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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

☐ Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization
REX HOSPITAL INC DBA REX HEALTHCARE

Doing Business As
REX HEALTHCARE

Number and street (or P O box if mail is not delivered to street address)
4420 LAKE BOONE TRAIL

Room/suite

City or town, state or country, and ZIP + 4
RALEIGH, NC 27607

F Name and address of principal officer
DAVID STRONG
4420 LAKE BOONE TRAIL
RALEIGH, NC 27607

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 ▶

D Employer identification number
56-1509260

E Telephone number
(919) 784-3100

G Gross receipts \$ 802,648,539

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

J Website: ▶ WWW.REXHEALTH.COM

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

L Year of formation 1986

M State of legal domicile NC

Part I

Summary

Activities & Governance

1

Briefly describe the organization's mission or most significant activities
TO PROVIDE THE BEST IN HEALTH SERVICES TO PROVIDE THE BEST IN HEALTH SERVICES BY BRINGING TOGETHER COMPASSIONATE CARE AND LEADING-EDGE TECHNOLOGY

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

13

4

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

4

10

5

Total number of individuals employed in calendar year 2011 (Part V, line 2a)

5

5,769

6

Total number of volunteers (estimate if necessary)

6

1,383

7a

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

7a

27,781,863

7b

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

7b

0

Revenue

8

Contributions and grants (Part VIII, line 1h)

1,249,901

1,299,788

9

Program service revenue (Part VIII, line 2g)

592,507,390

644,337,655

10

Investment income (Part VIII, column (A), lines 3, 4, and 7d)

8,582,253

7,670,039

11

Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)

557,399

670,719

12

Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)

602,896,943

653,978,201

Expenses

13

Grants and similar amounts paid (Part IX, column (A), lines 1–3)

1,263,428

1,299,739

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)

291,184,054

323,961,798

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)

264,094,603

287,746,484

18

Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)

556,542,085

613,008,021

19

Revenue less expenses Subtract line 18 from line 12

46,354,858

40,970,180

Net Assets or Fund Balances

20

Total assets (Part X, line 16)

635,551,442

671,610,346

21

Total liabilities (Part X, line 26)

229,349,688

220,279,220

22

Net assets or fund balances Subtract line 21 from line 20

406,201,754

451,331,126

Part II

Signature Block

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

Sign Here

Signature of officer

BERNADETTE SPONG CFO

2013-05-14

Date

Paid Preparer's Use Only

Preparer's signature

JOHN NORMAN

Firm's name (or yours if self-employed), address, and ZIP + 4

Date

CHARLOTTE, NC 28246

Check if self-employed ☐

EIN ▶ 41-0746749

Phone no ▶ (704) 998-5200

Preparer's taxpayer identification number (see instructions)

P01506766

May the IRS discuss this return with the preparer shown above? (see instructions)

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2011)

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

REX HEALTHCARE PROVIDES THE BEST IN HEALTH SERVICES BY COMBINING COMPASSIONATE CARE AND LEADING-EDGE TECHNOLOGY REX PROVIDES SERVICES AT FACILITIES ACROSS WAKE COUNTY TO ALL PATIENTS, REGARDLESS OF THEIR ABILITY TO PAY REX ALSO SEEKS TO IMPROVE THE HEALTH OF THE COMMUNITY BY PROVIDING EDUCATION, DIAGNOSTIC AND PREVENTATIVE CARE, OFTEN BY JOINING FORCES WITH OTHER COMMUNITY GROUPS IN ADDITION TO ITS MAIN RALEIGH CAMPUS, REX OFFERS MUCH-NEEDED CARE AND PATIENT SUPPORT AT FACILITIES IN APEX, CARY, GARNER, HOLLY SPRINGS, KNIGHTDALE, DOWNTOWN RALEIGH AND WAKEFIELD

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 \$ 72,844,462 including grants of \$) (Revenue \$ 86,120,814)

