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Form 990

## Return of Organization Exempt From Income Tax

2010

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

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

KERSHAWHEALTH

Doing Business As

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

1315 ROBERTS STREET

D Employer identification number

57-6005963

E Telephone number

(803) 713-6268

G Gross receipts \$ 131,447,575

F Name and address of principal officer

DONNIE WEEKS  
1315 ROBERTS STREET  
CAMDEN, SC 290203737H(a) Is this a group return for affiliates?  Yes  NoH(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 KERSHAWHEALTH.ORG

K Form of organization  Corporation  Trust  Association  Other ►

L Year of formation 1952

M State of legal domicile SC

## Part I Summary

1 Briefly describe the organization's mission or most significant activities

OPERATES HEALTH CARE FACILITIES FOR THE BENEFIT OF THE COMMUNITY

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 9

4 Number of independent voting members of the governing body (Part VI, line 1b) . . . . .

4 7

5 Total number of individuals employed in calendar year 2010 (Part V, line 2a) . . . . .

5 1,304

6 Total number of volunteers (estimate if necessary) . . . . .

6 104

7a Total unrelated business revenue from Part VIII, column (C), line 12 . . . . .

7a 154,700

b Net unrelated business taxable income from Form 990-T, line 34 . . . . .

7b 79,834

	Prior Year	Current Year
8 Contributions and grants (Part VIII, line 1h) . . . . .	974,552	263,557
9 Program service revenue (Part VIII, line 2g) . . . . .	123,584,523	128,521,053
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d) . . . . .	748,690	1,034,595
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) . . . . .	1,492,284	1,386,265
12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .	126,800,049	131,205,470

	Prior Year	Current Year
13 Grants and similar amounts paid (Part IX, column (A), lines 1-3) . . . . .	242,027	565,014
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) . . . . .	58,473,773	58,883,459
16a Professional fundraising fees (Part IX, column (A), line 11e) . . . . .	0	0
b Total fundraising expenses (Part IX, column (D), line 25) ► <sup>0</sup>		
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f) . . . . .	67,980,844	68,851,422
18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25) . . . . .	126,696,644	128,299,895
19 Revenue less expenses Subtract line 18 from line 12 . . . . .	103,405	2,905,575

	Beginning of Current Year	End of Year
20 Total assets (Part X, line 16) . . . . .	110,638,934	110,504,345
21 Total liabilities (Part X, line 26) . . . . .	36,962,203	33,486,762
22 Net assets or fund balances Subtract line 21 from line 20 . . . . .	73,676,731	77,017,583

## 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	2012-08-09 Date
	MICHAEL BUNCH EVP - COO/CFO Type or print name and title	

Paid Preparer Use Only	Print/Type preparer's name AMY BIBBY	Preparer's signature AMY BIBBY	Date	Check if self-employed <input type="checkbox"/>	PTIN	
	Firm's name ► DIXON HUGHES GOODMAN LLP					Firm's EIN ►
	Firm's address ► 500 RIDGEFIELD COURT ASHEVILLE, NC 28806					Phone no ► (828) 254-2254

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

KERSHAWHEALTH, ITS STAFF, AND AFFILIATED PHYSICIANS WILL WORK AS A TEAM TO IMPROVE THE HEALTH AND WELL-BEING OF THE RESIDENTS OF KERSHAW COUNTY AND SURROUNDING COMMUNITIES

**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 \$ 116,351,703 including grants of \$ 565,014 ) (Revenue \$ 128,521,053 )

KERSHAWHEALTH OWNS AND OPERATES A 121-BED ACUTE CARE FACILITY, AN 96-BED LONG-TERM FACILITY, A HOME HEALTH/HOSPICE AGENCY, A RURAL HEALTH CLINIC, PHYSICIAN CLINICS, AND TWO MEDICAL COMPLEXES FOR THE BENEFIT OF KERSHAW COUNTY, SOUTH CAROLINA AND SURROUNDING COMMUNITIES KERSHAWHEALTH CLOSED ITS HEALTH RESOURCE CENTER IN ORDER TO MORE EFFECTIVELY DEPLOY RESOURCES OUT INTO THE COMMUNITY THE FOCUS OF THESE EFFORTS WILL BE THE LAUNCH OF THE HEALTHY KERSHAW COUNTY INITIATIVE WITH A GOAL OF MAKING THE COUNTY THE HEALTHIEST IN SOUTH CAROLINA THIS IS A COLLABORATIVE EFFORT INVOLVING KERSHAWHEALTH, A BROAD SPECTRUM OF COMMUNITY ORGANIZATIONS, LOCAL GOVERNMENT AND BUSINESSES, THE SOUTH CAROLINA DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL, AND THE ARNOLD SCHOOL OF PUBLIC HEALTH AT THE UNIVERSITY OF SOUTH CAROLINA KERSHAWHEALTH PROVIDED 25,876 DAYS OF CARE INCLUDING 898 NURSERY DAYS OF CARE SAM KARESH LONG-TERM CARE PROVIDED 33,524 DAYS OF CARE HOME HEALTH PROVIDED 19,078 VISITS AND HOSPICE PROVIDED 7,895 DAYS OF CARE KERSHAWHEALTH PROVIDED, AT COST, \$3,700,051 IN CHARITY CARE (NET OF REIMBURSEMENTS) AND INCURRED \$6,333,615 IN BAD DEBT WRITEOFFS KERSHAWHEALTH GAVE CASH DONATIONS OF OVER \$300,000 AND INCURRED \$225,500 IN PHYSICIAN RECRUITMENT EXPENSE FOR NON-STAFF PHYSICIANS RECRUITED TO KERSHAW COUNTY THE HEALTH RESOURCE CENTER IS CHARGED WITH THE MISSION OF PROVIDING HEALTH EDUCATION AND WELLNESS PROGRAMS AND ACTIVITIES FOR THE RESIDENTS OF KERSHAW COUNTY THE HEALTH RESOURCE CENTER SUSTAINED A DEFICIENCY OF \$ 276,800 IN PROVIDING THE FOLLOWING PROGRAMS IN ACCORDANCE WITH ITS MISSION SUPPORT GROUPS (HOSTED 32 MEETINGS) FOR CARE-GIVERS DIABETES STEPPING STONES (GRIEF SUPPORT) ALZHEIMER'S EXERCISE CLASSES (HOSTED 584 CLASSES) HEALTH AND WELLNESS EDUCATION (17 TOPICS, ATTENDANCE TOTAL 866) CPR/FIRST AID CLASSES (7 CLASSES, ATTENDANCE TOTAL 59) WEIGHT MANAGEMENT CLASS (1 CLASS) SMOKING CESSATION CLASS (1 CLASS) NUTRITION CLASSES (6 CLASSES, ATTENDANCE TOTAL 175) HEALTH SCREENINGS (936) DIABETES EDUCATION (88 ATTENDEES) AARP DRIVER SAFETY (1 CLASS, 16 ATTENDEES) SAFE SITTER (2 CLASSES, ATTENDANCE TOTAL 16) SCHOOL PHYSICALS (138 ATTENDEES) CAMP WEEZBEGONE DAY CAMP FOR KIDS WITH ASTHMA (6 ATTENDEES) CAMP LIFE WITHOUT LIMITS (DAY CAMP FOR KIDS WITH DIABETES, 3 ATTENDEES) SAFE KIDS 56 CAR SEAT CHECKS, 10 CAR SEATS DISTRIBUTED, 1 CHILD PASSENGER SAFETY TECHNICIAN CLASSES, 21 HELMETS DISTRIBUTED, 300 SCHOOL SAFETY DAYS ATTENDANCE, 4,415 COMMUNITY EVETNS ATTENDANCE, VARIOUS OFFSITE EVENTS/SCREENINGS AT LOCAL EVENTS, ATTENDANCE 655

**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 \$ 116,351,703

**Part IV Checklist of Required Schedules**

- 1** Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A.
- 2** Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?
- 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.
- 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.
- 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.
- 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.
- 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.
- 8** Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III.
- 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.
- 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.
- 11** If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable
- a** Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI.
- 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.
- 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.
- 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.
- e** Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X.
- 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 XI.
- 12a** Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII.
- 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.
- 13** Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E.
- 14a** Did the organization maintain an office, employees, or agents outside of the United States?
- 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.
- 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.
- 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.
- 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).
- 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.
- 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.
- 20a** Did the organization operate one or more hospitals? If "Yes," complete Schedule H.
- 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).

	Yes	No
<b>1</b>	Yes	
<b>2</b>	Yes	
<b>3</b>		No
<b>4</b>	Yes	
<b>5</b>		
<b>6</b>		No
<b>7</b>		No
<b>8</b>		No
<b>9</b>		No
<b>10</b>		No
<b>11a</b>	Yes	
<b>11b</b>		No
<b>11c</b>		No
<b>11d</b>		No
<b>11e</b>	Yes	
<b>11f</b>	Yes	
<b>12a</b>	Yes	
<b>12b</b>		No
<b>13</b>		No
<b>14a</b>		No
<b>14b</b>		No
<b>15</b>		No
<b>16</b>		No
<b>17</b>		No
<b>18</b>		No
<b>19</b>		No
<b>20a</b>	Yes	
<b>20b</b>	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	<input checked="" type="checkbox"/>	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	<input checked="" type="checkbox"/>	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	<input checked="" type="checkbox"/>	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	<input checked="" type="checkbox"/>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		24b	No	
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		24c	No	
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		24d	No	
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I	<input checked="" type="checkbox"/>	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	<input checked="" type="checkbox"/>	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	<input checked="" type="checkbox"/>	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	<input checked="" type="checkbox"/>	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)		28a	No	
a	A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	<input checked="" type="checkbox"/>	28b	No	
b	A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	<input checked="" type="checkbox"/>	28c	Yes	
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	<input checked="" type="checkbox"/>	29	No	
29	Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M		30	No	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M		31	No	
31	Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I		32	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		33	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	<input checked="" type="checkbox"/>	34	Yes	
34	Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1	<input checked="" type="checkbox"/>	35	No	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?		36	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	<input checked="" type="checkbox"/>	37	No	
		<input checked="" type="checkbox"/>	38	Yes	
		<input checked="" type="checkbox"/>			
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2	<input checked="" type="checkbox"/>			
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	<input checked="" type="checkbox"/>			
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O				

**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
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1a 164	
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b 0	
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	
<b>2a</b>	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return	2a 1,304	
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2b Yes	
<p><b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)</p>			
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a Yes	
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b Yes	
<b>4a</b>	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a No	
<b>b</b>	If "Yes," enter the name of the foreign country ► See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts		
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a No	
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b No	
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
<b>6a</b>	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a No	
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>	7a No	
<b>a</b>	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7b	
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7c No	
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7d	
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year		
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e No	
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f No	
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>	9a	
<b>a</b>	Did the organization make any taxable distributions under section 4966?	9b	
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?		
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter		
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12	10a	
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b	
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter		
<b>a</b>	Gross income from members or shareholders	11a	
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b	
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	12a	
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b	
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O	13a	
<b>b</b>	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b	
<b>c</b>	Enter the amount of reserves on hand	13c	
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?	14a No	
<b>b</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

- 1a Enter the number of voting members of the governing body at the end of the tax year . . . . .
- 1b Enter the number of voting members included in line 1a, above, who are independent . . . . .
- 2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .
- 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? . . . . .
- 4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .
- 5 Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .
- 6 Does the organization have members or stockholders? . . . . .
- 7a Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body? . . . . .
- b Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . . . . .
- 8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following
- a The governing body? . . . . .
- b Each committee with authority to act on behalf of the governing body? . . . . .
- 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 . . . . .

	Yes	No
1a		9
1b		7
2		No
3		No
4		No
5		No
6		No
7a	Yes	
7b		No
8a	Yes	
8b	Yes	
9		No

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

- 10a Does the organization have local chapters, branches, or affiliates? . . . . .
- 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? . . . . .
- 11a Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form? . . . . .
- 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 . . . . .
- b Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .
- c Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done . . . . .
- 13 Does the organization have a written whistleblower policy? . . . . .
- 14 Does the organization have a written document retention and destruction policy? . . . . .
- 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 . . . . .
- b Other officers or key employees of the organization . . . . .
- 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? . . . . .
- 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? . . . . .

	Yes	No
10a		No
10b		
11a	Yes	
12a	Yes	
12b	Yes	
12c	Yes	
13	Yes	
14	Yes	
15a	Yes	
15b		No
16a		No
16b		

### Section C. Disclosure

- 17 List the States with which a copy of this Form 990 is required to be filed  SC
- 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 ►
- ANGELA C JOHNSON CPA  
1315 ROBERTS ST  
CAMDEN, SC 290203737  
(803) 713-6268

**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	Official	Key employee	Highest compensated employee	Former			
(1) JODY WADE BRAZEL CHAIRMAN	1 00	X		X				420	0	0
(2) SCOTT ZIEMKE VICE CHAIR	1 00	X		X				420	0	0
(3) DON WITHAM BOARD MEMBER	1 00	X						420	0	0
(4) TALLULAH HOLMSTROM MD BOARD MEMBER	1 00	X						29,442	0	0
(5) BOBBY T JONES BOARD MEMBER	1 00	X						420	0	0
(6) MARGUERITE CARLTON MD BOARD MEMBER	1 00	X						659	0	0
(7) GEORGE L CORBIN BOARD MEMBER	1 00	X						420	0	0
(8) CAROLYN J HAMPTON BOARD MEMBER	1 00	X						420	0	0
(9) ERNEST D WITHERSPOON BOARD MEMBER	1 00	X						420	0	0
(10) DONNIE WEEKS CEO / SECRETARY	40 00			X				378,454	0	67,129
(11) MICHAEL BUNCH EVP-COO/CFO (CFO AS OF 2/6/11)	40 00			X				216,539	0	32,732
(12) DONALD TRIPPLE CFO (UNTIL 2/6/11)	40 00			X				161,181	0	11,411
(13) GLORIA KEEFFE CNO	40 00				X			162,722	0	16,066
(14) LORONE WASHINGTON ER PHYSICIAN	40 00					X		362,704	0	10,444
(15) ANDREW SUMMERS ER PHYSICIAN	40 00					X		273,989	0	20,244
(16) SAMUEL POLEN ER PHYSICIAN	40 00					X		234,112	0	24,417

