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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012

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

C Name of organization
GASTON MEMORIAL HOSPITAL INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
2525 COURT DRIVE PO BOX 1747

City or town, state or country, and ZIP + 4
GASTONIA, NC 280531747

D Employer identification number
56-0619359

E Telephone number
(704) 834-2000

G Gross receipts $ 426,092,983

F Name and address of principal officer
DAVID O'CONNOR
2525 COURT DRIVE PO BOX 1747
GASTONIA, NC 280531747

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

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

H(c) Group exemption number ▶

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

J Website: ▶ WWW CAROMONT ORG

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

L Year of formation 1945

M State of legal domicile NC

Part I Summary

1 Briefly describe the organization's mission or most significant activities
TO PROVIDE EXCEPTIONAL HEALTH CARE TO THE COMMUNITIES WE SERVE

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**	14
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	12
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	3,105
6	Total number of volunteers (estimate if necessary)	**6**	261
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	510,357
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	38,600

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	119,286	1,181,292
	9 Program service revenue (Part VIII, line 2g)	405,735,809	416,290,990
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	41,896	6,070
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	5,018,302	8,515,831
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	410,915,293	425,994,183
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	257,503	283,868
	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)	163,004,927	169,254,959
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	214,831,055	218,624,236
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	378,093,485	388,163,063
	19 Revenue less expenses Subtract line 18 from line 12	32,821,808	37,831,120

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	332,063,801	360,052,108
	21 Total liabilities (Part X, line 26)	307,061,339	326,403,841
	22 Net assets or fund balances Subtract line 21 from line 20	25,002,462	33,648,267

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

****** 2013-03-21
Signature of officer — Date

DAVID O'CONNOR CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶ AMY BIBBY | Date | Check if self-employed ▶ ☐ | Preparer's taxpayer identification number (see instructions) P00445891

Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ DIXON HUGHES GOODMAN LLP
500 RIDGEFIELD COURT
ASHEVILLE, NC 28806

EIN ▶ 56-0747981

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

TO PROVIDE EXCEPTIONAL HEALTH CARE TO THE COMMUNITIES WE SERVE

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 organization's program service accomplishments for each of its three largest program services, as measured 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 $ 363,488,761 including grants of $ 283,868) (Revenue $ 416,789,262)

GASTON MEMORIAL HOSPITAL PROVIDES INPATIENT, OUTPATIENT, EMERGENCY, SURGICAL, WELLNESS AND PREVENTIVE CARE SERVICES TO THE RESIDENTS OF GASTON COUNTY AND SURROUNDING AREAS AT ITS 435 BED ACUTE CARE FACILITY PLEASE SEE SCHEDULE O FOR A CONTINUATION OF OUR PROGRAM SERVICE ACCOMPLISHMENTS

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** ▶ $ 363,488,761

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	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 owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	**35a**		No
b	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*	**35b**		No
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	**1a**	419		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c**	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	3,105			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			**2b**	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			**3a**	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b**	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?			**4a**		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			**5a**		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			**5b**		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			**5c**		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			**6a**		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			**6b**		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			**7a**		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b**		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			**7c**		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			**7e**		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			**7f**		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			**7g**		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			**8**		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			**9a**		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			**9b**		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	**10a**				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	**10b**				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	**11a**				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	**11b**				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			**12a**		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	**12b**				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			**13a**		
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	**13b**				
c	Enter the aggregate amount of reserves on hand	**13c**				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			**14a**		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			**14b**		

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	14		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	12		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		5		No
6	Did the organization have members or stockholders?		6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

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

Section C. Disclosure

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

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you made 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 made 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 ▶

DAVID O'CONNOR
2525 COURT DRIVE
GASTONIA, NC 28054
(704) 834-2000

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, or 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 organizations compensated any current or former officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) H SPURGEON MACKIE JR CHAIRMAN	1 00	X		X				0	0	0
(2) SHEILA S REILLY PHD VICE CHAIR	1 00	X		X				0	0	0
(3) DR ROBERT D CROUCH SECRETARY	1 00	X		X				0	0	0
(4) M VINCENT QUINN TREASURER	1 00	X		X				0	0	0
(5) MARY FRANCES FORRESTER DIRECTOR	1 00	X						0	0	0
(6) KELVIN C HARRIS MD DIRECTOR	1 00	X						0	201,000	18,540
(7) JAMES W BAILEY DIRECTOR	1 00	X						0	0	0
(8) JAMES R BEAM DIRECTOR	1 00	X						0	0	0
(9) RICHARD K CRAIG DIRECTOR	1 00	X						0	0	0
(10) MICKEY PRICE DIRECTOR	1 00	X						0	0	0
(11) SUSIE BROWN DIRECTOR	1 00	X						0	0	0
(12) DAVID ALLEN SMITH DIRECTOR	1 00	X						0	0	0
(13) W BARRY SMITH DIRECTOR	1 00	X						0	0	0
(14) DR RODNEY SMITH CHIEF-OF-STAFF	1 00	X						0	0	0
(15) DAVID O'CONNOR CFO/ASST TREASURER	40 00			X				569,491	0	38,816
(16) MARIA LONG EVP GEN COUNSEL/ASST SEC	40 00			X				432,347	0	38,015
(17) RANDALL L KELLEY CEO (AS OF DECEMBER 2011)	40 00			X				0	0	0

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) DOUG LUCKETT EVP/COO	40 00				X			632,444	0	24,893
(19) JERRY LEVINE EVP/CMO	40 00				X			499,821	0	9,099
(20) W K HARWELL VP PATIENT CARE SERVICES -	40 00					X		405,621	0	36,402
(21) ANDREA K SERRA VP WELLNESS	40 00					X		316,345	0	47,908
(22) MICHAEL R JOHNSON AVP, CIO	40 00					X		328,377	0	64,465
(23) ROWENA BUFFETT TIMMS VP OF PUBLIC POLICY	40 00					X		315,687	0	29,283
(24) KATHLEEN BESSON VP OF CLINICAL OPS	40 00					X		327,712	0	58,686
(25) VALINDA L RUTLEDGE FORMER CEO	0 00						X	766,972	0	18,607
(26) STEVEN A RUBIN FORMER KEY EMPLOYEE	0 00						X	230,680	0	0
(27) TERRY L JONES FORMER KEY EMPLOYEE	0 00						X	318,198	0	7,463

1b	**Sub-Total** . . . . . ▶			
c	**Total from continuation sheets to Part VII, Section A** . . . . ▶			
d	**Total (add lines 1b and 1c)** . . . . . ▶	5,143,695	201,000	392,177

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 130

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year

(A) Name and business address	(B) Description of services	(C) Compensation
MORRISON MANAGEMENT SPECIALISTS INC 3 WACHOVIA CENTER STE 3000 401 S CHARLOTTE, NC 28202	FOOD SERVICES MANAGEMENT	4,459,749
SHARED (SIEMENS) MEDICAL SOLUTIONS 51 VALLEY STREAM PARKWAY MALVERN, PA 19355	INFORMATION SYSTEMS	3,236,487
ARAMARK HEALTHCARE 10510 TWIN LAKES PARKWAY CHARLOTTE, NC 28259	BIOMED SERVICES	3,073,394
GASTON ANESTHESIA ASSOCIATES 1550B UNION ROAD GASTONIA, NC 28082	CRNA SERVICES	2,176,019
MCKESSON HBOC MCKESSON INFO SOLUTIONS PO BOX 98347 CHICAGO, IL 606938347	INFORMATION SYSTEMS	1,182,433

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 50

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations . . . 1d 1,131,072				
	e	Government grants (contributions) 1e				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f 50,220				
	g	Noncash contributions included in lines 1a-1f $				
	h	**Total.** Add lines 1a-1f . . . . . ▶	1,181,292			
Program Service Revenue		Business Code				
	2a	PATIENT SERVICES REVEN	621500	414,247,255	414,247,255	
	b	AUXILIARY INCOME	621500	1,100,647	602,864	497,783
	c	PARTNERSHIP INCOME	541900	943,088	930,514	12,574
	d					
	e					
	f	All other program service revenue				
	g	**Total.** Add lines 2a–2f . . . . . ▶		416,290,990		
	3	Investment income (including dividends, interest and other similar amounts) . . . . . ▶		104,870		104,870
	4	Income from investment of tax-exempt bond proceeds . . ▶				
	5	Royalties . . . . . ▶				
		(i) Real / (ii) Personal				
	6a	Gross rents				
	b	Less rental expenses				
	c	Rental income or (loss)				
	d	Net rental income or (loss) . . . . . ▶				
		(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory				
	b	Less cost or other basis and sales expenses	98,800			
	c	Gain or (loss)	-98,800			
	d	Net gain or (loss) . . . . . ▶	-98,800			-98,800
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a				
	b	Less direct expenses . . . b				
	c	Net income or (loss) from fundraising events . . ▶				
	9a	Gross income from gaming activities See Part IV, line 19 . . . a				
	b	Less direct expenses . . . b				
	c	Net income or (loss) from gaming activities . . ▶				
	10a	Gross sales of inventory, less returns and allowances . a				
	b	Less cost of goods sold . . b				
	c	Net income or (loss) from sales of inventory . . ▶				
		Miscellaneous Revenue / Business Code				
	11a	INFO SYSTEMS MEANINGFU 621500	3,240,391			3,240,391
	b	PHARMACY REVENUE 621500	2,501,523			2,501,523
	c	CAFETERIA & VENDING IN 722210	2,112,273			2,112,273
	d	All other revenue	661,644	536,846		124,798
	e	**Total.** Add lines 11a–11d . . . . . ▶	8,515,831			
	12	**Total revenue.** See Instructions . . . ▶	425,994,183	416,317,479	510,357	7,985,055

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	283,868	283,868		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	3,100,966	620,193	2,480,773	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	50,489	50,489		
7	Other salaries and wages	132,359,758	121,258,848	11,100,910	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	6,162,628	5,544,975	617,653	
9	Other employee benefits	17,776,072	15,994,456	1,781,616	
10	Payroll taxes	9,805,046	8,822,330	982,716	
11	Fees for services (non-employees)				
a	Management	429,212	429,212		
b	Legal	1,380,808		1,380,808	
c	Accounting	153,331		153,331	
d	Lobbying	189,621	189,621		
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees				
g	Other	37,158,158	33,321,983	3,836,175	
12	Advertising and promotion	606,959	142,502	464,457	
13	Office expenses	2,598,302	1,318,816	1,279,486	
14	Information technology	518,422	518,422		
15	Royalties . .				
16	Occupancy	8,484,857	8,484,857		
17	Travel	150,687	95,779	54,908	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	700,450	359,983	340,467	
20	Interest	8,921,803	8,921,803		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	24,485,291	24,485,291		
23	Insurance	2,832,173	2,832,173		
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	MEDICAL SUPPLIES	71,746,396	71,746,396		
b	BAD DEBT	46,253,615	46,253,615		
c	EQUIPMENT	5,449,852	5,429,921	19,931	
d	NC MEDICAID ASSESSMENT	5,227,709	5,227,709		
e					
f	All other expenses	1,336,590	1,155,519	181,071	
25	**Total functional expenses.** Add lines 1 through 24f	388,163,063	363,488,761	24,674,302	0
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		-5,240	1	-4,752
	2	Savings and temporary cash investments			2	
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		43,641,842	4	45,721,542
	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)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		6,558,153	8	6,266,707
	9	Prepaid expenses and deferred charges		8,288,591	9	9,982,612
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 481,869,602			
	b	Less accumulated depreciation	10b 278,352,438	204,909,634	10c	203,517,164
	11	Investments—publicly traded securities		9,873	11	8,152
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		380,625	13	439,199
	14	Intangible assets		2,311,646	14	2,311,646
	15	Other assets See Part IV, line 11		65,968,677	15	91,809,838
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		332,063,801	16	360,052,108
Liabilities	17	Accounts payable and accrued expenses		39,454,843	17	39,871,306
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		213,332,101	20	207,464,861
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		54,274,395	25	79,067,674
	26	**Total liabilities.** Add lines 17 through 25		307,061,339	26	326,403,841
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		24,995,463	27	33,640,118
	28	Temporarily restricted net assets		6,999	28	8,149
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		25,002,462	33	33,648,267
	34	Total liabilities and net assets/fund balances		332,063,801	34	360,052,108

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	425,994,183
2	Total expenses (must equal Part IX, column (A), line 25)	2	388,163,063
3	Revenue less expenses Subtract line 2 from line 1	3	37,831,120
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	25,002,462
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-29,185,315
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	33,648,267

Part XII Financial Statements and Reporting

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

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separated basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b		

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
GASTON MEMORIAL HOSPITAL INC

Employer identification number
56-0619359

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 **section 170(b)(1)(A)(i).**

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

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

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

_____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Part II **Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public Support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
11 **Total support** (Add lines 7 through 10)						

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

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

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2010 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2011.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization

b **33 1/3% support test—2010.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization

17a **10%-facts-and-circumstances test—2011.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization

b **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization

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

Part III **Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public Support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

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

Section C. Computation of Public Support Percentage

15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2011** (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from **2010** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2011.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2010.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

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

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

Facts And Circumstances Test

Explanation

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ **Complete if the organization is described below.**

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
GASTON MEMORIAL HOSPITAL INC	56-0619359

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 on behalf of or in opposition to candidates for public office in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

A Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)

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

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		189,621
j	Total lines 1c through 1i			189,621
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
EXPLANATION OF LOBBYING ACTIVITIES	PART II-B, LINE 1	ANNUAL DUES WERE PAID TO THE NORTH CAROLINA HOSPITAL ASSOCIATION AND THE AMERICAN HOSPITAL ASSOCIATION, OF WHICH $25,275 WAS DETERMINED TO BE EXPENDITURES USED IN LOBBYING ACTIVITIES BY THESE ORGANIZATIONS AN ADDITIONAL $164,346 IN LEGAL FEES WERE PAID FOR LOBBYING EXPENDITURES

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
GASTON MEMORIAL HOSPITAL INC

Employer identification number
56-0619359

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

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

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

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit ☐ Yes ☐ No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or pleasure) ☐ Preservation of an historically importantly land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

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

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06	2d

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

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

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

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

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

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III **Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.** Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

(ii) Assets included in Form 990, Part X ▶ $ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

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

b Assets included in Form 990, Part X ▶ $ _____

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

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

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

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

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

b If "Yes," explain the arrangement in Part XIV

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance	6,999	6,513			
b Contributions	1,500				
c Investment earnings or losses	221	966			
d Grants or scholarships					
e Other expenditures for facilities and programs	571				
f Administrative expenses		480			
g End of year balance	8,149	6,999			

2 Provide the estimated percentage of the year end balance held as

- a Board designated or quasi-endowment ▶ 100 000 %
- b Permanent endowment ▶
- c Term endowment ▶

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

		Yes	No
(i) unrelated organizations	3a(i)		No
(ii) related organizations	3a(ii)		No
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		341,972		341,972
b Buildings		264,712,414	124,040,880	140,671,534
c Leasehold improvements		5,206,433	4,752,848	453,585
d Equipment		197,264,696	149,558,710	47,705,986
e Other		14,344,087		14,344,087
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				203,517,164

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

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

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

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

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

(a) Description	(b) Book value
(1) PREPAID PENSION OBLIGATION	41,484,454
(2) DEFERRED FINANCING COSTS	4,443,036
(3) OTHER RECEIVABLES	5,960,144
(4) 457B PLAN ASSETS	4,838,369
(5) DEFERRED CHARGE - INTEREST RATE SWAP	34,779,242
(6) 457F PLAN ASSETS	304,593
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	91,809,838

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
457B PLAN LIABILITY	4,838,369
ESTIMATED 3RD PARTY SETTLEMENTS	39,145,470
INTEREST RATE SWAP LIABILITY	34,779,242
457F PLAN LIABILITY	304,593
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	79,067,674

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	425,994,183
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	388,163,063
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	37,831,120
4	Net unrealized gains (losses) on investments	4	-64
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-29,185,251
9	Total adjustments (net) Add lines 4 - 8	9	-29,185,315
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	8,645,805

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	350,555,255
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	-64		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	-75,438,864		
e	Add lines **2a** through **2d**			2e	-75,438,928
3	Subtract line **2e** from line **1**			3	425,994,183
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	0
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	425,994,183

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

1	Total expenses and losses per audited financial statements			1	341,909,450
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	0
3	Subtract line **2e** from line **1**			3	341,909,450
4	Amounts included on Form 990, Part IX, line 25, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b	46,253,613		
c	Add lines **4a** and **4b**			4c	46,253,613
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	388,163,063

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 INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	THE ORGANIZATION'S ENDOWMENT FUNDS ARE USED FOR ONCOLOGY MEDICATIONS
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE SYSTEM IS A NOT-FOR-PROFIT CORPORATION AS DESCRIBED IN SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE AND IS EXEMPT FROM FEDERAL INCOME TAXES ON RELATED INCOME PURSUANT TO SECTION 501 (A) OF THE CODE THE SYSTEM HAS DETERMINED THAT IT DOES NOT HAVE ANY UNRECOGNIZED TAX BENEFITS OR OBLIGATIONS AS OF JUNE 30, 2012 AND 2011, RESPECTIVELY
PART XI, LINE 8 - OTHER ADJUSTMENTS		INTERCOMPANY TRANSFER TO AFFILIATE -27,147,201 CHANGE IN VALUE OF INTEREST RATE SWAP -2,038,050 TOTAL TO SCHEDULE D, PART XI, LINE 8 -29,185,251
PART XII, LINE 2D - OTHER ADJUSTMENTS		BAD DEBT -46,253,613 CHANGE IN VALUE OF INTEREST RATE SWAP -2,038,050 INTERCOMPANY TRANSFERS - 27,147,201
PART XIII, LINE 4B - OTHER ADJUSTMENTS		BAD DEBT 46,253,613

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
GASTON MEMORIAL HOSPITAL INC

Employer identification number
56-0619359

Part I Charity Care and Certain Other Community Benefits at Cost

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

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care 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 Charity care at cost (from Worksheet 1)			12,241,895		12,241,895	3 580 %
b Medicaid (from Worksheet 3, column a)			65,004,753	56,888,511	8,116,242	2 370 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			137,484	122,641	14,843	0 %
d **Total** Charity Care and Means-Tested Government Programs			77,384,132	57,011,152	20,372,980	5 950 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			1,142,432	10,140	1,132,292	0 330 %
f Health professions education (from Worksheet 5)			1,760,822		1,760,822	0 510 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)			603,262	151,773	451,489	0 130 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			893,824		893,824	0 260 %
j **Total** Other Benefits			4,400,340	161,913	4,238,427	1 230 %
k **Total.** Add lines 7d and 7j			81,784,472	57,173,065	24,611,407	7 180 %

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

	(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			998,773		998,773	0 290 %
9 Other						
10 **Total**			998,773		998,773	0 290 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense	2	14,686,473		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	1,021,512		
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	126,364,371		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	113,446,447		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	12,917,924		
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	Did the organization have a written debt collection policy during the tax year?		9a	Yes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI		9b	Yes	

Part IV Management Companies and Joint Ventures (see instructions)

	(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 from largest to smallest)

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	GASTON MEMORIAL HOSPITAL INCORPORATED 2525 COURT DRIVE GASTONIA,NC 28054	X	X					X		4 DIAGNOSTIC IMAGING CENTERS AND 6 OP SERIVCE CENTER

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

GASTON MEMORIAL HOSPITAL INC

Name of Hospital Facility:

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☐ Insurance status			
	e ☐ Uninsured discount			
	f ☐ Medicaid/Medicare			
	g ☐ State regulation			
	h ☑ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☐ The policy was attached to all billing invoices			
	c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☐ The policy was posted in the hospital facility's admissions offices			
	e ☑ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☑ Other (describe in Part VI)			

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

19 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☑ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		No
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient?	**21**		No
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size from largest to smallest)

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

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		PART I, LINE 3C REGARDLESS OF INCOME, ASSETS ARE ALSO USED TO DETERMINE IF A PATIENT QUALIFIES FOR CHARITY BELOW IS THE VERBIAGE FROM THIS POLICY EXEMPT ASSETSTHE PRIMARY RESIDENCE ON UP TO (1) ACRE OF LAND, ONE AUTOMOBILE FOR EACH WORKING AGED ADULT, AND OTHER ASSETS, INCLUDING BUT NOT LIMITED TO, RETIREMENT FUNDS, INVESTMENTS AND OTHER FINANCIAL ASSETS, CASH VALUE OF LIFE INSURANCE POLICIES, AND EQUITY IN PROPERTY OR REAL ASSETS, TOTALING UP TO $25,000 ARE EXEMPT FROM CONSIDERATION AS ASSETS IN DETERMINING CHARITY CARE ELIGIBILITY ANNUAL INCOME FROM PROPERTY OF REAL ASSETS WILL BE DEDUCTED FROM THE AMOUNT OF EQUITY IN THE ASSET WHEN CALCULATING THE EXEMPTION