GENERAL SURGERY REX SURGERY CENTERS IN RALEIGH, CARY AND WAKEFIELD ARE USED BY MORE THAN 425 PHYSICIANS AND PROVIDE IN AND OUTPATIENT SERVICES TO 40,000 PATIENTS A YEAR, REGARDLESS OF THEIR ABILITY TO PAY THE THREE LOCATIONS HAVE IMPROVED ACCESS TO SPECIALIZED CARE FOR PATIENTS ACROSS THE REGION SURGEONS MAKE SUBSTANTIAL USE OF MINIMALLY INVASIVE TECHNOLOGY FOR DIAGNOSIS AND TREATMENT, REDUCING PATIENTS’ RECOVERY TIME AND HOSPITAL STAY FOR EXAMPLE, REX HAS THREE DAVINCI SURGICAL ROBOTS USED FOR UROLOGY, GYNECOLOGY AND GENERAL SURGERIES THE CENTERS INCLUDE 34 OPERATING SUITES, EIGHT MINOR PROCEDURE ROOMS AND VARIOUS PERIOPERATIVE AND ANCILLARY SUPPORT SPACES REX IS INCREASINGLY PERFORMING SURGERIES ON AN OUTPATIENT BASIS, AND CONTINUING TO LOOK FOR OTHER WAYS TO REDUCE OVERALL COSTS FOR PATIENTS SOME OF THE TOP PROCEDURES INCLUDE HERNIA REPAIR, GALLBLADDER REMOVAL AND ENT, EYE AND BREAST SURGERIES

4b

(Code) (Expenses \$ 56,185,889 including grants of \$) (Revenue \$ 64,519,518)

ORTHOPEDICS WITH THIS REGION’S AGING POPULATION, REX HEALTHCARE’S ORTHOPEDIC SERVICES PROVIDE IMPORTANT CARE FOR AN INCREASING NUMBER OF PATIENTS REX FACILITIES IN RALEIGH, CARY AND WAKEFIELD SAW NEARLY 9,000 ORTHOPEDIC PATIENTS DURING THE FISCAL YEAR, INCLUDING MANY MEDICARE AND MEDICAID PATIENTS THE MOST COMMON PROCEDURES INCLUDE REPLACEMENT OF TOTAL JOINTS (HIPS, KNEES AND SHOULDERS), ARTHROSCOPIES AND REPAIRING FRACTURES OR DISLOCATIONS REX WORKS CLOSELY WITH ITS AFFILIATED SURGEONS AND COMMUNITY PHYSICIANS TO ENSURE THAT IT PROVIDES ACCESS TO PATIENTS REQUIRING ORTHOPEDIC CARE, REGARDLESS OF THEIR ABILITY TO PAY

4c

(Code) (Expenses \$ 54,168,535 including grants of \$) (Revenue \$ 57,883,055)

CARDIOLOGY THE REX HEART & VASCULAR CENTER PERFORMS MORE THAN 16,000 PROCEDURES A YEAR, INCLUDING CORONARY ARTERY BYPASS GRAFTING, ECHOCARDIOGRAPHY, VALVE REPLACEMENT AND REPAIR, ANGIOPLASTY, CARDIAC CATHETERIZATION AND STENT PLACEMENT REX PROVIDES COMPASSIONATE CARE TO ALL PATIENTS, INCLUDING THOSE ON MEDICARE, MEDICAID AND THE UNINSURED OR UNDERINSURED REX HAS BEEN A CHEST PAIN ACCREDITED HOSPITAL FOR EIGHT YEARS, REINFORCING THE ORGANIZATION’S DEDICATION TO COMMUNITY OUTREACH AND INNOVATION IN THE CARE OF CHEST PAIN PATIENTS IN ADDITION, HOSPITAL COMPARE RATED REX BEST FOR HEART ATTACK SURVIVAL IN WAKE COUNTY

(Code) (Expenses \$ 365,599,851 including grants of \$ 1,299,739) (Revenue \$ 403,496,358)