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

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 **44**

		Yes	No
3	Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	3	Yes
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	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? <i>If "Yes," complete Schedule J for such person</i>	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
CRITICAL HEALTH SYSTEMS OF SC	PO BOX 18139		ANESTHESIOLOGISTS		949,688
PO BOX 18139	RALEIGH, NC 27619				
NEXSEN PRUET LLC	PO DRAWER 2426		ATTORNEYS		665,589
COLUMBIA, SC 29202					
PEDIATRIC ASSOCIATES	1346 HAILE ST		HOSPITALIST FEES		508,000
CAMDEN, SC 29020					
HOSPITAL SERVICES	PO BOX 63277		LAUNDRY SERVICE		452,668
CHARLOTTE, NC 28263					
DELTA FLEX TRAVELERS	PO BOX 678082		AGENCY STAFFING		449,455
DALLAS, TX 75267					
2. Total number of independent contractors (including but not limited to those listed above) who received more than					

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 **22**

**Part VIII Statement of Revenue**

Contributions, grants and other similar amounts			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
<b>1a</b> Federated campaigns . . . . .	<b>1a</b>					
<b>b</b> Membership dues . . . . .	<b>1b</b>					
<b>c</b> Fundraising events . . . . .	<b>1c</b>					
<b>d</b> Related organizations . . . . .	<b>1d</b>					
<b>e</b> Government grants (contributions)	<b>1e</b>		39,112			
<b>f</b> All other contributions, gifts, grants, and similar amounts not included above	<b>1f</b>		224,445			
<b>g</b> Noncash contributions included in lines 1a-1f \$						
<b>h</b> <b>Total.</b> Add lines 1a-1f . . . . .			263,557			
<b>2a</b> PATIENT SERVICE REVENUE		Business Code				
<b>b</b>		621110	128,521,053	128,443,672	77,381	
<b>c</b>						
<b>d</b>						
<b>e</b>						
<b>f</b> All other program service revenue						
<b>g</b> <b>Total.</b> Add lines 2a-2f . . . . .			128,521,053			
<b>3</b> Investment income (including dividends, interest and other similar amounts) . . . . .						
			1,175,167			1,175,167
<b>4</b> Income from investment of tax-exempt bond proceeds . . . . .						
<b>5</b> Royalties . . . . .						
<b>6a</b> Gross Rents	(I) Real	(II) Personal				
<b>b</b> Less rental expenses	296,554					
<b>c</b> Rental income or (loss)	10,033					
<b>d</b> Net rental income or (loss)	286,521					
			286,521		48,793	237,728
<b>7a</b> Gross amount from sales of assets other than inventory	(I) Securities	(II) Other				
<b>b</b> Less cost or other basis and sales expenses	164,342	91,500				
<b>c</b> Gain or (loss)	-164,342	67,730				
<b>d</b> Net gain or (loss)		23,770				
					-140,572	-140,572
<b>8a</b> Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .						
<b>b</b> Less direct expenses . . . . .	<b>b</b>					
<b>c</b> Net income or (loss) from fundraising events . . . . .						
<b>9a</b> Gross income from gaming activities See Part IV, line 19 . . . . .	<b>a</b>					
<b>b</b> Less direct expenses . . . . .	<b>b</b>					
<b>c</b> Net income or (loss) from gaming activities . . . . .						
<b>10a</b> Gross sales of inventory, less returns and allowances . . . . .	<b>a</b>					
<b>b</b> Less cost of goods sold . . . . .	<b>b</b>					
<b>c</b> Net income or (loss) from sales of inventory . . . . .						
<b>Miscellaneous Revenue</b>		Business Code				
<b>11a</b> CAFETERIA		722210	462,452			462,452
<b>b</b> MISCELLANEOUS REVENUES		900099	405,259		28,526	376,733
<b>c</b> DISCOUNTS & REBATES		900099	232,033			232,033
<b>d</b> All other revenue . . . . .						
<b>e</b> <b>Total.</b> Add lines 11a-11d . . . . .			1,099,744			
<b>12 Total revenue.</b> See Instructions . . . . .			131,205,470	128,443,672	154,700	2,343,541

**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).**

<b>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</b>	<b>(A)</b> Total expenses	<b>(B)</b> Program service expenses	<b>(C)</b> Management and general expenses	<b>(D)</b> Fundraising expenses
1 Grants and other assistance to governments and organizations in the U S See Part IV, line 21	565,014	565,014		
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 . . . . .	1,118,543	214,371	904,172	
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	45,759,915	43,163,142	2,596,773	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	1,205,555	1,115,523	90,032	
9 Other employee benefits . . . . .	7,656,330	7,084,545	571,785	
10 Payroll taxes . . . . .	3,143,116	2,908,384	234,732	
a Fees for services (non-employees) Management . . . . .				
b Legal . . . . .	598,364		598,364	
c Accounting . . . . .	62,580		62,580	
d Lobbying . . . . .				
e Professional fundraising services See Part IV, line 17 . . . . .				
f Investment management fees . . . . .	159,761		159,761	
g Other . . . . .	10,876,243	8,972,100	1,904,143	
12 Advertising and promotion . . . . .	378,837	436	378,401	
13 Office expenses . . . . .	29,109,572	24,906,412	4,203,160	
14 Information technology . . . . .				
15 Royalties . . . . .				
16 Occupancy . . . . .	1,913,834	1,913,834		
17 Travel . . . . .	198,889	110,355	88,534	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
19 Conferences, conventions, and meetings . . . . .				
20 Interest . . . . .	1,415,998	1,415,998		
21 Payments to affiliates . . . . .				
22 Depreciation, depletion, and amortization . . . . .	5,857,112	5,857,112		
23 Insurance . . . . .	182,226	182,226		
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 EXPENSE	17,942,251	17,942,251		
b MISCELLANEOUS EXPENSES	135,938		135,938	
c UBI TAXES	19,817		19,817	
d				
e				
f All other expenses				
25 Total functional expenses. Add lines 1 through 24f	128,299,895	116,351,703	11,948,192	0
26 Joint costs. Check here <input checked="" type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

**Part X Balance Sheet**

		<b>(A)</b> Beginning of year	<b>(B)</b> End of year
Assets	1 Cash—non-interest-bearing . . . . .	13,128	<b>1</b> 1,078,263
	2 Savings and temporary cash investments . . . . .	2,914,624	<b>2</b> 2,923,820
	3 Pledges and grants receivable, net . . . . .	3	
	4 Accounts receivable, net . . . . .	12,874,865	<b>4</b> 12,596,807
	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 . . . . .	3,427,092	<b>8</b> 3,389,743
	9 Prepaid expenses and deferred charges . . . . .	1,039,727	<b>9</b> 1,789,037
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	110,823,082	
	b Less accumulated depreciation . . . . .	10b 59,637,125	<b>10c</b> 51,185,957
	11 Investments—publicly traded securities . . . . .	33,369,302	<b>11</b> 34,095,274
	12 Investments—other securities See Part IV, line 11 . . . . .	12	
	13 Investments—program-related See Part IV, line 11 . . . . .	106,616	<b>13</b> 106,616
	14 Intangible assets . . . . .	14	
	15 Other assets See Part IV, line 11 . . . . .	2,108,221	<b>15</b> 3,338,828
	<b>16 Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .	110,638,934	<b>16</b> 110,504,345
Liabilities	17 Accounts payable and accrued expenses . . . . .	7,999,356	<b>17</b> 8,616,972
	18 Grants payable . . . . .	18	
	19 Deferred revenue . . . . .	19	
	20 Tax-exempt bond liabilities . . . . .	22,298,980	<b>20</b> 20,639,038
	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 . . . . .	4,353,472	<b>23</b> 2,984,728
	24 Unsecured notes and loans payable to unrelated third parties . . . . .	24	
	25 Other liabilities Complete Part X of Schedule D . . . . .	2,310,395	<b>25</b> 1,246,024
	<b>26 Total liabilities.</b> Add lines 17 through 25 . . . . .	36,962,203	<b>26</b> 33,486,762
Net Assets or Fund Balances	<b>Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>		
	27 Unrestricted net assets . . . . .	71,065,076	<b>27</b> 74,323,331
	28 Temporarily restricted net assets . . . . .	2,611,655	<b>28</b> 2,694,252
	29 Permanently restricted net assets . . . . .	29	
	<b>Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.</b>		
	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 . . . . .	73,676,731	<b>33</b> 77,017,583
	<b>34 Total liabilities and net assets/fund balances . . . . .</b>	110,638,934	<b>34</b> 110,504,345

**Part XI Reconciliation of Net Assets**Check if Schedule O contains a response to any question in this Part XI 

1	Total revenue (must equal Part VIII, column (A), line 12)	1	131,205,470
2	Total expenses (must equal Part IX, column (A), line 25)	2	128,299,895
3	Revenue less expenses Subtract line 2 from line 1	3	2,905,575
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	73,676,731
5	Other changes in net assets or fund balances (explain in Schedule O)	5	435,277
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	77,017,583

**Part XII Financial Statements and Reporting**Check if Schedule O contains a response to any question in this Part XII 

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

**SCHEDULE A**  
(Form 990 or 990EZ)**Public Charity Status and Public Support****2010****Open to Public  
Inspection**Department of the Treasury  
Internal Revenue Service

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.

Name of the organization  
KERSHAWHEALTH

Employer identification number

57-6005963

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

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

- 1  A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i)**.  
 2  A school described in **section 170(b)(1)(A)(ii)**. (Attach Schedule E )  
 3  A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii)**.  
 4  A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii)**. Enter the hospital's name, city, and state  
 5  An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv)**. (Complete Part II )  
 6  A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v)**.  
 7  An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II )  
 8  A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )  
 9  An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2)**. (Complete Part III )  
 10  An organization organized and operated exclusively to test for public safety See **section 509(a)(4)**.  
 11  An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3)**. Check the box that describes the type of supporting organization and complete lines 11e through 11h  
 a  Type I      b  Type II      c  Type III - Functionally integrated      d  Type III - Other  
 e  By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)  
 f  If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box  
 g  Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?  
 (i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?  
 (ii) a family member of a person described in (i) above?  
 (iii) a 35% controlled entity of a person described in (i) or (ii) above?  
 h  Provide the following information about the supported organization(s)

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

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

**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 <b>Total.</b> 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 <b>Public Support.</b> 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 <b>Total support</b> (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions )					12	
13 <b>First Five Years</b> 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 <b>stop here</b>						►

**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 <b>33 1/3% support test—2010.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization		►
b <b>33 1/3% support test—2009.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization		►
17a <b>10%-facts-and-circumstances test—2010.</b> 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 <b>stop here</b> . Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization		►
b <b>10%-facts-and-circumstances test—2009.</b> 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 <b>stop here</b> . Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization		►
18 <b>Private Foundation</b> 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						
<b>6 Total.</b> Add lines 1 through 5						
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons						
<b>b</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						
<b>c</b> Add lines 7a and 7b						
<b>8 Public Support</b> (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
<b>9</b> Amounts from line 6						
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
<b>c</b> Add lines 10a and 10b						
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
<b>12</b> Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
<b>13 Total support</b> (Add lines 9, 10c, 11 and 12 )						

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **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 <b>33 1/3% support tests—2010.</b> If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization ►	
b <b>33 1/3% support tests—2009.</b> If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization ►	
20 <b>Private Foundation</b> 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**

## 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.

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-E
  - 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  
KERSHAWHEALTH

Employer identification number

57-6005963

**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 function 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

**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.)

**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

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

**g** Grassroots nontaxable amount (enter 25% of line 1f)**h** Subtract line 1g from line 1a If zero or less, enter -0-**i** Subtract line 1f from line 1c If zero or less, enter -0-**j** If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? 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
<b>2a</b> Lobbying non-taxable amount					
<b>b</b> Lobbying ceiling amount (150% of line 2a, column(e))					
<b>c</b> Total lobbying expenditures					
<b>d</b> Grassroots non-taxable amount					
<b>e</b> Grassroots ceiling amount (150% of line 2d, column (e))					
<b>f</b> Grassroots lobbying expenditures					

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

	(a)		(b)
	Yes	No	Amount
<b>1</b> 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			
<b>a</b> Volunteers?		No	
<b>b</b> Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
<b>c</b> Media advertisements?		No	
<b>d</b> Mailings to members, legislators, or the public?		No	
<b>e</b> Publications, or published or broadcast statements?		No	
<b>f</b> Grants to other organizations for lobbying purposes?		No	
<b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
<b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
<b>i</b> Other activities? If "Yes," describe in Part IV	Yes		9,440
<b>j</b> Total lines 1c through 1i			9,440
<b>2a</b> Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?			
<b>b</b> If "Yes," enter the amount of any tax incurred under section 4912		No	
<b>c</b> If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
<b>d</b> 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).**

<b>1</b> Were substantially all (90% or more) dues received nondeductible by members?	1	
<b>2</b> Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2	
<b>3</b> 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".**

<b>1</b> Dues, assessments and similar amounts from members	1	
<b>2</b> Section 162(e) non-deductible lobbying and political expenditures ( <b>do not include amounts of political expenses for which the section 527(f) tax was paid</b> ).	2a	
<b>a</b> Current year	2b	
<b>b</b> Carryover from last year	2c	
<b>c</b> Total	3	
<b>3</b> Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	4	
<b>4</b> 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?	5	
<b>5</b> Taxable amount of lobbying and political expenditures (see instructions)		

**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	THE ORGANIZATION IS A MEMBER OF THE AMERICAN HOSPITAL ASSOCIATION AND THE SOUTH CAROLINA HOSPITAL ASSOCIATION. THESE ORGANIZATIONS ENGAGE IN LOBBYING ACTIVITIES ON BEHALF OF THEIR MEMBERSHIP BODIES, AND EACH YEAR, SOME PORTION OF THE DUES PAID TO THESE ORGANIZATIONS IS ATTRIBUTED TO THOSE ENDEAVORS FOR THE CURRENT YEAR. DUES ATTRIBUTABLE TO LOBBYING FOR THESE ORGANIZATIONS WAS APPROXIMATELY \$9,440.

2010

Open to Public  
Inspection**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.

**Name of the organization**  
KERSHAWHEALTH**Employer identification number**

57-6005963

**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

	<b>Held at the End of the Year</b>
2a	
2b	
2c	
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      d  Loan or exchange programs  
 b  Scholarly research      e  Other  
 c  Preservation for future generations
- 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 |
|----|--------|
| 1c |        |
| 1d |        |
| 1e |        |
| 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
3a(i) unrelated organizations . . . . .		
3a(ii) related organizations . . . . .		
3b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R? . . . . .		

