav e no signs or symptoms of breast cancer) An onsite mammogram in a mobile unit is just as safe, accurate, and confidential as going to a hospital The state-of-the-art equipment on the unit is identical to the three digital units located in the McLeod Breast Imaging Cen ter An all-female team of registered radiological technologists with advanced training in the discipline of mammography staff the mobile unit Furthermore, trained registration st aff members on the unit discuss personal and financial information with each woman in a hi ghly confidential setting In addition, women will have the opportunity to ask questions a nd raise concerns they may have about breast health issues to the staff on board The same board certified radiologists who read mammograms at McLeod Regional Medical Center, McLeo d Medical Center Darlington, and McLeod Medical Center Dillon interpret all mammograms per formed on the mobile unit After the images are read, a report is sent to the patient's re ferring physician, and a result letter is sent to the patient within 7 - 10 days after her mammogram This process is exactly the same as if a woman had her mammogram performed at the hospital, the only difference is that the hospital comes to her For fiscal year 2011, there were 1,886 screening mammograms completed on the Mobile Mammography Unit Of these, six cases of breast cancer were diagnosed Also, under the Community Building sub-categor y "Collaboration with education institutions to train and recruit health professionals", M cLeod participates financially in the nursing program at two local higher education school s, Francis Marion University and Florence-Darlington Technical College, to help maintain a nd expand their nursing programs These two programs are the cornerstone for recruiting, r etention and cultivation of exceptional nurses by McLeod and other health care providers i n the region Part III, Line 4 - Net Patient service revenues are reported at the estimate d net realizable amount received,or to be received, from patients , third party payors, an d others for the specific services and supplies rendered, including estimated retroactive adjustments under reimbursement agreement with third party payor For the amounts reported in Line 2 and 3, we used the IRS method to calculate the Ratio of Patient Care Cost to Cha rges, as shown on page 8 of the Instruction for Schedule H (Worksheet 2) The calculated r atio was then applied to the gross charges written off to bad debt (net of recoveries)Part III, Line 9b - McLeod's charity policy outlines the criteria used to determine patients w ho qualify for charity When patients have furnished the required information, it is revie wed and a determination is made If approved for charity care, their account balances are adjusted based on the percentage they qualify for using a charity adjustment code If all required information is not furnished, the patient is notified that their charity applicat ion was not approved due to failure to provide the necessary information Following that n otification, the account generally transfers to ba |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| | | d debt for further collection action 2 McLeod Regional Medical Center of the Pee Dee, Inc (MRMC) has a 16-member Community Board that consists of local physicians and other influ ential community leaders This Board meets semi-monthly and the leaders provide input from various parts of the community to assist MRMC in assessing the health care needs of the c ommunity Additionally, MRMC is actively involved in agencies like United Way, American He art Association, American Cancer Society, Children's Miracle Network to further stay on th e pulse of the health needs of the community 3 Uninsured patients are screened at the tim e of registration for their ability to pay for their healthcare services If the patient h as no ability to pay and is deemed ineligible for governmental programs (Medicare, Medicai d, etc ) then they are informed of the Hospital Charity program They are provided with an application and a listing of the appropriate documents necessary to establish eligibility for the Hospital Charity program 4 McLeod Regional Medical Center of the Pee Dee, Inc ( MRMC), together with its related organizations McLeod Medical Center- Dillon and McLeod Ph ysician Associates II, coniders its Primary Service Area (PSA) as the South Carolina count ies of Florence, Darlington, Chesterfield, Dillon, Marion, and Marlboro, and its Secondary Service Area (SSA) as the South Carolina counties of Clarendon, Georgetown, Horry, Lee, S umter, and Williamsburg These twelve counties make up the northeastern corner of South Ca rolina Of the PSA counties, MRMC has the most discharges from the two counties of Florenc e and Darlington, with Florence patients comprising approximately 48% of all discharges in the most recent year with statistics available, FY 11, and Darlington patients making up approximately 17% As for some demographics of the PSA and SSA served by MRMC, the totalpop ulation of the PSA in 2010 was 346,357 and the total population of theSSA that same year w as 525,519 The populations of Florence and DarlingtonCounties were 136,885 and 68,681 res pectively, with median ages of 37 6 and39 6 respectively 5 The McLeod Health system (with McLeod Regional Medical Center of the Pee Dee, Inc being the largest component ) conduct s or participates in many community programs that help further MRMC's exempt purpose by pr omoting the health of the community This narrative highlights just some of these programs Recognized nationally for its quality initiatives and methodology, McLeod Health has a le ading regional presence in Northeastern South Carolina and Southeastern North Carolina and a reputation for dedication to its patients and their families McLeod is constantly seek ing to improve its patient care with efforts that are physician led, data-driven and evide nce-based The 15-county area McLeod serves has a population of more than one million incl uding those who live in Southeastern North Carolina Founded in 1906, McLeod Health is a l ocally owned and managed, not for profit organization supported by the strength of nearly 750 members on the medical staff and more than 1,100 full time nurses In addition to its modern facilities, premier technology and equipment, McLeod is dedicated to improving the health of the residents of those communities served McLeod Health is composed of more tha n 4,700 full time employees and over 50 physician practices in eight counties With five h ospitals, McLeod Health also operates a Health and Fitness Center, Sports Medicine and O ut patient Rehabilitation Center, a Behavioral Health Center, Hospice, and Home Health Servic es The hospitals within McLeod Health include McLeod Regional Medical Center, McLeod Dar lington, McLeod Dillon, and as of January 2012, McLeod Loris and McLeod Seacoast |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| | | The flagship hospital of the McLeod Health organization is McLeod Regional Medical Center in Florence, South Carolina This regional referral tertiary care center serves patients a nd families living in the northeastern region of South Carolina The medical center includ es an accredited Cancer Center and Breast Health Center, three dedicated open heart surger y suites and the new Heart & Vascular Institute as well as Centers of Excellence in Heart, Cancer, Surgery, Neurosurgery, Trauma, Children's and Women's Services in addition to a D iabetes Center, Rehabilitation and Sports Medicine Services, and the Center for Advanced S urgery, which all deliver an unmatched level of care and experience to people in the regio n One of only five state-designated regional perinatal centers, McLeod Regional Medical C enter also offers the region's only Children's Hospital which includes a 40-bed Neonatal I ntensive Care Unit and six-bed Pediatric Intensive Care Unit As the only teaching facilit y in the region, McLeod also supports a Family Medicine Residency Program In addition, th e McLeod Hospice House, an inpatient facility which will soon expand to 24-beds, is locate d on the campus McLeod Health has been recognized numerous times for its outstanding work in quality care, best practices and clinical outcomes as well as its physician's dedicati on to quality improvement The efforts to improve quality and patient safety are physician led, data-driven and evidence-based Because of this commitment by strong, active physici an and staff participation, McLeod has received national recognition for quality including the 2010 American Hospital Association-McKesson Quest for Quality Prize Awarded annually to one hospital in the country, McLeod is the first hospital in South Carolina to receive this prestigious honor since the inception of the national Quest for Quality Prize in 200 2 The mission of McLeod Health is to improve the overall health and well being of people living within South Carolina and eastern North Carolina by providing excellence in healthc are Through the years, the facility has expanded, developed and created milestones in the areas of cancer services, advanced surgery, pediatrics, heart and vascular, hospice, radi ology, women's services and orthopedics The medical center has championed this mission fo r more than a century - celebrating 105 years of exceptional medical service to the region The mission of McLeod Health is anchored by the core values that the institution was bui lt upon in 1906 the values of caring, the person, integrity, and quality These values ar e exemplified by the willing and compassionate service to others that is evident in the ho spital operations, continuous long-range planning, and the men and women who have chosen t o be a part of the McLeod team of talent in their individual fields of expertise This gro up of physicians, nurses, staff members, board members and volunteers are dedicated to car ing for the community with much more than medical care Their commitment extends past the medical center's brick and mortar and into the service areas of South Carolina and eastern North Carolina in an effort to build a stronger and healthier place for patients, co-work ers, children and neighbors to live and work The medical community, both nationally and on a state/local level, has made cut backs due to shrinking reimbursements McLeod Health is no exception Shrinking reimbursements and healthcare reform have been the drivers for in itiating changes that improve the ability for healthcare providers to reduce cost while ma intaining quality At McLeod, we have continued to provide and grow essential services to care for patients in our region with a commitment to quality and operational efficiency T hese treatments and programs address significant disease processes prevalent in our state' s population - including heart disease, cancer, diabetes, and premature births Some of th ese critical patient care services are located only at McLeod for the people living in the Northeastern region of South Carolina McLeod Health continues to explore more meaningful and productive ways to meet its mission, offering programs and activities which are a com munity benefit Community benefits are defined as programs that respond to public health n eeds and supply services that would likely be discontinued - or would need to be provided by another not-for-profit or government provider - if the decision was made on a purely fi nancial basis McLeod Health provides community benefits that promote prevention, healing and treatment including health education, support groups, health screenings and immunizati ons, free and discounted medical supplies, health education and research, and financial an d in-kind contributions In Fiscal Year 2011, McLeod Health provided the region with $104 1 Million dollars worth of Charity Care to benefit community families McLeod Health not o nly provides community benefit through the service |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| | | s offered but also by stimulating the local economy Last year we contributed more than $1 0 Million in sales tax, approximately $814,000 in Property Taxes, and more than $12 7 Mill ion in hospital provider taxes to benefit the communities where its employees and patients live and work These benefits to the community demonstrate the spirit of willing and comp assionate service that is at the heart, and the legacy, of McLeod Health 6 McLeod Health is the sole Member of McLeod Regional Medical Center of the Pee Dee, Inc and other relate d organization which comprise the regional McLeod Health system Description of each entit y follows McLeod Regional Medical Center of the Pee Dee, Inc McLeod Regional Medical Cente r of the Pee Dee, Inc (MRMC) is the largest entity in the McLeod Health system and owns a nd operates the following organizations, which operates as division of MRMC McLeod Regiona l Medical Center, the system's main hospital campus located in Florence, South Carolina, w hich includes a 453-bed tertiary care facility and a 40-bed neonatal intensive care unit,M cLeod Medical Center-Darlington, a 49-bed community hospital located in Darlington, South Carolina,McLeod Behavioral Health, a 23-bed psychiatric facility located on the campus of McLeod Center Darlington,McLeod Home Care, which consist of McLeod Home Health, a five-cou nty home healthcare organization with offices in Florence, South Carolina, and McLeod Hosp ice House, a 12 bed inpatient facility located in Florence, South Carolina,McLeod Health & Fitness Center, a comprehensive health and fitness center located in Florence, South Caro lina, |