REX PROVIDES A FULL RANGE OF ONCOLOGY THERAPY AND SUPPORT SERVICES TO ALL PATIENTS IN WAKE COUNTY AND BEYOND, REGARDLESS OF THEIR ABILITY TO PAY AT THE MAIN RALEIGH CANCER CENTER AND A SATELLITE FACILITY IN WAKEFIELD, REX PROVIDES MORE THAN 20,000 RADIATION ONCOLOGY TREATMENTS, 10,000 CHEMOTHERAPY TREATMENTS AND 17,000 HEMATOLOGY TREATMENTS THE CENTERS ALSO HELP PATIENTS NAVIGATE THEIR CARE AND OFFER COUNSELING, REHABILITATION AND MORE AT REX’S WOMEN’S AND CHILDREN’S CENTER, CAREGIVERS SEEK TO PROVIDE FAMILY-CENTERED CARE TO THE NEW MOTHER, BABY AND EXTENDED FAMILY, WITHOUT REGARD TO ABILITY TO PAY THE WOMEN’S CENTER DELIVERED MORE THAN 5,500 BABIES AND PROVIDES 24/7 ANESTHESIOLOGY, NEONATOLOGY AND LACTATION SERVICES AND AN IN-HOUSE RETAIL CENTER FOR INFANT NUTRITION THERE ARE PRE- AND POST-NATAL SUPPORT GROUPS, EXERCISE CLASSES AND MORE

4d

Other program services (Describe in Schedule O)

(Expenses \$ 365,599,851 including grants of \$ 1,299,739) (Revenue \$ 403,496,358)

4e

Total program service expenses \$ 548,798,737

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)? <i>If "Yes," complete Schedule A.</i> 	1	Yes	
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (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? <i>If "Yes," complete Schedule C, Part I.</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? <i>If "Yes," complete Schedule C, Part II.</i> 	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? <i>If "Yes," complete Schedule C, Part III.</i> 	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? <i>If "Yes," complete Schedule D, Part I.</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? <i>If "Yes," complete Schedule D, Part II.</i> 	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	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? <i>If "Yes," complete Schedule D, Part IV.</i> 	9	Yes	
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	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? <i>If "Yes," complete Schedule D, Part VII.</i> 	11b	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i> 	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? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	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)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	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? <i>If "Yes," complete Schedule F, Part I.</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 ? <i>If "Yes," complete Schedule F, Part II and IV.</i>	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 ? <i>If "Yes," complete Schedule F, Part III and IV.</i>	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? <i>If "Yes," complete Schedule G, Part I.</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? <i>If "Yes," complete Schedule G, Part II.</i>	18		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>	19		No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	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? <i>If "Yes," complete Schedule I, Parts I and II</i>	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? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	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? <i>If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25</i>	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? <i>If "Yes," complete Schedule L, Part I</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? <i>If "Yes," complete Schedule L, Part I</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? <i>If "Yes," complete Schedule L, Part II</i>	26	Yes	
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? <i>If "Yes," complete Schedule L, Part III</i>	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? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	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? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
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)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36	Yes	
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? <i>If "Yes," complete Schedule R, Part VI</i>	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	322					
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0					
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c						
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return. .	2a	5,769		Yes			
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		2b						
3a Did the organization have unrelated business gross income of \$1,000 or more during the year? .		3a						
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).							No	
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						
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				No		
14a Did the organization receive any payments for indoor tanning services during the tax year? .		14a						
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	13		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	10
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 ☒ BERNADETTE SPONG 4420 LAKE BOONE TRAIL RALEIGH, NC 27607 (919) 784-3100

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) A DALE JENKINS DIRECTOR	5.00	X						0	0	0
(2) VINCENT L HOELLERICH MD DIRECTOR	2.00	X						0	0	0
(3) JAMES B HYLER JR DIRECTOR	2.00	X						0	0	0
(4) DARLEEN M JOHNS DIRECTOR	2.00	X						0	0	0
(5) JEFFREY J LYASH DIRECTOR	2.00	X						0	0	0
(6) GARY L PARK DIRECTOR	5.00	X		X				0	700,383	222,525
(7) ORAGE QUARLES III DIRECTOR	2.00	X						0	0	0
(8) WILLIAM L ROPER MD DIRECTOR	5.00	X						0	748,460	159,639
(9) MARK A STRIEBEL DIRECTOR	2.00	X						0	0	0
(10) ROBERT S THOMAS DIRECTOR	2.00	X						0	0	0
(11) DAVID STRONG PRESIDENT	60.00	X		X				1,002,936	0	243,305
(12) TERESA C ARTIS DIRECTOR	2.00	X						0	0	0
(13) HOWARD NYE DIRECTOR	2.00	X						0	0	0
(14) BERNADETTE SPONG SVP/FINANCE AND CFO, TREAS	60.00			X				388,035	0	47,100
(15) MARY LOU POWELL SVP/PATIENT CARE SVCS & CN	60.00			X				342,455	0	57,123
(16) STEPHEN BURRISS SVP/OPERATIONS & AMB CARE	60.00			X				359,988	0	43,954
(17) NOVLET BRADSHAW VP/INFORMATION TECHNOLOGY/	60.00			X				317,817	0	33,248