Identifier	ReturnReference	Explanation
		PART I, LINE 7 THE COSTING METHODOLOGY USED IS A COST ACCOUNTING SYSTEM ALL PATIENT SEGMENTS ARE INCLUDED THIS SYSTEM ASSIGNS DIRECT COSTS TO SUPPLIES, PROCEDURES, ROUTINE AND SPECIALTY ROOM RATES BASED ON THE DEPARTMENT OF ORIGINATION FIXED COSTS ARE ALLOCATED BASED ON STATISTICAL BASIS THESE COSTS ARE THEN AGGREGATED AT THE PATIENT LEVEL AND TABULATED BY PAYOR TYPE NO COST TO CHARGE RATIOS WERE USED IN THE CALCULATIONS

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) 46,253,615 BAD DEBT EXPENSE REMOVED FROM TOTAL EXPENSES PRIOR TO CALCULATING PERCENT OF TOTAL EXPENSE

Identifier	ReturnReference	Explanation
		PART I, LINE 6A THE ORGANIZATION COMMUNITY BENEFIT REPORT MADE AVAILABLE TO THE PUBLIC CONTAINS COMMUNITY BENEFITS FOR ALL RELATED ORGANIZATIONS TO THE HOSPITAL

Identifier	ReturnReference	Explanation
RESEARCH ACTIVITIES	PART I, LINE H	CAROMONT HEALTH IS INVOLVED IN APPROXIMATELY 75 RESEARCH STUDIES, APPROXIMATELY HALF OF WHICH ARE CLINICAL TRIALS COOPERATIVE GROUP PROGRAM STUDIES SPONSORED BY THE NATIONAL CANCER INSTITUTE (NCI) CAROMONT HEALTH ALSO PARTICIPATES IN DRUG AND DEVICE STUDIES SPONSORED BY VARIOUS PHARMACEUTICAL, BIOTECHNOLOGY, AND DEVICE COMPANIES, AS WELL AS UNFUNDED NURSING AND PHARMACY RESEARCH STUDIES

Identifier	ReturnReference	Explanation
		PART II WORKFORCE DEVELOPMENT - CAROMONT HEALTH'S RECRUITMENT OF PHYSICIANS INTO THE FIVE COUNTIES THE SYSTEM SERVES IS DRIVEN BY THE CHANGING LANDSCAPE OF HEALTHCARE REFORM THE SYSTEM RECRUITS BASED ON IDENTIFIED COMMUNITY HEALTHCARE NEEDS THE SYSTEM'S GOAL IS TO BE PRO-ACTIVE AND ANTICIPATORY SO THAT THE HEALTHCARE NEEDS OF THE COMMUNITY ARE MET IN A QUALITY DRIVEN AND CONVENIENT MANNER

Identifier	ReturnReference	Explanation
		PART III, LINE 4 THE SYSTEM DESCRIBED IN PART 1 LINE 7 WAS USED FOR PART III LINE 2 TOTAL CHARGES AND THE CHARGES WRITTEN OFF TO BAD DEBT WERE TABULATED AT THE PATIENT LEVEL THE DETAILED COST OF THE PATIENT WAS MULTIPLIED BY THE RATIO OF CHARGES WRITTEN OFF/TOTAL CHARGES PER PATIENT TO ASSIGN THE COST TO THE PATIENT BECAUSE OF THIS COST BASED METHOD, DISCOUNTS AND PAYMENTS WOULD BE THE DIFFERENCE BETWEEN THE TOTAL CHARGES AND THE CHARGES WRITTEN OFF TO BAD DEBT RATIONALE FOR PART III, LINE 3 CHARGES FOR SERVICES PROVIDED IN THE EMERGENCY DEPT ARE EVALUATED FOR CHARITY BASED ON MEANS TESTING CHARGES FOR SERVICES PROVIDED ELSEWHERE IN THE HOSPITAL ARE EVALUATED FOR CHARITY BASED ON APPLICATIONS FILED BY PATIENTS IF NO APPLICATION IS FILED, THE UNPAID AMOUNT IS WRITTEN-OFF TO BAD DEBT THE % OF PATIENTS QUALIFYING FOR CHARITY IN THE EMERGENCY DEPT WAS APPLIED TO THE REMAINDER OF THE HOSPITAL TO DETERMINE THE % OF BAD DEBT PATIENTS WHO COULD HAVE BEEN CHARITY THE BAD DEBT WRITE-OFFS WERE CONVERTED TO COST USING THE METHODOLOGIES DESCRIBED ABOVE THE ORGANIZATION'S FINANCIAL STATEMENTS DO NOT CONTAIN A FOOTNOTE ON BAD DEBT EXPENSE BAD DEBT EXPENSE IS REPORTED AS A DEDUCTION FROM PATIENT REVENUE

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE MEDICARE COST REPORT STANDARD COSTING METHODOLOGY WAS FOLLOWED WHEN FILING THE COST REPORT THIS IS A STEP DOWN METHODOLOGY THAT APPLIES THE AVERAGE PATIENT COST TO MEDICARE PATIENTS THE COST REPORT ALSO DOES NOT ALLOW HOSPITALS TO REPORT ALL OPERATING COSTS BECAUSE OF THESE TWO ISSUES, THE MEDICARE COST REPORT METHODOLOGY UNDERSTATES THE TRUE COST OF TREATING MEDICARE PATIENTS

Identifier	ReturnReference	Explanation
		PART III, LINE 9B THE POLICY CONTAINS PROVISIONS ON THE COLLECTION PRACTICES TO BE FOLLOWED FOR PATIENTS WHO ARE KNOWN TO QUALIFY FOR CHARITY CARE OR FINANCIAL ASSISTANCE BELOW IS VERBIAGE FROM THE CHARITY POLICY GASTON MEMORIAL HOSPITAL OFFERS MEDICAL SERVICES FREE OR AT A REDUCED RATE THROUGH THE CHARITY CARE PROGRAM DETERMINATION OF FULL OR PARTIAL CHARITY CARE WILL BE BASED ON THE PATIENT'S INCOME, FAMILY SIZE, AND ASSETS POTENTIAL ELIGIBILITY EXISTS ONLY AFTER REIMBURSEMENT EFFORTS FROM ALL OTHER THIRD PARTY RESOURCES, FEDERAL, STATE, AND LOCAL ASSISTANCE PROGRAMS HAVE BEEN EXHAUSTED

Identifier	ReturnReference	Explanation
GASTON MEMORIAL HOSPITAL, INC		PART V, SECTION B, LINE 11H TOTAL CHARGES ARE THE SAME FOR ALL PATIENT AMOUNT DUE IS ZERO OR A TIERED DISCOUNT FOR CHARITY ELIGIBLE PATIENTS BASED ON WHAT WAS CHECKED

Identifier	ReturnReference	Explanation
GASTON MEMORIAL HOSPITAL, INC		PART V, SECTION B, LINE 13G BROCHURES AT REGISTRATION SITES PROACTIVELY COMMUNICATING VERBALLY OR IN WRITING TO SCHEDULED PATIENTS PRIOR TO SERVICE COMMUNICATING IN-HOUSE, DURING SERVICE, OR AFTER

Identifier	ReturnReference	Explanation
GASTON MEMORIAL HOSPITAL, INC		PART V, SECTION B, LINE 15E COLLECTION ACTIONS ARE TAKEN AFTER REASONABLE EFFORTS HAVE BEEN MADE TO DETERMINE PATIENT'S ELIGIBILITY FOR ASSISTANCE

Identifier	ReturnReference	Explanation
GASTON MEMORIAL HOSPITAL, INC		PART V, SECTION B, LINE 16E COLLECTION ACTIONS ARE TAKEN AFTER REASONABLE EFFORTS HAVE BEEN MADE TO DETERMINE PATIENT'S ELIGIBILITY FOR ASSISTANCE

Identifier	ReturnReference	Explanation
GASTON MEMORIAL HOSPITAL, INC		PART V, SECTION B, LINE 17E BROCHURES AT REGISTRATION SITES PROACTIVELY COMMUNICATING VERBALLY OR IN WRITING TO SCHEDULED PATIENTS PRIOR TO SERVICE COMMUNICATING IN-HOUSE, DURING SERVICE, OR AFTER

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 CAROMONT HEALTH ESTABLISHES COMMUNITY PRIORITIES THROUGH A NUMBER OF MECHANISMS - LEADERSHIP OPINIONS ARE SOUGHT TO HELP IDENTIFY NEEDED SERVICES IN THE COMMUNITY TELEPHONE SURVEYS ARE CONDUCTED ON A PERIODIC BASIS TO GATHER OPINIONS FROM RESIDENTS IN THE SERVICE AREA, THE MOST RECENT STUDY WAS COMPLETED IN THE SPRING OF 2009 - PATIENT SATISFACTION DATA IS ANALYZED TO DETERMINE WHERE AND/OR HOW SERVICES NEED TO BE IMPROVED - SERVICE AREA DATA (VITAL STATISTICS, DEMOGRAPHICS AND UTILIZATION) ARE ANALYZED FOR TRENDS THIS INFORMATION IS COORDINATED WITH PUBLIC HEALTH DATA TO DETERMINE VOIDS AND SERVICE AREA HEALTH PROBLEMS - FINDINGS FROM COMMUNITY SURVEYS/REPORTS PUBLISHED BY OTHER ORGANIZATIONS (UNITED WAY, CHAMBER OF COMMERCE, PARTNERSHIP FOR CHILDREN, GASTON COUNTY, ETC) ARE GATHERED AND REVIEWED FOR PERTINENCE TO COMMUNITY HEALTH PROBLEMS - GASTON MEMORIAL HOSPITAL THROUGH THE GCHC IN CONJUNCTION WITH THE GASTON COUNTY HEALTH DEPARTMENT CONDUCTS A COMMUNITY ASSESSMENT EVERY FOUR YEARS THE MOST RECENT STUDY WILL HAVE CONCLUDE IN THE FALL OF 2012 THIS ASSESSMENT GATHERS OPINIONS AND IS COMBINED WITH PUBLIC HEALTH DATA TO DETERMINE THE TOP FOUR COMMUNITY-WIDE HEALTH ISSUES SERVICE AREA STRENGTHS, WEAKNESSES AND OPPORTUNITIES ARE USED AS A BASIS FOR ESTABLISHING COMMUNITY PRIORITIES ALL THIS INFORMATION IS USED TO ESTABLISH ORGANIZATIONAL PRIORITIES, IDENTIFY AGENCIES AND ORGANIZATIONS TO BE INVOLVED IN RESOLVING COMMUNITY ISSUES, AND IMPLEMENT PROGRAMS TO RESOLVE IDENTIFIED ISSUES GOALS, OBJECTIVES AND STRATEGIES ARE ESTABLISHED AND THE PROGRESS IS EVALUATED ON AN ANNUAL BASIS - BOARD MEMBERS, SENIOR MANAGEMENT AND DEPARTMENT DIRECTORS ARE INVOLVED IN NUMEROUS ORGANIZATIONS THROUGH THIS NETWORK OF RELATIONSHIPS, FURTHER INFORMATION ABOUT THE COMMUNITY AND THE NEEDS OF AREA RESIDENTS AND ORGANIZATIONS ARE USED IN THE DEVELOPMENT OF PROGRAMS AND SERVICES AVAILABLE THOUGH CAROMONT HEALTH

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 THE PROCESS IS CONSISTENT ATTEMPTS TO INFORM PATIENTS ARE MADE AS SOON AS POSSBLE (PRIOR TO, TIME OF, DURING, OR AT DISCHARGE) BUT CERTAINLY PRIOR TO THIRD PARTY PLACEMENT FOR COLLECTION PATIENTS ARE NOTIFIED IN SEVERAL WAYS ABOUT THEIR ELIGIBILITY FOR ASSISTANCE BROCHURES ARE DISTRIBUTED AND VERBAL COMMUNICATION BETWEEN STAFF AND PATIENT IS PROACTIVE IN ADDITION, THE HOSPITAL HAS HIRED STAFF TO ASSIST UNINSURED AND UNDERINSURED PATIENTS WITH ENROLLMENT IN VARIOUS PUBLIC PROGRAMS, INCLUDING MEDICAID

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 GASTON COUNTY, WHICH IS THE COUNTY LOCATED TO THE WEST OF THE CHARLOTTE NC, IS THE HOSPITAL'S PRIMARY MARKET LINCOLN, CLEVELAND, AND MECKLENBURG COUNTIES ARE THE HOSPITAL'S SECONDARY MARKET THERE ARE NO OTHER ACUTE CARE HOSPITALS IN THE PRIMARY SERVICE AREA ACCORDING TO THE U S CENSUS BUREAU, GASTON COUNTY HAD A POPULATION OF 207,031 (2011), A MEDIAN HOUSEHOLD INCOME OF $43,253 (2006-2010), AND 16 6% PERSONS BELOW POVERTY LEVEL (2006-2010) DURING FISCAL YEAR 2012, 8 4% OF THE HOSPITAL'S GROSS CHARGES WERE FROM UNINSURED PATIENTS AND 16 2% WAS FROM MEDICAID PATIENTS

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 COMMUNITY HEALTHOUR COMMUNITY HEALTH INITIATIVES ARE FOCUSED PRIMARILY ON DISEASE PREVENTION AND BETTER MANAGEMENT OF CHRONIC ILLNESSES THAT INCLUDES WORKING WITH LOCAL EMPLOYERS ON INNOVATIVE PROGRAMS AND COLLABORATING WITH OUR HEALTH CARE NEIGHBORS THROUGH INNOVATION AND A FOCUS ON COMMUNITY WELLNESS, CAROMONT HEALTH IS DETERMINED TO MAKE UPCOMING CHANGES IN HEALTHCARE TO HAVE A POSITIVE IMPACT ON THE PEOPLE WE SERVE TOBACCO CESSATION PROGRAMIN ORDER TO PROVIDE A HEALTHY ENVIRONMENT FOR OUR PATIENTS, FAMILIES AND STAFF, CAROMONT HEALTH AND ITS AFFILIATE CAMPUSES HAVE BEEN TOBACCO-FREE SINCE JANUARY 2007 IN FEBRUARY 2011, CAROMONT RECEIVED THE "GOLD STAR STANDARD HOSPITALS" DESIGNATION FROM NORTH CAROLINA PREVENTION PARTNERS FOR EXCELLENCE IN OUR EMPLOYEE TOBACCO CESSATION PROGRAMS ALL EMPLOYEES WHO USE TOBACCO MAY PARTICIPATE IN A "QUIT PROGRAM", WHICH PROVIDES THEM WITH INCENTIVES IF THEY QUIT USING TOBACCO AND REMAIN TOBACCO-FREE FOR AT LEAST SIX MONTHS GASTON COUNTY HEALTH SUMMITCAROMONT HEALTH HOSTED A HIGH PROFILE, PUBLIC CONVERSATION ABOUT THE HEALTH OF OUR COMMUNITY DURING THE 2011 GASTON COUNTY HEALTH SUMMIT, WHICH WAS HELD IN LATE MARCH THE EVENT BROUGHT TOGETHER LEADERS FROM ORGANIZATIONS AND BUSINESSES SUCH AS CAROMONT HEALTH, COMMUNITY HEALTH PARTNERS, GASTON COMMUNITY HEALTHCARE COMMISSION, GASTON COUNTY DEPARTMENT OF SOCIAL SERVICES, GASTON COUNTY HEALTH DEPARTMENT, GASTON FAMILY HEALTH SERVICES, PATHWAYS, PHARR YARNS AND THE YMCA ATTENDEES DISCUSSED WHERE OUR COMMUNITY STANDS IN TERMS OF HEALTH, INCLUDING WAYS TO IMPROVE HEALTH AND THE RELATIONSHIP BETWEEN BUSINESSES AND A COMMUNITY'S HEALTHCARE PROVIDERS THE GASTON COUNTY HEALTH COALITION'S GOAL IS TO IMPROVE THE HEALTH STATUS OF OUR COMMUNITY, PARTICULARLY IN TERMS OF CHRONIC DISEASE MANAGEMENT COMMUNITY CONVERSATIONS SUCH AS THE GASTON COUNTY HEALTH SUMMIT ARE HELPING DIVERSE GROUPS WORK TOGETHER TO MEET THOSE GOALS HEALTHNET GASTONHEALTHNET GASTON (HNG) IS A PROGRAM DESIGNED TO PROVIDE COMPREHENSIVE HEALTH CARE SERVICES TO LOW-INCOME, UNINSURED RESIDENTS OF GASTON COUNTY ITS SERVICES INCLUDE A MEDICAL HOME/PRIMARY CARE PHYSICIAN SERVICES, SPECIALTY PHYSICIAN SERVICES, MEDICATION ASSISTANCE, CASE MANAGEMENT/HEALTH COACHING ACTIVITIES, AND HOSPITAL SERVICES HNG OPERATES THROUGH THE LEADERSHIP AND COLLABORATION OF ITS FOUR FOUNDING STRATEGIC PARTNERS, INCLUDING GASTON MEMORIAL HOSPITAL, GASTON FAMILY HEALTH SERVICES, COMMUNITY HEALTH PARTNERS, GASTON COMMUNITY HEALTH CARE COMMISSION OTHER STRATEGIC PARTNERS INVOLVED WITH THIS INITIATIVE INCLUDE COMMUNITY 241 PHYSICIANS, GASTON COUNTY DEPARTMENT OF SOCIAL SERVICES, GASTON COUNTY HEALTH DEPARTMENT, AND OTHER LOCAL LEADERS COMMUNITY HEALTH IMPROVEMENT ADVOCACYCAROMONT HEALTH HAS SIGNIFICANTLY IMPACTED ITS COMMUNITY IN PROVIDING MANY DIFFERENT HEALTH IMPROVEMENT PROJECTS, GROUPS, EVENTS, EDUCATION PROGRAMS, ETC

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 CAROMONT HEALTH IN GASTONIA, NORTH CAROLINA IS A REGIONAL, INDEPENDENT, NOT-FOR-PROFIT HEALTH CARE SYSTEM IT ENCOMPASSES GASTON MEMORIAL HOSPITAL WITH 435-BEDS, COURTLAND TERRACE, A 96-BED SKILLED NURSING FACILITY, GASTON HOSPICE WHICH INCLUDES THE 12-BED ROBIN JOHNSON HOUSE INPATIENT FACILITY, AND CAROMONT MEDICAL GROUP, A NETWORK OF 44 PRIMARY AND SPECIALTY PHYSICIAN OFFICES CAROMONT HEALTH'S VISION IS TO BE A NATIONALLY RECOGNIZED LEADER AND VALUED PARTNER IN PROMOTING INDIVIDUAL HEALTH AND VIBRANT COMMUNITIES CAROMONT HEALTH HAS 3 OFF-SITE IMAGING LOCATIONS, 2 SAME-DAY SURGERY CENTERS AND 1 OCCUPATIONAL MEDICINE CLINIC THE GASTON MEMORIAL HOSPITAL FOUNDATION (A SUBSIDIARY OF CAROMONT HEALTH) WAS ESTABLISHED IN 1985 IN ADDITION TO THE FOUNDATION UTILIZING ITS INVESTMENT EARNINGS FOR DONATIONS, CAROMONT HEALTH DONATES UP TO 10% OF ITS OPERATING INCOME TO THE GMH FOUNDATION EACH YEAR

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

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
GASTON MEMORIAL HOSPITAL INC

Employer identification number
56-0619359

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. Use Part IV and Schedule I-1 (Form 990) if additional space is needed . . . ▶ ☐

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
See Additional Data Table							

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . ▶ 9

3 Enter total number of other organizations listed in the line 1 table . . . ▶ 4

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
(1) ONCOLOGY PHARMACY ASSISTANCE	9	571			

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 OTHER ORGANIZATIONS THAT RECEIVE GRANT FUNDS MAY BE REQUIRED TO SUBMIT MONTHLY REPORTS THAT ARE MONITORED BY MANAGEMENT AND/OR THE BOARD OF DIRECTORS ALL GRANTS DECISIONS ARE DOCUMENTED

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 56-0619359
Name: GASTON MEMORIAL HOSPITAL INC

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
AMERICAN HEART ASSOCIATION222 SOUTH CHURCH STREET SUITE 303 CHARLOTTE,NC 28202	13-5613797	501(C)(3)	25,000				COMMUNITY ASSISTANCE
BELMONT ABBEY COLLEGE100 BELMONT-MT HOLLY ROAD BELMONT,NC 28012	56-0547498	501(C)(3)	5,100				COMMUNITY ASSISTANCE

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
CLEVELAND COMMUNITY COLLEGE137 SOUTH POST ROAD SHELBY,NC 28152	56-0848556	501(C)(3)	24,268				COMMUNITY ASSISTANCE
COMMUNITY FOUNDATION OF GASTON COUNTY 1201 E GARRISON BLVD GASTONIA,NC 28053	58-1340834	501(C)(3)	36,500				COMMUNITY ASSISTANCE

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
DANIEL STOWE GARDENS6500 SOUTH NEW HOPE ROAD BELMONT,NC 28012	20-8362933	501(C)(3)	20,000				COMMUNITY ASSISTANCE
GASTON HOSPICE 258 E GARRISON BLVD GASTONIA,NC 28054	58-1341530	501(C)(3)	5,000				COMMUNITY ASSISTANCE

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
GASTON REGIONAL CHAMBER601 W FRANKLIN BLVD GASTONIA,NC 28053	56-0232990	501(C)(6)	15,300				COMMUNITY ASSISTANCE
LIFE IN THE CAROLINAS7804 FAIRVIEW ROAD CHARLOTTE,NC 28226	26-2693974	N/A	5,000				COMMUNITY ASSISTANCE