| Identifier | ReturnReference | Explanation |
|---|---|---|
| | | McLeod Ambulatory Surgery Center, a free standing outpatient service center located on the campus of McLeod Regional Medical Center Additionally, MRMC is the majority owner in a joint venture, McLeod Medical Partners, LLC, which owns and operates three medical office buildings on the campus McLeod Medical Center - Dillon McLeod Medical Center - Dillon is a South Carolina nonprofit corporation and an organization described under Sections 501(c)(3) and 509(a)(1) of the Code McLeod Medical Center Dillon owns and operates a 79-bed community hospital located in the City of Dillon in Dillon County, South Carolina, Dillon County borders Florence County to the northeast McLeod Physician Associates II (MPA II)MPA II is a South Carolina nonprofit corporation and an organization described under Sections 501(c)(3) and 509(a)(2) of the Code that operates a multi specialty physician group practice of 78 employed physicians providing primary and specialty care services through approximately 36 offices in six South Carolina counties MPA II supports the mission of McLeod Health , providing comprehensive medical and surgical services, including a wide range of physician specialties, to McLeod's patients from a 12-county service area McLeod Health FoundationThe Foundation was organized in 1986 as a South Carolina nonprofit corporation and is an organization described under Sections 501(c)(3) and 509(a)(3) of the Code The foundation is principally engaged in fundraising activities for the System In the past five years, the Foundation has received approximately $14 million for the benefit of the System, including approximately $2 million which has been used for Hospice House, $1 3 million for Children's Hospital Block Grants and $810,000 for the Mobile Mammography unit According to its bylaws, the Foundation's governing body consists of not less than 15 and not more than 30 members, each of which is appointed by the Board of Trustees of McLeod Health (the "McLeod Health Board" or the "Board") Currently, there are 26 members of the Foundation's governing body At least one member of the Foundation's governing body must be a member of the McLeod Health Board McLeod Medical Partners, LLC McLeod Medical Partners, LLC is a for-profit entity that owns and operates three medical office buildings on the McLeod Regional Medical Center campus McLeod Regional Medical Center owns a 61% share in the equity of this company McLeod Physicians Associates, Inc McLeod Physicians Associates, Inc, is a South Carolina for-profit corporation that formerly operated a multi-specialty physician group practice, but is now inactive Effective October 1, 2006, substantially all assets and operations of McLeod Physicians Associates, Inc were transferred to MPA II 7 McLeod Health files a community benefit report annually in the state of South Carolina to the SC Hospital Association |

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**Schedule I (Form 990)**

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

**2010**

**Open to Public Inspection**

Name of the organization
McLeod Regional Medical Center
of the Pee Dee Inc

**Employer identification number**
57-0370242

## Part I General Information on Grants and Assistance

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

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

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

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

| 1 (a) Name and address of organization or government | (b) EIN | (c) IRC Code section if applicable | (d) Amount of cash grant | (e) Amount of non-cash assistance | (f) Method of valuation (book, FMV, appraisal, other) | (g) Description of non-cash assistance | (h) Purpose of grant or assistance |
|---|---|---|---|---|---|---|---|
| (1) Horry County Citizens for Better Healthcare Services<br>401 Homestead Dr<br>Loris, SC 29569 | 45-3170504 | N/A | 83,000 | | | | Local referendum re better healthcare |
| | | | | | | | |
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2 Enter total number of section 501(c)(3) and government organizations . . . . . ▶ 1

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

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

| (a) Type of grant or assistance | (b) Number of recipients | (c) Amount of cash grant | (d) Amount of non-cash assistance | (e) Method of valuation (book, FMV, appraisal, other) | (f) Description of non-cash assistance |
|---|---|---|---|---|---|
| | | | | | |
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**Part IV** **Supplemental Information.** Complete this part to provide the information required in Part I, line 2, and any other additional information.

| Identifier | Return Reference | Explanation |
|---|---|---|

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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**
McLeod Regional Medical Center of the Pee Dee Inc

**Employer identification number**
57-0370242

## 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** | Yes | |
| **b** | Any related organization? | **6b** | Yes | |
| | 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) Robert L Colones | (i) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (ii) | 623,774 | 98,184 | 7,209 | 31,200 | 43,057 | 803,424 | 0 |
| (2) S Fulton Ervin III | (i) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (ii) | 309,659 | 55,111 | 19,400 | 22,000 | 59,706 | 465,876 | 0 |
| (3) Marie G Segars | (i) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (ii) | 293,219 | 71,971 | 4,931 | 38,500 | 62,806 | 471,427 | 0 |
| (4) Kievers Cunningham MD | (i) | 157,431 | 0 | 902 | 9,884 | 24,376 | 192,593 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (5) Leanne Huminski | (i) | 126,977 | 19,564 | 6,700 | 22,000 | 19,664 | 194,905 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (6) E Coy Irvin Jr | (i) | 173,861 | 0 | 2,506 | 2,526 | 20,823 | 199,716 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (7) D Parker Lilly MD | (i) | 375,554 | 0 | 1,684 | 14,700 | 22,875 | 414,813 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (8) Michael J Sutton MD | (i) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (ii) | 515,922 | 0 | 9,608 | 31,200 | 26,951 | 583,681 | 0 |
| (9) John W Sonfield MD | (i) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (ii) | 485,441 | 0 | 2,335 | 33,000 | 24,190 | 544,966 | 0 |
| (10) Peter D Hyman MD | (i) | 424,507 | 0 | 3,301 | 14,700 | 24,220 | 466,728 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (11) Jeremy R Robertson MD | (i) | 363,330 | 0 | 2,430 | 14,700 | 25,865 | 406,325 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (12) Thomas G Lewis MD | (i) | 376,702 | 0 | 2,260 | 14,700 | 26,445 | 420,107 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (13) Bryon Frost MD | (i) | 428,563 | 0 | 2,363 | 14,700 | 33,048 | 478,674 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (14) James R Yarnal MD | (i) | 321,345 | 0 | 8,417 | 4,900 | 31,274 | 365,936 | 0 |
| | (ii) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ( 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 |
|---|---|---|
| Supplemental Information | Part III | Part I, Line 6a Incentives are available to employees in leadership positions based on a combination of criteria including financial goals as well as quality initiatives Part I, Line 6b Incentives are available to employees in leadership positions of this and related organizations based on a combination of criteria including financial goals as well as quality initiatives |

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**Schedule K (Form 990)**

Department of the Treasury
Internal Revenue Service

# Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

**2010**

**Open to Public Inspection**

Name of the organization
McLeod Regional Medical Center of the Pee Dee Inc

**Employer identification number**
57-0370242

## Part I Bond Issues

| | (a) Issuer Name | (b) Issuer EIN | (c) CUSIP # | (d) Date Issued | (e) Issue Price | (f) Description of Purpose | (g) Defeased | | (h) On Behalf of Issuer | | (i) Pool financing | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Yes | No | Yes | No | Yes | No |
| A | Florence County | 57-6000351 | 340122HY9 | 04-22-2004 | 120,696,341 | See Part V | | X | | X | | X |
| B | Florence County | 57-6000351 | 340122JN1 | 08-05-2010 | 170,200,565 | See Part V | | X | | X | | X |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |

## Part II Proceeds

| | | A | B | C | D |
|---|---|---|---|---|---|
| 1 | Amount of bonds retired | 44,110,000 | | | |
| 2 | Amount of bonds legally defeased | | | | |
| 3 | Total proceeds of issue | 123,668,452 | 170,447,127 | | |
| 4 | Gross proceeds in reserve funds | 7,539,092 | | | |
| 5 | Capitalized interest from proceeds | 590,318 | 590,318 | | |
| 6 | Proceeds in refunding escrow | | | | |
| 7 | Issuance costs from proceeds | 1,074,387 | 1,758,252 | | |
| 8 | Credit enhancement from proceeds | 6,048,770 | | | |
| 9 | Working capital expenditures from proceeds | | | | |
| 10 | Capital expenditures from proceeds | 95,152,372 | 65,460,562 | | |
| 11 | Other spent proceeds | 13,853,831 | 68,098,557 | | |
| 12 | Other unspent proceeds | 34,539,438 | 34,539,438 | | |
| 13 | Year of substantial completion | 2006 | | | |

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

## Part III Private Business Use

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

## Part III Private Business Use *(Continued)*

| | | A | | B | | C | | D | |
|---|---|---|---|---|---|---|---|---|---|
| | | Yes | No | Yes | No | Yes | No | Yes | No |
| 3a | Are there any management or service contracts that may result in private business use? | X | | X | | | | | |
| b | Are there any research agreements that may result in private business use of bond-financed property? | | X | | X | | | | |
| c | Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property? | X | | X | | | | | |
| 4 | Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶ | 0 % | | 0 % | | | | | |
| 5 | Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶ | 0 % | | 0 % | | | | | |
| 6 | Total of lines 4 and 5 | 0 % | | 0 % | | | | | |
| 7 | Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities? | X | | X | | | | | |

## Part IV Arbitrage

| | | A | | B | | C | | D | |
|---|---|---|---|---|---|---|---|---|---|
| | | Yes | No | Yes | No | Yes | No | Yes | No |
| 1 | Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue? | | X | | X | | | | |
| 2 | Is the bond issue a variable rate issue? | X | | X | | | | | |
| 3a | Has the organization or the governmental issuer entered into a hedge with respect to the bond issue? | | X | | X | | | | |
| b | Name of provider | | | | | | | | |
| c | Term of hedge | | | | | | | | |
| d | Was the hedge superintegrated? | | | | | | | | |
| e | Was a hedge terminated? | | | | | | | | |
| 4a | Were gross proceeds invested in a GIC? | X | | | X | | | | |
| b | Name of provider | Citigroup | | | | | | | |
| c | Term of GIC | 2 200000000000 | | | | | | | |
| d | Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied? | X | | | | | | | |
| 5 | Were any gross proceeds invested beyond an available temporary period? | | X | | X | | | | |
| 6 | Did the bond issue qualify for an exception to rebate? | | X | | X | | | | |

## Part V Supplemental Information

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

| Identifier | Return Reference | Explanation |
|---|---|---|
| Schedule K Supplental Information | | Differences between the issue price (Part I, Column (e)) and total proceeds (Part II, Line 3) are due to investment earnings |
| Schedule K, Part I, Line A | Discription of Purpose | To construct and equip a hospital, and to current refund bonds issued 3/1/1993 |
| Schedule K, Part I, Line B | Discription of Purpose | To construct and equip a hospital, and to current refund bonds issued 4/22/2004 |
| | | |

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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**
McLeod Regional Medical Center of the Pee Dee Inc

**Employer identification number**
57-0370242

| Identifier | Return Reference | Explanation |
|---|---|---|
| Form 990, Part VI, Section A, line 6 | | McLeod Regional Medical Center of the Pee Dee, Inc has a sole member which is McLeod Health |

| Identifier | Return Reference | Explanation |
| --- | --- | --- |
| Form 990, Part VI, Section A, line 7a | | The Board of McLeod Health (sole member) has final authority as needed on the makeup and decision-making of McLeod Regional Medical Center of the Pee Dee, Inc 's Board |

| Identifier | Return Reference | Explanation |
| --- | --- | --- |
| Form 990, Part VI, Section A, line 7b | | The Board of McLeod Health (sole member) has final authority as needed on the makeup and decision-making of McLeod Regional Medical Center of the Pee Dee, Inc 's Board |

| Identifier | Return Reference | Explanation |
|---|---|---|
| Form 990, Part VI, Section B, line 11 | | The process the organization uses to review the Form 990 consists of providing copies of the Form 990 to the Board of Trustees of McLeod Health (sole member) at the May 2012 Board meeting, along with a presentation covering the Form 990 by the preparing firm, Deloitte Tax, to allow for a thorough review by the Board before the filing date of August 15, 2012 |