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) LINDA BUTLER VP/MEDICAL AFFAIRS & CMO	60 00			X				260,057	0	32,025
(19) DONALD ESPOSITO JR VP/GENERAL COUNSEL	60 00			X				284,745	0	35,772
(20) SYLVIA HACKETT VP/HUMAN RESOURCES AND DEV	60 00			X				249,884	0	47,019
(21) R ERICK HAWKINS VP/FINANCE & STRATEGY	60 00			X				288,085	0	29,418
(22) CHAD LEFTERIS VP/SUPPORT SERVICES	60 00			X				210,199	0	17,181
(23) LISA SCHILLER VP/MKTG, PR, COMM & GOVT R	60 00			X				200,185	0	33,375
(24) ROBERT B LIVERMAN JR ASSISTANT TREASURER	60 00			X				148,109	0	33,605
(25) JEFFREY CRANE MD/ONCOLOGY	60 00					X		728,080	0	61,280
(26) SHAHRAM TEHRANI MEDICAL DIRECTOR IT & HOSP	60 00					X		542,897	0	36,587
(27) S WAYNE SMITH DIRECTOR/VASCULAR LAB	60 00					X		540,184	0	108,576
(28) ROBERT WEHBIE MD/ONCOLOGY	60 00					X		728,660	0	38,927
(29) OLUDAMILOLA OLAJIDE MD/ONCOLOGY	60 00					X		630,047	0	31,243
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								7,222,363	1,448,843	1,311,902

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

207

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		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
SKANSKA USA BUILDING INC 4309 EMPEROR BLVD STE 200 DURHAM, NC 27703	CONSTRUCTION	8,816,057
SRISURGICAL EXPRESS PO BOX 405495 ATLANTA, GA 30384	MEDICAL	8,328,600
BBH DESIGN 8208 BROWNLEIGH DRIVE STE 200 RALEIGH, NC 27617	ARCHITECTURAL DESIGN	5,139,300
THE OUTSOURCE GROUP 39867 TREASURY CENTER CHICAGO, IL 60694	COLLECTIONS	2,510,464
CUSTOM CRAFT PAINTING 9329 HOLLY SPRINGS ROAD APEX, NC 27539	REPAIRS/REMODELING	2,133,835

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

68

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	1,291,083				
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	8,705				
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f		1,299,788				
Program Service Revenue			Business Code					
	2a	GENERAL SURGERY	625100	86,120,814	86,120,814			
	b	ORTHOPAEDICS	625100	64,519,518	64,519,518			
	c	WOMEN'S & CHILDREN	625100	61,803,894	61,803,894			
	d	CARDIOLOGY	625100	57,883,055	57,883,055			
	e	ONCOLOGY	625100	51,730,844	51,730,844			
	f	All other program service revenue		322,279,530	289,961,620	27,781,863	4,536,047	
	g	Total. Add lines 2a-2f		644,337,655				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		3,755,826			3,755,826	
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties						
	6a	(i) Real		(ii) Personal				
		Gross rents	758,626					
		b Less rental expenses	87,907					
		c Rental income or (loss)	670,719					
	d	Net rental income or (loss)		670,719			670,719	
	7a	(i) Securities		(ii) Other				
		Gross amount from sales of assets other than inventory	148,223,823	4,272,821				
		b Less cost or other basis and sales expenses	147,686,530	895,901				
		c Gain or (loss)	537,293	3,376,920				
	d	Net gain or (loss)		3,914,213			3,914,213	
	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								
b								
c								
d	All other revenue							
e	Total. Add lines 11a-11d							
12	Total revenue. See Instructions		653,978,201	612,019,745	27,781,863	12,876,805		