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

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

	Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .		2,545,876			2,545,876
b Buildings . . . . .		58,571,912	25,360,909		33,211,003
c Leasehold improvements . . . . .		1,228,329	858,633		369,696
d Equipment . . . . .		46,245,361	33,417,583		12,827,778
e Other . . . . .		2,231,604			2,231,604
<b>Total.</b> Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . .					51,185,957

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

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

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

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
<b>Total.</b> (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
<b>Total.</b> (Column (b) should equal Form 990, Part X, col.(B) line 15.) . . . . . ►	

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

(a) Description of Liability	(b) Amount	
Federal Income Taxes		
ESTIMATED THIRD PARTY OBLIGATIONS	1,177,882	
NET PENSION OBLIGATION	68,142	
<b>Total.</b> (Column (b) should equal Form 990, Part X, col (B) line 25) ►	1,246,024	

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	131,205,470
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	128,299,895
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	2,905,575
4	Net unrealized gains (losses) on investments	4	435,277
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	435,277
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	3,340,852

**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	112,132,770
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	435,277
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	-19,348,216
e	Add lines 2a through 2d	2e	-18,912,939
3	Subtract line 2e from line 1	3	131,045,709
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	159,761
b	Other (Describe in Part XIV)	4b	
c	Add lines 4a and 4b	4c	159,761
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12 )	5	131,205,470

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

1	Total expenses and losses per audited financial statements	1	108,791,918
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	10,033
e	Add lines 2a through 2d	2e	10,033
3	Subtract line 2e from line 1	3	108,781,885
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	159,761
b	Other (Describe in Part XIV)	4b	19,358,249
c	Add lines 4a and 4b	4c	19,518,010
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18 )	5	128,299,895

**Part XIV Supplemental Information**

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

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE HOSPITAL IS A POLITICAL SUBDIVISION EXEMPT FROM FEDERAL AND STATE INCOME TAXES UNDER SECTION 115 OF THE INTERNAL REVENUE CODE. THE HOSPITAL IS ALSO EXEMPT UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE FROM FEDERAL INCOME TAXES ON RELATED INCOME PURSUANT TO SECTION 501(A) OF THE CODE. THE HOSPITAL HAS DETERMINED THAT IT DOES NOT HAVE ANY MATERIAL UNRECOGNIZED TAX BENEFITS OR OBLIGATIONS AS OF SEPTEMBER 30, 2011 FISCAL YEARS ENDING ON OR AFTER SEPTEMBER 30, 2008 REMAIN SUBJECT TO EXAMINATION BY FEDERAL AND STATE TAX AUTHORITIES
PART XII, LINE 2D - OTHER ADJUSTMENTS		INTEREST EXPENSES -1,415,998 BAD DEBT NET W/ REVENUES -17,942,251 RENTAL EXPENSES 10,033
PART XIII, LINE 2D - OTHER ADJUSTMENTS		RENTAL EXPENSES 10,033
PART XIII, LINE 4B - OTHER ADJUSTMENTS		INTEREST EXPENSE 1,415,998 BAD DEBT EXPENSE 17,942,251

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.

Name of the organization  
KERSHAWHEALTHEmployer identification number  
57-6005963

## Part I Financial Assistance and Certain Other Community Benefits at Cost

- 1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .
- b If "Yes," is it a written policy? . . . . .
- 1b If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year
- Applied uniformly to all hospitals  Applied uniformly to most hospitals  
 Generally tailored to individual hospitals
- 3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year
- a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care
- 100%  150%  200%  Other \_\_\_\_\_ %
- b Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care
- 200%  250%  300%  350%  400%  Other \_\_\_\_\_ %
- 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"? . . . . .
- 5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .
- b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .
- 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 eligible for free or discounted care? . . . . .
- 6a Does the organization prepare a community benefit report during the tax year? . . . . .
- 6b If "Yes," did the organization make it available to the public? . . . . .

	Yes	No
1a	Yes	
1b	Yes	
3a	Yes	
3b	Yes	
4	Yes	
5a	Yes	
5b	Yes	
5c		No
6a	Yes	
6b		No

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H

## 7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			7,295,739	3,595,688	3,700,051	3 350 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			17,436,919	17,383,542	53,377	0 050 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			24,732,658	20,979,230	3,753,428	3 400 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4)			382,310	54,986	327,324	0 300 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			303,974		303,974	0 280 %
j Total Other Benefits			686,284	54,986	631,298	0 580 %
k Total. Add lines 7d and 7j			25,418,942	21,034,216	4,384,726	3 980 %

**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						
8 Workforce development			225,543		225,543	0 200 %
9 Other						
<b>10 Total</b>			<b>225,543</b>		<b>225,543</b>	<b>0 200 %</b>

**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	Yes	
2 Enter the amount of the organization's bad debt expense (at cost) . . . . .	2	6,333,615	
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	2,819,794	
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	45,372,524	
6 Enter Medicare allowable costs of care relating to payments on line 5 . . . . .	6	52,403,191	
7 Subtract line 6 from line 5 This is the surplus or (shortfall) . . . . .	7	-7,030,667	
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	No
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	

**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? 1

**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? **9**

Name and address		Type of Facility (Describe)
<b>1</b>	KERSHAWHEALTH KARESH LONG TERM CARE 1315 ROBERTS STREET CAMDEN, SC 29020	SKILLED NURSING & LONG TERM CARE
<b>2</b>	KERSHAWHEALTH KARESH LONG TERM CARE 1315 ROBERTS STREET CAMDEN, SC 29020	SKILLED NURSING & LONG TERM CARE
<b>3</b>	KERSHAWHEALTH KARESH LONG TERM CARE 1315 ROBERTS STREET CAMDEN, SC 29020	SKILLED NURSING & LONG TERM CARE
<b>4</b>	KERSHAWHEALTH KARESH LONG TERM CARE 1315 ROBERTS STREET CAMDEN, SC 29020	SKILLED NURSING & LONG TERM CARE
<b>5</b>	KERSHAWHEALTH KARESH LONG TERM CARE 1315 ROBERTS STREET CAMDEN, SC 29020	SKILLED NURSING & LONG TERM CARE
<b>6</b>	KERSHAWHEALTH KARESH LONG TERM CARE 1315 ROBERTS STREET CAMDEN, SC 29020	SKILLED NURSING & LONG TERM CARE
<b>7</b>	KERSHAWHEALTH KARESH LONG TERM CARE 1315 ROBERTS STREET CAMDEN, SC 29020	SKILLED NURSING & LONG TERM CARE
<b>8</b>	KERSHAWHEALTH KARESH LONG TERM CARE 1315 ROBERTS STREET CAMDEN, SC 29020	SKILLED NURSING & LONG TERM CARE
<b>9</b>	KERSHAWHEALTH KARESH LONG TERM CARE 1315 ROBERTS STREET CAMDEN, SC 29020	SKILLED NURSING & LONG TERM CARE
<b>10</b>		

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

Identifier	ReturnReference	Explanation
		PART I, LINE 7 THE ORGANIZATION HAS IMPLEMENTED AN INTERNAL COST ACCOUNTING SYSTEM THAT PROVIDES AN EFFECTIVE COST-TO-CHARGES RATIO USED TO CONVERT FINANCIAL ASSISTANCE WRITE-OFFS AND UNREIMBURSED MEDICAID TO COST FOR THE FISCAL YEAR, THE RATIO WAS COMPUTED AS 35.30%

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) THE AMOUNT ON FORM 990, PART IX, LINE 25 INCLUDES BAD DEBT EXPENSE OF \$ 17,942,251 THAT HAS BEEN REMOVED FOR PURPOSES OF CALCULATING PERCENT OF TOTAL EXPENSE

Identifier	ReturnReference	Explanation
		PART II KERSHAWHEALTH INCURRED EXPENSE IN 2011 FOR LOAN FORGIVENESS ASSOCIATED WITH PHYSICIANS PREVIOUSLY RECRUITED WHO CONTINUED TO MEET THEIR OBLIGATIONS IN THE MEDICALLY UNDERSERVED SERVICE AREA

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 4 THE HOSPITAL PROVIDES SERVICES PRIMARILY TO THE RESIDENTS OF KERSHAW COUNTY, SOUTH CAROLINA AND SURROUNDING COUNTIES WITHOUT COLLATERAL AN ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS IS PROVIDED IN AN AMOUNT EQUAL TO THE ESTIMATED LOSSES TO BE INCURRED IN COLLECTION OF THE RECEIVABLES THE ALLOWANCE IS BASED ON HISTORICAL COLLECTION EXPERIENCES AND A REVIEW OF THE CURRENT STATUS OF THE EXISTING RECEIVABLES THE ORGANIZATION HAS IMPLEMENTED AN INTERNAL COST ACCOUNTING SYSTEM THAT PROVIDES AN EFFECTIVE COST-TO-CHARGES RATIO USED TO CONVERT BAD DEBT TO COST FOR THE FISCAL YEAR, THE RATIO WAS COMPUTED AS 35 30% THE ORGANIZATION ESTIMATES THAT APPROXIMATELY 44 5% OF ITS BAD DEBTS MAY BE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE POLICY THERE ARE A NUMBER OF IMPEDIMENTS TO OBTAINING THE NECESSARY DATA TO QUALIFY A PATIENT FOR CHARITY CARE THE HOSPITAL MAKES EVERY EFFORT TO OBTAIN THIS INFORMATION CORRECTLY AND TIMELY, HOWEVER DUE TO THE LIMITATION ON THE AVAILABILITY OF INFORMATION AND THE WILLINGNESS TO PROVIDE IT, IT IS ASSUMED THAT SOME ELIGIBLE PATIENTS ARE CHARGED TO BAD DEBT THE HOSPITAL EXAMINED ITS GROSS CHARGES FOR SELF-PAY PATIENTS FOR WHOM ALL INFORMATION WAS AVAILABLE AND DETERMINED THE PORTION OF CHARGES THAT WERE WRITTEN OFF TO CHARITY CARE THIS RATIO WAS THEN APPLIED TO BAD DEBTS AT COST FOR THE YEAR</p>

Identifier	ReturnReference	Explanation
		PART III, LINE 8 ALL SHORTFALL SHOULD BE CONSIDERED COMMUNITY BENEFIT AS THE GOVERNMENT SHOULD BEAR THE COST OF A GOVERNMENT PROGRAM, AND DOES NOT, LEAVING HOSPITALS TO BEAR THE UNREIMBURSED COST OF THE PROGRAM

Identifier	ReturnReference	Explanation
		PART III, LINE 9B THE COLLECTION PROCESS IS SYSTEM-AUTOMATED AND ADJUSTS ACCORDING TO A MATRIX SET UP FOR EACH FINANCIAL CLASS ADJUSTMENTS FOR FINANCIAL ASSISTANCE ARE MADE UPON APPROVAL, AND THE SYSTEM GENERATES STATEMENTS TO THE PATIENT (IF A PATIENT BALANCE REMAINS) AFTER A CERTAIN NUMBER OF DAYS FROM FINAL BILL DATE (I E DATE PATIENT BECOMES LIABLE AFTER ALL OTHER PAYMENTS/ADJUSTMENTS HAVE BEEN MADE)

Identifier	ReturnReference	Explanation
		PART I, LINE 7(E) AMOUNTS ON THIS LINE REPRESENT THE FOLLOWING PROGRAMS DIABETES EDUCATION PROGRAM - \$ 48,767 NET HEALTH AND WELLNESS PROGRAMS - 276,800 NO-CHARGE BENEFITS TO PATIENTS - 1,757

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 AS PART OF A STATE COLLABORATIVE, THE HOSPITAL PARTICIPATED IN A HEALTH SYSTEM PROFILE PERFORMED BY THE SOUTH CAROLINA RURAL HEALTH RESEARCH CENTER, UNIVERSITY OF SOUTH CAROLINA FOR THE SOUTH CAROLINA HOSPITAL ASSOCIATION THE OBJECTIVE WAS TO IDENTIFY ACCESS TO AND UTILIZATION OF HEALTHCARE FOR THE UNINSURED THE RESULT OF THE PROFILE WAS IMPLEMENTATION OF A PROGRAM CALLED ACCESSHEALTH SC FOR SEVERAL COUNTIES, INCLUDING KERSHAW THE PROGRAM IS FUNDED THROUGH A GRANT FROM THE DUKE ENDOWMENT WITH KERSHAWHEALTH BEING THE PASS-THRU ORGANIZATION FOR KERSHAW COUNTY ACCESSHEALTH'S FOCUS IS TO DEVELOP A COMMUNITY NETWORK OF CARE FOR THE LOW-INCOME, UNINSURED IN THE COUNTY THE HOSPITAL IS CURRENTLY IN THE PLANNING PHASE OF A COMMUNITY NEEDS ASSESSMENT TO IDENTIFY HEALTH NEEDS OF ALL CITIZENS

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 ALL SELF PAY PATIENTS ARE OFFERED A FINANCIAL ASSISTANCE APPLICATION IN ADDITION, ALL INPATIENTS ARE VISITED FACE-TO-FACE BY A REPRESENTATIVE TO DISCUSS FINANCIAL NEEDS INFORMATION IS GATHERED TO ASSESS QUALIFICATION FOR MEDICAID, A MEDICALLY INDIGENT ASSISTANCE PROGRAM, OR HOSPITAL CHARITY THE INFORMATION IS GIVEN TO A SOCIAL WORKER FOR APPLICATION OF AND DETERMINATION FOR THE APPROPRIATE SOURCE A PHONE BASED TRANSLATION SYSTEM IS AVAILABLE FOR NON-ENGLISH SPEAKING PATIENTS

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 4 THE ORGANIZATION'S SERVICE AREA IS DEFINED AS ELEVEN ZIP CODES SURROUNDING THE HOSPITAL IN CAMDEN, SC LOCATED IN KERSHAW COUNTY THE POPULATION OF THE ZIP CODES IS EXPECTED TO RISE TO 112,300 BY 2013 THE COUNTY LAND AREA OF APPROXIMATELY 740 SQUARE MILES WAS THE 23RD LARGEST COUNTY IN POPULATION AMONG THE 46 COUNTIES IN THE STATE OF SOUTH CAROLINA BUT WAS THE SEVENTH FASTEST GROWING ONE, ACCORDING TO THE 2000 CENSUS GEOGRAPHICALLY, THE COUNTY BORDERS RICHLAND COUNTY TO THE WEST, HOME OF THE STATE CAPITAL, COLUMBIA KERSHAW COUNTY POPULATION IN 2010 WAS 61,697 PERCENT OF POPULATION AT OR BELOW POVERTY IN 2010 15.5% ETHNIC DEMOGRAPHICS IN 2010 71.3% WHITE/CAUCASIAN, NON-HISPANIC 24.6% AFRICAN-AMERICAN, NON-HISPANIC 3.7% HISPANIC/LATINO 0.4% OTHER THE UNEMPLOYMENT LEVEL FOR 2010 WAS 10.5% VERSUS THE STATE LEVEL OF 11.2% THE AVERAGE INCOME WAS \$ 44,064 VERSUS STATE LEVEL OF \$43,939 KERSHAW COUNTY INCLUDES FOUR MEDICALLY UNDERSERVED AREAS</p>