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
THE MCADENVILLE FOUNDATION INC 100 MAIN STREET MCADENVILLE,NC 28101	56-0623961	501(C)(3)	11,000				COMMUNITY ASSISTANCE
MONTCROSS AREA CHAMBER OF COMMERCEPO BOX 368 BELMONT,NC 28012	56-0710166	501(C)(6)	6,500				COMMUNITY ASSISTANCE

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
MOUNT HOLLY COMMUNITY DEVELOPMENT FOUNDATION1068 SOUTH MAIN STREET MT HOLLY,NC 28120	20-0738339	501(C)(3)	100,000				COMMUNITY ASSISTANCE
MOUNT HOLLY FARMER'S MKT120 OAKLAND STREET MT HOLLY,NC 28120	26-0464156	N/A	5,200				COMMUNITY ASSISTANCE

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
THE SCHIELE MUSEUM1500 E GARRISON BLVD GASTONIA,NC 28054	56-0770432	501(C)(3)	25,000				COMMUNITY ASSISTANCE

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
GASTON MEMORIAL HOSPITAL INC

Employer identification number
56-0619359

Part I Questions Regarding Compensation

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

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space 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) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(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) KELVIN C HARRIS MD	(i)	0	0	0	0	0	0	0
	(ii)	161,597	39,403	0	5,103	13,437	219,540	0
(2) DAVID O'CONNOR	(i)	332,181	182,565	54,745	9,800	29,016	608,307	0
	(ii)	0	0	0	0	0	0	0
(3) MARIA LONG	(i)	274,556	150,300	7,491	7,350	30,665	470,362	0
	(ii)	0	0	0	0	0	0	0
(4) DOUG LUCKETT	(i)	408,322	195,743	28,379	2,450	22,443	657,337	0
	(ii)	0	0	0	0	0	0	0
(5) JERRY LEVINE	(i)	315,104	162,887	21,830	0	9,099	508,920	0
	(ii)	0	0	0	0	0	0	0
(6) W K HARWELL	(i)	237,700	112,114	55,807	0	36,402	442,023	0
	(ii)	0	0	0	0	0	0	0
(7) ANDREA K SERRA	(i)	189,939	95,298	31,108	5,799	42,109	364,253	0
	(ii)	0	0	0	0	0	0	0
(8) MICHAEL R JOHNSON	(i)	238,694	62,460	27,223	7,350	57,115	392,842	0
	(ii)	0	0	0	0	0	0	0
(9) ROWENA BUFFETT TIMMS	(i)	175,619	115,975	24,093	4,641	24,642	344,970	0
	(ii)	0	0	0	0	0	0	0
(10) KATHLEEN BESSON	(i)	213,542	91,460	22,710	6,676	52,010	386,398	0
	(ii)	0	0	0	0	0	0	0
(11) VALINDA L RUTLEDGE	(i)	338,137	260,451	168,384	6,750	11,857	785,579	0
	(ii)	0	0	0	0	0	0	0
(12) STEVEN A RUBIN	(i)	55,249	0	175,431	0	0	230,680	0
	(ii)	0	0	0	0	0	0	0
(13) TERRY L JONES	(i)	0	0	318,198	0	7,463	325,661	0
	(ii)	0	0	0	0	0	0	0

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	HEALTH OR SOCIAL CLUB DUES OR INITIATION FEES - A PERCENTAGE OF PERSONAL USE OF DUES PAYMENTS FOR MEMBERSHIP IN A HEALTH OR FITNESS CLUB OR A SOCIAL OR RECREATIONAL CLUB WILL BE ADDED TO THE EMPLOYEE'S W-2 AT THE END OF THE CALENDAR YEAR DURING FY 2012 THIS BENEFIT WAS PROVIDED TO THE CEO AND CFO
	PART I, LINE 3	THE CEO, CFO/ASSISTANT TREASURER AND EVP GENERAL COUNSEL/ASSISTANT SECRETARY ARE COMPENSATED FOR THEIR SERVICES BY GASTON MEMORIAL HOSIPIAL, A SUBSIDIARY OF CAROMONT HEALTH, INC THE COMPENSATION OF ALL CAROMONT EXECUTIVES FOR EACH YEAR IS ESTABLISHED BY THE COMPENSATION COMMITTEE OF THE CAROMONT HEALTH BOARD OF DIRECTORS, BASED ON GUIDANCE AND OPINIONS PROVIDED BY AN INDEPENDENT, THIRD-PARTY COMPENSATION CONSULTANT BOARD MEMBERS WHO SERVE ON THE COMPENSATION COMMITTEE ARE INDEPENDENT AND FREE OF ANY CONFLICT OF INTEREST ANY COMPENSATION COMMITTEE MEMBER WHO DEVELOPS A CONFLICT OF INTEREST DURING HIS/HER TERM WITH RESPECT TO THE DISCUSSION OF ANY EXECUTIVE'S COMPENSATION LEAVES THE MEETING AND DOES NOT PARTICIPATE IN THE DISCUSSION OR DECISION-MAKING BY THE REMAINING INDEPENDENT MEMBERS OF THE COMPENSATION COMMITTEE THE COMPENSATION COMMITTEE RETAINS JURISDICTION OVER THE TOTAL COMPENSATION PACKAGE FOR EXECUTIVES AND REVIEWS EXECUTIVE BENEFITS AND PERQUISITES AS WELL AS TOTAL CASH COMPENSATION COMPENSATION FOR THE CEO IS ESTABLISHED THROUGH A PROCESS OF PERFORMANCE EVALUATION, COMPARISON WITH COMPARABLE MARKET DATA AND DETERMINATION BY THE COMPENSATION COMMITTEE OF ACCEPTABLE SALARY RANGE AND PERCENTILE RANKING ALL COMPENSATION DECISIONS FOR THE CEO ARE RECOMMENDED BY THE COMPENSATION COMMITTEE AND APPROVED BY THE BOARD OF DIRECTORS COMPENSATION FOR ALL OTHER EXECUTIVES IS ESTABLISHED THROUGH PERFORMANCE EVALUATION, COMPARISON WITH COMPARABLE MARKET DATA AND DETERMINATION BY THE CEO OF ACCEPTABLE SALARY RANGE AND PERCENTILE RANKING ALL COMPENSATION DECISIONS FOR EXECUTIVES ARE RECOMMENDED BY THE CEO AND APPROVED BY THE COMPENSATION COMMITTEE FULL COLLECTED COMPENSATION INFORMATION AND ANY COMPENSATION OPINIONS PROVIDED DURING THESE PROCESSES WILL BE KEPT WITH THE COMPENSATION COMMITTEE OR BOARD MINUTES, AS APPLICABLE
	PART I, LINE 4A	DURING THE YEAR THE ORGANIZATION PAID SEVERANCE PAYMENTS TO A FORMER OFFICER AND FORMER KEY EMPLOYEES IDENTIFIED BELOW STEVEN A RUBIN, FORMER KEY EMPLOYEE $174,972 TERRY L JONES, FORMER KEY EMPLOYEE $318,198
	PART I, LINE 6	CERTAIN CAROMONT MEDICAL GROUP INC PHYSICIAN'S COMPENSATION PACKAGES ARE BASED ON THE INDIVIDUAL PHYSICIAN'S NET RESULTS FROM OPERATIONS AS CALCULATED BASED SOLEY ON HIS/HER NET CHARGES LESS HIS/HER ALLOCABLE SHARE OF CLINIC OVERHEAD COSTS EXECUTIVE INCENTIVE COMPENSATION PLAN FOR ALL KEY EMPLOYEES BASED ON THE ACHIEVEMENT OF ANNUAL BUSINESS OBJECTIVES AND FINANCIAL PERFORMANCE OF THE CONSOLIDATED SYSTEM MANAGER INCENTIVE PLAN BASED ON CONSOLIDATED CORPORATE AND INDIVIDUAL PERFORMANCE GOALS

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
GASTON MEMORIAL HOSPITAL INC

Employer identification number
56-0619359

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	NORTH CAROLINA MEDICAL CARE COMMISSION	52-1309402	65820HVF7	01-23-2003	120,000,000	SEE PART VI		X		X		X
B	NORTH CAROLINA MEDICAL CARE COMMISSION	52-1309402	65820HG64	01-31-2008	118,400,000	SEE PART VI		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	800,000	24,630,000		
2	Amount of bonds defeased				
3	Total proceeds of issue	123,594,002	118,649,797		
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds	5,150,936	610,174		
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	1,256,069	917,471		
8	Credit enhancement from proceeds	3,386,000	1,553,717		
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	91,583,288	28,952,424		
11	Other spent proceeds	22,217,709	86,616,011		
12	Other unspent proceeds				
13	Year of substantial completion	2005	2009		

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?	X		X					
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X					
c	Are there any research agreements that may result in private business use of bond-financed property?	X		X					
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?	X		X					
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶		0 010 %		0 010 %				
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶		0 %		0 010 %				
6	Total of lines 4 and 5		0 010 %		0 020 %				
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X					

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X				
2	Is the bond issue a variable rate issue?	X			X				
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X		X					
b	Name of provider	MERRILL LYNCH CAPITAL SERVICES		MERRILL LYNCH DERIVATIVE PRODUCTS					
c	Term of hedge	31 600000000000		21 000000000000					
d	Was the hedge superintegrated?	X		X					
e	Was a hedge terminated?	X		X					
4a	Were gross proceeds invested in a GIC?		X		X				
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X		X				
6	Did the bond issue qualify for an exception to rebate?		X	X					

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☐ Yes ☑ No

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation
SCHEDULE K SUPPLENTAL INFORMATION		THREE 501(C)(3) ORGANIZATIONS WITHIN THE PARENT-SUBSIDIARY CONTROLLED GROUP BENEFIT FROM THE BONDS AS FOLLOWS GASTON MEMORIAL HOSPITAL, INC (56-0619359) CAROMONT HEALTH, INC (58-1636959) CAROMONT HEALTH SERVICES, INC (56-1455630) GASTON MEMORIAL HOSPITAL, INC HOLDS THE LIABILITY FOR THE BONDS, PER AUDITED FINANCIAL STATEMENTS
PART I, LINE A, COLUMN (C)		THIS BOND ISSUE INCLUDES TWO CUSIPS MATURING ON THE SAME DATE 65820HVG5 AND 65820HVF7
PART I, COLUMN (F), DESCRIPTION OF PURPOSE		ISSUE A - THE SYSTEM USED THE PROCEEDS FROM THESE BONDS FOR VARIOUS CAPITAL IMPROVEMENTS, INCLUDING, BUT NOT LIMITED TO A NEW WOMEN'S CENTER AND PARKING DECK, RENOVATIONS TO EXISTING FACILITIES, AND EQUIPMENT IN ADDITION, PROCEEDS WERE USED TO REFUND IN ADVANCE OF THEIR MATURITIES $17,000,000 IN PRINCIPAL AMOUNT OF THE SERIES 1998 HOSPITAL REVENUE BONDS, ISSUED ON AUGUST 27, 1998 ISSUE B - THE SYSTEM USED THE PROCEEDS FROM THE BONDS FOR VARIOUS CAPITAL IMPROVEMENTS, INCLUDING, BUT NOT LIMITED TO, THE RENOVATION OF CERTAIN FLOORS OF THE PATIENT TOWER, RENOVATION OF THE DAY OF SURGERY UNIT, INSTALLATION OF FIRE SPRINKLERS IN NON-SPRINKLED AREAS, AND THE UPGRADE OF LIFE SAFETY AND CRITICAL POWER IN ADDITION, THE HOSPITAL USED THE PROCEEDS TO REFUND THE AGGREGATE PRINCIPAL AMOUNT OF THE SERIES 1995 REVENUE BONDS, ISSUED ON NOVEMBER 15, 1995, IN THE AMOUNT OF $41,210,000 AND TO REFUND THE AGGREGATE PRINCIPAL AMOUNT OF THE SERIES 1998 REVENUE BONDS, ISSUED ON AUGUST 27, 1998, IN THE AMOUNT OF $49,710,000
PART II, LINE 3 COLUMN A,	INVESTMENT EARNINGS INCLUDED IN TOTAL PROCEEDS OF ISSUE	LINE 3 COLUMN (A) INCLUDES THE TOTAL INVESTMENT EARNINGS ON BOND PROCEEDS IN THE AMOUNT OF $ 3,594,002
PART II, LINE 3 COLUMN B,	INVESTMENT EARNINGS INCLUDED IN TOTAL PROCEEDS OF ISSUE	LINE 3 COLUMN (B) INCLUDES THE TOTAL INVESTMENT EARNINGS ON BOND PROCEEDS IN THE AMOUNT OF $ 249,798
PART II, LINE 11, OTHER SPENT PROCEEDS		OTHER SPENT PROCEEDS INCLUDE DEPOSITS MADE INTO A REFUNDING ESCROW ACCOUNT ALONG WITH INTEREST EARNED ON THE ACCOUNT, BOTH OF WHICH WERE SUBSEQUENTLY USED TO PAY PRINCIPLE AND INTEREST ON THE REFUNDED BONDS SEE THE RESPONSE FOR PART I, COLUMN (F) FOR DETAILS
PART IV, LINES 2 AND 3A, COLUMN (B)		THE SERIES 2008 BONDS WERE ORIGINALLY ISSUED AS VARIABLE BONDS BEARING INTEREST AT WEEKLY RATES CAROMONT HEALTH, INC ENTERED INTO INTEREST SWAP AGREEMENTS TO HEDGE ITS INTEREST RISK WITH RESPECT TO A PORTION OF THE SERIES 2008 BONDS ON SEPTEMBER 1, 2010, THE SERIES 2008 BONDS WERE CONVERTED TO FIXED INTEREST RATES TO MATURITY HOWEVER, THE INTEREST RATE SWAPS WERE NOT TERMINATED IN CONNECTION WITH SUCH FIXED RATE CONVERSION AND REMAIN IN EFFECT
PART IV, LINE 3C, COLUMN (B)		THIS BOND ISSUE HAS TWO HEDGE TERMS 11 0 YEARS AND 21 0 YEARS

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ 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.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
GASTON MEMORIAL HOSPITAL INC

Employer identification number
56-0619359

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

1 (a) Name of disqualified person	(b) Description of transaction	(c) Corrected? Yes	(c) Corrected? No

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

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ $

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

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	(b) From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) No	(f) Approved by board or committee? Yes	(f) No	(g) Written agreement? Yes	(g) No
Total . . . . . ▶ $										

Part III Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of grant or type of assistance

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) LUCINDA DAVIS	FAMILY MEMBER OF DIRECTOR, JAMES BEAM	50,489	COMPENSATION AS EMPLOYEE		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

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
GASTON MEMORIAL HOSPITAL INC

Employer identification number
56-0619359

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	THE SOLE MEMBER OF THE CORPORATION SHALL BE CAROMONT HEALTH, INC , A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7A	THE BOARD OF DIRECTORS SHALL CONSIST OF FOURTEEN (14) MEMBERS, ALL OF WHOM SHALL BE THE MEMBERS OF THE BOARD OF DIRECTORS OF CAROMONT HEALTH, INC , AND ALL OF WHOM SHALL BE APPOINTED BY THE BOARD OF DIRECTORS OF CAROMONT HEALTH

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7B	THE FOLLOWING POWERS OF THE CORPORATION SHALL BE RESERVED TO CAROMONT HEALTH, INC , THE PARENT CORPORATION AND HOLDING COMPANY OF THE CORPORATION (A) FINANCIAL POWERS, INCLUDING THE POWER TO APPROVE AN OPERATING BUDGET FOR THE CORPORATION, POWER TO APPROVE COMPENSATION PLANS, AND POWER TO ASSUME DEBT ON BEHALF OF THE CORPORATION, (B) GOVERNING POWERS, INCLUDING THE POWER TO APPROVE ALL CHANGES TO THE GOVERNING DOCUMENTS OF THE CORPORATION AND POWER TO APPROVE THE MISSION, VISION AND VALUES OF THE CORPORATION, AND (C) STRATEGIC POWERS, INCLUDING THE POWER TO APPROVE ALL CERTIFICATE OF NEED APPLICATIONS WHICH THE CORPORATION MAY FILE IN ANY STATE, AND THE POWER TO APPROVE ALL SALE OR LEASE TRANSACTIONS OF THE CORPORATION

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	THE ORGANIZATION'S FORM 990 WAS REVIEWED BY THE AUDIT FINANCE INVESTMENT COMMITTEE OF THE BOARD OF DIRECTORS PRIOR TO PRESENTATION TO THE FULL BOARD BEFORE THE FORM WAS FILED WITH THE IRS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	EACH APPLICABLE EMPLOYEE AND DIRECTOR SHALL FULLY AND TRUTHFULLY COMPLETE A QUESTIONNAIRE CONCERNING POTENTIAL AND ACTUAL CONFLICTS OF INTEREST ANNUALLY SUCH QUESTIONNAIRE SHALL IDENTIFY THE EMPLOYEE'S OBLIGATION TO IMMEDIATELY MAKE THE PRESIDENT AWARE IN WRITING OF ANY POTENTIAL OR ACTUAL CONFLICTS OF INTEREST AS THEY MAY ARISE AND CONTAIN SAID EMPLOYEE'S AGREEMENT TO ABIDE BY ALL TERMS AND CONDITIONS OF THIS POLICY AS A CONDITION OF RETAINING THEIR POSITION SUCH QUESTIONNAIRES SHALL BE REVIEWED ANNUALLY BY THE EXECUTIVE VICE PRESIDENT/GENERAL COUNSEL AND THE CORPORATE RESPONSIBILITY OFFICER

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	THE CEO, CFO/ASSISTANT TREASURER AND EVP GENERAL COUNSEL/ASSISTANT SECRETARY ARE COMPENSATED FOR THEIR SERVICES BY GASTON MEMORIAL HOSPITAL, A SUBSIDIARY OF CAROMONT HEALTH, INC THE COMPENSATION OF ALL CAROMONT EXECUTIVES FOR EACH YEAR IS ESTABLISHED BY THE COMPENSATION COMMITTEE OF THE CAROMONT HEALTH BOARD OF DIRECTORS, BASED ON GUIDANCE AND OPINIONS PROVIDED BY AN INDEPENDENT, THIRD-PARTY COMPENSATION CONSULTANT BOARD MEMBERS WHO SERVE ON THE COMPENSATION COMMITTEE ARE INDEPENDENT AND FREE OF ANY CONFLICT OF INTEREST ANY COMPENSATION COMMITTEE MEMBER WHO DEVELOPS A CONFLICT OF INTEREST DURING HIS/HER TERM WITH RESPECT TO THE DISCUSSION OF ANY EXECUTIVE'S COMPENSATION LEAVES THE MEETING AND DOES NOT PARTICIPATE IN THE DISCUSSION OR DECISION-MAKING BY THE REMAINING INDEPENDENT MEMBERS OF THE COMPENSATION COMMITTEE THE COMPENSATION COMMITTEE RETAINS JURISDICTION OVER THE TOTAL COMPENSATION PACKAGE FOR EXECUTIVES AND REVIEWS EXECUTIVE BENEFITS AND PERQUISITES AS WELL AS TOTAL CASH COMPENSATION COMPENSATION FOR THE CEO IS ESTABLISHED THROUGH A PROCESS OF PERFORMANCE EVALUATION, COMPARISON WITH COMPARABLE MARKET DATA AND DETERMINATION BY THE COMPENSATION COMMITTEE OF ACCEPTABLE SALARY RANGE AND PERCENTILE RANKING ALL COMPENSATION DECISIONS FOR THE CEO ARE RECOMMENDED BY THE COMPENSATION COMMITTEE AND APPROVED BY THE BOARD OF DIRECTORS THE PROCESS FOR DETERMINING COMPENSATION FOR EXECUTIVE DIRECTORS AND MANAGEMENT, UTILIZES COMPENSATION SURVEYS AND STUDIES FULL COLLECTED COMPENSATION INFORMATION AND ANY COMPENSATION OPINIONS PROVIDED DURING THESE PROCESSES WILL BE KEPT WITH THE COMPENSATION COMMITTEE OR BOARD MINUTES, AS APPLICABLE

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 18	THE ORGANIZATION'S FORM 990 IS MADE AVAILABLE TO THE PUBLIC UPON REQUEST

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	AT THIS TIME, THE ORGANIZATION'S GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY ARE NOT MADE AVAILABLE TO THE PUBLIC THE ENTIRE ORGANIZATION'S COMBINED FINANCIAL STATEMENTS ARE MADE AVAILABLE UPON REQUEST

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -64 INTERCOMPANY TRANSFER TO AFFILIATE -27,147,201 CHANGE IN VALUE OF INTEREST RATE SWAP -2,038,050 TOTAL TO FORM 990, PART XI, LINE 5 -29,185,315