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	1,299,739	1,299,739		
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	4,578,401		4,578,401	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	257,574,739	223,198,772	34,375,967	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	13,853,727	12,289,416	1,564,311	
9	Other employee benefits	30,561,406	25,426,672	5,134,734	
10	Payroll taxes	17,393,525	15,500,223	1,893,302	
11	Fees for services (non-employees)				
a	Management				
b	Legal	831,975		831,975	
c	Accounting	91,450		91,450	
d	Lobbying	125,296	125,296		
e	Professional fundraising See Part IV, line 17				
f	Investment management fees	970,245		970,245	
g	Other	35,783,353	32,205,017	3,578,336	
12	Advertising and promotion	6,793,485	6,114,137	679,348	
13	Office expenses	8,106,756	7,296,081	810,675	
14	Information technology	25,398,155	22,858,339	2,539,816	
15	Royalties				
16	Occupancy	15,879,048	14,291,143	1,587,905	
17	Travel	1,173,794	1,056,415	117,379	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	508,659	316,144	192,515	
20	Interest	5,007,214	4,506,492	500,722	
21	Payments to affiliates	12,982,009	12,982,009		
22	Depreciation, depletion, and amortization	31,930,699	28,737,629	3,193,070	
23	Insurance				
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	PATIENT SUPPLIES & SERV	126,473,011	126,473,011		
b	REPAIRS AND MAINTENANCE	10,864,746	9,778,272	1,086,474	
c	MINOR EQUIPMENT	2,485,320	2,236,788	248,532	
d					
e					
f	All other expenses	2,341,269	2,107,142	234,127	
25	Total functional expenses. Add lines 1 through 24f	613,008,021	548,798,737	64,209,284	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)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			10,544,403	1	4,580,508
	2	Savings and temporary cash investments			79,558,352	2	54,375,903
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			73,484,758	4	87,574,839
	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			309,490	7	257,469
	8	Inventories for sale or use			9,584,446	8	10,102,069
	9	Prepaid expenses and deferred charges			5,994,979	9	6,913,094
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D	10a	634,080,627			
	b	Less: accumulated depreciation	10b	376,328,112	228,352,644	10c	257,752,515
	11	Investments—publicly traded securities			155,667,458	11	185,366,410
	12	Investments—other securities. See Part IV, line 11			49,328,497	12	45,179,714
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			22,726,415	15	19,507,825
	16	Total assets. Add lines 1 through 15 (must equal line 34)			635,551,442	16	671,610,346
Liabilities	17	Accounts payable and accrued expenses			95,756,691	17	87,141,044
	18	Grants payable				18	
	19	Deferred revenue			73,783	19	116,637
	20	Tax-exempt bond liabilities			128,132,589	20	124,858,924
	21	Escrow or custodial account liability. Complete Part IV of Schedule D			19,824	21	14,683
	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			5,366,801	25	8,147,932
	26	Total liabilities. Add lines 17 through 25			229,349,688	26	220,279,220
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			405,191,524	27	450,333,869
	28	Temporarily restricted net assets			1,010,230	28	997,257
	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			406,201,754	33	451,331,126
	34	Total liabilities and net assets/fund balances			635,551,442	34	671,610,346

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	653,978,201
2	Total expenses (must equal Part IX, column (A), line 25)	2	613,008,021
3	Revenue less expenses Subtract line 2 from line 1	3	40,970,180
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	406,201,754
5	Other changes in net assets or fund balances (explain in Schedule O)	5	4,159,192
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	451,331,126

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?		No
b	Were the organization's financial statements audited by an independent accountant?	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	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?		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		

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 REX HOSPITAL INC DBA REX HEALTHCARE	Employer identification number 56-1509260
---	--

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 Se**section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other
- e

☐

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

☐

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

☐

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

(i)

a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii)

a family member of a person described in (i) above?