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 6 A MAJORITY OF THE ORGANIZATION'S GOVERNING BODY IS COMPRISED OF PERSONS WHO RESIDE IN THE ORGANIZATION'S PRIMARY SERVICE AREA AND WHO ARE NEITHER EMPLOYEES NOR INDEPENDENT CONTRACTORS OF THE ORGANIZATION THE HOSPITAL EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN ITS COMMUNITY TO ITS DEPARTMENTS KERSHAWHEALTH USES ALL SURPLUS FUNDS TO PURCHASE NEW AND IMPROVED EQUIPMENT, PROVIDE ADDITIONAL SERVICES, IMPROVE EXISTING SERVICES OR FACILITIES, RECRUIT NEEDED PHYSICIANS TO THE AREA, ALL IN ORDER TO PROVIDE QUALITY HEALTH CARE TO THE RESIDENTS OF KERSHAW AND SURROUNDING COUNTIES PLEASE SEE OUR STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS FOR A DESCRIPTION OF THE NEWLY LAUNCHED HEALTHY KERSHAW COUNTY INITIATIVE IN ADDITION TO THAT NEW INITIATIVE, KERSHAWHEALTH IS ACTIVE IN THE COMMUNITY AND LEADS AND PARTICIPATES IN DISASTER/EMERGENCY EXERCISES WITH OTHER COUNTY AGENCIES WE OFFER PROGRAMS TO COUNTY EMPLOYEES SUCH AS CPR CLASSES INFECTION CONTROL AND DIABETES EDUCATORS PARTICIPATE IN PRESENTATIONS TO COMMUNITY GROUPS AND SCHOOLS WITHIN KERSHAW COUNTY KERSHAWHEALTH ACTIVELY PARTICIPATES IN RECRUITING NEEDED PHYSICIANS TO THIS SERVICE AREA WHICH INCLUDES MEDICALLY UNDERSERVED AREAS WE FINANCIALLY SUPPORT THE COMMUNITY CLINIC OF KERSHAW COUNTY WHICH SERVES INDIGENT PATIENTS THE ORGANIZATION ALSO SUPPORTS THE UNITED WAY THROUGH AN ANNUAL GIVING CAMPAIGN</p>

Identifier	ReturnReference	Explanation
		PART VI, LINE 7 THE ORGANIZATION IS NOT A MEMBER OF AN AFFILIATED HEALTH CARE SYSTEM

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

**Schedule H (Form 990) 2010**

**Schedule I  
(Form 990)****2010****Open to Public  
Inspection**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

Name of the organization  
KERSHAWHEALTHEmployer identification number  
57-6005963**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. ► □

<b>(1) (a)</b> Name and address of organization or government	<b>(b)</b> EIN	<b>(c)</b> IRC Code section if applicable	<b>(d)</b> Amount of cash grant	<b>(e)</b> Amount of non-cash assistance	<b>(f)</b> Method of valuation (book, FMV, appraisal, other)	<b>(g)</b> Description of non-cash assistance	<b>(h)</b> Purpose of grant or assistance
(1) COMMUNITY MEDICAL CLINIC OF KERSHAW COUNTY 110 C EAST DEKALB ST CAMDEN, SC 29020	57-1074191	501(C)(3)	90,000				FINANCIAL ASSISTANCE
(2) UNITED WAY OF KERSHAW COUNTY PO BOX 737 632 WEST DEKALB ST CAMDEN, SC 29020	57-0717334	501(C)(3)	17,500				CHARITABLE CONTRIBUTION
(3) KERSHAW COUNTY SCHOOL DISTRICT 1301 DUBOISE COURT CAMDEN, SC 29020	57-6000368	GOV'T	60,000				ATHLETIC TRAINER SALARY
(4) KERSHAW COUNTY 515 WALNUT ST CAMDEN, SC 29020	57-6000368	GOV'T	43,379				911 DISPATCHER SALARY
(5) SANDHILLS MEDICAL FOUNDATION PO BOX 366 MC BEE, SC 29101	57-0672342	501(C)(3)	77,195				GRANT PASSTHROUGH
(6) THE HOSPITAL FOUNDATION TO ADVANCE HEALTH CARE IN KERSHAW COUNTY 124 BATTLESHIP ROAD CAMDEN, SC 29020	57-0900155	501(C)(3)	257,177				EXPENSES INCURRED IN SUPPORT OF FOUNDATION TO ALLOW FOR FUNDRAISING EXPENSES INCLUDE SALARIES, OUTSIDE SERVICES, AND OFFICE EXPENSES

2 Enter total number of section 501(c)(3) and government organizations . . . . . ► 6

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

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

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

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

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 THE ORGANIZATION WORKS CLOSELY WITH THE ORGANIZATIONS RECEIVING THE FUNDS AND ENSURES THAT THE FUNDS ARE USED IN ACCORDANCE WITH THE OPERATIONS INTENDED. IN ADDITION, THE ORGANIZATION INCURS EXPENSES ON BEHALF OF THE HOSPITAL FOUNDATION TO ADVANCE HEALTH CARE IN KERSHAW COUNTY TO PROVIDE FOR FUNDRAISING EFFORTS ON BEHALF OF THE ORGANIZATION

**Schedule J**  
(Form 990)**Compensation Information**

OMB No 1545-0047

**2010**Department of the Treasury  
Internal Revenue Service

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.**

**Open to Public Inspection****Name of the organization**  
KERSHAWHEALTH**Employer identification number**

57-6005963

**Part I Questions Regarding Compensation**

**1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items

- |   |   |
|---|---|
| <input type="checkbox"/> First-class or charter travel                        | <input type="checkbox"/> Housing allowance or residence for personal use          |
| <input type="checkbox"/> Travel for companions                                | <input type="checkbox"/> Payments for business use of personal residence          |
| <input checked="" type="checkbox"/> Tax indemnification and gross-up payments | <input checked="" type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account                       | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)          |

**b** If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain

**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?

**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

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Compensation committee              | <input checked="" type="checkbox"/> Written employment contract                     |
| <input checked="" type="checkbox"/> Independent compensation consultant | <input type="checkbox"/> Compensation survey or study                               |
| <input type="checkbox"/> Form 990 of other organizations                | <input checked="" type="checkbox"/> 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?

**b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?

**c** Participate in, or receive payment from, an equity-based compensation arrangement?

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?

**b** Any related organization?

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?

**b** Any related organization?

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

**8** Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53.4958-4(a)(3)? If "Yes," describe in Part III

**9** If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
<b>1b</b>	Yes	
<b>2</b>	Yes	
<b>4a</b>		No
<b>4b</b>	Yes	
<b>4c</b>		No
<b>5a</b>		No
<b>5b</b>		No
<b>6a</b>	Yes	
<b>6b</b>		No
<b>7</b>		No
<b>8</b>		No
<b>9</b>		

**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) DONNIE WEEKS	(i) 286,379 (ii) 0	59,190 0	32,885 0	56,057 0	11,072 0	445,583 0	0 0
(2) MICHAEL BUNCH	(i) 169,791 (ii) 0	30,248 0	16,500 0	18,050 0	14,682 0	249,271 0	0 0
(3) DONALD TRIPPLE	(i) 111,040 (ii) 0	36,815 0	13,326 0	4,284 0	7,127 0	172,592 0	0 0
(4) GLORIA KEEFFE	(i) 140,581 (ii) 0	13,810 0	8,331 0	6,683 0	9,383 0	178,788 0	0 0
(5) LORONE WASHINGTON	(i) 362,346 (ii) 0	0 0	358 0	0 0	10,444 0	373,148 0	0 0
(6) ANDREW SUMMERS	(i) 251,989 (ii) 0	0 0	22,000 0	9,800 0	10,444 0	294,233 0	0 0
(7) SAMUEL POLEN	(i) 217,612 (ii) 0	0 0	16,500 0	9,668 0	14,749 0	258,529 0	0 0
(8) G THOMAS NORRIS	(i) 242,123 (ii) 0	0 0	0 0	0 0	13,283 0	255,406 0	0 0
(9) GLORIA ROUHANI	(i) 210,846 (ii) 0	20,000 0	0 0	0 0	8,752 0	239,598 0	0 0
(10) DON COPLEY	(i) 26,234 (ii) 0	0 0	0 0	0 0	0 0	26,234 0	0 0
(11)							
(12)							
(13)							
(14)							
(15)							
(16)							

**Part III Supplemental Information**

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

Identifier	Return Reference	Explanation
	PART I, LINE 1A	THE ORGANIZATION'S CEO, AS PART OF HIS EMPLOYMENT AGREEMENT, IS PROVIDED A VEHICLE, A PERSONAL LIFE INSURANCE POLICY, AND MEMBERSHIP DUES TO A SOCIAL CLUB BY THE ORGANIZATION, THE VALUE OF WHICH IS ADDED TO HIS REPORTABLE W-2 COMPENSATION
	PART I, LINE 4B	SOME OFFICERS OF THE ORGANIZATION PARTICIPATE IN A SUPPLEMENTAL NONQUALIFIED EXECUTIVE RETIREMENT PLAN DEFERRALS TO THIS PLAN FOR THE CURRENT YEAR ARE SCHEDULED TO BE PAID OUT BEGINNING IN 2013 THESE AMOUNTS ARE REPRESENTED IN PART II, COLUMN (C) FOR THE CURRENT YEAR, THE FOLLOWING ALLOCATIONS WERE MADE DONNIE WEEKS \$ 46,257 MICHAEL BUNCH 9,104
	PART I, LINE 6	THE COMPENSATION OF SOME OFFICERS OF THE ORGANIZATION IS BASED ON INCENTIVES COMPENSATION FACTORS (ICF) ESTABLISHED JOINTLY BY THE CEO AND THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS ONE OF THE FACTORS IS THE PROFIT MARGIN OF THE ORGANIZATION BONUS COMPENSATION UNDER THIS PROGRAM IS COMPUTED AS A PERCENTAGE OF BASE SALARY, AS DEFINED BELOW CEO 40% CFO 30% COO 30% CNO 20%

**Schedule K  
(Form 990)****2010**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.

**Open to Public  
Inspection**Name of the organization  
KERSHAWHEALTHEmployer identification number  
57-6005963**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 KERSHAW COUNTY MEDICAL CENTER	57-6005963	NONEAVAIL	08-25-2006	4,000,000	CAPITAL EXPENDITURE		X		X		X
B SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY	57-0960018	83703ELM5	07-31-2008	19,141,352	CAPITAL EXPENDITURE		X		X		X
C KERSHAW COUNTY MEDICAL CENTER	57-6005963	NONEAVAIL	02-25-2009	2,200,000	EQUIPMENT LEASE/PURCHASE AGREEMENT		X		X		X

**Part II Proceeds**

1	Amount of bonds retired	A		B		C		D	
		2,742,644							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	4,000,000		19,370,321		2,200,000			
4	Gross proceeds in reserve funds	1,756,377		1,756,377					
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds	23,500		459,000		16,000			
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	3,976,500		17,211,040		2,184,000			
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2006		2010		2009			
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		
16	Has the final allocation of proceeds been made?	X		X		X			
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X			

**Part III Private Business Use**

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

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

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
		X		X		X		
<b>3a</b> Are there any management or service contracts that may result in private business use?		X		X		X		
<b>b</b> Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
<b>c</b> 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		X			
<b>4</b> 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 %		0 %	
<b>5</b> 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 %		3 200 %		0 %	
<b>6</b> Total of lines 4 and 5			0 %		3 200 %		0 %	
<b>7</b> Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X		X			

**Part IV Arbitrage**

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>1</b> 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		X		
<b>2</b> Is the bond issue a variable rate issue?		X		X		X		
<b>3a</b> Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X		X		
<b>b</b> Name of provider								
<b>c</b> Term of hedge								
<b>d</b> Was the hedge superintegrated?								
<b>e</b> Was a hedge terminated?								
<b>4a</b> Were gross proceeds invested in a GIC?		X		X		X		
<b>b</b> Name of provider								
<b>c</b> Term of GIC								
<b>d</b> Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
<b>5</b> Were any gross proceeds invested beyond an available temporary period?		X		X		X		
<b>6</b> Did the bond issue qualify for an exception to rebate?	X			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 L

## **Transactions with Interested Persons**

OMB No 1545-0047

2010

Department of the Treasury  
Internal Revenue Service

- Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V lines 38a or 40b.
- Attach to Form 990 or Form 990-EZ. See separate instructions.