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

Identifier	Return Reference	Explanation
STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	FORM 990, PART III, LINE 4A	CAROMONT HEALTH IN GASTONIA, NORTH CAROLINA IS A REGIONAL, INDEPENDENT, NOT-FOR-PROFIT HEA LTH CARE SYSTEM IT ENCOMPASSES GASTON MEMORIAL HOSPITAL WITH 435-BEDS, COURTLAND TERRACE, A 96-BED SKILLED NURSING FACILITY, GASTON HOSPICE WHICH INCLUDES THE 12-BED ROBIN JOHNSON HOUSE INPATIENT FACILITY, AND CAROMONT MEDICAL GROUP, A NETWORK OF 44 PRIMARY AND SPECIAL TY PHYSICIAN OFFICES CAROMONT HEALTH'S VISION IS TO BE A NATIONALLY RECOGNIZED LEADER AND VALUED PARTNER IN PROMOTING INDIVIDUAL HEALTH AND VIBRANT COMMUNITIES CAROMONT HEALTH IS THE HEALTH CARE PROVIDER OF CHOICE FOR GASTON, LINCOLN AND CLEVELAND COUNTIES THESE ARE RAPIDLY GROWING COMMUNITIES AND WE INTEND TO GROW WITH THE COMMUNITIES WE SERVE CAROMONT HEALTH IS THE ONLY HEALTH CARE SYSTEM IN GASTON COUNTY WITH ACUTE CARE BEDS FOR THE FORESE EABLE FUTURE WE CONTINUE TO ATTRACT TOP MEDICAL PROFESSIONALS FROM AROUND THE COUNTRY, WH ILE RETAINING SOME OF THE AREA'S BEST PHYSICIANS AND NURSES WE CONTINUE TO FORM INNOVATIV E COLLABORATIONS TO UPGRADE OUR TECHNOLOGY, CREATING BETTER OUTCOMES FOR OUR PATIENTS AND BETTER MANAGEMENT OF TIME AND MONEY AND WE WILL CONTINUE TO PLAN NEW FACILITIES AS OUR CO MMUNITY CONTINUES TO GROW OUR GROWING COMMUNITY BRINGS WITH IT CHANGE IN TERMS OF DEMOGRA PHICS, AS WELL AS INFRASTRUCTURE NEEDS AT THE SAME TIME, THE NATION'S HEALTH CARE INFRAST RUCTURE IS ON THE VERGE OF A SYSTEMIC OVERHAUL WITH FAR-REACHING IMPLICATIONS FORTUNATELY , CAROMONT IS FOCUSED ON THE FUTURE AND TAKING STEPS TO PREPARE FOR ANTICIPATED CHANGES W E BELIEVE THAT WE ARE WELL-POSITIONED, NOT ONLY TO EMBRACE THE COMING INNOVATIONS IN OUR N ATION'S HEALTH CARE SYSTEM, BUT TO ACTUALLY AFFECT CHANGE THAT WILL BRING ABOUT A HEALTHIE R, MORE VIBRANT COMMUNITY MISSION AND VISION CAROMONT HEALTH'S MISSION IS TO PROVIDE EXCE PTIONAL HEALTH CARE TO THE COMMUNITIES WE SERVE OUR VISION IS TO BE A NATIONALLY RECOGNIZ ED LEADER AND VALUED PARTNER IN PROMOTING INDIVIDUAL HEALTH AND VIBRANT COMMUNITIES WE HO LD THE FOLLOWING VALUES FOR CAROMONT HEALTH EACH IS IMPORTANT AND THEIR ORDER REFLECTS NO PARTICULAR HIERARCHY AS WE HONOR THESE VALUES DAILY, OUR COMMITMENT TO OUR MISSION IS UN WAVERING -QUALITY PATIENT CARE - WE STRIVE TO BE A LEADER IN PROVIDING QUALITY PATIENT CA RE IN A SAFE AND FAMILY CENTERED ENVIRONMENT - RESPECT FOR THE INDIVIDUAL - WE RESPECT EAC H PERSON'S DIGNITY, RIGHT TO PRIVACY, AND DIVERSE BELIEFS WE TREAT OTHERS AS WE WOULD LIK E TO BE TREATED -INTEGRITY - WE WILL BE GUIDED BY WHAT IS RIGHT -OPEN AND RESPONSIBLE CO MMUNICATION - WE EMPHASIZE LISTENING, RESPONSIVENESS AND MUTUAL UNDERSTANDING -PRIDE OF O WNERSHIP - WE BELIEVE EACH PERSON IS EMPOWERED FOR ACTION AS NEEDED AND MUST ASSUME PERSON AL RESPONSIBILITY AND ACCOUNTABILITY -CUSTOMER SERVICE AND PATIENT SATISFACTION- WE ARE C OMMITTED TO THE HIGHEST LEVEL IN BOTH ENDEAVORS -FISCAL RESPONSIBILITY - WE KNOW THAT THE SOUND USE OF ALL RESOURCES IS FUNDAMENTAL TO OUR SUCCESS -TEAMWORK- WE ARE PARTICIPATIVE AND WORK COOPERATIVELY THE WELLBEING OF OUR PATIENTS IS DEPENDENT ON THE CONTRIBUTIONS O F ALL -INNOVATION - WE ENCOURAGE NEW IDEAS, OPENNESS TO CHANGE, AND CREATIVITY CAROMONT HEALTH QUALITY -HEALTH GRADES CLINICAL EXCELLENCE RECIPIENT - GOLD STAR STANDARD HOSPITAL FOR TOBACCO CESSATION EFFORTS -U S NEWS AND WORLD REPORT'S BEST HOSPITALS AWARD -BECKER'S HOSPITAL REVIEW TOP COMMUNITY HOSPITAL AWARD, 2011 -CARECHEX #1 IN NC FOR CORONARY BYPASS SURGERY, HEART ATTACK TREATMENT, HEART FAILURE TREATMENT, AND PNEUMONIA CARE -COMMISSION ON CANCER (COC) OUTSTANDING ACHIEVEMENT AWARD (OAA), 2011 -HEALTHIEST EMPLOYER AWARD BY CH ARLOTTE BUSINESS JOURNAL, 2012 -THOMSON AND REUTERS 50 TOP CARDIOVASCULAR HOSPITAL, 2012 - THOMPSON AND REUTERS 100 TOP HOSPITAL, 2012 -PREMIER ALLIANCE QUALITY ADVISOR TOP PERFORME R AWARD -HEALTH GRADES DISTINGUISHED HOSPITAL AWARD FOR CLINICAL EXCELLENCE, 2012 -HEALTH GRADES EXCELLENCE AWARD FOR EMERGENCY MEDICINE, 2012 - HEALTH GRADES AMERICAS 100 BEST FOR CARDIAC CARE, CARDIAC SURGERY, SPINE SURGERY, WOMEN'S HEALTH, 2012 -LEAPFROG HOSPITAL SAFE TY SCORESM GRADE A FOR PATIENT SAFETY, 2012 -BECKER'S HOSPITAL REVIEW 100 BEST COMMUNITY H OSPITAL, 2012 CAROMONT HEALTH STRATEGY AND OBJECTIVES CAROMONT HEALTH UNDERTAKES A COMPRE HENSIVE ASSESSMENT OF ITS SERVICES EVERY YEAR TO DETERMINE STRATEGIC CHANGES REQUIRED TO A DDRESS THE CHANGING HEALTHCARE ENVIRONMENT, AND THUS THE OVERALL PROGRAM DIRECTIONS THAT N EED TO BE PURSUED ON AN ANNUAL BASIS, GOALS AND OBJECTIVES ARE ESTABLISHED THAT WILL ALLO W PROGRESS TOWARDS THE DESIRED DIRECTION MANY OF CAROMONT HEALTH'S FISCAL YEAR 2012 STRAT EGIES AND OBJECTIVES WERE CREATED TO IMPROVE THE HEALTH OF THE COMMUNITY CAROMONT HEALTH HAS SIGNIFICANTLY IMPACTED ITS COMMUNITY IN PROVIDING MANY DIFFERENT HEALTH IMPROVEMENT PR OJECTS, GROUPS, EVENTS, EDUCATION PROGRAMS, ETC INCLUDING THE FOLLOWING HEALTHNET GASTON HEALTHNET GASTON (HNG) IS A PROGRAM DESIGNED TO PROVIDE COMPREHENSIVE HEALTH CARE SERVIC ES TO LOW-INCOME, UNINSURED RESIDENTS OF GASTON CO

Identifier	Return Reference	Explanation
STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS	FORM 990, PART III, LINE 4A	UNTY ITS SERVICES INCLUDE A MEDICAL HOME/PRIMARY CARE PHYSICIAN SERVICES, SPECIALTY PHYS ICIAN SERVICES, MEDICATION ASSISTANCE, CASE MANAGEMENT/HEALTH COACHING ACTIVITIES, AND HOS PITAL SERVICES HNG OPERATES THROUGH THE LEADERSHIP AND COLLABORATION OF ITS FOUR FOUNDING STRATEGIC PARTNERS, INCLUDING GASTON MEMORIAL HOSPITAL, GASTON FAMILY HEALTH SERVICES, C OMMUNITY HEALTH PARTNERS, GASTON COMMUNITY HEALTH CARE COMMISSION UNITED WAY CAROMONT HE ALTH IS A PACE SETTER ORGANIZATION FOR UNITED WAY AND IN FISCAL YEAR 2012 GASTON COMMUNIT Y HEALTHCARE COMMISSION IN 1992 THE GASTON COMMUNITY HEALTHCARE COMMISSION (GCHC) WAS EST ABLISHED WITH GASTON MEMORIAL HOSPITAL AS A SPONSORING ORGANIZATION THE PURPOSE OF THIS O RGANIZATION IS TO DEVELOP A WORKABLE COMMUNITY-WIDE AGENDA THROUGH A PROBLEM SOLVING NETWO RK OF ORGANIZATIONS AND INDIVIDUALS TO IMPROVE HEALTH STATUS OF GASTON COUNTY RESIDENTS A S A CERTIFIED HEALTHY CAROLINIAN PARTNERSHIP, INITIATIVES ARE BASED ON THE MOST RECENT COM MUNITY HEALTH ASSESSMENT, COORDINATED BY BOARD THAT IS REPRESENTATIVE OF THE COMMUNITY, AN D DOCUMENT THE IMPACT THAT THESE INITIATIVES HAVE ON HEALTH STATUS THESE EFFORTS FOCUS ON IMPROVING THE HEALTH OF CHILDREN, ASSISTING RESIDENTS OF ALL AGES TO MAKE HEALTHIER LIFE STYLES CHOICES, IMPROVING ACCESS TO MEDICAL CARE, AND DECREASING THE COST OF MEDICAL SERVI CES CAROMONT HEALTH HEART WALK THIS IS AN ANNUAL EVENT TO RAISE MONEY FOR THE GASTON HEA RT SOCIETY IT IS A ONE MILE FUN WALK ON THE CAROMONT HEALTH CAMPUSES PATIENT ADVOCACY - MEDICAID ELIGIBILITY DEPARTMENT (PATIENT FINANCIAL SERVICES) GASTON MEMORIAL HOSPITAL HAS DEVELOPED A PROGRAM TO ASSIST UNINSURED AND UNDERINSURED COMMUNITY MEMBERS WITH ENROLLMEN T IN PUBLIC PROGRAMS

Identifier	Return Reference	Explanation
COMMON PAYMASTER	FORM 990, PART V AND PART VII	THE FILING ORGANIZATION USES A RELATED ORGANIZATION FOR ITS PAYROLL FUNCTION ALL W-2S ARE FILED BY THE COMMON PAYMASTER HOWEVER, AMOUNTS PAID BY THE COMMON PAYMASTER ARE TREATED AS IF PAID DIRECTLY BY THE ORGANIZATION FOR WHICH SERVICES ARE PERFORMED

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
GASTON MEMORIAL HOSPITAL INC

Employer identification number
56-0619359

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) CAROMONT HEALTH INC 2525 COURT DRIVE GASTONIA, NC 28054 58-1636959	MEDICAL SERVICES	NC	501(C)(3)	LINE 11B, II	N/A		No
(2) CAROMONT HEALTH SERVICES INC 2526 COURT DRIVE GASTONIA, NC 28054 56-1455630	OUTPATIENT SERVICES	NC	501(C)(3)	LINE 3	CAROMONT HEALTH INC		No
(3) GASTON MEMORIAL HOSPITAL FOUNDATION INC 2527 COURT DRIVE GASTONIA, NC 28054 56-1479699	FOUNDATION	NC	501(C)(3)	LINE 9	CAROMONT HEALTH INC		No
(4) CAROMONT MEDICAL GROUP INC 2528 COURT DRIVE GASTONIA, NC 28054 56-1479712	MEDICAL GROUP	NC	501(C)(3)	LINE 9	CAROMONT HEALTH INC		No
(5) HOSPICE OF GASTON COUNTY INC 2529 COURT DRIVE GASTONIA, NC 28054 58-1341530	HOSPICE CARE	NC	501(C)(3)	LINE 7	CAROMONT HEALTH INC		No
(6) GASTON EMERGENCY PHYSICIANS INC 2531 COURT DRIVE GASTONIA, NC 28054 56-2209423	SUPPORTING ORGANIZATION	NC	501(C)(3)	LINE 11A, I	CAROMONT HEALTH INC		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

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

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

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

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

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

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

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

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	

Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 56-0619359
Name: GASTON MEMORIAL HOSPITAL INC

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	g Section 512(b)(13) controlled organization	
CAROMONT HEALTH INC 2525 COURT DRIVE GASTONIA, NC 28054 58-1636959	MEDICAL SERVICES	NC	501(C)(3)	LINE 11B, II	N/A		No
CAROMONT HEALTH SERVICES INC 2526 COURT DRIVE GASTONIA, NC 28054 56-1455630	OUTPATIENT SERVICES	NC	501(C)(3)	LINE 3	CAROMONT HEALTH INC		No
GASTON MEMORIAL HOSPITAL FOUNDATION INC 2527 COURT DRIVE GASTONIA, NC 28054 56-1479699	FOUNDATION	NC	501(C)(3)	LINE 9	CAROMONT HEALTH INC		No
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GASTON EMERGENCY PHYSICIANS INC 2531 COURT DRIVE GASTONIA, NC 28054 56-2209423	SUPPORTING ORGANIZATION	NC	501(C)(3)	LINE 11A, I	CAROMONT HEALTH INC		No

CAROMONT HEALTH, INC.
AND AFFILIATES

Combined Financial Statements
(with Additional Supplemental
Schedules)

June 30, 2012 and 2011

(with Independent Auditors'
Report thereon)

CAROMONT HEALTH, INC.
AND AFFILIATES
Table of Contents
June 30, 2012 and 2011

DIXON HUGHES GOODMAN LLP

Certified Public Accountants and Consultants

Independent Auditors' Report

To the Board of Directors
CaroMont Health, Inc and Affiliates
Gastonia, North Carolina

We have audited the accompanying combined balance sheets of CaroMont Health, Inc and Affiliates (the "System") as of June 30, 2012 and 2011, and the related combined 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 System's management Our responsibility is to express an opinion on these financial statements based on our audits We did not audit the financial statements of CaroMont Insurance Services, LTD ("CIS"), a wholly-owned subsidiary, which statements reflect total assets and revenues constituting 1 percent and 1 percent, respectively, of the related combined totals Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for CIS, is based solely on the report of the other auditors

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 combined 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 System's internal control over financial reporting Accordingly, we express no such opinion An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation We believe that our audits provide a reasonable basis for our opinion

In our opinion, based on our audit and the report of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of CaroMont Health, Inc and Affiliates as of June 30, 2012 and 2011, and the results of its combined operations and its combined cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

2501 Blue Ridge Road, Suite 400, Raleigh, NC 27607 | 919.881.3600 | Fax 919.881.3690 | www.dhg.com

To the Board of Directors
CaroMont Health, Inc and Affiliates

Management's Discussion and Analysis is not a required part of the combined financial statements, but is supplementary information required by the Governmental Accounting Standards Board We have applied certain limited procedures, which consisted primarily 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

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole The supplemental schedules listed in the foregoing table of contents are presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual organizations and are not a required part of the combined financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole

Dixon Hughes Goodman LLP

September 11, 2012

CaroMont Health, Inc and Affiliates

Management's Discussion and Analysis

June 30, 2012 and 2011

CaroMont Health, Inc and Affiliates (the "System") provides inpatient, outpatient, emergency, and surgical services to the residents of Gaston County and surrounding areas at its 435-licensed bed hospital, Gaston Memorial Hospital In addition, the System provides healthcare services in two same day surgery centers, two health and fitness centers, an occupational medicine clinic, four outpatient off-site imaging centers, a skilled nursing facility, an inpatient hospice facility, and outpatient hospice Finally, the System employs physicians and physician extenders who provide services at the hospital and in ambulatory-based practices located in five counties and two states

FINANCIAL HIGHLIGHTS

The assets of CaroMont Health, Inc and Affiliates exceeded its liabilities at June 30, 2012 by $561 0 million, which represents the amount of the System's net assets This amount will be used to meet the System's ongoing financial obligations and to finance capital improvements and expansion of services in the future

The System's total net assets increased $14 0 million in the twelve-month period ended June 30, 2012, which represents the amount of gain for the fiscal year The following is an analysis of CaroMont Health, Inc and Affiliates' financial performance in fiscal year 2012

OVERVIEW OF THE COMBINED FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to CaroMont Health, Inc and Affiliates' audited combined financial statements The System's combined financial statements are comprised of two components 1) audited combined financial statements and 2) notes to the audited combined financial statements This report also contains supplementary information in addition to the audited combined financial statements themselves

The audited combined financial statements include the Combined Balance Sheets, Combined Statements of Revenues, Expenses, and Changes in Net Assets, and Combined Statements of Cash Flows for the fiscal years ended June 30, 2012 and 2011 The System operates similar to a private business and therefore utilizes the proprietary fund method of accounting This method provides both long-term and short-term financial information and requires that revenue and expenses are recognized on the full accrual basis

The Combined Balance Sheet presents information on all of the System's assets and liabilities, with the difference between the two reported as net assets Over time, increases or decreases in net assets may serve as a useful indicator of whether the combined financial position of the System is improving or deteriorating

The Combined Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the System's net assets changed during the most recent fiscal year All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows

The Combined Statement of Cash Flows presents information about the System's cash flows resulting from operating, investing, non-capital financing, and capital financing activities It reports cash receipts, cash payments, and changes in the cash balance during the most recent fiscal year

FINANCIAL ANALYSIS

Total Assets

As seen in Table 1, total assets of the System increased $41 0 million in fiscal year 2012 Current assets increased $44 2 million, net capital assets increased $9 6 million, and other long-term assets decreased $12 8 million

Table 1
CaroMont Health, Inc. and Affiliates
Summary of Assets
(in millions of dollars)

	2012	2011
Current assets	$ 118 2	$ 74 0
Capital assets, net of accumulated depreciation	234 4	224 8
Other long-term assets	557 3	570 1
Total assets	$ 909 9	$ 868 9

The increase in current assets was primarily due to increases in cash and cash equivalents, net patient accounts receivable, and prepaid expenses, which were partially off-set by decreases in inventories of drugs and supplies The increase in net capital assets was caused by purchases of capital assets The decreases in other long-term assets was primarily due to decreases in internally-designated investments, which was partially off-set by increases in the prepaid pension obligation and deferred charges for interest rate swaps

Total Liabilities and Net Assets

As seen in Table 2, total liabilities of the System increased $27 0 million in fiscal year 2012 Current liabilities increased $14 6 million and long-term liabilities increased $12 4 million Total net assets increased $14 0 million Unrestricted net assets decreased $2 0 million, net assets invested in capital assets, net of related debt, increased $15 1 million, and net assets restricted for specific operating purposes increased $0 9 million

Table 2
CaroMont Health, Inc. and Affiliates
Summary of Liabilities and Net Assets
(in millions of dollars)

	2012	2011
Current liabilities	$ 108 2	$ 93 6
Long-term liabilities	240 7	228 3
Total liabilities	348 9	321 9
Unrestricted net assets	524 5	526 5
Invested in capital assets, net of related debt	31 4	16 3
Restricted for specific operating purposes	5 1	4 2
Total net assets	561 0	547 0
Total liabilities and net assets	$ 909 9	$ 868 9

The increase in current liabilities was primarily due to increases in accounts payable, accrued payroll, and accrued settlements for Medicare and Medicaid The increase in long-term liabilities was primarily due to changes in the value of the interest rate swaps, which was partially off-set by reductions in long-term debt

Total net assets increased to reflect the System's excess of revenues over expenses of $13 0 million and $1 0 million of capital grants and contributions The increase in net assets invested in capital was primarily caused by a reduction in the balances of long-term debt and deferred financing costs The increase in net assets restricted for specific operating purposes was due to capital contributions received for the Hospice capital campaign

Total Operating Revenues

As seen in Table 3, total operating revenues increased 3 6% to $488 7 million in fiscal year 2012