(iii)

a 35% controlled entity of a person described in (i) or (ii) above?

h

☐

Provide the following information about the supported organization(s)
- | | Yes | No |
|----------|-----|----|
| 11g(i) | | |
| 11g(ii) | | |
| 11g(iii) | | |
- | (i)
Name of supported organization | (ii)
EIN | (iii)
Type of organization (described on lines 1- 9 above or IRC section (see instructions)) | (iv)
Is the organization in col (i) listed in your governing document? | | (v)
Did you notify the organization in col (i) of your support? | | (vi)
Is the organization in col (i) organized in the U S ? | | (vii)
Amount of support? |
|---------------------------------------|-------------|---|---|----|--|----|---|----|-----------------------------|
| | | | Yes | No | Yes | No | Yes | No | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| Total | | | | | | | | | |
- For Paperwork Reduction Act Notice, see the Instructions for Form 990

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2011

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 IIIPart 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

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 REX HOSPITAL INC DBA REX HEALTHCARE	Employer identification number 56-1509260
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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.														
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		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		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g	Grassroots nontaxable amount (enter 25% of line 1f)														
h	Subtract line 1g from line 1a. If zero or less, enter -0-														
i	Subtract line 1f from line 1c. If zero or less, enter -0-														
j	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		☐ Yes ☐ No												

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 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)		(b)	
		Yes	No	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		125,296
	j	Total lines 1c through 1i			125,296
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	REX HEALTHCARE BELIEVES IN MAINTAINING STRONG, OPEN AND EFFECTIVE RELATIONSHIPS WITH ELECTED OFFICIALS AND POLICY MAKERS AT THE LOCAL, STATE AND NATIONAL LEVELS. THE OBJECTIVE IS TO EDUCATE THESE GROUPS ON HEALTHCARE ISSUES, TO SERVE AS A RESOURCE, AND TO COMMUNICATE REX'S POSITION IN SUPPORT OF ITS MISSION. AS A MEMBER OF THE AMERICAN HOSPITAL ASSOCIATION AND NCHA, A PERCENTAGE OF REX'S MEMBERSHIP DUES ARE ATTRIBUTED TO LOBBYING ACTIVITIES.

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
REX HOSPITAL INC DBA REX HEALTHCARE

Employer identification number
56-1509260

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
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

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	
d Additions during the year	
e Distributions during the year	
f Ending balance	

2a

Did the organization include an amount on Form 990, Part X, line 21?

☒ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a Beginning of year balance					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

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

4

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

Part VI

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		25,782,584		25,782,584
b Buildings		154,142,499	89,364,000	64,778,499
c Leasehold improvements		17,393,360	3,577,659	13,815,701
d Equipment		306,293,924	241,433,961	64,859,963
e Other		130,468,260	41,952,492	88,515,768
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				257,752,515

Part XI

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

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

Part XII

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

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

Part XIV

Supplemental Information

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

Identifier	Return Reference	Explanation
	PART IV, LINE 2B	THE ORGANIZATION HOLDS CASH IN TRUST FOR THE RESIDENTS OF THE NURSING HOME FACILITIES
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE FOLLOWING FOOTNOTE COMES FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF REX HOSPITAL, INC D/B/A REX HEALTHCARE THE FOOTNOTE REFERENCES OTHER MEMBERS OF THE AUDIT CONSOLIDATED GROUP THAT ARE NOT PART OF THIS TAX RETURN REX, THE HOSPITAL, THE FOUNDATION, AND HOME SERVICES ARE EXEMPT FROM FEDERAL INCOME TAX UNDER SECTION 501(A) AS ORGANIZATIONS DESCRIBED IN SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE ENTERPRISES IS A TAXABLE CORPORATION THAT PREVIOUSLY HAD NET OPERATING LOSS CARRYFORWARDS AS OF JUNE 30, 2012, ENTERPRISES EXHAUSTED THEIR NET OPERATING LOSS CARRYFORWARDS PHYSICIANS IS A SINGLE MEMBER LIMITED LIABILITY COMPANY THAT HAS ELECTED TO BE TAXED AS A FOR-PROFIT CORPORATION PHYSICIANS HAD A NET OPERATING LOSS IN 2012 AND 2011 ACCORDINGLY, NO PROVISION FOR INCOME TAXES HAS BEEN REFLECTED IN THE COMBINED FINANCIAL STATEMENTS
		PART VII, LINE 2 CLOSELY-HELD EQUITY INTERESTS ARE VALUED ACCORDING TO THE EQUITY METHOD OF ACCOUNTING UNDER US GAAP WHICH REPRESENTS INITIAL COSTS ADJUSTED FOR OUR ALLOCABLE SHARE OF THE NET EARNINGS OR LOSSES OF THE INVESTMENT