## Open to Public Inspection

**Name of the organization**

KERSHAWHEALTH

**Employer identification number**

57-600596

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

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

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 \$ \_\_\_\_\_

**Part II      Loans to and/or From Interested Persons.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a.

### **Part III Grants or Assistance Benefitting Interested Persons.**

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

**Part IV Business Transactions Involving Interested Persons.**

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) PEDIATRIC ASSOCIATES	OWNED IN PART BY BOARD MEMBER MARGUERITE CARLTON, MD	508,000	COMPENSATION FOR PROFESSIONAL MEDICAL SERVICES (ER CALL, HOSPITALIST FEES)		No

**Part V Supplemental Information**

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

Identifier	Return Reference	Explanation

**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.

**2010****Open to Public  
Inspection****Name of the organization**  
KERSHAWHEALTH**Employer identification number**

57-6005963

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 1		AN EXECUTIVE COMMITTEE IS COMPOSED OF THE CHAIRMAN OF THE BOARD, THE VICE CHAIRMAN, THE CHAIR OF THE FINANCE COMMITTEE, THE CHAIR OF THE STRATEGIC PLANNING COMMITTEE AND ANY OTHER BOARD MEMBERS APPOINTED BY THE CHAIRMAN, NOT EXCEEDING A TOTAL OF FOUR BOARD MEMBERS. THE CHAIRMAN OF THE BOARD CHAIRS THE MEETINGS OF THE COMMITTEE. WHEN THE FULL BOARD IS NOT IN SESSION, THE EXECUTIVE COMMITTEE HAS THE POWER AND AUTHORITY OF THE BOARD TO TRANSACT ALL REGULAR BUSINESS OF THE ORGANIZATION, SUBJECT TO ANY PRIOR LIMITATIONS IMPOSED BY THE BOARD OR BY STATUTE. IF NECESSARY, THE BOARD ENUMERATES AND DELINEATES THE DUTIES AND POWERS OF THE EXECUTIVE COMMITTEE BY RESOLUTION

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7A		MEMBERS OF THE BOARD ARE APPOINTED BY THE KERSHAW COUNTY COUNCIL FOR TERMS OF SIX YEARS AND UNTIL THEIR SUCCESSORS ARE APPOINTED AND QUALIFIED ALL APPOINTEES TO THE BOARD ARE TO BE RESIDENTS OF KERSHAW COUNTY, SOUTH CAROLINA WITH AT LEAST ONE MEMBER FROM EACH OF THE FOUR TOWNSHIPS

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		THE RETURN WAS PREPARED BY AN INDEPENDENT ACCOUNTANT WITH ASSISTANCE AND OVERSIGHT BY MANAGEMENT. THE CONTROLLER AND THE CFO THEN PERFORMED AN INITIAL REVIEW OF THE 990. THE RETURN WAS REVIEWED BY THE FINANCE COMMITTEE OF THE BOARD IN A PRESENTATION BY MANAGEMENT AND A REPRESENTATIVE OF THE ACCOUNTING FIRM PREPARING THE RETURN. A DIGITAL COPY OF THE COMPLETED FORM 990 WAS PROVIDED TO EACH VOTING BOARD MEMBER PRIOR TO FILING WITH THE IRS.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	THE ORGANIZATION'S CONFLICT OF INTEREST POLICY IS COVERED IN THE CODE OF CONDUCT AND ANNUAL COMPLIANCE EDUCATION. IT IS ALSO MADE AVAILABLE ON THE ORGANIZATION'S INTRANET WHICH CAN BE ACCESSED BY ALL EMPLOYEES. POTENTIAL CONFLICT DISCLOSURES ARE PRESENTED TO THE BOARD COMPLIANCE COMMITTEE AND THE COMMITTEE DETERMINES WHETHER OR NOT A CONFLICT EXISTS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15A	THE BOARD OF TRUSTEES FROM TIME TO TIME ENGAGES AN INDEPENDENT CONSULTANT TO PROVIDE COMPARISON ANALYSIS FOR COMPENSATION LEVELS FOR THE CEO. THE EXECUTIVE COMMITTEE OF THE BOARD DETERMINES AND APPROVES THE COMPENSATION FOR THE CEO OF THE ORGANIZATION. A MARKET ANALYSIS IS CONDUCTED BY HUMAN RESOURCES FOR ALL OTHER LEADERSHIP EMPLOYEES AND COMPENSATION LEVELS ARE APPROVED BY THE CEO.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 18	PHOTOCOPIES OF THE FORM 990 ARE AVAILABLE UPON REQUEST AT THE ORGANIZATION'S ADMINISTRATIVE OFFICE. IN ADDITION, RECENT FILINGS OF THE FORM 990 ARE AVAILABLE ONLINE AT <a href="http://WWW.GUIDESTAR.ORG">WWW.GUIDESTAR.ORG</a>

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS ARE MADE AVAILABLE TO THE PUBLIC UPON REQUEST AT THE ORGANIZATION'S ADMINISTRATIVE OFFICE PLEASE SEE PART VI, LINE 20

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED GAINS ON INVESTMENTS 435,277

Identifier	Return Reference	Explanation
	FORM 990, PART XII, LINE 2C	THE PROCESS HAS NOT CHANGED FROM THE PRIOR YEAR

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**SCHEDULE R**  
**(Form 990)**

## Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2010

**Open to Public  
Inspection**

Department of the Treasury  
Internal Revenue Service

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**Name of the organization**

KERSHAWHEALTH

**Employer identification number**

57-6005963

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

**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.)

**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.)

**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.)

**Part V Transactions With Related Organizations** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)**Note.** Complete line 1 if any entity is listed in Parts II, III or IV**1** During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

- a** Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity
- b** Gift, grant, or capital contribution to other organization(s)
- c** Gift, grant, or capital contribution from other organization(s)
- d** Loans or loan guarantees to or for other organization(s)
- e** Loans or loan guarantees by other organization(s)
- f** Sale of assets to other organization(s)
- g** Purchase of assets from other organization(s)
- h** Exchange of assets
- i** Lease of facilities, equipment, or other assets to other organization(s)
- j** Lease of facilities, equipment, or other assets from other organization(s)
- k** Performance of services or membership or fundraising solicitations for other organization(s)
- l** Performance of services or membership or fundraising solicitations by other organization(s)
- m** Sharing of facilities, equipment, mailing lists, or other assets
- n** Sharing of paid employees
- o** Reimbursement paid to other organization for expenses
- p** Reimbursement paid by other organization for expenses
- q** Other transfer of cash or property to other organization(s)
- r** Other transfer of cash or property from other organization(s)

	Yes	No
<b>1a</b>		No
<b>1b</b>		No
<b>1c</b>		No
<b>1d</b>		No
<b>1e</b>		No
<b>1f</b>		No
<b>1g</b>		No
<b>1h</b>		No
<b>1i</b>		No
<b>1j</b>		No
<b>1k</b>		No
<b>1l</b>		No
<b>1m</b>		No
<b>1n</b>		No
<b>1o</b>		No
<b>1p</b>		No
<b>1q</b>		No
<b>1r</b>		No

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

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

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

**Part VII Supplemental Information**

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

Identifier	Return Reference	Explanation
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**KERSHAWHEALTH**

Financial Statements

September 30, 2011 and 2010

( with Independent  
Auditors' Report thereon )

## **KERSHAWHEALTH**

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September 30, 2011 and 2010

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### Independent Auditors' Report

Board of Trustees  
KershawHealth  
Camden, South Carolina

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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, the financial statements referred to above present fairly, in all material respects, the financial position of KershawHealth at September 30, 2011 and 2010, and the results of its operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2 through 6 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Dixon Hughes Goodman LLP*

February 8, 2012

(1)

Praxity

## **Management's Discussion and Analysis**

## **Annual Financial Report**

The annual financial report of KershawHealth (the "Hospital") provides an overview of the Hospital's financial activities for the fiscal years ended September 30, 2011 and 2010. The financial statements include the independent auditors' report, the required financial statements and accompanying explanatory notes. The required financial statements include a Balance Sheet, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows. Management's discussion and analysis should be read in conjunction with the financial statements and notes.

Amounts presented are rounded to the nearest thousand for this discussion and analysis.

### **Management Discussion and Analysis**

#### *Financial Highlights*

- The Hospital's net assets increased approximately \$3,341,000 or 4.5% in 2011 and approximately \$416,000 or 0.6% in 2010.
- The Hospital reported operating income of approximately \$3,170,000 in 2011 and an operating loss of approximately \$136,000 in 2010. Operating income increased approximately \$3,306,000 in 2011 as compared to 2010 and decreased approximately \$3,756,000 in 2010 as compared to 2009 resulting in operating margins of 2.4% for 2011 and (0.1)% for 2010.
- Total nonoperating revenue increased by approximately \$64,000 or 499.2% in 2011 as compared to 2010 and total nonoperating expenses decreased by approximately \$89,000 or 87.3% in 2010 as compared to 2009.
- In 2011 and 2010, the Hospital received capital contributions of approximately \$120,000 and \$565,000, respectively.

#### *Required Financial Statements*

The required financial statements are presented on an "enterprise fund" basis, which is similar to accounting for nongovernmental private enterprises. Entities accounted for on an enterprise basis are primarily financed by charges for services to their users rather than by tax receipts.

The Balance Sheet is a statement of the investments in resources (assets) and obligations to creditors (liabilities) on the last day of the fiscal year. The net asset balance is the value of the Hospital's assets less its liabilities (net assets). The Balance Sheet classifies assets and liabilities as current or noncurrent, and can be used to evaluate the Hospital's liquidity and ability to meet its future financial obligations.

The Statement of Revenues, Expenses, and Changes in Net Assets reports the revenue the Hospital generated from providing services to patients and the expenses required to provide services to patients. Enterprise basis financial statements are prepared on an "accrual" basis, which reports revenue when earned and expenses when incurred, as opposed to "cash" basis accounting, which reports income when received and expenses when paid. Enterprise accounting requires that a portion of the cost of capital assets be recorded as depreciation expense. The statements also report the changes in net assets attributable to nonoperating activities and from other transactions.

The Statement of Cash Flows reports cash inflows and outflows from operations, from noncapital financing activities, from capital and related financing activities, and from investing activities, and their effect on the change in cash as reported in the Balance Sheet.

*Analysis of Overall Financial Position and Results of Operations*

A summary of the Hospital's condensed Balance Sheets at September 30 is presented below

(in thousands of dollars)	<b>2011</b>	<b>2010</b>	<b>2009</b>
Current assets	\$ 24,110	\$ 21,132	\$ 32,853
Capital assets	51,186	54,785	55,346
Other noncurrent assets	<u>35,208</u>	<u>34,722</u>	<u>27,253</u>
 Total assets	 <u>\$ 110,504</u>	 <u>\$ 110,639</u>	 <u>\$ 115,452</u>
 Current liabilities	 <u>\$ 11,995</u>	 <u>\$ 13,353</u>	 <u>\$ 15,934</u>
Long-term liabilities	<u>21,491</u>	<u>23,609</u>	<u>26,257</u>
 Total liabilities	 <u>33,486</u>	 <u>36,962</u>	 <u>42,191</u>
 Net assets	 <u>77,018</u>	 <u>73,677</u>	 <u>73,261</u>
 Total liabilities and net assets	 <u>\$ 110,504</u>	 <u>\$ 110,639</u>	 <u>\$ 115,452</u>

The net assets of the Hospital increased 4.5% in 2011 and 0.6% in 2010. Total cash, investments and assets limited as to use at September 30, 2011, 2010, and 2009 were \$38.1 million, \$36.3 million and \$38.9 million, respectively. Net patient accounts receivable balances were \$12.6 million, \$12.3 million and \$13.6 million, respectively. Net days in accounts receivable were 42 in 2011, 43 in 2010 and 47 in 2009.

A summary of the Hospital's condensed Statements of Revenues, Expenses, and Changes in Net Assets at September 30 is presented below

	<b>2011</b>	<b>2010</b>	<b>2009</b>
Operating revenues	\$ 111,962	\$ 105,724	\$ 106,945
Operating expenses	<u>108,792</u>	<u>105,860</u>	<u>103,325</u>
Operating income (loss)	<u>3,170</u>	<u>(136)</u>	<u>3,620</u>
 Nonoperating revenues (expenses)	 <u>51</u>	 <u>(13)</u>	 <u>(102)</u>
 Excess (deficit) of revenues over expenses before capital contributions	 3,221	 (149)	 3,518
 Capital contributions	 <u>120</u>	 <u>565</u>	 <u>255</u>
Increase in net assets	 <u>3,341</u>	 <u>416</u>	 <u>3,773</u>
 Net assets			
Beginning of year	<u>73,677</u>	<u>73,261</u>	<u>69,488</u>
End of year	<u>\$ 77,018</u>	<u>\$ 73,677</u>	<u>\$ 73,261</u>

Operating revenues increased 5.9% in 2011 as compared to 2010. Patient volumes as measured by admissions adjusted by outpatient volume increased 3.9% in 2011 as compared to 2010. Patient volumes as measured by patient days adjusted by outpatient volume increased 3.3% in 2011 as compared to 2010. The increase in volumes was mostly attributable to inpatient admissions. Medicaid Disproportionate Share income increased approximately \$626,000 in 2011 as compared to 2010. The Hospital recorded an increase in income of approximately \$47,000 in 2011 due to changes in estimates for cost report settlements from Medicare and Medicaid. In 2011, the Hospital experienced a bad debt percentage of 6.1% of gross patient service charges.

Operating revenues decreased 1.1% in 2010 as compared to 2009. Patient volumes as measured by admissions adjusted by outpatient volume increased 2.3% in 2010 as compared to 2009. Patient volumes as measured by patient days adjusted by outpatient volume decreased 1.8% in 2010. Length of stay decreased 4% from prior year as a result of efforts to improve utilization. Volume decreases are mostly attributable to inpatient visits. Medicaid Disproportionate Share income decreased \$434,000 in 2010 as compared to 2009. The Hospital recorded additional income of approximately \$607,000 in 2010 due to changes in prior year estimates for cost report settlements from Medicare and Medicaid. In 2010, the Hospital experienced a bad debt percentage of 7.2% of gross patient service charges.

Total operating expenses in 2011 increased 2.8% compared to 2010. Salaries, wages and benefits increased 1% in 2011 as a result of annual merit increases, employing additional physicians and increased health claims. Supply expense increased 6.6% due to the inpatient volume increase and general medical expense inflation. Other expenses increased 3.9% as a result of purchased services, specifically maintenance contracts and outside fees.

Total operating expenses in 2010 increased 2.5% compared to 2009. Salaries, wages and benefits increased 2.9% in 2010 as a result of increased services. Increased services were specifically Outpatient Center at Elgin and physician offices opened (i.e. Women's Care and Gastroenterology) and expanded (i.e. Pulmonology and Elgin Primary Care) during the year. Supply expense decreased 6.6% due to lower inpatient volumes and trends in oncology drug treatment as well as expiring patents. Other expenses increased 5.7% as a result of increased utilities and purchased services, mainly for new services. Professional fees increased 2%, attributable mostly to a pediatric hospitalist program and contracted physicians at Elgin Primary Care.

The Hospital's operating income increased approximately \$3,306,000 in 2011 as compared to 2010 resulting in operating income of approximately \$3,170,000. Operating income decreased approximately \$3,756,000 in 2010 as compared to 2009 resulting in an operating loss of approximately \$136,000.

Total nonoperating revenue increased approximately \$64,000 in 2011 as compared to 2010 and nonoperating expenses decreased approximately \$89,000 in 2010 as compared to 2009. Investment income increased approximately \$190,000 in 2011 due to market gains and increased \$336,000 in 2010 due to additional interest earned on new investments and capitalized interest offset in 2009. In 2011, noncapital contributions decreased \$266,000 compared to prior year and in 2010, noncapital contributions increased approximately \$56,000, as compared to the prior year.