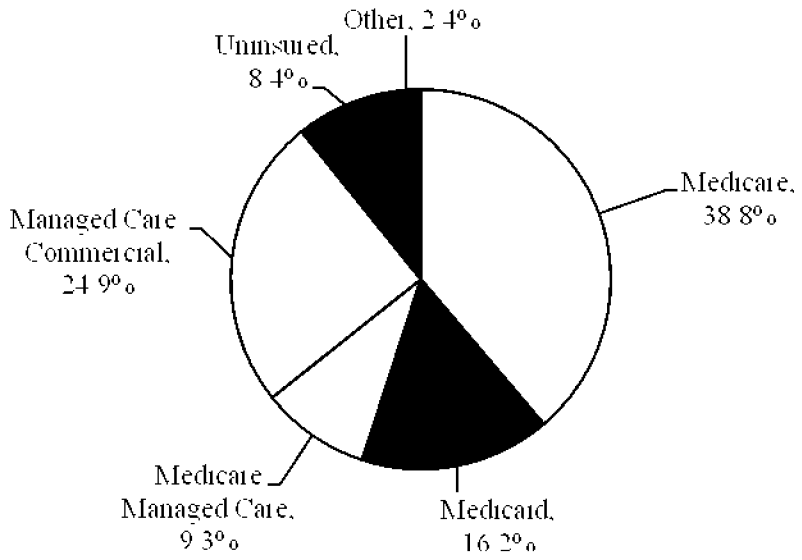
Table 3
CaroMont Health, Inc. and Affiliates
Summary of Total Operating Revenues
(in millions of dollars)

	2012	2011
Inpatient revenue	$ 568 1	$ 518 7
Outpatient revenue	751 5	718 1
Gross patient service revenue	1,319 6	1,236 8
Contractual adjustments	738 2	682 1
Charity care	54 8	46 8
Provision for bad debts	50 5	43 7
Total revenue deductions	843 5	772 6
Net patient service revenue	476 1	464 2
Other operating revenue	12 6	7 5
Total operating revenues	$ 488 7	$ 471 7

In fiscal year 2012, gross patient service revenue (i e charges) increased 6 7% to $1 319 billion due to strong growth in inpatient revenues and moderate growth in outpatient revenues This growth in revenue was primarily due to increases in the volume of services provided, new physician practice acquisitions, and an increase in rates that averaged 5% Deductions from revenue increased 9 2% in fiscal year 2012 to $843 5 million Included in this amount are $54 8 million of charity care provided and $50 5 million of provisions for bad debt Net patient service revenue increased 2 6% to $476 1 million in fiscal year 2012 Other operating revenue increased 68 0% to $12 6 million primarily due to receipt of meaningful use payments from Medicare and Medicaid

Graph 1 presents gross patient service revenue by payor type in fiscal year 2012 for Gaston Memorial Hospital

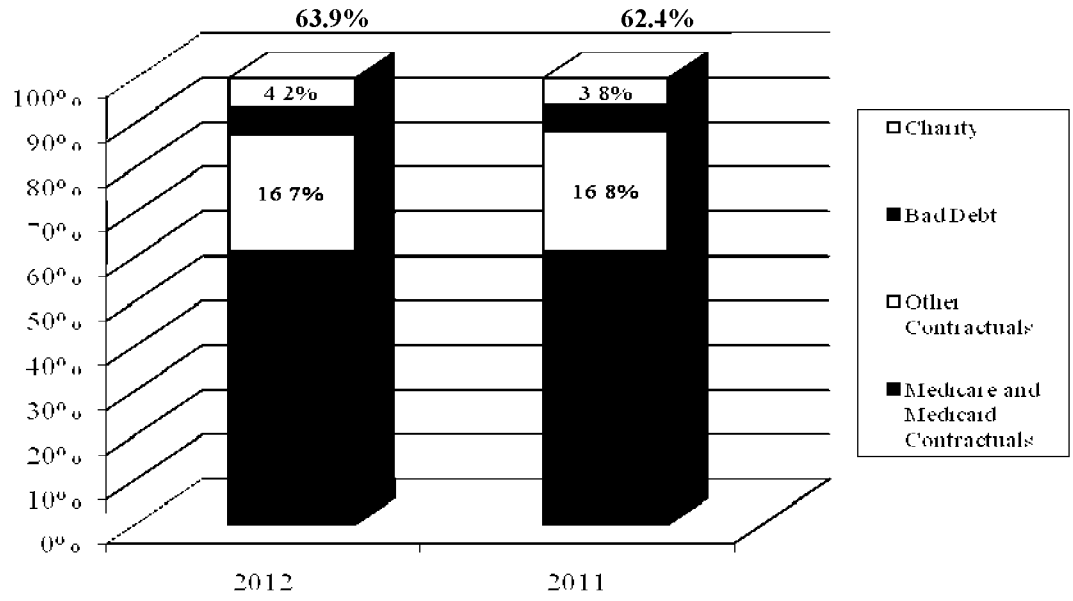
Graph 1
Gaston Memorial Hospital
Gross Patient Service Revenue by Payor Type



The largest consumers of healthcare services at Gaston Memorial Hospital were Medicare patients, comprising 38 8% of gross charges Commercially insured and managed care patients comprised 24 9% of gross charges Medicaid patients comprised 16 2% of gross charges Medicare managed care, uninsured, and other patients comprised the balance of patients, representing 9 3%, 8 4%, and 2 4% of gross charges, respectively As compared to the prior fiscal year, Medicare decreased 0 2%, commercial/managed care decreased 0 5%, Medicaid decreased 1 1%, Medicare managed care increased 1 2%, uninsured increased 0 5%, and other increased 0 1%

Graph 2 presents revenue deductions as a percentage of gross patient service revenue in fiscal years 2012 and 2011 for CaroMont Health, Inc and Affiliates

Graph 2
CaroMont Health, Inc. and Affiliates
Revenue Deductions as a Percentage of Gross Patient Service Revenue



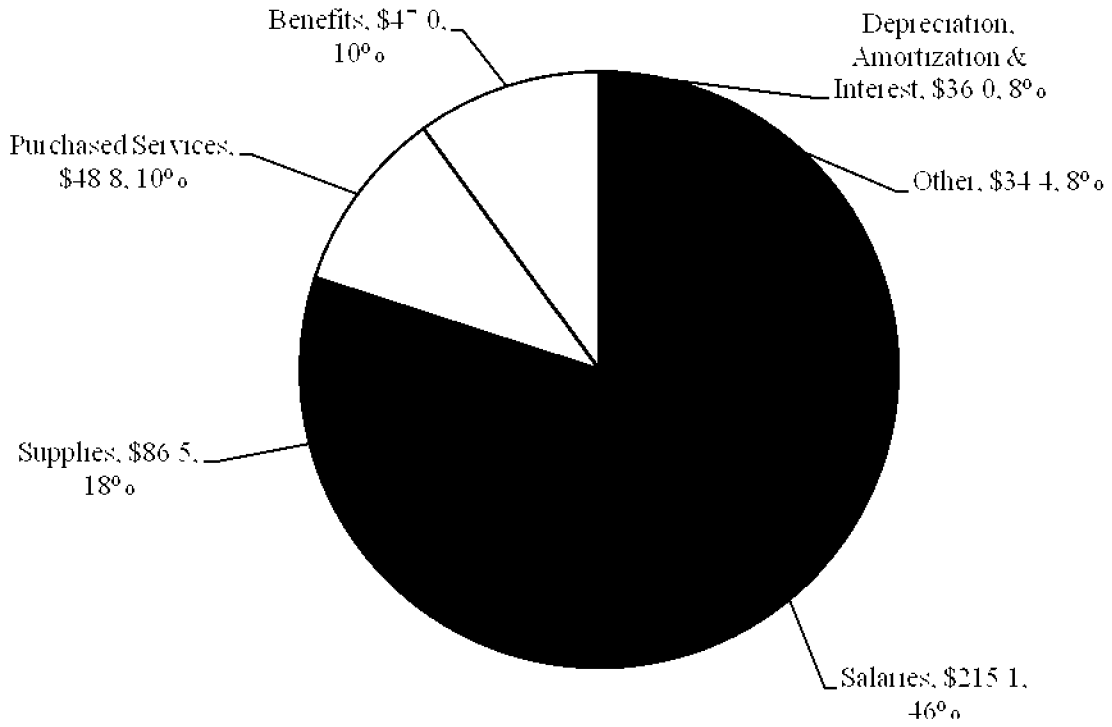
Deductions from gross patient service revenue represent the difference between charges and the amount of payment received for services provided Medicare and Medicaid contractuals are the largest category and represent over half of the deductions The next largest category, other contractuals, are a result of contracts with managed care companies along with contractuals from other governmental payors such as Tri-Care Write-offs for bad debt result from patients who choose not to pay for their services even though they have the financial means to do so Write-offs for charity are provided primarily to uninsured and underinsured patients who do not have the financial means to pay for their healthcare services Uncompensated care is defined as services provided for which the System should have received payment, but did not, resulting in either bad debt or charity write-offs

Total deductions from revenue as a percentage of gross patient service revenue increased from 62 4% in fiscal year 2011 to 63 9% in fiscal year 2012 Medicare and Medicaid contractuals increased primarily due to increases in the number of patients receiving services along with reductions in reimbursements from the Medicaid program Other contractuals decreased primarily due to decreases in the number of managed care patients receiving services which was partially offset by higher reimbursements from managed care companies Charity increased from 3 8% in fiscal year 2011 to 4 2% in fiscal year 2012, which represents an $8 0 million increase in the dollars of charity care given Bad debt increased from 3 5% in fiscal year 2011 to 3 8% in fiscal year 2012, which represents a $6 8 million increase

Total Operating Expenses

In fiscal year 2012, total operating expenses increased 5 0% over the prior year to $467 8 million Graph 3 presents a break-down of operating expenses by major category in fiscal year 2012

Graph 3
CaroMont Health, Inc. and Affiliates
Composition of Operating Expenses
In Millions of Dollars and As a Percentage of Total Operating Expense



Salaries and wages expenses, which represent 46% of total operating expenses, increased 6 7% to $215 1 million in fiscal year 2012 The increase was due to the addition of 71 8 full-time equivalent employees ("FTEs") and increases in rates of pay The addition of FTEs was primarily due to increased volumes, new services, and physician practice acquisitions

Supplies and drugs expenses, which represent 18% of total operating expenses, decreased 0 5% to $86 5 million The decrease was primarily due to reductions in usage of infusion drugs and reductions in both usage and costs of implants used in surgical procedures and in the EP lab, which was partially off-set by increases in drugs, medical/surgical supplies, and food

Purchased services, which represent 10% of total operating expenses, decreased 3 9% to $48 8 million The decrease was primarily due to lower contract services, repairs and maintenance, and transcription, which were partially off-set by higher rent

Employee benefits, which represent 10% of total operating expenses, increased 7 6% to $47 0 million The increase was primarily due to higher payroll taxes and health insurance expenses, which were partially off-set by lower worker's compensation and long-term disability expenses

Depreciation, amortization, and interest expense, which represent 8% of total operating expenses, decreased 5 8% to $36 0 million due to less depreciation on equipment and lower interest rates on revenue bonds

Finally, fees and other expenses, which represent 8% of total operating expenses, increased 39 9% to $34 5 million primarily due to the implementation of a provider assessment program along with increases in medical professional service fees, billing and collection fees, and professional/general liability insurance, which were partially offset by decreases in consulting fees, legal services, and lab fees

Excess of Revenues Over Expenses

As seen in Table 4, excess of revenues over expenses decreased $80 5 million in fiscal year 2012 Income from operations decreased $5 1 and net nonoperating revenues decreased $75 4 million

Table 4
CaroMont Health, Inc. and Affiliates
Summary of Excess Revenues over Expenses
(in millions of dollars)

	2012	2011
Income from operations	$ 20 9	$ 26 0
Net realized gains on investments, interest and dividends	23 4	13 5
Unrealized gains (losses) on investments, net	(26 5)	58 7
Unrealized losses on interest rate swaps	(2 7)	(5 5)
Other nonoperating revenues (expenses)	(2 1)	0 8
Net nonoperating revenues (expenses)	(7 9)	67 5
Excess of revenues over expenses	13 0	93 5
Capital grants, contributions and other	1 0	1 3
Increase in net assets	$ 14 0	$ 94 8

Income from operations decreased $5 1 million in fiscal year 2012 primarily due to lower profitability in the non-hospital affiliates caused by lower volumes, reductions in government reimbursement, and/or higher expenses Net realized and unrealized gains on investments decreased $75 3 million due to decreases in the values of the investments Unrealized losses on interest rate swaps for the swaps that are no longer hedged against tax-exempt debt decreased $2 8 million due to decreases in the values of the swaps Other nonoperating revenues decreased $2 9 million primarily due to grants distributed by the Foundation in the current year and the non-reoccurrence of scholarship donations from the prior year

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As seen in Table 5, the System had a total net investment of $234 4 million in capital assets at the end of fiscal year 2012 This amount represents a net increase of $9 6 million from fiscal year 2011

Table 5
CaroMont Health, Inc. and Affiliates
Capital Assets
(in millions of dollars)

	2012	2011
Land and land improvements	$ 10 8	$ 8 8
Buildings	281 9	280 6
Fixed equipment	16 1	16 4
Moveable and other equipment	208 0	210 5
Gross capital assets	516 8	516 3
Less accumulated depreciation	(296 8)	(303 3)
Construction in progress	14 4	11 8
Capital assets	$ 234 4	$ 224 8

This year's major capital asset additions included

- Continuing replacement of the core clinical information system
- Construction of an off-site outpatient radiation oncology center
- Purchase of a True-Beam linear accelerator
- Expansion of the Hospice House
- Purchase of a Wellness Coach for mobile mammography and other health screenings
- Relocation and expansion of War Memorial

Outstanding Debt

As seen in Table 6, at June 30, 2012, the System had $213 million in outstanding debt, which is a 3 0% decrease over the prior fiscal year

Table 6
CaroMont Health, Inc. and Affiliates
Outstanding Debt
(in millions of dollars)

	2012	2011
Revenue bonds	$ 213 0	$ 219 5

The decrease was due to repayment of principal for the Series 2003 and Series 2008 revenue bonds

COMMUNITY BENEFITS

CaroMont Health, Inc and Affiliates' mission is to provide exceptional healthcare to the communities it serves As a nonprofit hospital, Gaston Memorial Hospital acts as a "safety net", providing needed medical care to those unable to pay for their services In addition, other resources provided by the System benefit the general well-being of the community at large

The System provides numerous benefits to the communities served, encompassing all of Gaston County and surrounding counties The largest benefit is the provision of uncompensated care to uninsured and underinsured patients, which amounted to over $105 3 million of gross charges in 2012 In addition, the System provided care to Medicare, Medicaid, other government, and uninsured patients for which the reimbursement did not cover the full cost of providing the services Education is another significant community benefit that the System provides The System offers several educational programs to local high school students and serves as an important clinical rotation site for training of students in nursing and allied health programs for area colleges Other community benefits include free and low-cost preventive health screenings, health fairs, support groups, wellness outreach, participation in community not-for-profit organizations, subsidized services (such as birthing services and psychiatric services), economic development activities, and partnerships with other community healthcare organizations

For more information on the community benefits provided, the System publishes an Annual Report on its website, www caromonthealth org

CAROMONT HEALTH, INC. AND AFFILIATES

Combined Balance Sheets

June 30, 2012 and 2011

Assets	2012	2011
Current assets		
Cash and cash equivalents	$ 35,408,191	$ 1,412,181
Investments	4,563,772	1,557,483
Patient accounts receivable, net of allowance for uncollectible accounts of approximately $23,294,000 in 2012 and $26,852,000 in 2011	54,754,918	50,661,556
Other accounts receivable, net	5,958,136	4,184,918
Inventories of drugs and supplies	7,225,534	7,606,419
Prepaid expenses	10,315,143	8,556,037
Total current assets	118,225,694	73,978,594
Assets limited as to use		
Internally designated	464,472,976	499,796,813
Held by trustee	3	2,874
Donor restricted	5,106,950	4,229,401
Total assets limited as to use	469,579,929	504,029,088
Capital assets		
Non-depreciable capital assets	19,891,168	15,620,272
Depreciable capital assets, net of accumulated depreciation	214,487,231	209,215,927
Total capital assets, net of accumulated depreciation	234,378,399	224,836,199
Other assets		
Prepaid pension obligation	41,484,454	36,084,752
Deferred financing costs, net	4,443,036	4,760,905
Deferred charge, interest rate swaps	34,779,242	17,125,718
Other long-term assets	7,018,147	8,066,217
Total other assets	87,724,879	66,037,592
Total assets	$ 909,908,901	$ 868,881,473

Continued

CAROMONT HEALTH, INC. AND AFFILIATES

Combined Balance Sheets, Continued

June 30, 2012 and 2011

Liabilities	**2012**	**2011**
Current liabilities		
Accounts payable	$ 18,050,390	$ 16,003,806
Accrued payroll and related liabilities	24,198,417	20,736,506
Estimated third-party payor settlements	39,274,173	32,804,817
Other accrued expenses	19,962,993	17,494,906
Current installments of long-term debt	6,735,000	6,541,792
Total current liabilities	108,220,973	93,581,827
Long-term debt, excluding current installments, net	200,729,861	206,790,309
Interest rate swaps	34,779,242	17,125,718
Other long-term liabilities	5,142,963	4,342,068
Total long-term liabilities	240,652,066	228,258,095
Total liabilities	348,873,039	321,839,922

Net Assets		
Invested in capital assets, net of related debt	31,356,574	16,267,874
Restricted		
For debt service	3	3
For specific operating purposes	5,106,950	4,229,401
Unrestricted	524,572,335	526,544,273
Total net assets	561,035,862	547,041,551
Total liabilities and net assets	$ 909,908,901	$ 868,881,473

The accompanying notes are an integral part of these combined financial statements

CAROMONT HEALTH, INC. AND AFFILIATES

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

Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues		
Net patient service revenue, net of provision for bad debts of approximately $50,496,000 in 2012 and $43,665,000 in 2011	$ 476,068,839	$ 464,219,933
Other operating revenue	12,661,178	7,503,543
Total operating revenues	488,730,017	471,723,476
Operating expenses		
Salaries and wages	215,059,006	201,460,827
Employee benefits	46,958,234	43,633,190
Fees	16,938,200	12,862,384
Supplies and drugs	86,495,279	86,959,362
Purchased services	48,782,291	50,750,685
Other	17,598,014	11,825,369
Interest expense	8,949,262	9,288,980
Depreciation and amortization	27,050,671	28,930,538
Total operating expenses	467,830,957	445,711,335
Income from operations	$ 20,899,060	$ 26,012,141

Continued

CAROMONT HEALTH, INC. AND AFFILIATES

Combined Statements of Revenues, Expenses, and Changes in Net Assets, Continued

Years Ended June 30, 2012 and 2011

	2012	2011
Income from operations	$ 20,899,060	$ 26,012,141
Nonoperating revenues (expenses)		
Realized gains on investments, interest and dividends, net	23,376,781	13,473,315
Unrealized gains (losses) on investments, net	(26,444,967)	58,731,029
Unrealized losses on interest rate swaps	(2,713,882)	(5,548,038)
Other nonoperating revenues (expenses)	(2,108,330)	758,542
Net nonoperating revenues (expenses)	(7,890,398)	67,414,848
Excess of revenues over expenses before capital grants, contributions and other	13,008,662	93,426,989
Capital grants, contributions and other	985,649	1,333,418
Increase in net assets	13,994,311	94,760,407
Net assets, beginning of year	547,041,551	452,281,144
Net assets, end of year	$ 561,035,862	$ 547,041,551

The accompanying notes are an integral part of these combined financial statements

CAROMONT HEALTH, INC. AND AFFILIATES

Combined Statements of Cash Flows

June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Receipts from and on behalf of patients	$ 478,440,194	$ 459,722,207
Payments to suppliers and contractors	(180,049,012)	(159,431,637)
Payments to employees for services	(263,154,137)	(262,673,111)
Other receipts from operations	12,924,173	7,622,843
Net cash provided by operating activities	48,161,218	45,240,302
Cash flows from noncapital financing activities		
Other	(2,108,330)	758,542
Cash flows from capital and related financing activities		
Bond issue costs, net	-	843,822
Bond proceeds, net	-	(994,102)
Principal paid on long-term debt	(6,540,000)	(6,350,000)
Proceeds from conversion of the Series 2008 bonds	-	106,460,000
Principal paid on conversion of the Series 2008 bonds	-	(106,460,000)
Proceeds from margin line	19,800,000	-
Principal paid on margin line	(19,800,000)	-
Proceeds from line of credit	-	6,000,000
Principal paid on line of credit	-	(6,000,000)
Principal paid on capital lease obligations	(1,792)	(21,502)
Capital grants, contributions, and other	985,649	1,333,418
Purchase of capital assets, net	(33,847,683)	(24,310,592)
Net cash used by capital and related financing activities	(39,403,826)	(29,498,956)
Cash flows from investing activities		
Investment income	23,376,781	13,473,315
Purchase of intangible asset	(1,057,134)	(121,129)
Change in other investments	29,398	(31,487)
Purchase of investments	(145,788,255)	(240,302,206)
Proceeds from sale of investments	150,786,158	196,338,730
Net cash provided (used) by investing activities	27,346,948	(30,642,777)
Net increase (decrease) in cash and cash equivalents	33,996,010	(14,142,889)
Cash and cash equivalents, beginning of year	1,412,181	15,555,070
Cash and cash equivalents, end of year	$ 35,408,191	$ 1,412,181