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
REX HOSPITAL INC DBA REX HEALTHCARE

Employer identification number
56-1509260

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 ☐ Generally tailored to individual hospitals ☐ Applied uniformly to most 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 <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100%☐ 150%☐ 200%☒ Other <u>250.000000000000 %</u> b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200%☐ 250%☐ 300%☐ 350%☐ 400%☐ Other _____% c If the organization 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	3a	Yes	
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 eligible for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H				

7 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)			26,317,111		26,317,111	4 290 %
b Medicaid (from Worksheet 3, column a)			26,692,979	19,724,160	6,968,819	1 140 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			53,010,090	19,724,160	33,285,930	5 430 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			18,431		18,431	0 %
f Health professions education (from Worksheet 5)			1,160,201		1,160,201	0 190 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)			601,823	216,210	385,613	0 060 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			611,075		611,075	0 100 %
j Total Other Benefits			2,391,530	216,210	2,175,320	0 350 %
k Total. Add lines 7d and 7j			55,401,620	19,940,370	35,461,250	5 780 %

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					
9	Other					
10	Total					

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	No
2	Enter the amount of the organization's bad debt expense	2	11,555,245
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	221,676,588
6	Enter Medicare allowable costs of care relating to payments on line 5	6	271,617,729
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-49,941,141
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 1 REX SURGERY CENTER OF CARY LLC	AMBULATORY SURGICAL CENTER	55 000 %	0 %	45 000 %
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Section A. Hospital Facilities

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

Name and address

[illegible]

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)

REX 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 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)	1	
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? 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)	5	
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? If "Yes," indicate the FPG family income limit for eligibility for free care 250 0000000000000% If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>250 000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? 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)	11	Yes	
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? 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)	13	Yes	

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? 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)	16	Yes	
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? If "No," indicate why	Yes	
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? If "Yes," explain in Part VI		No
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? If "Yes," explain in Part VI		No

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? 10

Name and address		Type of Facility (Describe)
1	REX HEALTHCARE OF WAKEFIELD 11200 GOVERNOR MANLY WAY RALEIGH, NC 27614	HEALTHCARE
2	REX HEALTHCARE OF CARY 1505 SW CARY PARKWAY CARY, NC 27511	HEALTHCARE
3	REX HEALTHCARE OF KNIGHTDALE 6602 KNIGHTDALE BOULEVARD 102 KNIGHTDALE, NC 27545	HEALTHCARE
4	REX REHABILITATION AND NURSING CARE CENT 4210 LAKE BOONE TRAIL RALEIGH, NC 27607	NURSING FACILITY
5	REX REHABILITATION AND NURSING CARE CENT 911 SOUTH HUGHES STREET APEX, NC 27502	NURSING FACILITY
6	REX WELLNESS CENTER OF WAKEFIELD 11200 GALLERIA AVENUE RALEIGH, NC 27614	WELLNESS CENTER
7	REX WELLNESS CENTER OF RALEIGH 4200 LAKE BOONE TRAIL RALEIGH, NC 27607	WELLNESS CENTER
8	REX WELLNESS CENTER OF CARY 1515 SW CARY PARKWAY CARY, NC 27511	WELLNESS CENTER
9	REX WELLNESS CENTER OF GARNER 1400 TIMBER DRIVE EAST GARNER, NC 27529	WELLNESS CENTER
10	REX WELLNESS CENTER OF KNIGHTDALE 6602 KNIGHTDALE BOULEVARD KNIGHTDALE, NC 27545	WELLNESS CENTER