The Hospital received approximately \$120,000 in capital contributions in 2011 from the Foundation to fund various projects including cafeteria renovations and a perinatal monitoring system.

The Hospital received approximately \$565,000 in capital contributions in 2010 including a \$237,000 rural hospital grant from the South Carolina Department of Health and Human Services to fund the purchase of infusion pumps, \$150,000 from Kershaw County for the purchase of an ambulance, \$77,000 from the Foundation to complete the funding of a lithotripter and another \$89,000 from the Foundation to help fund the construction of an outpatient center in Camden.

A summary of the Hospital's condensed Statements of Cash Flows at September 30 is presented below.

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Cash flows from operating activities	\$ 6,723	\$ 4,674	\$ 12,067
Cash flows used in capital and related financing activities	(6,498)	(8,770)	(19,025)
Cash flows from (used in) investing activities	705	(6,126)	9,581
Cash flows from noncapital financing activities	144	409	354
Net increase (decrease) in cash	<u>1,074</u>	<u>(9,813)</u>	<u>2,977</u>
 Cash and cash equivalents			
Beginning of year	2,928	12,741	9,764
End of year	<u>\$ 4,002</u>	<u>\$ 2,928</u>	<u>\$ 12,741</u>

The Hospital's total cash balance increased approximately \$11 million or 36.7% in 2011. Cash flows provided by operating activities increased \$2.0 million as a result of receipts from and on behalf of patients. Cash flows used by capital and related financing activities decreased \$2.3 million as a result of decreased purchases of capital assets. Cash flows provided by investing activities increased by \$6.8 million due to prior year long term investments.

The Hospital's total cash balance decreased approximately \$9.8 million or 77.0% in 2010. Cash flows provided by operating activities decreased \$7.4 million as a result of increased payments to suppliers and employees, mostly related to new facilities and services. Cash flows used by capital and related financing activities decreased \$10.3 million as a result of a decrease in purchases of capital assets. Cash flows provided by investing activities decreased by \$15.7 million due to the investment of \$10.0 million in long term investments.

#### ***Capital Assets and Debt Administration***

Capital assets decreased 6.6% to \$51.2 million in 2011 and decreased 1.0% to \$54.8 million in 2010. Total capital expenditures were \$2.2 million in 2011 and \$4.6 million in 2010. Total long-term debt decreased 11.4% in 2011 and 9.7% in 2010.

The Hospital continued projects to upgrade the main facility during 2011, including piping and mechanical projects. Equipment purchases included patient monitors and IT system related additions/enhancements. The Hospital has budgeted approximately \$8 million in capital expenditures for 2012 including a new MRI system to enhance patient services.

### ***Budgets***

Unlike other government facilities, budgets for entities accounted for on the enterprise basis are not legally binding documents. The budget for an enterprise fund is a guide for management and the Board in evaluating the success of the institution in meeting its financial goals.

### ***Future Challenges***

The Hospital experienced a 5% increase in admissions in 2011 compared to 2010, while average length of stay remained steady at 4.4. Surgeries decreased 7% from prior year while Emergency Department visits declined 2% compared to prior year.

Physician recruitment and alignment continued to be a focus. During 2011, we employed one additional primary care physician from the local community, who began in October 2011. Recognizing physician recruitment and alignment remains essential for strategic growth and financial sustainability, we will continue efforts in 2012.

Reimbursement, especially as it relates to Medicare and Medicaid, continues to be a challenge, and the Hospital continues to seek opportunities to maintain financial viability while pursuing our strategic initiatives. Current strategies include a focused quality initiative, collaboration with other facilities, various revenue enhancement projects, cost containment initiatives and "best-practice" utilization efforts. The Hospital has also trained leaders in Lean Six Sigma methodology to improve processes and patient satisfaction, which will further enhance our efforts.

KershawHealth is committed to do what is necessary to ensure we are able to continue our mission to improve the health and well-being of the residents of Kershaw County and the surrounding communities.

### ***Contacting the Hospital's Financial Management***

If you have any questions about this report or need additional financial information, contact the Hospital's Chief Financial Officer at KershawHealth, 1315 Roberts Street, Camden, South Carolina 29020.

# KERSHAWHEALTH

## Balance Sheets

September 30, 2011 and 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,002,083	\$ 2,927,752
Patient accounts receivable, net of allowance for uncollectible accounts of approximately \$6,351,000 in 2011 and \$6,073,000 in 2010	12,596,807	12,327,379
Other receivables, net	519,134	758,926
Inventories of drugs and supplies	3,389,743	3,427,092
Prepaid expenses	1,789,037	1,039,727
Net other post-retirement benefit asset	417,394	256,115
Estimated third-party payor settlements	<u>1,395,875</u>	<u>395,431</u>
Total current assets	<u>24,110,073</u>	<u>21,132,422</u>
<b>Assets limited as to use</b>		
By board for acquisition of capital assets	21,240,711	20,290,613
Donor restricted for operating purposes	344,092	486,754
Held by trustee for deferred compensation plan	193,783	56,933
Restricted for the purchase of capital assets	150,000	618,539
Restricted for debt service requirements	1,756,377	1,678,471
Held by trustee for workers' compensation fund	<u>250,000</u>	<u>150,000</u>
Total assets limited as to use	<u>23,934,963</u>	<u>23,281,310</u>
<b>Non-depreciable capital assets</b>	<b>4,777,480</b>	<b>4,993,892</b>
<b>Capital assets, net</b>	<b>46,408,477</b>	<b>49,791,467</b>
<b>Investments</b>	<b>10,160,311</b>	<b>10,087,992</b>
Investment in joint venture	106,616	106,616
Other receivables, net	471,823	681,522
Deferred financing costs	<u>534,602</u>	<u>563,713</u>
<b>Total assets</b>	<b><u>\$ 110,504,345</u></b>	<b><u>\$ 110,638,934</u></b>

# KERSHAWHEALTH

## Balance Sheets (continued)

September 30, 2011 and 2010

### Liabilities and Net Assets

	<u>2011</u>	<u>2010</u>
Current liabilities		
Current portion of long-term debt	\$ 700,000	\$ 1,675,000
Current portion of capital lease obligations	1,432,386	1,368,745
Accounts payable	1,398,265	961,287
Accrued salaries, wages, and taxes withheld	4,683,014	4,257,060
Accrued expenses	2,535,693	2,781,009
Estimated third-party payor settlements	1,177,882	2,246,925
Net pension obligation	68,142	63,470
Total current liabilities	<u>11,995,382</u>	<u>13,353,496</u>
Long-term debt, excluding current portion	19,939,038	20,623,980
Capital lease obligations, excluding current portion	<u>1,552,342</u>	<u>2,984,727</u>
Total liabilities	<u>33,486,762</u>	<u>36,962,203</u>
Net assets		
Invested in capital assets, net of related debt	27,562,191	28,751,446
Restricted		
Expendable for specific operating activities	344,092	486,754
Expendable for capital assets	150,000	239,497
Expendable for deferred compensation plan	193,783	56,933
Expendable for workers' compensation fund	250,000	150,000
Expendable for debt service	1,756,377	1,678,471
Unrestricted	<u>46,761,140</u>	<u>42,313,630</u>
Total net assets	<u>77,017,583</u>	<u>73,676,731</u>
Total liabilities and net assets	<u>\$ 110,504,345</u>	<u>\$ 110,638,934</u>

The accompanying notes are an integral part of these financial statements

# KERSHAWHEALTH

## Statements of Revenues, Expenses, and Changes in Net Assets

For the Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Operating revenues</b>		
Net patient service revenue, net of provisions for bad debts of approximately \$17,940,000 in 2011 and \$19,290,000 in 2010	\$ 110,578,802	\$ 104,294,050
Other operating revenue	<u>1,382,785</u>	<u>1,429,691</u>
<b>Total operating revenues</b>	<u>111,961,587</u>	<u>105,723,741</u>
<b>Operating expenses</b>		
Professional care of patients	68,107,930	64,670,894
General and administrative	28,357,889	28,682,484
Dietary	1,978,248	1,981,090
Household and plant operations	4,490,739	4,845,185
Depreciation and amortization	<u>5,857,112</u>	<u>5,680,563</u>
<b>Total operating expenses</b>	<u>108,791,918</u>	<u>105,860,216</u>
<b>Operating income (loss)</b>	<u>3,169,669</u>	<u>(136,475)</u>
<b>Nonoperating revenues (expenses)</b>		
Net investment income	1,323,624	1,133,468
Interest expense	(1,415,998)	(1,555,965)
Noncapital grants and contributions	<u>143,807</u>	<u>409,612</u>
<b>Total nonoperating revenues (expenses)</b>	<u>51,433</u>	<u>(12,885)</u>
<b>Excess (deficit) of revenues over expenses before capital grants and contributions</b>	<u>3,221,102</u>	<u>(149,360)</u>
<b>Capital grants and contributions</b>	<u>119,750</u>	<u>564,940</u>
<b>Increase in net assets</b>	<u>3,340,852</u>	<u>415,580</u>
<b>Net assets, beginning of year</b>	<u>73,676,731</u>	<u>73,261,151</u>
<b>Net assets, end of year</b>	<u>\$ 77,017,583</u>	<u>\$ 73,676,731</u>

The accompanying notes are an integral part of these financial statements

# KERSHAWHEALTH

## Statements of Cash Flows

For the Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Receipts from and on behalf of patients	\$ 108,239,887	\$ 106,364,244
Payments to suppliers and contractors	(44,571,285)	(45,119,585)
Payments to employees for services	(58,738,385)	(58,065,565)
Other receipts from operations, net	<u>1,793,085</u>	<u>1,494,711</u>
Net cash provided by operating activities	<u>6,723,302</u>	<u>4,673,805</u>
<b>Cash flows from noncapital financing activities</b>		
Noncapital grants and contributions	<u>143,807</u>	<u>409,612</u>
<b>Cash flows from capital and related financing activities</b>		
Capital grants and contributions	119,750	564,940
Principal paid on long-term debt	(1,675,000)	(1,915,000)
Principal paid on capital lease obligations	(1,368,744)	(1,336,429)
Interest paid on long-term debt and capital lease obligations	(1,413,106)	(1,528,573)
Purchase of capital assets	<u>(2,160,251)</u>	<u>(4,554,999)</u>
Net cash used by capital and related financing activities	<u>(6,497,351)</u>	<u>(8,770,061)</u>
<b>Cash flows from investing activities</b>		
Net investment income	1,339,045	1,098,635
Proceeds from sale of capital assets	91,500	19,500
Net purchase of investments	(72,319)	(10,087,992)
Net change in assets limited as to use	<u>(653,653)</u>	<u>2,843,434</u>
Net cash provided (used) by investing activities	<u>704,573</u>	<u>(6,126,423)</u>
Net increase (decrease) in cash and cash equivalents	1,074,331	(9,813,067)
Cash and cash equivalents, beginning of year	<u>2,927,752</u>	<u>12,740,819</u>
Cash and cash equivalents, end of year	<u>\$ 4,002,083</u>	<u>\$ 2,927,752</u>

# KERSHAWHEALTH

## Statements of Cash Flows (continued)

For the Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 3,169,669	\$ (136,475)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
(Gain) loss on sale of capital assets	(23,770)	31,430
Depreciation and amortization	5,857,112	5,680,563
Provision for bad debts	17,942,251	19,290,473
Change in net operating assets and liabilities		
Patient accounts receivable	(18,211,679)	(18,062,262)
Other receivables	434,070	33,590
Inventories of drugs and supplies and prepaid expenses	(711,961)	(464,852)
Estimated third-party payor settlements	(2,069,487)	841,983
Accounts payable	436,978	(1,090,966)
Accrued liabilities	56,726	(1,218,605)
Change in net pension obligation	4,672	(9,205)
Change in other post-retirement benefit asset	<u>(161,279)</u>	<u>(221,869)</u>
Net cash provided by operating activities	<u>\$ 6,723,302</u>	<u>\$ 4,673,805</u>
Supplemental disclosure of noncash capital and financing activity		
Capital assets included in accrued expenses	\$ 136,078	\$ 202,638
Capital assets acquired through capital lease obligations	<u>\$ -</u>	<u>\$ 358,794</u>

The accompanying notes are an integral part of these financial statements

# KERSHAWHEALTH

## Notes to Financial Statements

September 30, 2011 and 2010

### 1 Summary of Reporting Entity and Significant Accounting Policies

**Reporting Entity** - Kershaw County Medical Center was established under the laws of the State of South Carolina in 1954 and is a political subdivision. In May 2009, the Kershaw County Medical Center changed its name to KershawHealth (the "Hospital"). The Hospital is a not-for-profit healthcare facility which owns and operates a 121-bed acute care facility, a 96-bed long-term care facility, a sleep center, rural health clinic, physician clinic, home health/hospice agency, and several specialty physician offices including pulmonology, gastroenterology, and women's services. In addition, the Hospital owns and operates an outpatient diagnostic center as well as the ambulance service for Kershaw County. The Hospital is governed by KershawHealth's board of trustees who are appointed by the Kershaw County Council located in Camden, South Carolina.

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

**Enterprise Fund Accounting** - The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Pursuant to Governmental Accounting Standards Board ("GASB") Statement No 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board ("FASB"), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

During 2005, the Hospital adopted GASB Statement No 39 ("GASB 39"), *Determining Whether Certain Organizations are Component Units*. However, adopting this Statement did not result in the inclusion of the Hospital Foundation (the "Foundation") as a discretely presented component unit of the Hospital as of September 30, 2011 and 2010. The Foundation is a South Carolina corporation whose purpose is to benefit and further the development of KershawHealth. The Foundation is governed by a self-perpetuating board of trustees.