Continued

CAROMONT HEALTH, INC. AND AFFILIATES

Combined Statements of Cash Flows, Continued

June 30, 2012 and 2011

	2012	2011
Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	$ 20,899,060	$ 26,012,141
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation expense	26,569,986	28,479,162
Amortization expense	480,685	451,376
Amortization of advanced refunding	674,552	775,913
Loss on disposal of capital assets	262,995	119,300
Provision for bad debts	50,496,243	43,665,229
Changes in assets and liabilities		
Patient accounts receivable, net	(54,589,605)	(52,468,192)
Other current assets	(3,151,440)	(1,890,732)
Other assets	(6,200,596)	(10,889,672)
Accounts payable	(480,910)	2,963,942
Accrued payroll and other accrued expenses	5,929,998	2,628,459
Other liabilities	7,270,250	5,393,376
Net cash provided by operating activities	$ 48,161,218	$ 45,240,302
Supplemental schedule of noncash activities		
Interest cost capitalized	$ 681,211	$ 419,666
Unrealized gains (losses) on investments, net	$ (26,444,967)	$ 58,731,029
Unrealized losses on interest rate swaps	$ (2,713,882)	$ (5,548,038)
Capital asset additions included in accounts payable	$ 2,527,498	$ 1,915,379

The accompanying notes are an integral part of these combined financial statements

1 Description of Organization and Summary of Significant Accounting Policies

Organization – CaroMont Health, Inc and Affiliates (the "Parent") is a North Carolina nonprofit corporation and serves as the parent corporation for a health care delivery system currently composed of controlled affiliates which are providers of health care and ancillary services The Parent and its wholly-owned and controlled affiliates are referred to as the "System" The System serves the City of Gastonia, Gaston County and surrounding counties in North and South Carolina

The combined financial statements of CaroMont Health, Inc and Affiliates include the accounts of the Parent and its wholly-owned and controlled affiliates Gaston Memorial Hospital, Inc , ("Hospital"), CaroMont Health Services, Inc , ("CHS"), Gaston Memorial Hospital Foundation, Inc , ("Foundation"), CaroMont Medical Group, Inc , ("CMG"), Hospice of Gaston County, Inc , ("Hospice"), CaroMont Insurance Services, LTD, and CaroMont Occupational Medicine, LLC The Hospital is a North Carolina nonprofit corporation and operates a 435-bed acute care community hospital The Hospital generated approximately 84% and 85% of the System's total gross revenue in 2012 and 2011, respectively

Gaston County (the "County") has leased the buildings and surrounding land to the Parent and the Hospital for a nominal amount per year The current lease continues through April 29, 2035 and is thereafter automatically renewed for one-year terms until either party terminates the lease

The Parent is governed by a board of directors ("the Board") whose members are appointed by the Board of Commissioners of the County The Board appoints the board of directors of each of the affiliated entities Further, each affiliated entity is controlled by the Board and operates for the benefit of the community served by the System Accordingly, the affiliated entities are reported as blended component units of the Parent

Enterprise funds are used to account for the System's ongoing activities Significant intercompany accounts and transactions have been eliminated in the combination of these funds The proprietary fund method of accounting is used for the enterprise funds whereby revenue and expenses are recognized on the accrual basis

Basis of Presentation – The accompanying combined financial statements have been prepared in accordance with the principles contained in the Audit and Accounting Guide for Health Care Entities published by the American Institute of Certified Public Accountants ("AICPA") and all applicable governmental accounting standards

Accounting Standards – Pursuant to Governmental Accounting Standards Board ("GASB") Statement No 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the System will only recognize GASB statements as authoritative guidance Financial Accounting Standards Board ("FASB") statements, including those issued after November 30, 1989 and AICPA pronouncements will no longer be authoritative and may be used as non-authoritative guidance

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

Cash and Cash Equivalents – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less when purchased, excluding amounts whose use is limited by board designation or other arrangements under trust agreements or with donors

Deposits – All deposits of CaroMont Health, Inc and Affiliates are made in board-designated official depositories

The System maintains bank accounts at various financial institutions covered by the Federal Deposit Insurance Corporation ("FDIC") At various times throughout the year, the System may maintain bank account balances in excess of FDIC insured limits At June 30, 2012 and 2011, the System's deposits had a carrying amount of approximately $35,387,000 and $1,391,000, respectively, and a bank balance of approximately $40,684,000 and $5,225,000, respectively The System had cash on hand of approximately $21,000 at June 30, 2012 and 2011

Patient Accounts Receivable – Allowances for uncollectible accounts are computed based on statistical information from current and prior years' experience The System grants credit to patients without collateral, substantially all of whom are from the surrounding area

Inventories of Drugs and Supplies – Inventories of drugs and supplies are stated at the lower of cost (first-in, first-out method) or market Market is considered to be net realizable value

Assets Limited as to Use – Assets limited as to use include assets held by trustees under indenture agreements, assets given by donors for specific capital projects or scholarships, and assets set aside by the Board for future capital improvements

Investments in Debt and Equity Securities – Investments are stated at fair value, except for private equities which are stated at lower of cost or market Interest, dividends, gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenues when earned

Capital Assets – Capital asset acquisitions are recorded at cost Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method Equipment under capital lease obligations is amortized over the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment Such amortization is included in depreciation and amortization in the combined financial statements

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

Deferred financing costs are amortized over the period the obligation is outstanding The accumulated amortization at June 30, 2012 and 2011 was $2,041,350 and $1,723,481, respectively

Other Long-Term Assets – Other long-term assets include goodwill, investments in joint ventures, interest rate swaps held as investments, and other long-term assets Goodwill represents the costs of purchasing healthcare entities in excess of the book value of the assets acquired Such amounts are considered for impairment based on both qualitative and quantitative approaches as appropriate As of June 30, 2012 and 2011, goodwill has a carrying amount of $5,834,799 and $5,087,940, respectively No impairment was recorded in the year ended June 30, 2012 or 2011, respectively Investments in joint ventures are accounted for under either the cost or equity method in accordance with generally accepted accounting principles

Restricted Assets – Restricted assets of the System consist of cash and investments held for specific purposes as designated by donors of these assets Restricted gifts and other restricted resources are recorded as additions to the appropriate restricted fund

Net Assets – Net assets of the System are classified in three components *Net assets invested in capital assets, net of related debt* consists of capital assets (restricted and unrestricted), net of accumulated depreciation plus deferred financing costs net of accumulated amortization, and reduced by the outstanding borrowings attributable to the acquisition, construction, or improvement of these assets *Restricted net assets* are noncapital net assets that must be used for a particular purpose, as specified by grantors or contributors external to the System *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital, net of related debt* or *restricted*

Net Patient Service Revenue – Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered including estimated retroactive revenue adjustments due to future audits and reviews Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as adjustments become known or as years are no longer subject to such audits or reviews

Charity Care –The System adopted the Accounting Standard Update "Measuring Charity Care for Disclosure" in the current year The accounting standard update requires all entities to disclose the amount of charity care provided using a cost-based measurement basis The accounting standard update will have no effect on the amounts reported in the combined financial statements The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than their established rates The System does not pursue collection of amounts determined to qualify as charity care so they are not reported as net patient service revenue The amounts of direct and indirect costs foregone for services and supplies furnished under the System's charity care policy totaled approximately $19,435,000 and $16,877,000 for the years ended June 30, 2012 and 2011, respectively, and is based on a ratio of the System's total operating expenses to its gross patient charges

Operating Revenue and Expenses – The System's combined statements of revenues, expenses, and changes in net assets distinguish between operating and nonoperating revenues and expenses Operating revenues result from transactions associated with providing health care services, the System's principal activity Operating expenses are all expenses incurred to provide health care services, including interest expense

Grants and Contributions – From time to time, the System 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

Functional Expense Classification – Substantially all expenses in the accompanying combined statements of revenues, expenses and changes in net assets were incurred for or related to the provision of health care services by the System

Income Taxes – The System is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code The System has determined that it does not have any unrecognized tax benefits or obligations as of June 30, 2012 and 2011, respectively

Risk Management – The System 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, and employee health, dental, and accident benefits Commercial insurance coverage is purchased for claims arising from such matters Settled claims have not exceeded this commercial coverage in any of the preceding years

2 Net Patient Service Revenue

Under certain third-party payor arrangements, the System is reimbursed on predetermined or prospectively determined rates or cost reimbursement methodologies, which are generally less than the System's customary charges A summary of the payment arrangements with major third-party payors follows

Medicare - Inpatient acute-care services, outpatient services, and capital costs are paid at prospectively determined rates per discharge/service The System is reimbursed for Disproportionate Share and Medicare Bad Debts at a tentative rate with final settlement determined after submission of separate annual cost reports by the System and audits thereof by the Medicare fiscal intermediary The System's Medicare cost reports have been settled by the Medicare fiscal intermediary through the year ended June 30, 2007 Medicare net patient service revenue was approximately 33% and 34% of total net patient service revenue for the years ended June 30, 2012 and 2011, respectively

Medicaid – Acute inpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively determined rates per discharge or service Inpatient services provided on the psychiatric unit of the hospital are paid based on a per diem methodology Outpatient services rendered by the System are reimbursed under either a cost reimbursement or fee for service methodology The cost reimbursement methodology reimburses the System at a tentative rate with final settlement determined after submission and subsequent audit of the annual cost report The System's Medicaid cost reports have been settled by Medicaid through the year ended June 30, 2007 Medicaid net patient service revenue was approximately 9% of total net patient service revenue for the years ended June 30, 2012 and 2011

Other – The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations and Medicare managed care plans The bases for payments to the System under these agreements include prospectively determined rates per discharge, prospectively determined daily rates, prospectively determined rates per procedure, and discounts from established charges

During the year ended June 30, 2012, the System recognized changes in the prior-year third-party settlement estimates that resulted in increases in net patient service revenue of approximately $78,000 consisting of the final settlement of the 2011 Champus Cost Report During the year ended June 30, 2011, the System recognized changes in the prior-year third-party settlement estimates that resulted in increases in net patient service revenue of approximately $414,000 The changes recognized in 2011 consisted of the final settlement of the 2007 Medicaid Cost Report for $348,000 and the final settlement of the 2010 Champus Cost Report for $66,000 In the opinion of management, adequate provisions have been made for adjustments, if any, that may result from audits of the 2008 through 2012 unaudited cost reports

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation The System believes that it is in compliance with all applicable laws and regulations Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs Additionally, the Patient Protection and Affordable Care Act enacted in 2010 ("PPACA") includes a large number of health-related provisions taking effect over the next four years, including expanding Medicaid eligibility, subsidizing insurance premiums, prohibiting denial of coverage and claims based on pre-existing conditions, establishing health insurance exchanges, and cutting payments to the traditional Medicare and Medicare Advantage programs Regulations implementing most of these provisions are still being published As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term

Gross patient charges, contractual adjustments, charity care, provision for bad debts and net patient service revenue for years ended June 30, 2012 and 2011 is set forth in the following table

	2012	2011
Gross patient charges	$ 1,319,621,264	$ 1,236,794,969
Contractual adjustments	(738,235,793)	(682,078,046)
Charity care	(54,820,389)	(46,831,761)
Provision for bad debts	(50,496,243)	(43,665,229)
Net patient service revenue	$ 476,068,839	$ 464,219,933

HITECH Funding for Meaningful Use of Electronic Health Records ("EHR") - The System recognizes revenue for incentives earned under the Medicare and Medicaid programs in the period in which it is reasonably assured that it will comply with the applicable EHR meaningful use requirements Incentive revenues are recognized ratably over the applicable meaningful use demonstration period Incentive payments received under the Medicare program include a discharge-related portion, which is calculated by Centers for Medicare & Medicaid Services ("CMS") based on the Hospital's most recently filed cost report Such amounts are subject to adjustment at the time of settling the 12-month cost report for the Hospital's fiscal year that begins after the beginning of the payment year The System achieved compliance with the Year 1 meaningful use requirements under the Medicare program during fiscal year 2012 and, accordingly, recognized other revenues of $2,353,000 in the accompanying combined statement of revenues, expenses, and changes in net assets for the year ended June 30, 2012 The Hospital achieved compliance with the Year 1 meaningful use requirements under the Medicaid program during fiscal year 2012 and, accordingly, recognized other revenues of $1,230,000 in the accompanying combined statement of revenues, expenses, and changes in net assets for the year ended June 30, 2012

Medicaid Reimbursement Initiative – The Hospital participates in a voluntary Medicaid Reimbursement Initiative (the "Initiative") The Initiative allows the Hospital to receive additional annual Medicaid funding Initiative years run concurrent with the federal fiscal year, which is the period from October 1 through September 30 All Initiative payments have been approved by CMS and are subject to final settlement by the state of North Carolina Due to the fact the Initiative payments are subject to final settlement by the State of North Carolina, refunding of the amounts received may be required During the years ended June 30, 2012 and 2011, the System recognized approximately $14,424,000 and $14,238,000, respectively, of the amounts received each year under the Initiative as net patient service revenue In addition, the System recognized approximately $887,000 and $2,596,000 during the years ended June 30, 2012 and 2011, respectively, of net patient revenue related to payments received in federal fiscal years 2004 and 2003 which had been held in reserve During the years ended June 30, 2012 and 2011, the State of North Carolina made no settlements to the Initiative

In April 2012, CMS approved a North Carolina Medicaid Assessment Plan ("MAP") to reduce the gap between Medicaid/uninsured costs and payments retroactive to January 1, 2011 Hospitals that participate in the program pay an assessment fee and in turn receive a payment from the MAP The System paid approximately $5,179,000 and recognized approximately $11,185,000 for the year ended June 30, 2012 under the MAP program The net impact of approximately $6,006,000 is included in income from operations on the combined statement of revenues, expenses, and changes in net assets

Patient Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the System at June 30, 2012 and 2011 consisted of the following amounts

Patient Accounts Receivable	2012	2011
Receivable from patients	$ 29,600,054	$ 30,026,716
Receivable from third-party payors and other	29,132,593	27,217,070
Receivable from Medicare	14,528,004	14,400,155
Receivable from Medicaid	4,788,239	5,869,150
Total patient accounts receivable	78,048,890	77,513,091
Less allowance for uncollectible accounts	23,293,972	26,851,535
Net patient accounts receivable	$ 54,754,918	$ 50,661,556

Accounts Payable and Accrued Expenses		
Payable to suppliers	$ 33,263,640	$ 24,612,493
Payable to or on behalf of employees	28,948,160	29,622,725
Total accounts payable and accrued expenses	$ 62,211,800	$ 54,235,218

4 Investments

The comparison of investments at June 30, 2012 and 2011 is set forth in the following table Investments are stated at fair value

	2012	2011
Certificates of deposit	$ 4,323,456	$ 1,470,038
Cash	240,316	87,445
Investments	$ 4,563,772	$ 1,557,483

5. Assets Limited as to Use

The composition of assets limited as to use at June 30, 2012 and 2011 is set forth in the following table Investments are stated at fair value, except for private equities which are stated at lower of cost or market

	2012	2011
Held by trustee under indenture agreements		
Cash and investments	$ 3	$ 2,874
Internally designated		
Structured notes/bonds	$ 56,109,161	$ 63,011,903
Money market accounts	6,197,120	4,183,795
Common stocks	114,793,174	133,798,339
Bond and stock mutual funds	174,011,866	181,268,489
Private equities	16,430,982	13,042,487
Hedge funds (absolute return)	87,886,788	94,045,981
Stock and bond exchange traded funds	9,043,885	10,445,819
Total	$ 464,472,976	$ 499,796,813
Donor restricted		
Cash and investments	$ 5,106,950	$ 4,229,401

At June 30, 2012 and 2011, the System had structured notes/bonds with fixed maturity dates as follows

		Investment in Maturities (in Years)			
Investment Type	Carrying Amount	Less than 1	1 – 5	6 – 10	More than 10
June 30, 2012					
Structured notes/ bonds	$ 56,109,160	$ 3,053,190	$ 39,323,431	$ 12,768,223	$ 964,316
June 30, 2011					
Structured notes/ bonds	$ 63,011,903	$ 7,224,284	$ 39,915,908	$ 15,049,054	$ 822,657

Interest Rate Risk – As a means of limiting its exposure to fair value losses as a result of rising interest rates, the System generally invests in obligations with varying maturity dates

Credit Risk – The System's investment policy regarding credit risk does limit the System to certain investments

Concentration of Credit Risk – The System places limits on the amount it may invest in any one asset class At June 30, 2012 and 2011, the majority of the System's investments are held in common stocks and bond and stock mutual funds

6 Capital Assets

Capital asset additions, retirements, transfers, and balances for the years ended June 30, 2012 and 2011 are as follows

	Balance June 30, 2011	Additions	Transfers	Retirements	Balance June 30, 2012
Capital assets					
Non-depreciable capital assets					
Land	$ 3,778,313	$ -	$ 1,695,926	$ -	$ 5,474,239
Construction in progress	11,841,959	36,437,336	(33,862,366)	-	14,416,929
	15,620,272	36,437,336	(32,166,440)	-	19,891,168
Depreciable capital assets					
Land improvements	5,041,474	-	307,746	-	5,349,220
Buildings and improvements	289,187,879	-	7,490,226	5,424,717	291,253,388
Furniture and equipment	218,276,735	-	24,368,468	27,962,500	214,682,703
	512,506,088	-	32,166,440	33,387,217	511,285,311
Totals at historical costs	528,126,360	36,437,336	-	33,387,217	531,176,479
Less accumulated depreciation for					
Land improvements	4,820,919	66,500	-	-	4,887,419
Buildings and improvements	125,709,305	12,041,083	-	5,347,713	132,402,675
Furniture and equipment	172,759,937	14,462,403	-	27,714,354	159,507,986
Total accumulated depreciation	303,290,161	26,569,986	-	33,062,067	296,798,080
Capital assets, net	$ 224,836,199	$ 9,867,350	$ -	$ 325,150	$ 234,378,399

	Balance June 30, 2010	Additions	Transfers	Retirements	Balance June 30, 2011
Capital assets					
Non-depreciable capital assets					
Land	$ 1,904,508	$ -	$ 1,873,805	$ -	$ 3,778,313
Construction in progress	7,253,470	26,064,671	(21,476,182)	-	11,841,959
	9,157,978	26,064,671	(19,602,377)	-	15,620,272
Depreciable capital assets					
Land improvements	5,021,188	-	20,286	-	5,041,474
Buildings and improvements	282,459,518	-	7,816,748	1,088,387	289,187,879
Furniture and equipment	216,474,116	42,000	11,765,343	10,004,724	218,276,735
	503,954,822	42,000	19,602,377	11,093,111	512,506,088
Totals at historical costs	513,112,800	26,106,671	-	11,093,111	528,126,360
Less accumulated depreciation for					
Land improvements	4,665,926	154,993	-	-	4,820,919
Buildings and improvements	114,699,465	12,041,053	-	1,031,213	125,709,305
Furniture and equipment	166,401,228	16,283,116	-	9,924,407	172,759,937
Total accumulated depreciation	285,766,619	28,479,162	-	10,955,620	303,290,161
Capital assets, net	$ 227,346,181	$ (2,372,491)	$ -	$ 137,491	$ 224,836,199

Capital assets include the following amounts for equipment leases that have been capitalized

	2012	2011
Equipment	$ 1,602,738	$ 1,602,738
Less accumulated depreciation	1,602,738	1,600,946
	$ -	$ 1,792

As of June 30, 2012, the System has signed contracts for approximately $18,337,000 for various projects of which $5,609,000 remains unfulfilled The projects are expected to be completed at various times through fiscal year 2014 As of June 30, 2012, the System had approximately $2,528,000 accrued on the balance sheet related to construction projects

7 Long-Term Debt

A schedule of changes in the System's long-term debt for the years ended June 30, 2012 and 2011 follows

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Bonds and notes payable				
Bonds payable	$ 219,510,000	$ -	$ 6,540,000	$ 212,970,000
Margin line	-	19,800,000	19,800,000	-
Capital leases	1,792	-	1,792	-
Total debt	219,511,792	$ 19,800,000	$ 26,341,792	212,970,000
Add				
Premium	964,897			872,901
Less				
Unamortized loss on advance refunding	7,144,588			6,378,040
Current installments	6,541,792			6,735,000
Net total long-term debt	$ 206,790,309			$ 200,729,861

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Bonds and notes payable				
Bonds payable	$ 225,860,000	$ 106,460,000	$ 112,810,000	$ 219,510,000
Line of credit	-	6,000,000	6,000,000	-
Capital leases	23,294	-	21,502	1,792
Total debt	225,883,294	$ 112,460,000	$ 118,831,502	219,511,792
Add				
Premium	-			964,897
Less				
Unamortized loss on advance refunding	5,961,502			7,144,588
Current installments	6,371,502			6,541,792
Net total long-term debt	$ 213,550,290			$ 206,790,309

The Series 2003 and Series 2008 Bonds are payable from operating revenues of the Parent, the Hospital, and CHS (collectively the Obligated Group), as defined by the indenture