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

| Identifier | Return Reference | Explanation |
|---|---|---|
| | Form 990, Part VI, Section B, line 15 | In determining compensation of McLeod Regional Medical Center of the Pee Dee, Inc 's CEO and the other officers and key employees, the process included a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision The governance committee reviewed and approved the CEO's compensation In the review of compensation, the CEO, other officers, and other key employees, was compared to other similarly situated organizations and positions Individuals were not present when their compensation was determined |

| Identifier | Return Reference | Explanation |
|---|---|---|
| | Form 990, Part VI, Section C, line 19 | Governing documents, conflict of interest policy, and financial statements are available to the public upon request |

| Identifier | Return Reference | Explanation |
|---|---|---|
| Avg hours devoted to related org (s) when related comp is reported | Form 990, Part VII | Robert L Colones' compensation is paid by McLeod Health, the sole member of McLeod Region al Medical Center of the Pee Dee, Inc The compensation he receives is for his role as CEO of McLeod Health and not for his role as a Board Member, an uncompensated role, of McLeod Regional Medical Center of the Pee Dee, Inc Hours worked are not tracked on an entity by entity basis Therefore, all hours reported on Form 990, Part VII, Compensation of Office rs, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Con tractors represent aggregate hours worked per week S Fulton Ervin, III's compensation is paid by McLeod Health, the sole member of McLeod Regional Medical Center of the Pee Dee, Inc The compensation he receives is for his role as CFO of McLeod Health, and not for his role as a Board Member, an uncompensated role, of McLeod Regional Medical Center of the P ee Dee, Inc Hours worked are not tracked on an entity by entity basis Therefore, all hou rs reported on Form 990, Part VII, Compensation of Officers, Directors, Trustees, Key Empl oyees, Highest Compensated Employees, and Independent Contractors represent aggregate hour s worked per week Marie Segars' compensation is paid by McLeod Health, the sole member of McLeod Regional Medical Center of the Pee Dee, Inc The compensation she receives is for her role as Vice President at McLeod Health, and not for her role as a Board Member, an un compensated role, of McLeod Regional Medical Center of the Pee Dee, Inc Hours worked are not tracked on an entity by entity basis Therefore, all hours reported on Form 990, Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Emp loyees, and Independent Contractors represent aggregate hours worked per week John W Son field, MD's compensation is paid by McLeod Physician Associates II, a related organization of McLeod Regional Medical Center of the Pee Dee, Inc The compensation he receives is fo r his role as a Surgeon in McLeod Physician Associates II and not for his role as a Board Member, an uncompensated role, of McLeod Regional Medical Center of the Pee Dee, Inc Hour s worked are not tracked on an entity by entity basis Therefore, all hours reported on Fo rm 990, Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Co mpensated Employees, and Independent Contractors represent aggregate hours worked per week Michael J Sutton, MD's compensation is paid by McLeod Physician Associates II, a relate d organization of McLeod Regional Medical Center of the Pee Dee, Inc The compensation he receives is for his role as a Surgeon in McLeod Physician Associates II and not for his ro le as a Board Member, an uncompensated role, of McLeod Regional Medical Center of the Pee Dee, Inc Hours worked are not tracked on an entity by entity basis Therefore, all hours reported on Form 990, Part VII, Compensation of Officers, Directors, Trustees, Key Employe es, Highest Compensated Employees, and Independent Contractors represent aggregate hours w orked per week Kievers Cunningham, MD's compensation is paid by McLeod Regional Medical C enter of the Pee Dee, Inc The compensation he receives is for his role as a Staff Physici an in McLeod Regional Medical Center of the Pee Dee, Inc and not for his role as a Board Member, an uncompensated role, of McLeod Regional Medical Center of the Pee Dee, Inc Hour s worked are not tracked on an entity by entity basis Therefore, all hours reported on Fo rm 990, Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Co mpensated Employees, and Independent Contractors represent aggregate hours worked per week Leanne Huminski's compensation is paid by McLeod Regional Medical Center of the Pee Dee, Inc The compensation she receives is for her role as Chief Nursing Officer in McLeod Reg ional Medical Center of the Pee Dee, Inc and not for her role as a Board Member, an uncom pensated role, of McLeod Regional Medical Center of the Pee Dee, Inc Hours worked are not tracked on an entity by entity basis Therefore, all hours reported on Form 990, Part VII , Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employ ees, and Independent Contractors represent aggregate hours worked per week E Coy Irvin, Jr 's compensation is paid by McLeod Regional Medical Center of the Pee Dee, Inc The comp ensation he receives is for his role as Chief Medical Officer in McLeod Regional Medical C enter of the Pee Dee, Inc and not for his role as a Board Member, an uncompensated role, of McLeod Regional Medical Center of the Pee Dee, Inc Hours worked are not tracked on an entity by entity basis Therefore, all hours reported on Form 990, Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Indepe ndent Contractors represent aggregate hours worked per week D Parker Lilly, MD's compens ation is paid by McLeod Regional Medical Center of |

| Identifier | Return Reference | Explanation |
|---|---|---|
| Avg hours devoted to related org(s) when related comp is reported | Form 990, Part VII | the Pee Dee, Inc The compensation he receives is for his role as a Staff Physician in Mc Leod Regional Medical Center of the Pee Dee, Inc and not for his role as a Board Member, an uncompensated role, of McLeod Regional Medical Center of the Pee Dee, Inc Hours worked are not tracked on an entity by entity basis Therefore, all hours reported on Form 990, Part VII, Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensate d Employees, and Independent Contractors represent aggregate hours worked per week |

| Identifier | Return Reference | Explanation |
| --- | --- | --- |
| Changes in Net Assets or Fund Balances | Form 990, Part XI, line 5 | Net unrealized losses on investments -42,908,054 Premier K-1 -2,087 Total to Form 990, Part XI, Line 5 -42,910,141 |

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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**
McLeod Regional Medical Center of the Pee Dee Inc

**Employer identification number**
57-0370242

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

| (a) Name, address, and EIN of disregarded entity | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Total income | (e) End-of-year assets | (f) Direct controlling entity |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

**Part II Identification of Related Tax-Exempt Organizations** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Exempt Code section | (e) Public charity status (if section 501(c)(3)) | (f) Direct controlling entity | (g) Section 512(b)(13) controlled organization | |
|---|---|---|---|---|---|---|---|
| | | | | | | Yes | No |
| **(1)** McLeod Health Foundation<br>555 East Cheves Street<br>Florence, SC 29502<br>57-0818672 | To raise money for McLeod entities | SC | 501(c)(3) | Line 11a, I | N/A | | No |
| **(2)** McLeod Health<br>555 East Cheves Street<br>Florence, SC 29502<br>51-0473500 | To operate a healthcare system | SC | 501(c)(3) | Line 3 | N/A | | No |
| **(3)** McLeod Medical Center - Dillon<br>555 East Cheves Street<br>Florence, SC 29502<br>51-0473471 | To operate a community hospital | SC | 501(c)(3) | Line 3 | N/A | | No |
| **(4)** McLeod Physician Associates II<br>555 East Cheves Street<br>Florence, SC 29502<br>20-2935692 | Physician Services | SC | 501(c)(3) | Line 3 | N/A | | No |
| | | | | | | | |
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**Part III** **Identification of Related Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Direct controlling entity | (e) Predominant income (related, unrelated, excluded from tax under sections 512-514) | (f) Share of total income | (g) Share of end-of-year assets | (h) Disproportionate allocations? Yes | (h) No | (i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065) | (j) General or managing partner? Yes | (j) No | (k) Percentage ownership |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **(1)** McLeod Medical Partners LLC<br>4401 Barclay Down Dr STE 300<br>Charlotte, NC282094670<br>57-0812002 | Rental | SC | MRMC of the Pee Dee Inc | Related | 395,475 | 9,118,076 | | No | | | No | 61 000 % |
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**Part IV** **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Direct controlling entity | (e) Type of entity (C corp, S corp, or trust) | (f) Share of total income | (g) Share of end-of-year assets | (h) Percentage ownership |
|---|---|---|---|---|---|---|---|
| **(1)** McLeod Physician Associates Inc<br>555 East Cheves Street<br>Florence, SC29501<br>58-2279897 | Physician Services | SC | N/A | C | | | |
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## 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 | Yes | |
| **d** Loans or loan guarantees to or for other organization(s) | 1d | Yes | |
| **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 | | No |
| **p** Reimbursement paid by other organization for expenses | 1p | | No |
| **q** Other transfer of cash or property to other organization(s) | 1q | | No |
| **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)** McLeod Health | L | 34,611,853 | Actual Cost of Services Provided |
| **(2)** McLeod Health Foundation | C | 1,080,527 | Actual Cash Transferred |
| **(3)** McLeod Physician Associates II | L | 8,200,340 | Actual Cost of Services Provided |
| **(4)** | | | |
| **(5)** | | | |
| **(6)** | | | |

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

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

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

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

| Identifier | Return Reference | Explanation |
|---|---|---|

# McLeod Health

Consolidated Financial Statements as of and
for the Years Ended September 30, 2011 and 2010,
Supplemental Consolidating Information as of and
for the Year Ended September 30, 2011, and
Independent Auditors' Report

# MCLEOD HEALTH

## TABLE OF CONTENTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
McLeod Health
Florence, South Carolina

We have audited the accompanying consolidated balance sheets of McLeod Health and subsidiaries ("McLeod Health") as of September 30, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of McLeod Health's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of McLeod Health's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary consolidating information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. This supplementary consolidating information is the responsibility of McLeod Health's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such consolidating information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such consolidating information is fairly stated in all material respects in relation to the financial statements as a whole.

As discussed in Note 1 to the consolidated financial statements, McLeod Health changed the manner in which it accounts for noncontrolling interests effective October 1, 2010.