**Cash and Cash Equivalents** - The Hospital considers all demand deposits and short-term certificates of deposit purchased with an original maturity of three months or less to be cash equivalents

At various times throughout the year, the Hospital maintains deposits at financial institutions in excess of amounts covered by the Federal Deposit Insurance Corporation (“FDIC”) limits, however all bank balances are collateralized by U S Government securities in accordance with the Hospital’s investment policy

**Patient Accounts Receivable** - The Hospital provides services primarily to the residents of Kershaw County, South Carolina and surrounding counties without collateral. An allowance for uncollectible accounts is provided in an amount equal to the estimated losses to be incurred in collection of the receivables. The allowance is based on historical collection experiences and a review of the current status of the existing receivables

**Inventories of Drugs and Supplies** - Inventories consist of pharmaceutical drugs and medical supplies, and other supplies which are stated at average cost

**Assets Limited as to Use** - Assets limited as to use represent funds restricted by the board for acquisition of capital assets, over which the board retains control and may at its discretion subsequently use for other purposes. Assets limited as to use also include funds restricted by donors for operating purposes, restricted in accordance with a trust agreement for the purchase of capital assets, restricted for the deferred compensation plan, restricted for the workers’ compensation fund, and restricted for debt service requirements

**Investments in Debt and Equity Securities** - Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue and expenses when earned

**Capital Assets** - Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. Assets under capital leases are stated at the present value of future minimum lease payments at the inception of the lease. Depreciation is provided on a straight-line basis over the useful lives of the assets. Assets recorded under capital leases are amortized on a straight-line basis over the shorter of the lease term or estimated useful lives of the assets. Additions and improvements are capitalized and depreciated over the estimated remaining lives of the related assets. Repairs and maintenance are expensed as incurred

**Investment in Joint Venture** – Beginning in fiscal year 2007, the Hospital has been in negotiations related to a joint venture with physician groups As of September 30, 2011, the amounts invested represent preliminary consulting and architect fees related to the joint venture

**Deferred Financing Costs** - Financing costs incurred in connection with the issuance of long-term debt are deferred and amortized over the life of the bonds

**Net Assets** - Net assets of the Hospital are classified in three components Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets Restricted expendable net assets are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets, net of related debt or restricted

**Operating Revenues and Expenses** - The Hospital's statement of revenues, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity Nonexchange revenues, including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues Operating expenses are all expenses incurred to provide health care services, other than financing costs

**Grants and Contributions** - From time to time, the Hospital receives grants and contributions from individuals and private organizations Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements, are met Grants and contributions may be restricted for either specific operating purposes or for capital purposes Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses

**Net Patient Service Revenue** - Net patient service revenue is recorded at estimated net realizable amounts from patients, third-party payors and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors Third-party contractual revenue adjustments are recorded on an estimated basis in the period the related services are rendered Such amounts are subject to audit by governmental agencies Adjustments, if any, are included in contractual revenue adjustments in the year of determination In compliance with GASB 34, net patient service revenues have been reduced by the amount of bad debt expense incurred by the Hospital

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

**Physician Contracts** - The Hospital extends loans to physicians as a method of recruiting. If the physician complies with the provisions of the contract, the loan and accrued interest is forgiven by the Hospital. The loans are amortized using the straight-line method over the life of the contract, and are included in other receivables on the balance sheet. One contract remains at September 30, 2011 with a remaining life of approximately 3 years. Physician loans outstanding totaled approximately \$682,000 and \$893,000 at September 30, 2011 and 2010, respectively.

**Income Taxes** - The Hospital is a political subdivision exempt from federal and state income taxes under Section 115 of the Internal Revenue Code. The Hospital is also exempt under Section 501(c)(3) of the Internal Revenue Code from federal income taxes on related income pursuant to Section 501(a) of the Code. The Hospital has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2011. Fiscal years ending on or after September 30, 2008 remain subject to examination by federal and state tax authorities.

**Risk Management** - The Hospital is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, medical malpractice claims and judgments, and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. The Hospital is self-insured for amounts up to a specified level for health and medical coverage for its employees. The estimated liability is the total estimated amount to be paid for all known claims or incidents and a reserve for incurred but not reported claims. The Hospital purchases professional and general liability insurance to cover medical malpractice claims. Claims under such coverage are covered based on the date of occurrence.

## 2 Deposits and Investments

The Hospital's investments generally are reported at fair value, as discussed in Note 1, and are included in assets limited as to use and investments on the balance sheets. At September 30, 2011 and 2010, the Hospital had the following investments and maturities, all of which, except for investments in U.S. government obligations and U.S. government agencies, were held in the Hospital's name by a custodial bank that is an agent of the Hospital.

<u>September 30, 2011</u>	<u>Carrying Amount</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More Than 10</u>
<u>Investment type</u>					
Cash equivalents	\$ 1,049,245	\$ 1,049,245	\$ -	\$ -	\$ -
U.S. corporate bonds	89,122	-	-	-	89,122
U.S. government obligations	5,043,342	524,842	2,690,269	1,706,542	121,689
U.S. government agencies	27,382,192	580,210	10,253,142	2,934,347	13,614,493
Money market fund	37,281	37,281	-	-	-
Total	<u>\$ 33,601,182</u>	<u>\$ 2,191,578</u>	<u>\$ 12,943,411</u>	<u>\$ 4,640,889</u>	<u>\$ 13,825,304</u>

<u>September 30, 2010</u>	<u>Carrying Amount</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More Than 10</u>
<u>Investment type</u>					
Cash equivalents	\$ 670,221	\$ 670,221	\$ -	\$ -	\$ -
U.S. corporate bonds	95,224	-	-	-	95,224
U.S. government obligations	2,178,424	300,843	691,706	1,077,171	108,704
U.S. government agencies	29,071,197	2,368,144	9,524,290	2,987,666	14,191,097
Money market fund	867,482	867,482	-	-	-
Total	<u>\$ 32,882,548</u>	<u>\$ 4,206,690</u>	<u>\$ 10,215,996</u>	<u>\$ 4,064,837</u>	<u>\$ 14,395,025</u>

**Interest Rate Risk** - The Hospital minimizes its interest rate risk by investing in certificates of deposit with maturities of less than one year and by investing in fixed income securities.

**Credit Risk** - The Hospital's investment policy requires that investments be made only in certificates of deposit, short-term money market funds, fixed income securities, and U.S. Government securities and that all bank balances be collateralized by U.S. Government Securities. Credit risk ratings are not required for U.S. Government Obligations or those obligations explicitly guaranteed by the U.S. Government. As of September 30, 2011 and 2010, the Hospital's investments in U.S. Government Agencies were rated AAA by Moody's Investors Service, and Fitch Ratings. The investments in U.S. Government Agencies were rated AA+ by Standard & Poor's.

**Concentration of Credit Risk** - The Hospital places no limit on the amount it may invest in any one issuer. The Hospital held less than 5% of the carrying amount of investments in any one issuer as of September 30, 2011 and 2010.

The carrying amount of deposits, investments, and assets limited as to use are included in the Hospital's balance sheets as follows

	<u>2011</u>	<u>2010</u>
Carrying amount		
Deposits	\$ 4,496,175	\$ 3,414,506
Investments	<u>33,601,182</u>	<u>32,882,548</u>
Total	<u>\$ 38,097,357</u>	<u>\$ 36,297,054</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 4,002,083	\$ 2,927,752
Investments	10,160,311	10,087,992
Assets limited as to use	<u>23,934,963</u>	<u>23,281,310</u>
	<u>\$ 38,097,357</u>	<u>\$ 36,297,054</u>

Net investment income for assets limited as to use and other investments are comprised of the following for the years ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Interest income	\$ 1,015,406	\$ 940,719
Net, realized losses on investments	(164,342)	(160,598)
Net, unrealized gains on investments	435,277	312,175
Rental income	<u>37,283</u>	<u>41,172</u>
Total net investment income	<u>\$ 1,323,624</u>	<u>\$ 1,133,468</u>

### 3 Accounts Receivable and Payable

The mix of receivables from patients and third-party payors at September 30 is as follows

	<u>2011</u>	<u>2010</u>
Receivable from patients	\$ 8,218,268	\$ 8,080,258
Receivable from third-party payors and others	4,636,426	5,359,957
Receivable from Medicare	4,911,503	3,435,394
Receivable from Medicaid	<u>1,181,131</u>	<u>1,525,169</u>
Total patient accounts receivable	18,947,328	18,400,778
Less allowance for uncollectible accounts	<u>(6,350,521)</u>	<u>(6,073,399)</u>
	<u>\$ 12,596,807</u>	<u>\$ 12,327,379</u>

Accounts payable and accrued expenses reported by the Hospital consist of the following amounts at September 30

	<u>2011</u>	<u>2010</u>
Accounts payable	<u>\$ 1,398,265</u>	<u>\$ 961,287</u>
Payable to employees (including payroll taxes)	<u>\$ 4,683,014</u>	<u>\$ 4,257,060</u>
Accrued interest payable	\$ 75,803	\$ 87,969
Accrued health insurance expense	1,031,324	1,006,305
Other	<u>1,428,566</u>	<u>1,686,735</u>
Accrued expenses	<u>\$ 2,535,693</u>	<u>\$ 2,781,009</u>

4 Capital Assets

Capital asset additions, retirements, transfers and balances for the years ended September 30, 2011 and 2010 were as follows

	<b>Balance</b> <b>September 30,</b> <b>2010</b>	<b>Additions</b>	<b>Retirements</b> <b>&amp; Transfers</b>	<b>Balance</b> <b>September 30,</b> <b>2011</b>
Land	\$ 2,613,606	\$ -	\$ (67,730)	\$ 2,545,876
Land improvements	1,228,329	-	-	1,228,329
Buildings	57,459,956	29,332	1,082,624	58,571,912
Equipment	<u>44,912,306</u>	<u>1,333,055</u>	<u>-</u>	<u>46,245,361</u>
Totals at historical cost	<u>106,214,197</u>	<u>1,362,387</u>	<u>1,014,894</u>	<u>108,591,478</u>
Less accumulated depreciation				
Land improvements	(822,805)	(35,828)	-	(858,633)
Buildings	(23,513,339)	(1,847,570)	-	(25,360,909)
Equipment	<u>(29,472,980)</u>	<u>(3,944,603)</u>	<u>-</u>	<u>(33,417,583)</u>
Total accumulated depreciation	<u>(53,809,124)</u>	<u>(5,828,001)</u>	<u>-</u>	<u>(59,637,125)</u>
Construction in progress	<u>2,380,286</u>	<u>933,942</u>	<u>(1,082,624)</u>	<u>2,231,604</u>
Capital assets, net	<u>\$ 54,785,359</u>	<u>\$ (3,531,672)</u>	<u>\$ (67,730)</u>	<u>\$ 51,185,957</u>
	<b>Balance</b> <b>September 30,</b> <b>2009</b>	<b>Additions</b>	<b>Retirements</b> <b>&amp; Transfers</b>	<b>Balance</b> <b>September 30,</b> <b>2010</b>
Land	\$ 2,496,971	\$ 116,635	\$ -	\$ 2,613,606
Land improvements	1,005,673	9,250	213,406	1,228,329
Buildings	47,496,348	-	9,963,608	57,459,956
Equipment	<u>38,668,946</u>	<u>2,402,346</u>	<u>3,841,014</u>	<u>44,912,306</u>
Totals at historical cost	<u>89,667,938</u>	<u>2,528,231</u>	<u>14,018,028</u>	<u>106,214,197</u>
Less accumulated depreciation				
Land improvements	(780,689)	(42,116)	-	(822,805)
Buildings	(21,798,032)	(1,715,307)	-	(23,513,339)
Equipment	<u>(25,661,761)</u>	<u>(3,868,839)</u>	<u>57,620</u>	<u>(29,472,980)</u>
Total accumulated depreciation	<u>(48,240,482)</u>	<u>(5,626,262)</u>	<u>57,620</u>	<u>(53,809,124)</u>
Construction in progress	<u>13,918,665</u>	<u>2,588,200</u>	<u>(14,126,579)</u>	<u>2,380,286</u>
Capital assets, net	<u>\$ 55,346,121</u>	<u>\$ (509,831)</u>	<u>\$ (50,931)</u>	<u>\$ 54,785,359</u>

## 5 Long-Term Debt and Capital Lease Obligations

A schedule of changes in the Hospital's long-term debt and capital lease obligations for 2011 and 2010 follows

	<u>September 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2011</u>	<u>Current Portion</u>
Revenue bonds	\$ 22,720,000	\$ -	\$ (1,675,000)	\$ 21,045,000	\$ 700,000
Capital lease obligations	<u>4,353,472</u>	-	<u>(1,368,744)</u>	<u>2,984,728</u>	<u>1,432,386</u>
	<u>27,073,472</u>	-	<u>(3,043,744)</u>	<u>24,029,728</u>	<u>2,132,386</u>
Less unamortized discount and deferred loss on refinancing	<u>(421,020)</u>	-	<u>15,058</u>	<u>(405,962)</u>	-
Total long-term debt and capital lease obligations	<u>\$ 26,652,452</u>	<u>\$ -</u>	<u>\$ (3,028,686)</u>	<u>\$ 23,623,766</u>	<u>\$ 2,132,386</u>

  

	<u>September 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2010</u>	<u>Current Portion</u>
Revenue bonds	\$ 24,635,000	\$ -	\$ (1,915,000)	\$ 22,720,000	\$ 1,675,000
Capital lease obligations	<u>5,331,107</u>	<u>358,794</u>	<u>(1,336,429)</u>	<u>4,353,472</u>	<u>1,368,745</u>
	<u>29,966,107</u>	<u>358,794</u>	<u>(3,251,429)</u>	<u>27,073,472</u>	<u>3,043,745</u>
Less unamortized discount and deferred loss on refinancing	<u>(460,164)</u>	-	<u>39,144</u>	<u>(421,020)</u>	-
Total long-term debt and capital lease obligations	<u>\$ 29,505,943</u>	<u>\$ 358,794</u>	<u>\$ (3,212,285)</u>	<u>\$ 26,652,452</u>	<u>\$ 3,043,745</u>

The terms and due dates of the Hospital's long-term debt and capital lease obligations at September 30, 2011 and 2010, are as follows

- \$8,500,000 of Hospital Revenue Bonds, the "Series 2001 Bonds" issued August 2001, secured by the Hospital's capital assets, principal payable in annual installments, and interest at a stated interest rate of 4 45%, payable semi-annually through September 2011. The bond proceeds were used to defray the cost of acquiring construction, improving and equipping an expansion of the Hospital, and to pay certain expenses associated with the Series 2001 Bonds. The Series 2001 Bonds were paid in full September 2011.
- \$6,000,000 of Hospital Revenue bonds, the "Series 2002 Bonds" issued September 2002, secured by the Hospital's capital assets, principal payable in annual installments, and interest at a stated interest rate of 3 33%, payable semi-annually through September 2013. The bond proceeds were used to defray the cost of renovating and equipping the existing facilities, the acquisition of a new computer system and other equipment, and to pay certain expenses associated with the Series 2002 Bonds.