Series 2008

On January 31, 2008, The North Carolina Medical Care Commission issued $118,400,000 of Series 2008 Hospital Revenue Bonds ("Series 2008 Bonds") as variable rate bonds bearing interest determined weekly by a remarketing agent The Series 2008 Bonds mature February 15, 2035 The System used the proceeds from the bonds for various capital improvements, including, but not limited to, the renovation of certain floors of the patient tower, renovation of the day of surgery unit, installation of fire sprinklers in non-sprinkled areas, and the upgrade of life safety and critical power In addition, the Hospital used the proceeds to refund the aggregate principal amount of the Series 1995 Revenue Bonds in the amount of $41,210,000 and to refund the aggregate principal amount of the Series 1998 Revenue Bonds in the amount of $49,710,000 The refunding resulted in a difference between the reacquisition price and the net carrying amount of the Refunded 1995 and 1998 Bonds, including unamortized financing cost, of approximately $3,643,000 This difference, reported in the accompanying combined financial statements as a deduction from bonds payable, will be charged to interest expense through the year 2029 using the effective interest method Payment of the purchase price of any 2008 Bonds that are tendered for purchase and not timely remarketed, under certain circumstances and subject to certain conditions, will be made with money advanced under a Standby Bond Purchase Agreement, which had an initial expiration date of January 31, 2013 The Standby Bond Purchase Agreement does not secure the payment of principal or interest on the Bonds Scheduled payments of principal and interest on the Bonds are guaranteed under a financial guaranty insurance policy The policy guarantees only the payment when due of principal and interest on the Bonds and does not guaranty the purchase of any Bonds that an owner elects to tender for purchase

On September 1, 2010, the North Carolina Medical Care Commission converted the Series 2008 bonds with an aggregate balance of $106,460,000 to a fixed mode which bears interest at fixed rates ranging from 0 580% to 4 625% Interest is payable on February 15 and August 15 The Standby Bond Purchase Agreement was terminated simultaneously with the conversion of the bonds The financial guaranty insurance policy remains in place

Series 2003

On January 23, 2003, The North Carolina Medical Care Commission issued $120,000,000 of Series 2003 Hospital Revenue Bonds ("Series 2003 Bonds") The Series 2003 Bonds mature August 15, 2034 The System used the proceeds from these bonds for various capital improvements, including, but not limited to, a new women's center and parking deck, renovations to existing facilities, and equipment In addition, proceeds were used to refund in advance of their maturities $17,000,000 in principal amount of the Series 1998 Hospital Revenue Bonds (Refunded 1998 Bonds) The 2003 Bonds were issued in a weekly rate period in the R-FLOATS mode and bear an interest rate at the applicable percentage of the BMA Municipal Swap Index The scheduled payment of principal and interest on the Bonds is guaranteed under a financial guaranty insurance policy

On May 9, 2006, all of the outstanding Series 2003 bonds ($119,800,000) were converted from the weekly rate period in the R-FLOATS mode to the short term auction rate period in a seven-day mode The bonds were subject to mandatory tender for purchase on the auction rate conversion date at a purchase price equal to 100% of the principal amount of tendered bonds plus interest accrued and unpaid The 2003 Bonds were not supported by a letter of credit, standby bond purchase agreement, or any other liquidity facility

On June 27, 2008, the North Carolina Medical Care Commission converted $119,600,000, the full outstanding amount of Series 2003 Hospital Revenue Bonds, to variable rate bonds bearing interest determined weekly by a remarketing agent and paid monthly Payment of principal and interest is secured by a single, irrevocable, direct-pay letter of credit The letter of credit will expire on September 30, 2013 The financial guaranty insurance policy issued when the Series 2003 Bonds were originally issued remains in place

Subsequent to fiscal year end, on July 25, 2012, the System entered into a transaction to substitute the direct pay letter of credit on all of the outstanding Series 2003 bonds ($119,200,000) with two letters of credit, one to support the Subseries A Bonds and one to support the Subseries B bonds The letters of credit will expire on July 25, 2015 The financial guaranty policy issued when the Series 2003 Bonds were originally issued remains in place

Derivative Instruments

The System entered into two interest rate swap agreements for a portion of the Series 2008 Bonds As of June 30, 2012 and 2011, respectively, the first swap transaction has a notional amount equal to $26,595,000 and $29,960,000, requires the System to pay a fixed rate of 3 06% and the counterparty to pay 67% of the one-month London Inter-bank Offered Rate ("LIBOR") As of June 30, 2012 and 2011, respectively, the second swap transaction has a notional amount equal to $37,175,000 and $40,250,000, and requires the System to pay a fixed rate of 3 221% and the counterparty to pay 67% of the one-month LIBOR

The 2008 swap transactions were entered into on March 1, 2008 and are scheduled to terminate on February 15, 2019 and February 15, 2029, respectively With the conversion of the Series 2008 Bonds to fixed interest rates, a new agreement was signed that requires the Obligated Group to terminate the swap within seven years, or earlier if the value of either swap transaction turns positive Only the net difference in interest payments is actually exchanged with the counterparty Management has not entered into interest rate swaps associated with the remaining amount of the Series 2008 bonds

The swap arrangements qualified as an effective interest rate hedge However, with the conversion of the Series 2008 Bonds to fixed interest rates, the swap no longer hedges the bonds, and as such, the related amount payable to the counterparty is included in other long-term assets on the combined balance sheets The fair value of the swap at June 30, 2012 and 2011 was a liability of approximately $8,262,000 and $5,548,000, respectively The counterparty is Aa3 rated by Moody's and AAA rated by Standard and Poor's

The System entered into two interest rate swap agreements for the entire Series 2003 revenue bonds The swap agreements have a combined notional amount equal to $119,200,000 and $119,300,000 as of June 30, 2012 and 2011, respectively, and both terminate on August 15, 2034 Based on the swap agreements, the System owes interest calculated at a fixed rate of 3 62% to the counterparty to the swaps In return, the counterparty owes the System interest based on 67% of one-month LIBOR Only the net difference in interest payments is actually exchanged with the counterparty

The swap arrangements qualified as an effective interest rate hedge at June 30, 2012 and at June 30, 2011 The fair value of the swaps at June 30, 2012 and 2011 was a liability of approximately $34,779,000 and $17,126,000, respectively The related amount payable to the counterparty is included in long-term liabilities along with the proper offsetting deferred charge included in other assets on the combined balance sheets The counterparty is Baa2 rated by Moody's and A- rated by Standard and Poor's

Basis Risk - The System is exposed to basis risk on its interest rate swaps Basis risk is the difference between the interest rates on the underlying bonds and 67% of one-month LIBOR The System pays variable interest rates on its underlying bonds and receives 67% of one-month LIBOR on the swap, both short-term variable rates

Termination Risk - The System or its counterparty may terminate a derivative instrument if the other party fails to perform under the terms of the contract If, at the time of termination, a hedging derivative instrument is in a liability position, the System would be liable to the counterparty for a payment equal to the liability

Bond Covenants

Articles III and IV of the Master Trust Indentures and Articles IV, V, and VI of the Loan Agreements relating to the Series 2003 and Series 2008 bonds contain certain restrictive covenants including, but not limited to, the maintenance of a certain long-term debt service coverage ratio, as defined In addition, the covenants impose limitations on the selling, leasing or conveying of substantial properties and on incurring any encumbrances, and prohibit establishing a security interest, pledge, or lien against any assets without the permission of the lenders

The System continues to pay interest to the bondholders at the variable rates and fixed rates provided by the bonds However, during the terms of the swap agreements, the System effectively pays a fixed rate on the Series 2003 Bonds The debt service requirements to maturity for the portion of the bonds that are swapped are based on the fixed rate of 3 62% and is included in the debt service table that follows The System will be exposed to additional variable rates if the counterparty to the swap defaults or if the swap is terminated A termination of the swap agreement may also result in the System making or receiving a termination payment

Future principal and interest payments under the Obligated Group's bonds payable agreements are

Year ending June 30	Principal Payments	Interest Payments	Total Debt Service
2013	$ 6,735,000	$ 8,180,104	$ 14,915,104
2014	6,255,000	7,904,993	14,159,993
2015	6,450,000	7,587,972	14,037,972
2016	6,650,000	7,388,023	14,038,023
2017	6,860,000	7,149,140	14,009,140
2018 – 2022	38,630,000	31,264,392	69,894,392
2023 – 2027	47,765,000	22,547,750	70,312,750
2028 – 2032	55,825,000	12,716,412	68,541,412
2033 – 2035	37,800,000	2,170,447	39,970,447
	$ 212,970,000	$ 106,909,233	$ 319,879,233

Total interest expense for the years ended June 30, 2012 and 2011 was approximately $8,949,000 and $9,289,000, respectively Total interest paid for the years ended June 30, 2012 and 2011 was approximately $8,956,000 and $7,661,000, respectively Interest costs capitalized for the years ended June 30, 2012 and 2011 were approximately $681,000 and $420,000, respectively

The System has a line of credit of $7,500,000 with interest at 1 25% above the LIBOR daily floating rate The line of credit is unsecured The line of credit expires July 15, 2013

The System has a margin line with the trustee of their investment portfolio with interest at 0 75% above the monthly LIBOR rate The margin line is secured by the investment portfolio The maximum amount available varies depending on the value of the liquid assets in the portfolio

8 Leases

The System leases various equipment and facilities under operating leases expiring at various dates through 2027 Rent expense under these leases totaled approximately $10,327,000 and $10,005,000 for the years ended June 30, 2012 and 2011, respectively

Minimum annual lease payments for years subsequent to June 30, 2012 are as follows

Fiscal Year Ending	
2013	$ 6,384,113
2014	5,803,008
2015	4,790,223
2016	3,425,816
2017	3,280,413
2018-2022	12,152,495
2023-2027	3,380,338
	$ 39,216,406

9 Professional Liability Coverage

The System is involved in litigation in the ordinary course of business related to professional liability claims Management and counsel for the System believe all claims will be settled within the limits of insurance coverage Prior to February 1, 2011, the System's medical malpractice coverage was on a claims-made basis with insurance limits of $1,000,000 per occurrence and $3,000,000 in the aggregate On February 1, 2011, the Parent formed a captive insurance company for the primary layer of general and professional liability insurance After February 1, 2011, the System's medical malpractice coverage is on a claims-made basis with insurance limits of $2,000,000 per occurrence and $6,000,000 in the aggregate

10 Pension Plan

Pension Plan Description

The Plan is a single-employer defined benefit pension plan, which provides for retirement, death, and disability benefits to plan participants and beneficiaries The Parent reserves the right to amend the Plan at any time Generally, the Pension Benefit Guaranty Corporation reserves the right to terminate the Plan if the System fails to meet the minimum funding standards, or is unable to pay benefits when due If the Plan is terminated, the plan assets will be distributed among the plan participants based upon a priority allocation procedure The System shall be liable for any unfunded vested benefits to the extent required by law The plan was modified in the plan year ending December 31, 2005 to not allow new employees hired after January 1, 2005 to participate in the Plan The Plan issues a stand-alone financial report which can be obtained upon request from the Parent The plan year is from January 1 to December 31 and actuarial assumptions and other information is presented based on plan years ending December 31, 2011 and 2010

Funding Policy

The contributions of the System to the Plan meet the ERISA minimum funding requirements The entire cost of the Plan is borne by the System Plan members are not required to contribute to the Plan The System contributes at an actuarially determined rate The System contributed approximately $9,503,000 and $14,073,000 to the Plan for the System's fiscal years ending June 30, 2012 and 2011, respectively

	2012	2011
Actuarial value of plan assets	$ 115,660,238	$ 102,661,798
Accumulated benefit obligation for service	110,652,953	103,579,319
Funded status of the plan	$ 5,007,285	$ (917,521)

Annual Pension Cost and Net Prepaid Pension Obligation

The System's annual pension cost and net prepaid pension obligation to the Plan for the System's fiscal years ended June 30, 2012 and 2011 were as follows

	2012	2011
Annual required contribution	$ (3,721,000)	$ (4,077,000)
Interest on net pension obligation	2,526,000	1,846,000
Adjustment to annual required contribution	(2,908,000)	(2,125,000)
Annual pension cost	(4,103,000)	(4,356,000)
Contributions made	9,503,000	14,073,000
Increase in net prepaid pension obligation	5,400,000	9,717,000
Net prepaid pension obligation beginning of year	36,085,000	26,368,000
Net prepaid pension obligation end of year	$ 41,485,000	$ 36,085,000

The annual required contribution for the current year was determined as part of the January 1, 2011 actuarial valuation using the projected unit credit actuarial cost method The actuarial assumptions included (a) 7% investment rate of return, (b) 3 0% inflation rate and (c) projected salary increases of 3% through 2012 and then 4% annually thereafter The Projected Unit Credit cost method is used to determine the actuarial value of assets as part of the funding method The unfunded actuarial accrued liability is being amortized over an open 30 year period

Other Benefits

The System also has a retirement savings plan under Section 403(b) of the Internal Revenue Code which is available to all employees of the System Employee contributions are made through payroll deductions authorized by the employee Employer matching contributions are made for eligible employee contributions 100% of the first 3% contributed, and is based upon the employee's annual compensation Additionally, employees hired after January 1, 2005 receive a non-elective contribution of 1% of the employee's annual compensation System contributions to the plan expensed during the years ended June 30, 2012 and 2011 were approximately $4,343,000 and $4,504,000, respectively

11 Medical Benefit

The System is self-insured for amounts up to a specified level for health and medical benefits for its employees The estimated health and medical benefits 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 medical programs comprising the Plan include medical, dental, vision, stop loss, and prescription drug programs The System paid approximately $22,693,000 and $20,296,000, respectively, in claims and expenses for the Plan for the years ended June 30, 2012 and 2011 As of June 30, 2012 and 2011, the System had recorded a liability of approximately $4,098,000 and $3,677,000, respectively, related to claims incurred but not reported This is included in other accrued expenses on the combined balance sheet

12 Restricted Net Assets

Restricted net assets excluding amounts restricted for debt service, are available for the following purposes at June 30, 2012 and 2011

	2012	2011
Hospice Capital Campaign	$ 2,477,161	$ 1,491,511
Scholarship funds	2,621,640	2,730,891
Cancer Foundation	8,149	6,999
	$ 5,106,950	$ 4,229,401

13 Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date When determining the fair value measurements for assets and liabilities, the System considers the principal or most advantageous market in which those assets or liabilities are sold and considers assumptions that market participants would use when pricing those assets or liabilities Fair values determined using level 1 inputs rely on active and observable markets to price identical assets or liabilities In situations where identical assets and liabilities are not traded in active markets, fair values may be determined based on level 2 inputs, which

exist when observable data exists for similar assets and liabilities Fair values for assets and liabilities that are not actively traded in observable markets which are considered unobservable and hedge fund investments with redemption restrictions greater than 90 days are based on level 3 inputs

Among the System's assets and liabilities, various investments and interest rate swaps were reported at their fair values on a recurring basis

For assets and liabilities carried at fair value, the following table provides fair value information as of June 30, 2012 and 2011

		Fair value measurements at June 30, 2012 using		
	Fair value at June 30, 2012	Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Assets measured at fair value				
Money market accounts	$ 6,197,077	$ 6,197,077	$ -	$ -
Common stocks				
Large Cap Growth	43,374,185	43,374,185	-	-
Large Cap Value	52,661,106	52,661,106	-	-
Small/Mid Cap Growth	12,809,227	12,809,227	-	-
Small/Mid Cap Value	12,899,323	12,899,323	-	-
Bond and stock mutual funds				
International – equity	43,047,846	43,047,846	-	-
International – fixed	17,950,933	17,950,933	-	-
U S – fixed	98,178,012	98,178,012	-	-
All asset strategy	10,499,819	10,499,819	-	-
Structured notes				
TIPS	8,126,979	8,126,979	-	-
Equity linked notes	32,039,166	32,039,166	-	-
Commodity linked notes	15,943,016	15,943,016	-	-
Stock and bond exchange traded funds				
Large Growth	9,043,885	9,043,885	-	-
Hedge funds (absolute return)	87,886,788	-	70,790,780	17,096,008
Total assets at fair value	$ 450,657,362	$ 362,770,574	$ 70,790,780	$ 17,096,008
Liabilities measured at fair value				
Interest rate swaps	$ 43,041,162	$ -	$ 43,041,162	$ -

Assets limited as to use, described in Note 5, are held at fair value and included in the table above except private equities totaling $16,430,982 which are held at the lower of cost or market and cash and cash equivalents totaling $2,491,585 Also not included in this table above are investments, described in Note 4, totaling $4,563,772, which is comprised of certificates of deposit and cash

		Fair value measurements at June 30, 2011 using		
	Fair value at June 30, 2011	Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Assets measured at fair value				
Money market accounts	$ 4,183,742	$ 4,183,742	$ -	$ -
Common stocks				
All Cap Growth	18,817,834	18,817,834	-	-
Large Cap Growth	29,480,946	29,480,946	-	-
Large Cap Value	56,813,613	56,813,613	-	-
Small/Mid Cap Growth	14,572,243	14,572,243	-	-
Small/Mid Cap Value	14,701,090	14,701,090	-	-
Bond and stock mutual funds				
International – equity	48,720,939	48,720,939	-	-
International – fixed	18,766,986	18,766,986	-	-
U S – fixed	103,847,983	103,847,983	-	-
All asset strategy	10,660,282	10,660,282	-	-
Structured notes				
TIPS	7,831,303	7,831,303	-	-
Equity linked notes	32,626,868	32,626,868	-	-
Commodity linked notes	23,055,504	23,055,504	-	-
Stock and bond exchange traded funds				
Large Growth	9,858,433	9,858,433	-	-
Hedge funds (absolute return)	94,045,981	-	73,951,382	20,094,599
Total assets at fair value	$ 487,983,747	$ 393,937,766	$ 73,951,382	$ 20,094,599
Liabilities measured at fair value				
Interest rate swaps	$ 22,673,756	$ -	$ 22,673,756	$ -

Assets limited as to use, described in Note 5, are held at fair value and included in the table above except private equities totaling $13,042,487 which are held at the lower of cost or market and cash and cash equivalents totaling $3,002,854 Also not included in this table above are investments, described in Note 4, totaling $1,557,483, which is comprised of certificates of deposit and cash

The table below sets forth a summary of changes in the fair value of the System's level 3 assets for the year ended

	Level 3 Assets	
	Year Ended June 30, 2012	Year Ended June 30, 2011
Balance, beginning of year	$ 20,094,599	$ 2,863,453
Unrealized gains (losses)	(981,360)	1,194,256
Purchases	630,000	17,644,000
Sales	(2,647,231)	(1,607,110)
Balance, end of year	$ 17,096,008	$ 20,094,599

Prices for all money market accounts, common stocks, bond and stock mutual funds, structured notes, and stock and bond exchange traded funds are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1 investments Prices for hedge fund investments with redemption restrictions less than 90 days are not readily available in active markets, but are determined based on observable data for similar assets and liabilities and are categorized as Level 2 investments Hedge funds with redemption restrictions of greater than 90 days are considered to be observable, but the redemption restriction affects the estimate of the exit price of the hedge fund investments, thus the investments are categorized as Level 3 investments

Multi Strategy Hedge Funds	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
AllBlue Limited	$ 13,797,573	$ -	Quarterly	33 days
Rohatyn Group Global Opportunity	$ 380,326	$ -	Quarterly	33 days
Arden Alternative Advisors	$ 12,070,165	$ -	Quarterly	65 days
Paloma International Limited	$ 13,532,216	$ -	Quarterly	65 days
Prisma Spectrum [1]	$ 14,202,707	$ -	Quarterly	65 days[1]
Titan Masters International	$ 16,807,793	$ -	Quarterly	65 days
Aurora Offshore Fund II	$ 16,254,723	$ -	Quarterly	95 days
Selectinvest Multi Strategy [2]	$ 841,285	$ -	Quarterly	95 days[2]

1 With respect to Prisma Spectrum, there is a one year "soft" lock-up as to redemptions which run from the investment date of the various investments in Prisma Spectrum This "soft" lock-up means that for one year from each investment date, a 5% fee will be charged by Prisma Spectrum for redemption of those funds Within one year prior to June 30, 2012, the System made $600,000 investments in Prisma Spectrum

2 With respect to the System's investment in Selectinvest Multistrategy, the System gave notice of redemption of its full investment March 31, 2009 Selectinvest Multistrategy instituted certain gates, and encountered certain gates from its underlying funds, with respect to redemptions, and as of June 30, 2012, the System has received $7,875,642 in redemption proceeds Selectinvest Multistrategy has informed the System that the remainder of its redemption is likely to be paid to over the next one to three years

Under the terms of the existing interest rate swap agreements, the System pays a fixed payment to the counterparty in exchange for receipt of a variable payment that is determined based on the 1-month LIBOR rate The fair value of the interest rate swaps are therefore based on the projected LIBOR rates for the duration of the swap, values that, while observable in the market, are subject to adjustment due to pricing considerations for the specific instrument and the resulting fair values are shown in the "Level 2 input" column

14 Subsequent Events

Subsequent events have been evaluated through September 11, 2012, which is the date the combined financial statements were available to be issued

CAROMONT HEALTH, INC. AND AFFILIATES

Employees' Pension Plan Required Supplementary Information

Schedule of Funding Progress
(in $000's)