Deloitte & Touche LLP

December 19, 2011

# MCLEOD HEALTH

## CONSOLIDATED BALANCE SHEETS
## AS OF SEPTEMBER 30, 2011 AND 2010

| | 2011 | 2010 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 21,057,239 | $ 19,902,035 |
| Investments | 1,847,399 | 1,880,823 |
| Receivables | | |
| Patient — net of allowances for doubtful accounts of $57,301,000 and $64,383,000 in 2011 and 2010, respectively | 69,652,166 | 79,686,800 |
| Other | 1,865,976 | 2,320,811 |
| Inventories | 3,505,261 | 3,299,812 |
| Prepaid expenses | 7,519,236 | 7,087,924 |
| Total current assets | 105,447,277 | 114,178,205 |
| ASSETS LIMITED AS TO USE | 532,471,216 | 554,595,052 |
| PROPERTY AND EQUIPMENT — Net | 373,423,136 | 321,090,543 |
| OTHER ASSETS | | |
| Bond issue costs — net | 5,984,186 | 6,114,774 |
| Goodwill | 3,261,544 | 3,261,544 |
| Other assets | 8,499,115 | 5,955,380 |
| Total other assets | 17,744,845 | 15,331,698 |
| TOTAL | $1,029,086,474 | $1,005,195,498 |
| **LIABILITIES AND NET ASSETS** | | |
| CURRENT LIABILITIES | | |
| Current portion of long-term debt | $ 5,247,427 | $ 5,306,583 |
| Accounts payable | 22,426,141 | 25,601,651 |
| Accrued expenses and other liabilities | 32,394,029 | 29,643,492 |
| Estimated third-party settlements | 36,858,605 | 35,785,919 |
| Total current liabilities | 96,926,202 | 96,337,645 |
| LONG-TERM DEBT — Net of current portion | 283,544,537 | 287,885,078 |
| Total liabilities | 380,470,739 | 384,222,723 |
| COMMITMENTS AND CONTINGENCIES (Note 10) | | |
| NET ASSETS | | |
| Unrestricted | | |
| McLeod Health | 640,786,395 | 615,627,779 |
| Noncontrolling interest in MMP | 1,838,339 | 1,674,543 |
| Total unrestricted | 642,624,734 | 617,302,322 |
| Temporarily restricted | 5,274,028 | 2,953,480 |
| Permanently restricted | 716,973 | 716,973 |
| Total net assets | 648,615,735 | 620,972,775 |
| TOTAL | $1,029,086,474 | $1,005,195,498 |

See notes to consolidated financial statements

# MCLEOD HEALTH

## CONSOLIDATED STATEMENTS OF OPERATIONS
## FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

| | 2011 | 2010 |
|---|---|---|
| UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT: | | |
| Net patient service revenues | $ 710,092,620 | $ 700,777,422 |
| Other operating revenues | 17,055,801 | 17,364,906 |
| Net assets released from restrictions | 837,068 | 332,254 |
| Total unrestricted revenues, gains, and other support | 727,985,489 | 718,474,582 |
| EXPENSES: | | |
| Personnel | 311,829,650 | 296,706,798 |
| Professional fees | 16,790,772 | 12,876,065 |
| Supplies | 122,667,471 | 118,185,498 |
| Purchased services | 30,482,204 | 30,179,285 |
| Facility-related costs | 13,290,955 | 13,391,010 |
| Insurance | 3,498,627 | 3,401,061 |
| Other | 21,309,231 | 21,963,279 |
| Interest | 11,485,951 | 8,646,024 |
| Depreciation and amortization | 33,075,925 | 36,018,850 |
| Loss on disposal of property | 549,791 | 17,588 |
| Provision for uncollectible accounts — net | 117,292,509 | 129,207,501 |
| Total expenses | 682,273,086 | 670,592,959 |
| INCOME FROM OPERATIONS | 45,712,403 | 47,881,623 |
| OTHER (EXPENSES) REVENUES — Investment (loss) income — net (including unrealized (losses) gains of $(42,973,000) and $28,801,000 for 2011 and 2010, respectively) | (20,860,100) | 36,548,965 |
| EXCESS OF REVENUES OVER EXPENSES FROM CONSOLIDATED OPERATIONS | 24,852,303 | 84,430,588 |
| LESS INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST | (440,635) | (159,275) |
| EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO MCLEOD HEALTH | 24,411,668 | 84,271,313 |
| NET ASSETS RELEASED FROM RESTRICTIONS FOR PURCHASES OF PROPERTY AND EQUIPMENT | 746,948 | 789,666 |
| INCREASE IN UNRESTRICTED NET ASSETS ATTRIBUTABLE TO MCLEOD HEALTH | $ 25,158,616 | $ 85,060,979 |

See notes to consolidated financial statements.

# MCLEOD HEALTH

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
## FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

| | Unrestricted | | | | | |
|---|---|---|---|---|---|---|
| | McLeod Health | Noncontrolling Interest | Total | Temporarily Restricted | Permanently Restricted | Total |
| NET ASSETS — September 30, 2009 | $530,566,800 | $1,760,117 | $532,326,917 | $1,622,756 | $716,973 | $534,666,646 |
| Excess of revenues over expenses | 84,271,313 | 159,275 | 84,430,588 | (332,254) | | 84,098,334 |
| Restricted donations and investment income | | | - | 2,452,644 | | 2,452,644 |
| Distributions to noncontrolling interest | | (244,849) | (244,849) | | | (244,849) |
| Net assets released from restrictions for property and equipment | 789,666 | | 789,666 | (789,666) | | - |
| Change in net assets | 85,060,979 | (85,574) | 84,975,405 | 1,330,724 | - | 86,306,129 |
| NET ASSETS — September 30, 2010 | 615,627,779 | 1,674,543 | 617,302,322 | 2,953,480 | 716,973 | 620,972,775 |
| Excess of revenues over expenses | 24,411,668 | 440,635 | 24,852,303 | (837,068) | | 24,015,235 |
| Restricted donations and investment income | | | - | 3,904,564 | | 3,904,564 |
| Distributions to noncontrolling interest | | (276,839) | (276,839) | | | (276,839) |
| Net assets released from restrictions for property and equipment | 746,948 | | 746,948 | (746,948) | | - |
| Change in net assets | 25,158,616 | 163,796 | 25,322,412 | 2,320,548 | - | 27,642,960 |
| NET ASSETS — September 30, 2011 | $640,786,395 | $1,838,339 | $642,624,734 | $5,274,028 | $716,973 | $648,615,735 |

See notes to consolidated financial statements

# MCLEOD HEALTH

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

| | 2011 | 2010 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | $ 27.642.960 | $ 86.306.129 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 33.075.925 | 36.018.850 |
| Provision for uncollectible accounts — net | 117.292.509 | 129.207.501 |
| Change in fair market value of interest rate swap agreement | (329.824) | 330.337 |
| Loss on disposal of property | 565.791 | 17.588 |
| Proceeds from sales of trading securities | 315.147.359 | 292.245.142 |
| Purchases of trading securities | (379.081.124) | (362.548.836) |
| Unrealized gains on investments | 42.973.497 | (28.801.320) |
| Noncontrolling interest distributions | 276.839 | 244.849 |
| Changes in operating assets and liabilities | | |
| Patient receivables | (107.257.875) | (131.179.792) |
| Other receivables | 454.835 | 368.943 |
| Inventories | (205.449) | 3.204.038 |
| Prepaid expenses | (431.312) | (405.302) |
| Other assets | (2.543.735) | (644.734) |
| Accounts payable | (6.464.496) | 2.784.510 |
| Estimated third-party settlements | 1.072.686 | 10.867.284 |
| Accrued expenses and other liabilities | 3.080.361 | (6.913.395) |
| Net cash provided by operating activities | 45.268.947 | 31.101.792 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of property and equipment | 382.667 | 89.156 |
| Purchase of property and equipment | (81.693.770) | (35.019.692) |
| Bond proceeds designated for capital purchases | 43.117.528 | (95.518.367) |
| Net cash used in investing activities | (38.193.575) | (130.448.903) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of long-term debt | | 170.200.566 |
| Debt issuance costs | | (1.747.136) |
| Repayments of long-term debt | (5.156.841) | (78.495.346) |
| Repayments of short-term debt | (59.156) | |
| Repayments of capital lease obligations | (427.332) | (31.736) |
| Noncontrolling interest distributions | (276.839) | (244.849) |
| Net cash (used in) provided by financing activities | (5.920.168) | 89.681.499 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1.155.204 | (9.665.612) |
| CASH AND CASH EQUIVALENTS — Beginning of year | 19.902.035 | 29.567.647 |
| CASH AND CASH EQUIVALENTS — End of year | $ 21.057.239 | $ 19.902.035 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid for interest | $ 10.055.426 | $ 8.630.296 |
| Liabilities accrued for the purchase of property and equipment — net | $ 5.339.047 | $ 2.050.061 |
| Equipment purchased through capital leases | $ 1.153.262 | $ - |

See notes to consolidated financial statements

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** — McLeod Health is a South Carolina nonprofit corporation and is also an organization as described under Sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code (IRC). McLeod Health serves as the parent corporation and sole member of McLeod Regional Medical Center of the Pee Dee, Inc. ("McLeod Regional Medical Center" or MRMC), McLeod Medical Center — Dillon, McLeod Health Foundation (the "Foundation"), McLeod Physician Associates II, and the sole shareholder of McLeod Physician Associates, Inc. (MPA)

McLeod Health serves the health care needs of a 12-county region in eastern South Carolina. The activities of the principal entities comprising McLeod Health are summarized as follows:

*McLeod Regional Medical Center (MRMC)* — MRMC is a 453-bed teaching hospital and tertiary care referral center located in Florence, South Carolina.

*McLeod Medical Center — Dillon* — McLeod Medical Center — Dillon is a 79-bed community hospital located in Dillon, South Carolina.

*McLeod Medical Center — Darlington* — McLeod Medical Center — Darlington is a division of MRMC and operates a 49-bed community hospital located in Darlington, South Carolina.

*McLeod Behavioral Health* — McLeod Behavioral Health is a division of MRMC and operates a 23-bed psychiatric facility located in Darlington, South Carolina.

*McLeod Hospice House* — McLeod Hospice House is a division of MRMC and operates a 12-bed inpatient hospice facility located in Florence, South Carolina.

*McLeod Home Health* — McLeod Home Health is a division of MRMC that provides home health care services.

*McLeod Health Foundation (the "Foundation")* — The Foundation is a not-for-profit foundation organized to solicit funds for facilities, research, and general support of McLeod Health.

*McLeod Health and Fitness Center* — McLeod Health and Fitness Center is a division of MRMC that operates a health and fitness center.

*McLeod Physician Associates, Inc (MPA)* — MPA is a for-profit corporation that was composed of approximately 30 medical practices located throughout the Pee Dee region prior to October 1, 2006. Effective October 1, 2006, substantially all assets and operations were transferred to McLeod Physician Associates II, which is a not-for-profit corporation (see discussion below).

*McLeod Physician Associates II* — McLeod Physician Associates II is a not-for-profit corporation that is composed of 37 medical practices located throughout the Pee Dee region.

*McLeod Ambulatory Surgery Center* — McLeod Ambulatory Surgery Center is a division of MRMC that provides outpatient surgery services.

*McLeod Medical Partners, LLC (MMP)* — MMP is a for-profit corporation that owns and operates three medical office buildings adjacent to MRMC. MRMC owns approximately a 61% controlling share in the equity of MMP.

**Principles of Consolidation** — The consolidated financial statements include the accounts of McLeod Health and all wholly owned or controlled subsidiaries. All significant intercompany balances and transactions have been eliminated. The Obligated Group consists of McLeod Health, MRMC, McLeod Medical Center — Dillon, and McLeod Physician Associates II. The Nonobligated Group consists of the Foundation, MPA, and MMP.

**Use of Estimates** — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and assumptions.

**Cash and Cash Equivalents** — Cash and cash equivalents include investments with original maturities of three months or less at the time of purchase, which have not been designated as limited as to use.