- \$19,595,000 of Hospital Revenue bonds, the “Series 2008 Bonds” issued in July 2008, secured by the Hospital’s capital assets, interest payable semi-annually at fixed rates ranging from 5% to 6% through 2038, principal payable in annual installments beginning in 2014 through 2038 The bonds are being used to defray the cost of construction and equipping new facilities, to pay certain expenses associated with the Series 2008 Bonds, acquisition of certain land for expansion, other capital improvements, and renovations to and equipping of existing facilities
- The Hospital obtained a loan from the South Carolina Energy Office for approximately \$495,000 The loan is secured by restricted cash equal to the outstanding loan balance Interest is payable in annual installments beginning in 2012 through 2021 The loan will be used to defray costs of equipment to upgrade the Hospital’s facilities As of September 30, 2011, there have been no draws on the loan
- Capital lease obligation, payable in annual installments of \$666,454, including principal and interest of 3.98% through September 1, 2013, collateralized by equipment The capital lease obligation was entered into with a bank for the purchase of certain equipment
- Capital lease obligation, payable in annual installments of \$479,259, including principal and interest of 2.91% through March 1, 2014, collateralized by equipment The capital lease obligation was entered into with a bank for the purchase of certain equipment
- Capital lease obligation, payable in monthly installments of \$31,715, including principal and interest of 8.00% through September 2012, collateralized by equipment with a net book value of \$728,527
- Capital lease obligation, payable in monthly installments of \$3,893, including principal and interest of 5.85% through April 2013, collateralized by equipment with a net book value of \$113,531

The aggregate debt service payments due on long-term debt and capital lease obligations for the years subsequent to September 30, 2011, and until maturity are as follows

<u>Year Ending September 30:</u>	<u>Long-Term Debt</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 700,000	\$ 1,172,885	\$ 1,432,386	\$ 104,766
2013	750,000	1,149,575	1,114,823	51,716
2014	385,000	1,124,600	437,519	12,732
2015	405,000	1,105,350	-	-
2016	425,000	1,085,100	-	-
2017 - 2021	2,480,000	5,081,950	-	-
2022 - 2026	3,215,000	4,344,450	-	-
2027 - 2031	4,245,000	3,319,313	-	-
2032 - 2036	5,670,000	1,891,500	-	-
2037 - 2038	<u>2,770,000</u>	<u>251,700</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 21,045,000</u>	<u>\$ 20,526,423</u>	<u>\$ 2,984,728</u>	<u>\$ 169,214</u>

## 6 Net Patient Service Revenue

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

**Medicare** - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge based on a Diagnosis Related Group ("DRG") system. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed under a prospective payment system called the Ambulatory Payment Classification System ("APCs"). Other services are paid on a fee schedule. The Hospital's classification of patients under the Medicare program and appropriateness of their admission are subject to review by an independent peer review organization. The Hospital's Medicare cost reports have been final settled by the Medicare fiscal intermediary through September 30, 2007. The fiscal intermediary has the option to reopen the cost reports that are final settled for up to 3 years from the date they are final settled.

**Medicaid** - Inpatient services rendered to Medicaid program beneficiaries are reimbursed using a payment per discharge system with case-mix adjustments based on a Diagnosis Related Group (“DRG”) system. Outpatient Medicaid services are reimbursed at a certain percentage of allowable costs. The Hospital is reimbursed at these interim rates through remittance advices upon billing of patient accounts. Because these interim rates are based on retrospective rates, tentative settlements are determined after submission of the Hospital’s annual Medicaid cost report. Some providers, including the Hospital, qualify for additional reimbursement from the state for serving a disproportionate share of the state’s indigent population (Medicaid Disproportionate Share). The Hospital’s Medicaid cost reports are subject to audit by the Medicaid program. The Hospital’s Medicaid cost reports have been final settled by the Medicaid fiscal intermediary through September 30, 2003.

Revenue from Medicare and Medicaid programs accounted for approximately 41% and 19%, respectively, of the Hospital’s net patient service revenue for the year ended September 30, 2011, and 40% and 19%, respectively, of the Hospital’s net patient service revenue for the year ended September 30, 2010. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2011 net patient service revenue increased by approximately \$47,000 due to a change in the allowances previously estimated for tentative cost report settlements. The 2010 net patient service revenue increased by approximately \$607,000 due to a change in the allowances previously estimated for tentative cost report settlements.

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

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

	<u>2011</u>	<u>2010</u>
Gross patient charges at established rates,		
net of charity care	\$ 292,854,095	\$ 267,682,057
Deductions		
Contractual adjustments	(164,333,042)	(144,097,534)
Provision for bad debts	<u>(17,942,251)</u>	<u>(19,290,473)</u>
	<u>(182,275,293)</u>	<u>(163,388,007)</u>
Net patient service revenue	<u>\$ 110,578,802</u>	<u>\$ 104,294,050</u>

The Hospital qualified for disproportionate share payments from the South Carolina Medicaid Program through September 30, 2011. The Hospital received quarterly lump-sum payments totaling approximately \$4,205,000 and \$3,579,000 in 2011 and 2010, respectively. These amounts are reflected as a reduction of Medicaid contractual adjustments.

## 7 Charity Care

Charges excluded from revenue under the Hospital's charity care policy were approximately \$14,678,000 in 2011 and \$10,788,000 in 2010.

## 8 Benefit Plans

The Hospital has a single employer, noncontributory defined benefit pension plan (the "Plan") covering substantially all employees that was frozen as of January 31, 2007. The pension plan provides benefits based on years of credited service and compensation as defined in the plan document. The Hospital has the authority to amend the Plan. The Plan issues a financial report and it may be obtained by writing to KershawHealth, 1315 Roberts Street, Camden, South Carolina 29020.

The Plan operates under a calendar year with actuarial valuations determined at the beginning of the plan year.

For the January 1, 2011 and 2010 valuations, the annual payroll for the active participants totaled \$20,338,033 and \$22,765,174, respectively. Total Hospital payroll was approximately \$47,015,000 and \$47,107,000 for 2011 and 2010, respectively. Plan participants become one-hundred percent vested in benefits after completing five years of service.

Participants in the Plan consisted of the following at January 1 (unaudited):

	<u>2011</u>	<u>2010</u>
Active	417	453
Inactive	169	167
Other	<u>148</u>	<u>127</u>
	<u><u>734</u></u>	<u><u>747</u></u>

The following are the significant actuarial assumptions used to measure the pension benefit obligation and contribution requirement at January 1, 2011 and 2010

- a The annual required contribution was determined as part of the January 1, 2011 actuarially determined liability using the Projected Unit Credit method,
- b Mortality is based on the 1994 Uninsured Pensioners Mortality Table,
- c The rate of return assumed for expected long-term return on plan assets was 8% for 2011 and 2010,
- d The rate of retirement is 100% at normal retirement age including estimates starting at age 55

The above assumptions plus the assumption of annual inflation increases of 3.5% and turnover assumptions (which vary by attained age) were used to compute the actuarial accrued liability at January 1, 2011 and 2010

The Hospital's annual pension cost and net pension obligation for the years ended September 30 were as follows

	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 3,687	\$ (19,706)
Interest on net pension cost	5,078	5,814
Adjustment to annual required contribution	<u>(4,093)</u>	<u>4,687</u>
Increase (decrease) in net pension obligation	4,672	(9,205)
Net pension obligation		
Beginning of year	<u>63,470</u>	<u>72,675</u>
End of year	<u>\$ 68,142</u>	<u>\$ 63,470</u>

Three year trend information

<u>Fiscal Year Ending December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset (Liability)</u>
2009	\$ 126,105	-%	\$ (72,675)
2010	(9,205)	-%	(63,470)
2011	4,672	-%	(68,142)

The three-year historical trend information showing the Hospital's progress in accumulating sufficient assets to pay benefits when due is presented below

							Excess (Deficit)
	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liability</u> (AAL)	Funded <u>Ratio</u>		Excess (Deficit) of Assets over AAL	Annual Covered <u>Payroll</u>	as a Percent of Covered <u>Payroll</u>
2009	\$ 20,278,976	\$ 22,101,484	91.75%	\$	(1,822,508)	\$ 23,680,063	(7.70%)
2010	23,157,451	22,874,515	101.24%		282,936	22,765,174	1.24%
2011	23,024,320	23,077,258	99.77%		(52,938)	20,338,033	(0.26%)

The Hospital also has a retirement savings plan under Section 403(b) of the Internal Revenue Code. Employees are eligible to participate on their first date of employment. Employees are allowed to defer up to 50% of their salary, subject to IRS limitations, and the Hospital will match 100% of employees' contributions on the first 4% deferred. The Hospital contributed approximately \$1,100,000 to the Plan for each of the years ended September 30, 2011 and 2010.

The Hospital also has an executive deferred compensation plan for certain executives. The cumulative amount owed to these executives is approximately \$246,000 and \$88,000 as of September 30, 2011 and 2010, respectively. These amounts are included in accrued salaries, wages, and taxes withheld on the balance sheet. Approximately \$194,000 and \$57,000 is included in assets limited as to use held by trustee for deferred compensation plan on the balance sheets as of September 30, 2011 and 2010, respectively. The remaining contribution amount was funded by December 31, 2011.

## 9 Other Postemployment Benefit (OPEB)

### Plan Description

The Hospital offers certain postretirement benefits to employees and their spouses including medical benefits until age 65, for all employees who are at least age 55 and have 10 years of service with the Hospital. The plan was closed to new retirees effective June 30, 2009.

As of October 1, 2010, the date of the latest actuarial valuation, there were 29 total members of the OPEB that consisted of 20 retired employees and 9 retired employees with spousal coverage.

**Funding Policy** – The Hospital has chosen to fund the healthcare benefits on a pay as you go basis.

**Annual OPEB Cost and Net OPEB Obligation** – The Hospital’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (“ARC”), an amount actuarially determined in accordance with the parameters of GASB Statement No 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The Hospital’s annual OPEB cost for the year, the amount actually contributed to the OPEB, and changes in the Hospital’s net OPEB asset for the healthcare benefits and retiree salaries were as follows:

	<u>2011</u>	<u>2010</u>
Annual required contribution (“ARC”)		
for medical benefits	\$ 45,616	\$ 55,943
Net OPEB obligation adjustment	20,551	2,748
Interest on net OPEB asset	<u>(12,806)</u>	<u>(1,712)</u>
Annual OPEB costs	53,361	56,979
Contributions made	<u>(214,640)</u>	<u>(278,848)</u>
Increase in net OPEB asset	161,279	221,869
Net OPEB asset, beginning of year	<u>256,115</u>	<u>34,246</u>
Net OPEB asset, end of year	<u>\$ 417,394</u>	<u>\$ 256,115</u>

The Hospital’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for 2011 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
September 30, 2011	\$ 53,361	245 0%	\$ 417,394
September 30, 2010	56,979	536 0%	256,115
September 30, 2009	56,935	160 0%	34,246

**Funded Status and Funding Progress** – As of October 1, 2010, the most recent actuarial valuation date, the OPEB was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (“UAAL”) was \$568,481. Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the OPEB and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions** – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the October 1, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions for 2011 included a 5.0% discount rate and an annual medical cost trend of 10.0%.

## 10 Operating Leases

The Hospital leases medical and business equipment under operating leases that expire at various dates through 2016. Total rent expense in 2011 and 2010 for all operating leases was approximately \$740,000 and \$700,000, respectively.

The following is a schedule by year of future remaining lease payments under operating leases at September 30, 2011, that have initial remaining lease terms in excess of one year.

2012	\$ 531,217
2013	373,174
2014	111,716
2015	67,152
2016	<u>46,498</u>
	\$ <u>1,129,757</u>

## 11 Insurance Programs

The Hospital purchases professional medical liability insurance from the State of South Carolina Insurance Reserve Fund, which offers such insurance for certain health care providers and their employees on an occurrence basis.

The laws of the state limit the amount that can be recovered from certain governmental medical facilities, including the Hospital, to damages for medical services rendered by the facility or the facility's employees to \$300,000 from the facility and \$1,200,000 for physicians employed by the facility. The limits of coverage under the insurance are \$300,000 per individual and an aggregate of \$600,000 per occurrence. Management believes that any pending or unasserted claims are covered by insurance.

The Hospital is self-insured for workers' compensation and employee health care, with stop loss insurance for employee health claims over \$100,000. The Hospital pays a \$25,000 per claim deductible for workers' compensation claims, and is fully covered for any claim over the deductible up to \$1,000,000 per accident.

## 12 Litigation

There is no litigation pending, or to the knowledge of management of the Hospital threatened, which if decided adversely to the Hospital would have a material effect on the business operations, financial position or properties of the Hospital. Furthermore, there is no litigation pending, or to management's knowledge threatened, involving professional liability claims in which the amount sought by the plaintiff exceeds applicable professional liability or excess insurance policy coverage limits.

## 13 Industry Regulation

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

## 14 Commitments

The Hospital has entered into three contracts with an architect where the fees are based on final construction costs of the projects. As of September 30, 2011, management makes the following estimates:

- Management estimates paying approximately \$98,000 in architect fees which represents 7.5% of the final construction costs related to the expansion of the labor and delivery department. As of September 30, 2011, the Hospital has paid approximately \$30,000. The construction is currently on hold and management estimates completing the remaining construction in a future period.
- Management estimates paying approximately \$330,000 in architect fees which represents 6% of the final construction costs related to the construction of an outpatient diagnostic center. As of September 30, 2011, the Hospital has paid approximately \$90,000. The construction is currently on hold and management estimates completing the remaining construction in a future period.

- The Hospital has signed contracts totaling approximately \$421,000 related to various software projects at the Hospital As of September 30, 2011, the Hospital has paid approximately \$42,000 which represents down payments of 10% The projects are expected to be completed in various times in fiscal years 2012 and 2013
- The Hospital has signed various contracts totaling approximately \$448,000 related to the replacement of the boiler at the Hospital As of September 30, 2011, the Hospital has paid approximately \$265,000 Approximately \$23,000 of retainage is accrued for this project in accrued expenses on the balance sheet The project was completed in November 2011
- The Hospital has signed a contract totaling approximately \$83,000 related to the replacement of the humidifier at the Hospital As of September 30, 2011, the Hospital has paid approximately \$74,000 Approximately \$8,000 of retainage is accrued for this project in accrued expenses on the balance sheet The project was completed in December 2011
- The Hospital has signed various contracts totaling approximately \$49,000 related to various construction projects at the Hospital As of September 30, 2011, the Hospital has paid approximately \$29,000 The various projects are expected to be completed in fiscal year 2012

## 15 Subsequent Events

Subsequent events have been evaluated through February 8, 2012, which is the date the financial statements were available to be issued