Actuarial Valuation Date	Plan Assets at Fair Value (a)	Accrued Liability (b)	(Funded Asset)/ Unfunded Liability (b) - (a)	Funded Ratio (a) / (b)	Payroll (c)	Unfunded % Payroll ((b) - (a)) / (c)
01/01/95	$ 26,613	$ 26,859	$ 246	99.1%	$ 51,924	0.5%
01/01/96	33,583	30,502	(3,081)	110.1%	55,886	-5.5%
01/01/97	36,985	34,846	(2,139)	106.1%	60,538	-3.5%
01/01/98	41,675	36,900	(4,775)	112.9%	63,207	-7.6%
01/01/99	45,254	40,590	(4,664)	111.5%	65,466	-7.1%
01/01/00	47,177	45,662	(1,515)	103.3%	68,890	-2.2%
01/01/01	61,151	52,123	(9,028)	117.3%	70,892	-12.7%
01/01/02	64,308	54,748	(9,560)	117.5%	79,016	-12.1%
01/01/03	61,243	61,363	120	99.8%	90,836	0.1%
01/01/04	66,089	68,268	2,179	96.8%	107,632	2.0%
01/01/05	69,634	64,422	(5,212)	108.1%	119,978	-4.3%
01/01/06	72,611	67,406	(5,205)	107.7%	119,240	-4.4%
01/01/07	77,095	72,495	(4,600)	106.3%	115,214	-4.0%
01/01/08	93,849	80,230	(13,619)	117.0%	110,532	-12.3%
01/01/09	88,764	83,151	(5,613)	106.8%	105,501	-5.3%
01/01/10	102,662	103,579	917	99.1%	100,480	0.9%
01/01/11	115,660	110,653	(5,007)	104.5%	99,521	-5.0%

NOTES TO THE REQUIRED SCHEDULE

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2011
Actuarial cost method	Projected unit credit
Amortization method	Rolling 30 year period
Remaining amortization period	29 years
Asset valuation method	Five-year smoothing method
Actuarial assumptions	
Investment rate of return *	7.0%
Projected salary increases *	3% through 2012; 4.0% thereafter
* Includes inflation at	3.0%
Cost of living adjustments	N/A

See Independent Auditors' Report

CaroMont Health, Inc. and Affiliates

Balance Sheet Information of Obligated Group

June 30, 2012 and 2011

Assets	2012	2011
Current assets		
Cash and cash equivalents	$ 34,570,502	$ 1,921,713
Patient accounts receivable, net of allowance for uncollectible accounts	46,217,548	44,314,574
Other accounts receivable, net	6,092,864	3,785,802
Inventories of drugs and supplies	6,427,281	6,565,593
Prepaid expenses	9,982,612	8,292,055
Total current assets	103,290,807	64,879,737
Assets limited as to use		
Internally designated	377,665,712	395,550,300
Held by trustee	3	2,874
Donor restricted	8,149	395,179
Total assets limited as to use	377,673,864	395,948,353
Capital assets		
Non-depreciable capital assets	19,541,141	14,553,448
Depreciable capital assets, net of accumulated depreciation	202,617,701	198,817,029
Total capital assets, net of accumulated depreciation	222,158,842	213,370,477
Other assets		
Prepaid pension obligation	41,484,454	36,084,752
Deferred financing costs, net	4,443,036	4,760,905
Deferred charge, interest rate swaps	34,779,242	17,125,718
Other long-term assets	3,625,210	5,393,193
Total other assets	84,331,942	63,364,568
Total assets	$ 787,455,455	$ 737,563,135

Continued

CaroMont Health, Inc. and Affiliates

Balance Sheet Information of Obligated Group, Continued

June 30, 2012 and 2011

Liabilities	**2012**	**2011**
Current liabilities		
Accounts payable	$ 14,707,121	$ 14,292,804
Accrued payroll and related liabilities	18,046,413	16,466,753
Estimated third-party payor settlements	39,145,470	32,804,817
Other accrued expenses	16,031,816	16,369,892
Current installments of long-term debt	6,735,000	6,541,792
Total current liabilities	94,665,820	86,476,058
Long-term debt, excluding current installments, net	200,729,861	206,790,309
Interest rate swaps	34,779,242	17,125,718
Other long-term liabilities	5,142,963	4,342,068
Total long-term liabilities	240,652,066	228,258,095
Total liabilities	335,317,886	314,734,153
Net Assets		
Invested in capital assets, net of related debt	19,137,017	4,802,152
Restricted		
For debt service	3	3
For specific operating purposes	8,149	395,179
Unrestricted	432,992,400	417,631,648
Total net assets	452,137,569	422,828,982
Total liabilities and net assets	$ 787,455,455	$ 737,563,135

See Independent Auditors' Report

CaroMont Health, Inc. and Affiliates

Statement of Revenues, Expenses and Changes in Net Assets

Information of Obligated Group

Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues		
Net patient service revenue, net of provision for bad debts of approximately $46,504,000 in 2012 and $40,161,000 in 2011	$ 379,815,370	$ 372,466,068
Other operating revenue	11,252,716	6,618,243
Total operating revenues	391,068,086	379,084,311
Operating expenses		
Salaries and wages	140,986,250	135,516,131
Employee benefits	35,050,041	32,173,243
Fees	17,169,391	17,384,037
Supplies and drugs	75,590,362	75,395,396
Purchased services	38,220,188	40,529,045
Other	11,993,334	6,389,690
Interest expense	8,949,262	9,288,940
Depreciation and amortization	25,275,156	27,499,322
Total operating expenses	353,233,984	344,175,804
Income from operations	$ 37,834,102	$ 34,908,507

Continued

CaroMont Health, Inc. and Affiliates

Statement of Revenues, Expenses and Changes in Net Assets

Information of Obligated Group, Continued

Years Ended June 30, 2012 and 2011

	2012	2011
Income from operations	$ 37,834,102	$ 34,908,507
Nonoperating revenues (expenses)		
Realized gains on investments, interest and dividends, net	18,602,364	9,666,866
Unrealized gains (losses) on investments, net	(22,478,540)	45,995,164
Unrealized losses on interest rate swaps	(2,713,882)	(5,548,038)
Other nonoperating expenses	(1,540,224)	(2,308,434)
Net nonoperating revenues (expenses)	(8,130,282)	47,805,558
Excess of revenues over expenses	29,703,820	82,714,065
Equity transfer to affiliates	(395,233)	(5,583)
Increase in net assets	$ 29,308,587	$ 82,708,482

See Independent Auditors' Report

CaroMont Health, Inc. and Affiliates

Combining Balance Sheet Information

June 30, 2012

Assets	Combined	Eliminations	CaroMont Health, Inc.
Current assets			
Cash and cash equivalents	$ 35,408,191	$ -	$ 34,571,480
Investments	4,563,772	-	-
Patient accounts receivable, net of allowance for uncollectible accounts	54,754,918	-	-
Other accounts receivable, net	5,958,136	(2,738,043)	60,474
Inventories of drugs and supplies	7,225,534	-	-
Prepaid expenses	10,315,143	-	-
Total current assets	118,225,694	(2,738,043)	34,631,954
Assets limited as to use			
Internally designated	464,472,976	-	377,665,712
Held by trustee	3	-	-
Donor restricted	5,106,950	-	-
Total assets limited as to use	469,579,929	-	377,665,712
Capital assets			
Non-depreciable capital assets	19,891,168	-	4,855,083
Depreciable capital assets, net of accumulated depreciation	214,487,231	-	-
Total capital assets, net of accumulated depreciation	234,378,399	-	4,855,083
Other assets			
Prepaid pension obligation	41,484,454	-	-
Deferred financing costs, net	4,443,036	-	-
Deferred charge, interest rate swaps	34,779,242	-	-
Other long-term assets	7,018,147	(550,000)	(6,833,597)
Total other assets	87,724,879	(550,000)	(6,833,597)
Total assets	$ 909,908,901	$ (3,288,043)	$ 410,319,152

See Independent Auditors' Report

Gaston Memorial Hospital, Inc.	Gaston Memorial Hospital Foundation, Inc.	Combined CaroMont Health Services, Inc.	Combined CaroMont Medical Group, Inc.	Hospice of Gaston County, Inc.	CaroMont Occupational Medicine, LLC	CaroMont Insurance Services, Ltd
$ (4.751)	$ 469.425	$ 3.773	$ 367.764	$ 500	$ -	$ -
-	-	-	-	-	-	4.563.772
45.721.542	-	496.006	7.399.853	1.034.314	103.203	-
5.960.146	-	72.244	132.848	10.645	790	2.459.032
6.266.708	-	160.573	788.170	-	10.083	-
9.982.612	-	-	316.003	-	2.896	13.632
67.926.257	469.425	732.596	9.004.638	1.045.459	116.972	7.036.436
-	12.849.220	-	63.847.998	10.110.046	-	-
3	-	-	-	-	-	-
8.149	2.621.640	-	-	2.477.161	-	-
8.152	15.470.860	-	63.847.998	12.587.207	-	-
14.686.058	-	-	99.589	250.438	-	-
188.831.103	-	13.786.598	6.433.459	5.415.274	20.797	-
203.517.161	-	13.786.598	6.533.048	5.665.712	20.797	-
41.484.454	-	-	-	-	-	-
4.443.036	-	-	-	-	-	-
34.779.242	-	-	-	-	-	-
7.893.807	-	2.565.000	3.942.937	-	-	-
88.600.539	-	2.565.000	3.942.937	-	-	-
$ 360.052.109	$ 15.940.285	$ 17.084.194	$ 83.328.621	$ 19.298.378	$ 137.769	$ 7.036.436

Continued

CaroMont Health, Inc. and Affiliates

Combining Balance Sheet Information, Continued

June 30, 2012

	Combined	Eliminations	CaroMont Health, Inc.
Liabilities			
Current liabilities			
Accounts payable	$ 18,050,390	$ (32,181)	$ -
Accrued payroll and related liabilities	24,198,417	-	8,413,009
Estimated third-party payor settlements	39,274,173	-	-
Other accrued expenses	19,962,993	(2,705,862)	-
Current installments of long-term debt	6,735,000	-	-
Total current liabilities	108,220,973	(2,738,043)	8,413,009
Long-term debt, excluding current installments, net	200,729,861	-	-
Interest rate swaps	34,779,242	-	-
Other long-term liabilities	5,142,963	-	-
Total long-term liabilities	240,652,066	-	-
Total liabilities	348,873,039	(2,738,043)	8,413,009
Net Assets			
Invested in capital assets, net of related debt	31,356,574	-	4,855,083
Restricted			
For debt service	3	-	-
For specific operating purposes	5,106,950	-	-
Unrestricted	524,572,335	(550,000)	397,051,060
Total net assets	561,035,862	(550,000)	401,906,143
Total liabilities and net assets	$ 909,908,901	$ (3,288,043)	$ 410,319,152

See Independent Auditors' Report

Gaston Memorial Hospital, Inc.	Gaston Memorial Hospital Foundation, Inc.	Combined CaroMont Health Services, Inc.	Combined CaroMont Medical Group, Inc.	Hospice of Gaston County, Inc.	CaroMont Occupational Medicine, LLC	CaroMont Insurance Services, Ltd.
$ 14,446,933	$ -	$ 260,188	$ 2,963,756	$ 356,007	$ 6,800	$ 48,887
9,392,556	-	240,848	5,861,965	251,848	38,191	-
39,145,470	-	-	128,703	-	-	-
16,031,816	-	-	116,584	-	-	6,520,455
6,735,000	-	-	-	-	-	-
85,751,775	-	501,036	9,071,008	607,855	44,991	6,569,342
200,729,861	-	-	-	-	-	-
34,779,242	-	-	-	-	-	-
5,142,963	-	-	-	-	-	-
240,652,066	-	-	-	-	-	-
326,403,841	-	501,036	9,071,008	607,855	44,991	6,569,342
495,336	-	13,786,598	6,533,048	5,665,712	20,797	-
3	-	-	-	-	-	-
8,149	2,621,640	-	-	2,477,161	-	-
33,144,780	13,318,645	2,796,560	67,724,565	10,547,650	71,981	467,094
33,648,268	15,940,285	16,583,158	74,257,613	18,690,523	92,778	467,094
$ 360,052,109	$ 15,940,285	$ 17,084,194	$ 83,328,621	$ 19,298,378	$ 137,769	$ 7,036,436

CaroMont Health, Inc. and Affiliates

Combining Statement of Revenues, Expenses and Changes in Net Assets Information

Year Ended June 30, 2012

	Combined	Eliminations	CaroMont Health, Inc.
Operating revenues			
Gross patient service revenue			
Routine services	$ 140,297,919	$ -	$ -
Special services	427,825,472	-	-
Outpatient services	751,497,873	(190,740)	-
	1,319,621,264	(190,740)	-
Less deductions from revenue			
Contractual adjustments	738,235,793	-	-
Charity care	54,820,389	-	-
Provision for bad debts	50,496,243	-	-
	843,552,425	-	-
Net patient service revenue	476,068,839	(190,740)	-
Other operating revenue (expense)	12,661,178	(3,687,600)	211,971
Total operating revenue (expense)	488,730,017	(3,878,340)	211,971
Operating expenses			
Salaries and wages	215,059,006	-	-
Employee benefits	46,958,234	-	-
Fees	16,938,200	(317,886)	-
Supplies and drugs	86,495,279	(34,615)	-
Purchased services	48,782,291	(265,908)	-
Other	17,598,014	(3,197,589)	-
Interest expense	8,949,262	-	27,459
Depreciation and amortization	27,050,671	-	-
Total operating expenses	467,830,957	(3,815,998)	27,459
Income (loss) from operations	20,899,060	(62,342)	184,512
Nonoperating revenues (expenses)			
Realized gains (losses) on investments, interest and dividends, net	23,376,781	-	20,629,625
Unrealized gains (losses) on investments, net	(26,444,967)	-	(22,478,476)
Unrealized losses on interest rate swaps	(2,713,882)	-	(2,713,882)
Other nonoperating revenues (expenses)	(2,108,330)	62,342	(19,748)
Net nonoperating revenues (expenses)	(7,890,398)	62,342	(4,582,481)
Excess of revenues over (under) expenses before capital grants, contributions, and other	13,008,662	-	(4,397,969)
Capital grants, contributions and other	985,649	-	-
Excess of revenues over (under) expenses	13,994,311	-	(4,397,969)
Equity transfer from (to) affiliates	-	-	19,904,167
Increase (decrease) in net assets	$ 13,994,311	$ -	$ 15,506,198

See Independent Auditors' Report

Gaston Memorial Hospital, Inc.	Gaston Memorial Hospital Foundation, Inc.	Combined CaroMont Health Services, Inc.	Combined CaroMont Medical Group, Inc.	Hospice of Gaston County, Inc.	CaroMont Occupational Medicine, LLC	CaroMont Insurance Services, Ltd.
$ 131.597.494	$ -	$ 6.957.651	$ -	$ 1.742.774	$ -	$ -
423.729.545	-	4.095.927	-	-	-	-
553.270.452	-	18.680.602	169.408.304	9.468.396	860.859	-
1.108.597.491	-	29.734.180	169.408.304	11.211.170	860.859	-
642.469.651	-	17.552.400	77.943.996	223.008	46.738	-
51.880.585	-	110.038	2.608.809	220.957	-	-
46.253.613	-	250.014	3.872.096	104.795	15.725	-
740.603.849	-	17.912.452	84.424.901	548.760	62.463	-
367.993.642	-	11.821.728	84.983.403	10.662.410	798.396	-
10.762.334	-	278.411	1.225.945	391.255	48	3.478.814
378.755.976	-	12.100.139	86.209.348	11.053.665	798.444	3.478.814
136.122.990	-	4.863.260	68.904.938	4.693.837	473.981	-
33.740.911	-	1.309.130	10.607.775	1.190.482	109.936	-
16.817.379	-	352.012	(250.123)	172.476	106.171	58.171
73.035.623	-	2.554.739	10.081.466	814.077	43.989	-
36.967.733	8.285	1.252.455	9.257.760	1.435.259	74.964	51.743
11.817.712	-	175.622	3.538.135	1.781.788	23.757	3.458.589
8.921.803	-	-	-	-	-	-
24.485.299	-	789.857	1.517.180	250.554	7.781	-
341.909.450	8.285	11.297.075	103.657.131	10.338.473	840.579	3.568.503
36.846.526	(8.285)	803.064	(17.447.783)	715.192	(42.135)	(89.689)
(2.027.261)	(66.281)	-	4.468.128	366.051	-	6.519
(64)	129.586	-	(4.036.948)	(59.065)	-	-
-	-	-	-	-	-	-
(1.448.588)	(437.724)	(71.888)	(84.063)	(108.661)	-	-
(3.475.913)	(374.419)	(71.888)	347.117	198.325	-	6.519
33.370.613	(382.704)	731.176	(17.100.666)	913.517	(42.135)	(83.170)
-	-	-	-	985.649	-	-
33.370.613	(382.704)	731.176	(17.100.666)	1.899.166	(42.135)	(83.170)
(24.724.808)	358.670	4.425.408	-	-	36.563	-
$ 8.645.805	$ (24.034)	$ 5.156.584	$ (17.100.666)	$ 1.899.166	$ (5.572)	$ (83.170)

CaroMont Health, Inc and Affiliates

Combining Balance Sheet Information - CaroMont Health Services, Inc

June 30, 2012

	Combined	Eliminations	CaroMont Health Services, Inc	CaroMont Specialty Surgery	Courtland Terrace	Belmont Endoscopy
Assets						
Current assets						
Cash and cash equivalents	$ 3 773	$ -	$ -	$ -	$ 3 773	$ -
Patient accounts receivable net of allowance for uncollectible accounts	496 006	-	-	-	496 006	-
Other accounts receivable net	72 244	-	-	55 197	16 481	566
Inventories of drugs and supplies	160 573	-	-	152 401	8 172	-
Total current assets	732 596	-	-	207 598	524 432	566
Capital assets						
Depreciable capital assets net of accumulated depreciation	13 786 598	-	-	7 289 306	3 239 978	3 257 314
Total capital assets net of accumulated depreciation	13 786 598	-	-	7 289 306	3 239 978	3 257 314
Other assets						
Other long-term assets	2 565 000	-	2 565 000	-	-	-
Total other assets	2 565 000	-	2 565 000	-	-	-
Total assets	$ 17 084 194	$ -	$ 2 565 000	$ 7 496 904	$ 3 764 410	$ 3 257 880
Liabilities						
Current liabilities						
Accounts payable	$ 260 188	$ -	$ 636	$ 164 443	$ 95 109	$ -
Accrued payroll and related liabilitie	240 848	-	-	81 730	159 118	-
Other accrued expenses	-	-	-	2 952	(2 952)	-
Total current liabilities	501 036	-	636	249 125	251 275	-
Net Assets						
Invested in capital assets net of related debt	13 786 598	-	-	7 289 306	3 239 978	3 257 314
Unrestricted	2 796 560	-	2 564 364	(41 527)	273 157	566
Total net assets	16 583 158	-	2 564 364	7 247 779	3 513 135	3 257 880
Total liabilities and net assets	$ 17 084 194	$ -	$ 2 565 000	$ 7 496 904	$ 3 764 410	$ 3 257 880

See Independent Auditors' Report

CaroMont Health, Inc and Affiliates

Combining Statement of Revenues, Expenses and Changes in Net Assets Information - CaroMont Health Services, Inc

Year Ended June 30, 2012

	Combined	Eliminations	CaroMont Health Services, Inc	CaroMont Specialty Surgery	Courtland Terrace	Belmont Endoscopy
Operating revenues						
Gross patient service revenue						
Routine services	$ 6 957 651	$ -	$ -	$ -	$ 6 957 651	$ -
Special services	4 095 927	-	-	-	4 095 927	-
Outpatient services	18 680 602	-	-	18 677 790	-	2 812
	29 734 180	-	-	18 677 790	11 053 578	2 812
Less deductions from revenue						
Contractual adjustments	17 552 400	-	-	13 697 159	3 855 241	-
Charity care	110 038	-	-	9 339	100 699	-
Provision for bad debts	250 014	-	-	218 531	31 483	-
	17 912 452	-	-	13 925 029	3 987 423	-
Net patient service revenue	11 821 728	-	-	4 752 761	7 066 155	2 812
Other operating revenue	278 411	-	273 508	1 071	3 832	-
Total operating revenues	12 100 139	-	273 508	4 753 832	7 069 987	2 812
Operating expenses						
Salaries and wages	4 863 260	-	-	891 316	3 971 944	-
Employee benefits	1 309 130	-	-	237 425	1 071 249	456
Fees	352 012	-	-	125 407	225 711	894
Supplies and drugs	2 554 739	-	-	1 758 251	786 057	10 431
Purchased services	1 252 455	-	-	319 562	775 744	157 149
Other	175 622	-	10 070	53 830	109 109	2 613
Depreciation and amortization	789 857	-	-	483 940	288 416	17 501
Total operating expenses	11 297 075	-	10 070	3 869 731	7 228 230	189 044
Income (loss) from operations	803 064	-	263 438	884 101	(158 243)	(186 232)
Nonoperating expenses						
Other nonoperating expenses	(71 888)	-	-	-	(71 888)	-
Net nonoperating expenses	(71 888)	-	-	-	(71 888)	-
Excess of revenues over (under) expenses	731 176	-	263 438	884 101	(230 131)	(186 232)
Equity transfer from (to) affiliates	4 425 408	-	(264 074)	1 353 714	(108 344)	3 444 112
Increase (decrease) in net assets	$ 5 156 584	$ -	$ (636)	$ 2 237 815	$ (338 475)	$ 3 257 880

See Independent Auditors' Report