**Investments and Investment Income** — Investments are stated at fair value in the accompanying consolidated balance sheets. Investment income or loss is included in excess of revenues over expenses, unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from excess of revenues over expenses, unless the investments are classified as trading securities or permanent impairment has been deemed to occur. In fiscal years 2011 and 2010, McLeod Health classified its investments as trading securities. Accordingly, unrealized losses of $(42,973,000) and gains of $28,801,000 are included in investment (loss) income in the accompanying consolidated statements of operations for 2011 and 2010, respectively. In 2011, investment income (loss) also includes realized gains of $14,783,000 and interest income of $8,884,000. In 2010, investment income (loss) also includes realized gains of $2,725,000 and interest income of $7,349,000.

**Assets Limited as to Use** — Assets limited as to use include investments designated by the Board of Trustees of McLeod Health ("Board of Trustees") for future capital improvements (over which the Board of Trustees retains control and may at its discretion subsequently use for other purposes) and funds held by trustees under bond indenture agreements. Assets limited as to use that are required for settlement of current liabilities are reported within current assets in the accompanying consolidated balance sheets.

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

**Property and Equipment** — Property and equipment are recorded at cost, except for donated assets, which are recorded at fair value at the date of receipt. Assets under capital lease obligations are stated at the present value of the minimum lease payments at the inception of the lease. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 40 years. Equipment under capital lease obligations is amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated financial statements.

Expenditures, which materially extend the useful lives of the related assets, are capitalized. Routine maintenance and repair costs are charged to expense.

Interest costs incurred during the construction period for significant construction projects are capitalized as part of the cost of the constructed asset and amortized over the applicable useful lives.

**Bond Issue Costs** — Bond issue costs are amortized over the term of the respective obligation utilizing the straight-line method, which approximates the effective interest method. Bond discounts and premiums are also amortized over the terms of the outstanding obligations using the straight-line method. Amortization and write-off of bond issue costs, discounts, and premiums are included as components of depreciation and amortization in the accompanying consolidated financial statements.

**Goodwill** — Effective October 1, 2010, McLeod Health adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-805 *Business Combinations*, relating to goodwill. Prior to the adoption of ASC 958-805, goodwill of $8,272,000 associated with the purchase of McLeod Medical Center — Dillon was amortized over a 20-year period using a straight-line method. Beginning October 1, 2010, and upon adoption of ASC 958-805, the goodwill associated with the purchase of McLeod Medical Center — Dillon is no longer amortized. Accumulated amortization of the goodwill as of September 30, 2010, amounted to approximately $5,010,000. The remaining unamortized balance of goodwill of approximately $3,262,000 is now subject to at least an annual assessment for impairment or more frequently if events or circumstances indicate that assets might be impaired by applying a fair-value based test. There was no impairment of goodwill during the year ended September 30, 2011.

**Interest Rate Swap Agreement** — In May 2005, MMP entered into a nine-year interest rate swap agreement related to its note payable. The notional amount of the agreement at September 30, 2011 and 2010, was $11,586,947 and $11,936,498, respectively. The agreement requires MMP to pay the counterparty a 4.645% fixed rate of interest on the notional amount. In return, the counterparty will pay MMP interest at a variable rate based on the published London InterBank Offered Rate (LIBOR) index in accordance with the swap agreement. MMP did not designate the derivative as a hedge instrument. The net settlement between the fixed and variable rates is included as a component of interest expense in the accompanying consolidated statements of operations. The fair value of this derivative of $(1,190,016) and $(1,519,840) as of September 30, 2011 and 2010, respectively, is reported in the accompanying consolidated balance sheet as a component of accrued expenses and other liabilities, and changes in the fair value are reflected in other revenues (expenses) in the accompanying consolidated statements of operations.

**Noncontrolling Interest** — Noncontrolling interest represents the minority stockholders' proportionate share of the net assets of MMP. Revenues in excess of expenses are allocated to the noncontrolling interest of MMP in proportion to their ownership percentage and are reflected as income attributable to noncontrolling interest on the consolidated statements of operations.

**Temporarily and Permanently Restricted Net Assets** — Temporarily restricted net assets are those assets whose use has been limited by a donor to a specific time period or purpose. Temporarily restricted net assets at September 30, 2011 and 2010, of $5,274,028 and $2,953,480, respectively, are available for scholarships, continuing education, and various other health-related programs. Temporarily restricted net assets are transferred to unrestricted net assets when the donor restrictions as to time or purpose have been met and are reflected as net assets released from restrictions in the accompanying consolidated financial statements. Net assets released from restrictions in fiscal years 2011 and 2010 of $1,584,016 and $1,121,920, respectively, included $746,948 and $789,666 for the purchase of property and equipment, respectively, and $837,068 and $332,254 for operating activities, respectively.

Permanently restricted net assets of $716,973 at both September 30, 2011 and 2010, have been restricted by the donors to be maintained by McLeod Health in perpetuity. The income from permanently restricted net assets is recorded as temporarily restricted net assets, and is expendable for scholarships, continuing education, and various other health-related programs.

**Net Patient Service Revenues** — Net patient service revenues are reported at the estimated net realizable amounts received, or to be received, from patients, third-party payors, and others for the specific services and supplies rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and are adjusted in future periods as estimates change or final settlements are determined.

**Charity Care** — McLeod Health provides care without charge, or at amounts less than its established rates, to patients who meet certain criteria under its charity care policy. Because McLeod Health does not pursue collection of patient accounts determined to qualify as charity care, they are not reported as net patient service revenues.

**Contributions** — Unconditional promises by donors to give cash or other assets are reported at fair value at the date the promises are received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gifts are received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor restrictions that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated financial statements as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year that they are received are reported as unrestricted contributions in the accompanying consolidated financial statements. Contributions of property and equipment are recorded as unrestricted support in the absence of donor stipulations regarding how long the assets are to be used.

**Income Taxes** — McLeod Health and its not-for-profit subsidiaries have been recognized by the Internal Revenue Service as tax exempt under IRC Section 501(c)(3). Accordingly, no provision for income taxes has been recorded in the accompanying consolidated financial statements.

**Excess of Revenues over Expenses** — The accompanying consolidated financial statements reflect an excess of revenues over expenses. Changes in unrestricted net assets resulting from permanent transfers of assets to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets) are excluded from excess of revenues over expenses.

**Subsequent Events** — McLeod Health has evaluated events and transactions occurring after September 30, 2011, for potential recognition or disclosure in its financial statements through the date that the consolidated financial statements were issued. See further discussion of subsequent events in footnote 17.

**New Accounting Pronouncements** — Effective October 1, 2010, McLeod Health adopted the provisions of ASC 958-810, *Not-for-Profit Entities — Consolidation*. ASC 958-810 amended FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, to make their provisions applicable to not-for-profit entities. The provisions of ASC 958-810 are to be applied prospectively, except for presentation and disclosure requirements related to noncontrolling interests, which are to be applied retrospectively. ASC 958-810 requires the noncontrolling interests to be presented as a separate component of the appropriate class of net assets. ASC 958-810 also requires the excess of revenues over expenses attributable to noncontrolling interests to be presented separately on the consolidated statements of operations. These provisions have been reflected in the consolidated balance sheets, statements of operations, statements of changes in net assets, and consolidated statements of cash flows as of and for the years ended September 30, 2011 and 2010.

Effective October 1, 2010, McLeod Health adopted the provisions of ASC 958-805, *Business Combinations*, relating to goodwill. Prior to the adoption of ASC 958-805, goodwill was amortized on a straight-line basis. Beginning October 1, 2010, and upon the adoption of ASC 958-805, goodwill is no longer amortized and is now subject to at least an annual assessment for impairment by applying a fair-value based test.

In September 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Assets Value per Share*. The amendments of this ASU permit, as a practical expedient, a reporting entity to measure fair value of an investment that is within the scope of the amendments of ASU No. 2009-12 on the basis of the net asset value per share of the investment (or its equivalent) if the net asset value of the investment is calculated in a manner consistent with the measurement principles of ASU Topic No. 946 as of the reporting entity's measurement date, including measurement of all or substantially all of the underlying investments of the investee in accordance with Topic 820. The amendments of this update are effective for reporting periods after December 15, 2009, with early adoption permitted. The adoption of this standard did not have a material effect on the consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. ASU No. 2010-06 adds additional disclosure requirements related to transfers of Level 1 and Level 2 fair value measurements as well as additional disclosure around activity in Level 3 fair value measurements. The ASU also provides amendments to existing disclosures by adding clarification around the level of disaggregation and disclosures about inputs and valuation techniques. The disclosure requirements in ASU 2010-06 are effective for reporting periods beginning after December 15, 2009, except for the requirement to present the Level 3 rollforward on a gross basis, which is effective for reporting periods beginning after December 15, 2010. The adoption of this guidance was limited to the form and content of disclosures, and did not have a material effect on the consolidated financial statements.

In August 2010, the FASB issued ASU No. 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries*. The objective of this ASU is to address the current diversity in practice related to the accounting by health care entities for medical malpractice claims and similar liabilities and their related anticipated insurance recoveries. The amendments of this ASU clarify that a health care entity should not net insurance recoveries against a related claim liability. The amendments in this ASU are effective for fiscal years beginning after December 15, 2010. McLeod Health is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In August 2010, the FASB issued ASU No. 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure*. This ASU provides amendments to require that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing charity care. This update also requires disclosure of the methodology used to determine such costs. This ASU is effective for fiscal years beginning after December 15, 2010. McLeod Health is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In July 2011, the FASB issued ASU No. 2011-07, *Health Care Entities (Topic 954): Presentation and Disclosure of Patient Services Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. ASU No. 2011-07 requires certain health care entities to change the presentation of their statements of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, those health care entities are

required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts. ASU No. 2011-07 also requires disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. ASU No. 2011-07 is effective for nonpublic entities for fiscal years ending after December 15, 2012, with early adoption permitted. McLeod Health is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

## 2. NET PATIENT SERVICE REVENUES

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

*Medicare* — Inpatient acute care services rendered to Medicare program beneficiaries are generally paid at prospectively determined rates per discharge, which vary according to a patient classification system based on clinical, diagnostic, and other factors. McLeod Health's classification of Medicare patients and the appropriateness of their admissions are subject to review by a Medicare contracted independent organization. Most outpatient services are also reimbursed at prospectively determined rates. However, final Medicare reimbursement is determined based upon the submission of annual cost reports by McLeod Health and audits thereof by the Medicare Audit Contractor (MAC).

McLeod Health's Medicare cost reports have been audited by Palmetto GBA, the MAC, through September 30, 2009. However, final settlements and net patient revenues for all acute-care hospitals have been delayed by the Centers for Medicare and Medicaid Services (CMS) for fiscal years ending on or after September 30, 2007. The delay is due to unresolved issues with the data used by CMS to compute the SSI fraction, a key component in the calculation of Medicare Disproportionate Share reimbursement.

Since final determination of amounts due from or to the Medicare and Medicaid programs is subject to audit and subsequent reopenings, changes resulting from final determinations are reflected as changes in estimates, generally in the year of determination. In the opinion of management, adequate provision has been made for adjustments, if any, that may result from such reviews. Net patient service revenue decreased approximately $1.8 million for the year ended September 30, 2011, due to increases in estimated third-party settlement reserves for fiscal years ended September 30, 2005 through September 30, 2011.

*Medicaid* — Inpatient and outpatient Medicaid services are reimbursed on a reasonable cost basis. Interim payments are made by the state based on each facility's historical costs trended forward. Tentative settlements are made based on actual costs reported on hospital cost reports, but these are subject to further adjustment based on subsequent audits. Although Medicaid cost report audits have been initiated on several fiscal years, no final settlements have been determined by the state, as of September 30, 2011. Management has estimated potential settlements and established reserves for fiscal years 2004–2011.

In the state of South Carolina, providers are assessed a quarterly tax and receive periodic Medicaid disproportionate share and upper payment limit funds from the state of South Carolina. The tax assessment was $12,745,473 and $13,298,635 for the years ended September 30, 2011 and 2010, respectively, and is recorded as an operating expense in the accompanying consolidated statements of operations. McLeod Health received approximately $23,799,251 and $24,617,106 of disproportionate share funds from the state for the years ended September 30, 2011 and 2010, respectively, and recorded the funds as net patient service revenue in the accompanying consolidated statements of operations.

Effective January 1, 2003, funds received under the upper payment limit program may be subject to a retroactive settlement process. McLeod Health continues to evaluate the settlement process related to the upper payment limit payment program and believes that it has recorded adequate provisions as of September 30, 2011 and 2010, in estimated third-party settlements in the accompanying consolidated balance sheets. Funds received under these programs may be subject to a retroactive settlement process and future receipts of funds are not guaranteed. Beginning in fiscal year 2011, states are required to perform audits of hospital disproportionate share data and make adjustments to payments if over or underpayments have occurred based on the results of these audits.

## 3. INVESTMENTS

Investments as of September 30, 2011 and 2010, are composed of investments held by the Foundation and are recorded as follows:

| | 2011 | 2010 |
|---|---|---|
| Investments held by the Foundation | $ 3,936,232 | $ 3,947,598 |
| Less amounts included in assets limited to use | (2,088,833) | (2,066,775) |
| Certificates of deposit and money market funds | $ 1,847,399 | $ 1,880,823 |

McLeod Health has segregated assets limited as to use maintained by the Foundation into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value as of September 30, 2011 and 2010, in the tables below:

| | Fair Value Measurement as of September 30, 2011 | | | |
|---|---|---|---|---|
| | September 30, 2011 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Common stocks | $ 1,204,675 | $ 1,204,675 | $ - | $ - |
| Mutual funds | 108,878 | 108,878 | | |
| Corporate bond funds | 529,647 | 529,647 | | |
| Government bonds | 217,400 | | 217,400 | |
| Other | 28,233 | | 28,233 | |
| Total | $ 2,088,833 | $ 1,843,200 | $ 245,633 | $ - |

| | Fair Value Measurement as of September 30, 2010 | | | |
|---|---|---|---|---|
| | September 30, 2010 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Common stocks | $ 1,328,606 | $ 1,328,606 | $ - | $ - |
| Mutual funds | 109,374 | 109,374 | | |
| Corporate bond funds | 483,581 | 483,581 | | |
| Government bonds | 118,396 | | 118,396 | |
| Other | 26,818 | | 26,818 | |
| Total | $ 2,066,775 | $ 1,921,561 | $ 145,214 | $ - |

## 4. ASSETS LIMITED AS TO USE

McLeod Health combines its investments in a system-wide investment pool, which includes investments and assets whose use is limited. Assets whose use is limited primarily include assets held by trustees under a master trust indenture agreement and assets designated by the board of directors for future capital improvements, over which the board retains control and may, at its discretion, subsequently use for other purposes.

Assets limited as to use are stated at fair value as of September 30, 2011 and 2010, and have been designated as set forth in the table below:

| | 2011 | 2010 |
|---|---|---|
| By the Board of Trustees for future expansion, purchase of property and equipment, and repayment of debt | $ 480,639,471 | $ 456,612,805 |
| Held by trustee for construction and purchase of property and equipment | 42,203,820 | 87,991,037 |
| Held by trustee for debt service reserve | 7,539,092 | 7,924,435 |
| Held by the Foundation | 2,088,833 | 2,066,775 |
| Total | $ 532,471,216 | $ 554,595,052 |

McLeod Health has segregated its investments and assets limited as to use into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value as of September 30, 2011 and 2010, in the tables below:

| | Fair Value Measurement as of September 30, 2011 | | | |
|---|---|---|---|---|
| | September 30, 2011 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Cash, cash equivalents, and money market funds | $ 59,479,162 | $ 59,479,162 | $ - | $ - |
| Mutual funds | 76,217,959 | 76,217,959 | | |
| Domestic equities | 57,440,591 | 57,440,591 | | |
| Fixed income | | | | |
| Government bonds and government-backed securities | 57,814,686 | | 57,814,686 | |
| Corporate bonds | 23,784,472 | | 23,784,472 | |
| Mortgage-backed securities | 6,234,288 | | 6,234,288 | |
| Other | 7,594,969 | | 7,594,969 | |
| Large Cap Commingled Funds | | | | |
| State Street Global Advisors S&P 500 Index Funds | 42,418,639 | | 42,418,639 | |
| JPMorgan U S Large Cap 130/30 Fund LLC | 45,795,791 | | 45,795,791 | |
| International Equity Commingled Funds | | | | |
| Blackrock Global Investors Fund | 54,425,790 | | 54,425,790 | |
| Alliance Institutional International Equity Fund | 23,475,119 | | 23,475,119 | |
| Bernstein International Value Fund | 28,400,339 | | 28,400,339 | |
| Alternative investment — Blackstone Partners Offshore Fund Ltd | 47,300,578 | | | 47,300,578 |
| Investments held by the Foundation (Note 3) | 2,088,833 | 1,843,200 | 245,633 | |
| Total | $532,471,216 | $194,980,912 | $290,189,726 | $47,300,578 |

| | Fair Value Measurement as of September 30, 2010 | | | |
|---|---|---|---|---|
| | September 30, 2010 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Cash, cash equivalents, and money market funds | $102,085,568 | $102,085,568 | $ - | $ - |
| Mutual funds | 67,869,212 | 67,869,212 | | |
| Domestic equities | 60,056,621 | 60,056,621 | | |
| Fixed income | | | | |
| Government bonds and government-backed securities | 44,125,881 | | 44,125,881 | |
| Corporate bonds | 34,589,631 | | 34,589,631 | |
| Mortgage-backed securities | 9,718,966 | | 9,718,966 | |
| Other | 2,741,096 | | 2,741,096 | |
| Large Cap Commingled Funds | | | | |
| State Street Global Advisors S&P 500 Index Funds | 41,951,183 | | 41,951,183 | |
| JPMorgan U S Large Cap 130/30 Fund LLC | 46,802,951 | | 46,802,951 | |
| International Equity Commingled Funds | | | | |
| Blackrock Global Investors Fund | 47,539,080 | | 47,539,080 | |
| Alliance Institutional International Equity Fund | 29,574,692 | | 29,574,692 | |
| Bernstein International Value Fund | 29,017,120 | | 29,017,120 | |
| Alternative investment — Blackstone Partners Offshore Fund Ltd | 36,456,276 | | | 36,456,276 |
| Investments held by the Foundation (Note 3) | 2,066,775 | 1,921,561 | 145,214 | |
| Total | $554,595,052 | $231,932,962 | $286,205,814 | $36,456,276 |

The fair value of fixed income securities shown in Level 2 above are measured using inputs other than quoted prices that are observable for the assets, including the stated interest rate, maturity and credit risk.

McLeod Health's commingled funds and alternative investments include the following funds that do not have readily determinable market values:

*State Street Global Advisors S&P 500 Index Funds* — privately held funds that invest primarily in equity securities that trade on national stock exchanges and seeks to gain exposure to large capitalization U.S. companies by replicating the returns and characteristics of the S&P 500 Index. There are no redemption restrictions on this fund.

*JPMorgan U S Large Cap 130/30 Fund, LLC* — a privately held fund that invests primarily in equity securities that trade on a national stock exchange and utilizes active stock selection with a systematic valuation process and seeks to invest in a diversified portfolio of U.S. large cap equities with a target average exposure of 130% long and 30% short. There are no redemption restrictions on this fund.

*Blackrock Global Investors Fund (formerly Barclay's)* — a privately held fund that invests primarily in international equity securities that trade on global stock exchanges. There are no redemption restrictions on this fund.

*Alliance Institutional International Equity Fund* — a privately held fund that invests primarily in equity securities of non-U.S. companies actively traded on foreign exchanges. The portfolio generally will be broadly diversified at the country level, with no more than 5% of any class of securities of any single issuer. The notification periods required for redemption or other limits on redemption as of September 30, 2011 are four business days for partial withdrawals and ten business days for full redemptions.

*Bernstein International Value Fund* — A nonpublicly traded fund that invests primarily in equity securities of non-U.S. companies actively traded on foreign exchanges located in the countries comprising the Morgan Stanley Capital International All Country World Index. The notification periods required for redemption or other limits on redemption as of September 30, 2011 are four business days for partial withdrawals and ten business days for full redemptions.

*Blackstone Partners Offshore Fund Ltd* — A nonpublicly traded fund that invests primarily in other funds that are not publicly traded and is a fund of funds constructed through a multimanager framework of strategies that collectively are not highly correlated to traditional asset classes. This fund provides for redemptions on a semiannual basis with 95 days prior written notice. The change in the fair value of the fund for September 30, 2011 and 2010, is a result of the following:

| | |
|---|---|
| Balance September 30, 2009 | $26,234,783 |
| Unrealized gains | 2,221,493 |
| Capital contribution | 8,000,000 |
| Balance September 30, 2010 | 36,456,276 |
| Unrealized gains | 844,302 |
| Capital contribution | 10,000,000 |
| Balance September 30, 2011 | $47,300,578 |

The commingled funds and alternative investments may contain elements of both credit and market risk. Such risks could include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and nonmarketable investments),

and nondisclosure of portfolio composition. McLeod Health reviews and evaluates the values provided by the investment managers for commingled funds and alternative investments and agrees with the valuation methods and assumptions used in determining the fair value of commingled finds and alternative investments. Financial instruments, which involve varying degrees of off-balance-sheet risk for the various limited partnerships, limited liability corporations, and offshore investment funds included within alternative investments, may result in a loss due to changes in the market (market risk).

The estimated fair value of certain alternative investments is based on valuations performed prior to the balance sheet date by the external investment managers and adjusted for cash receipts, cash disbursements, and securities distributions through September 30, 2011. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

## 5. PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2011 and 2010, consists of the following:

| | 2011 | 2010 |
|---|---|---|
| Land and land improvements | $ 59,263,402 | $ 59,737,862 |
| Buildings | 452,073,020 | 405,604,667 |
| Fixed and moveable equipment | 233,657,313 | 221,634,181 |
| Leasehold improvements | 2,431,031 | 2,326,174 |
| Construction in progress | 48,889,940 | 24,868,413 |
| | 796,314,706 | 714,171,297 |
| Less accumulated depreciation | (422,891,570) | (393,080,754) |
| Total | $ 373,423,136 | $ 321,090,543 |

## 6. SHORT-TERM BORROWINGS

McLeod Health has a $20,000,000 unsecured line of credit with a local financial institution. The line of credit bears interest at LIBOR, plus 1.25% (LIBOR was 0.24% at September 30, 2011). Interest is assessed at a variable interest rate adjusted daily and is payable monthly. There were no outstanding borrowings at September 30, 2011 and 2010.

## 7. LONG-TERM DEBT

Long-term debt as of September 30, 2011 and 2010, consists of the following:

| | 2011 | 2010 |
|---|---|---|
| 1998 Series A Bonds, less unamortized bond discount, due in various installments of $2,795,000 to $3,415,000, beginning November 1, 2010 Interest is paid semiannually at rates ranging from 4 75% to 5 25% | $ 20,565,901 | $ 23,341,163 |
| 2004 Series A Bonds, plus unamortized premium, due in various installments ranging from $805,000 to $26,275,000 through 2034 Interest is paid semiannually at rates ranging from 4 10% to 5 25% | 76,166,968 | 76,223,512 |
| 2010 Series A Bonds, plus unamortized premium, due in various installments ranging from $2,420,000 to $15,215,000, beginning in 2011 and extending to 2037 Interest is paid semiannually at rates ranging from 1 50% to 5 00% | 123,058,304 | 123,059,283 |
| 2010 Series B Bonds, plus unamortized premium, due in annual installments of $15,375,000 to $15,805,000, beginning in 2038 and extending to 2040 Interest is paid monthly based on a variable rate (0 20% at September 30, 2011) | 46,770,000 | 46,770,000 |
| Note payable, due in monthly principal installments of $159,236, with the outstanding balance to be paid in August 2016 Interest is paid monthly at LIBOR (0 24% at September 30, 2011) plus 0 75% Collateralized by a portion of assets | 9,713,344 | 11,624,176 |
| Note payable, due in monthly installments of approximately $30,000 with the remaining outstanding balance of $10 6 million to be paid in April 2014 Interest is paid monthly according to a swap agreement described in Note 1 Collateralized by MMP's land and buildings | 11,586,947 | 11,936,498 |
| Note payable, paid off in March 2011 | | 101,458 |
| Other | 930,501 | 135,571 |
| | 288,791,965 | 293,191,661 |
| Less current portion of long-term debt | (5,247,427) | (5,306,583) |
| Total | $ 283,544,537 | $ 287,885,078 |

In 2010, McLeod Health issued Series 2010A and 2010B bonds. A portion of the proceeds from the issuance of the Series 2010A and 2010B bonds was used to refund the entire $33,000,000 outstanding principal balance of the Series 2004B bonds, as well as a partial refunding of $37,120,000 of the Series 1998A bonds. As a result of the refunding, McLeod Health recorded a loss on extinguishment of approximately $2.8 million (primarily attributed to the write-off of unamortized bond issuance costs related to retired debt), which is recorded as a component of depreciation and amortization expense in

the accompanying consolidated financial statements. Approximately $1.7 million of new bond issuance costs have been capitalized related to various costs of issuing the bonds. The remaining proceeds from the Series 2010A and 2010B bond issuance will be used to acquire, construct, and equip certain hospital facilities.

McLeod Health's Series 2010A and 2010B, Series 2004A, and Series 1998A bonds were issued through the governmental municipality of Florence County, South Carolina. Each member of the Obligated Group is jointly and severally liable for the repayment of the principal and interest as they become due on the bonds under a master indenture agreement. All accounts receivable of McLeod Health, now owned or hereafter acquired, and all proceeds thereof are pledged as collateral for the bonds. Additionally, under the master indenture agreement, the bonds are secured by the mortgage, as described in footnote 10, on McLeod Health's land and all personal property and fixtures located thereon. Upon payment or defeasance of the Series 2004A and Series 1998A bonds, the master trustee has agreed to cancel the mortgage, and upon such cancellation, the Series 2010A and 2010B bonds will no longer be secured by the mortgage. Also under the master indenture agreement, McLeod Health is subject to various restrictions as a part of debt covenants for the bonds and other debt. At September 30, 2011, McLeod Health was in compliance with its restrictive debt covenants.

Future aggregate annual principal payments applicable to long-term debt are as follows:

| **Years Ending September 30** | |
|---|---|
| 2012 | $ 5,247,427 |
| 2013 | 5,481,605 |
| 2014 | 15,184,270 |
| 2015 | 4,693,618 |
| 2016 | 4,728,618 |
| Thereafter | 253,456,427 |
| Total | $ 288,791,965 |

## 8. EMPLOYEE BENEFIT PLANS

McLeod Health maintains a defined contribution plan covering a limited number of employees who were hired prior to January 1, 2001. McLeod Health contributes 3% of each eligible participant's compensation. Such contributions amounted to $1,979,240 and $1,942,447 in fiscal years 2011 and 2010, respectively.

McLeod Health sponsors a 401(k) plan covering substantially all employees of McLeod Health. Annual contributions are based upon a matching of the participant's elective deferrals and amounted to $4,436,172 and $4,143,533 in fiscal years 2011 and 2010, respectively.

## 9. CONCENTRATIONS OF CREDIT RISK

McLeod Health provides acute and nonacute health care services to residents of the Pee Dee region of South Carolina. While the majority of patient receivables are due from the Medicare and Medicaid programs and various insurance companies, the collectability of receivable balances is affected by the economic stability of the area. Accordingly, receivables are reflected on the balance sheet net of valuation allowances based on the anticipated collectability of the related gross receivables.

The mix of gross receivables from patients and third-party payors as of September 30, 2011 and 2010, is as follows:

| | 2011 | 2010 |
|---|---|---|
| Medicare | 34 % | 37 % |
| Medicaid | 12 | 11 |
| Managed care and other commercial insurers | 30 | 29 |
| Self-pay patients | 24 | 23 |
| Total | 100 % | 100 % |

## 10. COMMITMENTS AND CONTINGENCIES

McLeod Health has leased a portion of its land for its physical plant through 2076, at which time McLeod Health has the option to purchase the property for a nominal cost. McLeod Health is also contingently responsible for any debt service cost of the landlord, plus any expenses incurred by the landlord in connection with the ownership of the premises. For the years ended September 30, 2011 and 2010, the landlord had incurred no debt service costs or other expenses in connection with the land.

During 2008, McLeod Health maintained occurrence-basis professional liability insurance to cover medical malpractice claims in accordance with state-mandated limits for both hospital operations and its physicians. In July 2009, McLeod Health changed to a claims-made insurance policy for its physicians. In October 2009, McLeod Health changed to a claims-made insurance policy for hospital operations. It should also be noted that the South Carolina Charitable Immunity Statute allows for recovery against a charitable organization only the actual damages sustained, in an amount not exceeding the limitations of liability imposed in the South Carolina Tort Claims Act (the "Tort Claims Act"). The Tort Claims Act provides that no person shall recover in any action or claim brought hereunder a sum exceeding $300,000 per person, per occurrence or a total of $600,000 per occurrence, except that both the per-person and per-occurrence amounts are raised to $1.2 million for the tort of a licensed physician or dentist employed by such facility. No award for damages under the Tort Claims Act shall include punitive or exemplary damages or interest prior to judgment.

McLeod Health is self-insured with respect to employee health benefits and workers' compensation.

McLeod Health is involved in various litigation, regulatory matters, and administrative proceedings arising in the ordinary course of business, including personnel and employment related matters. While any litigation contains an element of uncertainty, management believes that the outcome of any pending lawsuit or claim is covered by insurance and/or has been adequately reflected as accrued expenses and other liabilities in the accompanying consolidated financial statements.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient care services, and Medicare and Medicaid fraud and abuse. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

The health care industry continues to attract much legislative interest and public attention. In March of 2010, the President signed into law H.R. 3590, *The Patient Protection and Affordable Care Act*, and companion bill H.R. 4872, *The Health Care and Education Affordability Reconciliation Act of 2010*. The reform will be effective over a 10-year period through 2020, and contains an individual insurance mandate, low-income subsidies, an expansion of Medicaid, insurance reforms, and the creation of state-based health insurance exchanges. It is unclear at this time what the net impact of this legislation will be on McLeod Health. Such effects may include material and adverse changes to the amounts of reimbursement received by our facilities.

McLeod Health has committed to contracts with outside parties for various construction projects and equipment purchases that still have approximately $57,400,000 due to be paid subsequent to September 30, 2011.

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

## 11. RELATED-PARTY TRANSACTIONS

Total expenditures for related-party transactions during fiscal years 2011 and 2010 were approximately $2,101,000 and $890,000, respectively. Such transactions primarily consist of trauma call pay to Florence Neurosurgery and Spine, of which a member of the community board practices neurosurgery, payments to Pee Dee Pathology where a member of the Foundation Board practices, as well as medical director and chief of staff fees for several members of the Board of Trustees and community board. In addition, a Board of Trustees member and a community board member are key employees of an anesthesiology group that has an exclusive arrangement with McLeod Health for provision of anesthesiology services.

In fiscal years 2011 and 2010, McLeod Health purchased insurance coverage from third-party insurance companies involving premiums totaling approximately $2,230,000 and $2,020,000, respectively. This coverage was placed by an insurance broker who serves on the Board of Trustees of the Foundation.

## 12. OPERATING LEASES

McLeod Health leases office space to outside parties under lease agreements with varying expiration dates through fiscal year 2028. Portions of the buildings below are used by McLeod Health, accordingly, no rental income is recognized for that space. The cost and carrying amounts of property covered by these leases as of September 30, 2011, are as follows:

| | |
|---|---|
| Buildings | $ 33,594,054 |
| Less accumulated depreciation | (13,264,070) |
| Total | $ 20,329,984 |

Aggregate annual rental income during the remaining terms of these agreements as of September 30, 2011, is as follows:

| Years Ending September 30 | |
|---|---|
| 2012 | $ 2,236,266 |
| 2013 | 2,105,893 |
| 2014 | 1,638,018 |
| 2015 | 739,881 |
| 2016 | 171,505 |
| Thereafter | 3,959,126 |
| Total | $ 10,850,689 |

Rental income for the years ended September 30, 2011 and 2010, totaled $2,979,410 and $3,249,727, respectively.

McLeod Health leases certain equipment and office space used in its operations. Generally, the leases provide for renewal for various periods at stipulated rates. Aggregate future minimum lease payments under noncancelable operating leases as of September 30, 2011, are as follows:

| Years Ending September 30 | |
|---|---|
| 2012 | $ 1,157,797 |
| 2013 | 1,157,797 |
| 2014 | 1,106,023 |
| 2015 | 962,038 |
| 2016 | 388,139 |
| Thereafter | 5,323 |
| Total | $ 4,777,117 |

Rent expense related to office space for the years ended September 30, 2011 and 2010, was $527,000 and $302,000, respectively. Rent expense related to equipment for the years ended September 30, 2011 and 2010, was $3,741,000 and $4,232,000, respectively.

## 13. FUNCTIONAL EXPENSES

McLeod Health primarily provides various health care services to its patients. Expenses related to providing these services during fiscal years 2011 and 2010, are summarized as follows:

| | 2011 | 2010 |
|---|---|---|
| Health care services | $ 626,545,752 | $ 615,330,795 |
| General and administrative | 55,727,333 | 55,262,164 |
| Total | $ 682,273,085 | $ 670,592,959 |

## 14. CHARITY CARE

McLeod Health maintains records to identify and monitor the levels of charity care that it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. McLeod Health provided charity care in the amount of $104,177,000 and $96,008,000 in 2011 and 2010, respectively.

## 15. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

*Cash and Cash Equivalents* — The carrying amount reported in the accompanying consolidated balance sheets for cash and cash equivalents approximates its fair value.

*Investments and Assets Limited as to Use* — The carrying amounts reported in the accompanying consolidated balance sheets are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. (See Notes 3 and 4 for additional information.)

*Receivables* — The carrying amounts reported in the accompanying consolidated balance sheets for receivables approximate their fair value.

*Accounts Payable and Accrued Expenses and Other Liabilities* — The carrying amounts reported in the accompanying consolidated balance sheets for accounts payable and accrued expenses and other liabilities approximate their fair value. This includes the interest rate swap agreement in which the carrying amount reported in the accompanying consolidated balance sheets is based on the present value of estimated future net cash flows related to the settlement of the agreement.

*Estimated Third-Party Settlements* — The carrying amount reported in the accompanying consolidated balance sheets for estimated third-party settlements approximates its fair value.

*Long-Term Debt* — The fair value of McLeod Health's long-term debt was approximately $297,684,000 at September 30, 2011, and was determined based on quoted market prices for bonds and the carrying amounts of notes payable with variable interest rates. The carrying amount of McLeod Health's long-term debt approximated fair value at September 30, 2010.

## 16. ENDOWMENT FUNDS

McLeod Health's endowment funds consist of donor-restricted funds and internally designated funds established primarily for scholarship purposes.

Management has interpreted FASB Issues Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (ASC Topic 958) as requiring the preservation of the fair value of original gifts and subsequent contributions as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent contributions to the permanent endowment, and (c) other accumulations to the permanent endowment as required by donor gift instruments. The remaining portion of donor-restricted endowment funds that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation consistent with the donor's wishes. Losses on the

investments of donor-restricted endowment funds are recorded as a reduction of temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets. Investment (losses) gains on donor-restricted endowment funds totaling $(3,775) and $22,574 as of September 30, 2011 and 2010, respectively, have been recorded as changes in the temporarily restricted net assets of the endowment funds.

The Foundation has developed an investment policy for all its investable assets whose general purpose is to preserve the capital and purchasing power of the endowments and to produce sufficient investment earnings for current and future spending needs. The Foundation has adopted a spending policy that limits the amount of funds available for distribution each year to four percent (4%) of a 12-quarter trailing average market value of each portfolio computed as of the prior September 30, fiscal year end. Depending on investment conditions, the Board may approve a spending policy of no less than 3.5% and no more than 5% of the 12-quarter trailing average market value of the fund. With this policy, the annual dollar amount available for spending will be known at the beginning of the year. If necessary, quarterly transfers of approximately one percent (1%) of the earnings of the endowment will be scheduled to be transferred to the main cash account from the endowment funds. In establishing this policy, the Foundation considered the long-term expected return on its investments and the objective to preserve purchasing power.

As of September 30, 2011 and 2010, McLeod Health's total endowment net assets were $840,010 and $841,424, respectively. Changes in endowment net assets for the years ended September 30, 2011 and 2010, consisted of the following:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets — beginning of year October 1, 2009 | $ - | $ 99,312 | $ 716,973 | $ 816,285 |
| Investment gain | | 22,574 | | 22,574 |
| Additions | | 3,565 | | 3,565 |
| Expenses | | (1,000) | | (1,000) |
| Endowment net assets — end of year September 30, 2010 | - | 124,451 | 716,973 | 841,424 |
| Investment loss | | (3,775) | | (3,775) |
| Additions | | 3,361 | | 3,361 |
| Expenses | | (1,000) | | (1,000) |
| Endowment net assets — end of year September 30, 2011 | $ - | $ 123,037 | $ 716,973 | $ 840,010 |

## 17. SUBSEQUENT EVENTS

On November 9, 2011, McLeod Health entered into an affiliation agreement with the Loris Healthcare System (Loris). Subject to approval by the U.S. Department of Housing and Urban Development (HUD), effective January 1st, 2012, McLeod Health will assume all assets and liabilities of Loris, and Loris will become a part of McLeod Health. This will include the assumption of an FHA-insured note and mortgage liability that had a balance of $70 million at September 30, 2011. Loris provides care for residents of northern Horry County in South Carolina and southern Brunswick and Columbus Counties in North Carolina. Loris currently operates Loris Community Hospital which has 105 licensed in-patient beds, Seacoast Medical Center which has 50 licensed in-patient beds, and a network of physician practices.

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# SUPPLEMENTAL CONSOLIDATING INFORMATION

# MCLEOD HEALTH

## SUPPLEMENTAL CONSOLIDATING BALANCE SHEET INFORMATION — OBLIGATED AND NONOBLIGATED GROUP
## AS OF SEPTEMBER 30, 2011

| | Obligated Group | Nonobligated Group | Eliminations | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | $ 18.415.840 | $ 2.641.399 | $ - | $ 21.057.239 |
| Investments | | 1.847.399 | | 1.847.399 |
| Net patient receivables | 69.652.166 | | | 69.652.166 |
| Due from (to) affiliates and other receivables | 1.947.574 | 192.116 | (273.714) | 1.865.976 |
| Inventories | 3.505.261 | | | 3.505.261 |
| Prepaid expenses | 7.481.989 | 37.247 | | 7.519.236 |
| Total current assets | 101.002.830 | 4.718.161 | (273.714) | 105.447.277 |
| INVESTMENT IN SUBSIDIARIES | 6.876.326 | | (6.876.326) | - |
| ASSETS LIMITED AS TO USE | 530.382.383 | 2.088.833 | | 532.471.216 |
| PROPERTY AND EQUIPMENT — Net | 357.761.644 | 15.661.492 | | 373.423.136 |
| BOND ISSUE COSTS — Net | 5.984.186 | | | 5.984.186 |
| GOODWILL | 3.261.544 | | | 3.261.544 |
| OTHER ASSETS | 5.625.099 | 2.874.016 | | 8.499.115 |
| TOTAL | $ 1.010.894.012 | $ 25.342.502 | $ (7.150.040) | $ 1.029.086.474 |
| **LIABILITIES AND NET ASSETS** | | | | |
| CURRENT LIABILITIES | | | | |
| Current portion of long-term debt | $ 4.875.208 | $ 372.219 | $ | $ 5.247.427 |
| Accounts payable | 22.389.318 | 310.537 | (273.714) | 22.426.141 |
| Accrued expenses and other liabilities | 30.925.773 | 1.468.256 | | 32.394.029 |
| Estimated third-party settlements | 36.858.605 | | | 36.858.605 |
| Total current liabilities | 95.048.904 | 2.151.012 | (273.714) | 96.926.202 |
| LONG-TERM DEBT — Net of current portion | 272.329.809 | 11.214.728 | | 283.544.537 |
| Total liabilities | 367.378.713 | 13.365.740 | (273.714) | 380.470.739 |
| NET ASSETS | | | | |
| Noncontrolling interest | | 1.838.339 | | 1.838.339 |
| McLeod Health | 643.515.299 | 10.138.423 | (6.876.326) | 646.777.396 |
| TOTAL | $ 1.010.894.012 | $ 25.342.502 | $ (7.150.040) | $ 1.029.086.474 |

# MCLEOD HEALTH

## SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS INFORMATION — OBLIGATED AND NONOBLIGATED GROUP
## FOR THE YEAR ENDED SEPTEMBER 30, 2011

| | Obligated Group | Nonobligated Group | Eliminations | Total |
|---|---|---|---|---|
| REVENUES, GAINS, AND OTHER SUPPORT | | | | |
| Net patient service revenues | $ 710.092.620 | $ - | $ - | $ 710.092.620 |
| Other operating revenues | 15.885.069 | 6.794.532 | (5.623.800) | 17.055.801 |
| Net assets released from restrictions | 837.068 | | | 837.068 |
| Total revenues, gains, and other support | 726.814.757 | 6.794.532 | (5.623.800) | 727.985.489 |
| EXPENSES | | | | |
| Personnel | 311.452.879 | 376.771 | | 311.829.650 |
| Professional fees | 16.290.370 | 500.402 | | 16.790.772 |
| Supplies | 122.377.669 | 289.802 | | 122.667.471 |
| Purchased services | 28.958.278 | 2.479.118 | (955.192) | 30.482.204 |
| Facility-related costs | 16.281.954 | 566.851 | (3.557.850) | 13.290.955 |
| Insurance | 3.457.833 | 40.794 | | 3.498.627 |
| Other | 21.651.640 | 768.349 | (1.110.758) | 21.309.231 |
| Interest | 10.797.706 | 688.245 | | 11.485.951 |
| Depreciation and amortization | 32.527.034 | 548.891 | | 33.075.925 |
| Loss on disposal of property | 549.791 | | | 549.791 |
| Provision for uncollectible accounts — net | 117.292.509 | | | 117.292.509 |
| Total expenses | 681.637.663 | 6.259.223 | (5.623.800) | 682.273.086 |
| INCOME FROM OPERATIONS | 45.177.094 | 535.309 | - | 45.712.403 |
| OTHER (EXPENSES) REVENUES | (21.202.334) | 342.234 | | (20.860.100) |
| SUBSIDIARIES' INCOME — Net | 436.908 | | (436.908) | - |
| EXCESS OF REVENUES OVER EXPENSES | 24.411.668 | 877.543 | (436.908) | 24.852.303 |
| LESS INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST | | (440.635) | | (440.635) |
| EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO MCLEOD HEALTH | 24.411.668 | 436.908 | (436.908) | 24.411.668 |
| MMP DISTRIBUTIONS | 440.235 | (440.235) | | - |
| NET ASSETS RELEASED FROM RESTRICTIONS FOR PURCHASES OF PROPERTY AND EQUIPMENT | 746.948 | | | 746.948 |
| CHANGE IN NET ASSETS ATTRIBUTABLE TO MCLEOD HEALTH | | | | |
| Unrestricted | 25.598.851 | (3.327) | (436.908) | 25.158.616 |
| Temporarily restricted | | 2.320.548 | | 2.320.548 |
| Permanently restricted | | | | - |
| TOTAL CHANGE IN NET ASSETS ATTRIBUTABLE TO MCLEOD HEALTH | $ 25.598.851 | $ 2.317.221 | $ (436.908) | $ 27.479.164 |