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 III, LINE 4 NET PATIENT SERVICE REVENUE IS RECORDED AT ESTABLISHED RATES WHEN SERVICES ARE PROVIDED WITH CONTRACTUAL ADJUSTMENTS, ESTIMATED BAD DEBT EXPENSES, AND SERVICES QUALIFYING AS CHARITY CARE DEDUCTED TO ARRIVE AT NET PATIENT SERVICE REVENUE CONTRACTUAL ADJUSTMENTS ARISE UNDER REIMBURSEMENT AGREEMENTS WITH CERTAIN INSURANCE CARRIERS, HEALTH MAINTENANCE ORGANIZATIONS AND PREFERRED PROVIDER ORGANIZATIONS, WHICH PROVIDE FOR PAYMENTS THAT ARE GENERALLY LESS THAN ESTABLISHED BILLING RATES CONTRACTUAL ADJUSTMENTS ARE ACCRUED ON AN ESTIMATED BASIS IN THE PERIOD THE RELATED SERVICES ARE RENDERED AND ADJUSTED IN THE FUTURE AS FINAL SETTLEMENTS ARE DETERMINED THE COSTING METHODOLOGY USED TO DETERMINE PAYER COSTS IS THE ANDI METHODOLOGY, WHICH USES A FACILITY-WIDE RATIO OF COST TO CHARGES AS DESCRIBED IN THE NCHA COMMUNITY BENEFITS GUIDELINES WHILE THE COSTS OF BAD DEBTS ARE PRESENT FOR ESSENTIALLY EVERY BUSINESS ORGANIZATION, FEW OTHER THAN HOSPITALS ARE EXPECTED TO CONTINUE TO PROVIDE SERVICES TO THOSE WITH MEANS WHO HAVE PREVIOUSLY FAILED TO PAY CONTINUATION OF SERVICE TO PATIENTS WITH THE MEANS TO PAY BUT WHO HAVE FAILED TO DO SO IS A FURTHER COMMUNITY BENEFIT RELATED TO THE ORGANIZATION'S MISSION THEREFORE, WE BELIEVE THAT THE COST OF BAD DEBTS SHOULD BE CONSIDERED A COMMUNITY BENEFIT

Identifier	ReturnReference	Explanation
		PART III, LINE 8 HOSPITALS TREAT PATIENTS COVERED BY MEDICARE, JUST AS THEY DO ANY PATIENT AMOUNTS THAT HOSPITALS ARE ELIGIBLE TO RECEIVE IN PAYMENT FOR SERVICES PROVIDED TO PATIENTS COVERED BY MEDICARE ARE NOT NEGOTIABLE AS MEDICARE REIMBURSEMENT RATES DECLINE RELATIVE TO THE COSTS OF PROVIDING CARE, HOSPITALS CONTINUE TO SERVE THE MEDICARE POPULATION WITHOUT THE SERVICES PROVIDED BY HOSPITALS, THE GOVERNMENT WOULD BECOME OBLIGATED FOR THE SERVICES REQUIRED BY THESE PATIENTS THEREFORE, WE BELIEVE THAT ANY UNREIMBURSED COSTS OF PROVIDING THIS CARE ARE A BENEFIT PROVIDED BY THE HOSPITAL TO THE COMMUNITY AND GOVERNMENT

Identifier	ReturnReference	Explanation
		PART III, LINE 9B PATIENTS KNOWN TO QUALIFY FOR FINANCIAL ASSISTANCE ARE APPROVED FOR FULL FORGIVENESS TO 250% OF THE FPG THERE IS NO ASSESSMENT OF CO-PAYMENTS, THEREFORE THERE IS NO PATIENT FINANCIAL RESPONSIBILITY FOR THE APPLICATION OF COLLECTION POLICY

Identifier	ReturnReference	Explanation
REX HOSPITAL, INC		PART V, SECTION B, LINE 19D THE ORGANIZATION PROVIDES AN AUTOMATIC 15% DISCOUNT OFF OF CHARGES FOR PATIENTS WHO DO NOT HAVE INSURANCE ADDITIONAL DISCOUNTS ARE AVAILABLE BASED ON MEANS TESTING AND PROMPT PAYMENT ARRANGEMENTS

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 AS THE COUNTY CONTINUES TO GROW, NECESSARY STEPS MUST BE TAKEN TO ENSURE THAT THE NEEDS OF ALL OF OUR CITIZENS ARE BEING MONITORED AND EVALUATED WAKE COUNTY HUMAN SERVICES WORKS WITH ALL LOCAL HOSPITALS, INCLUDING REX, TO CONDUCT A COMMUNITY-WIDE HEALTH ASSESSMENT THIS ASSESSMENT IDENTIFIES OPPORTUNITIES AND CHALLENGES IN THE MARKET REX COLLABORATES WITH COMMUNITY PARTNERS REGULARLY TO ENSURE OUR EFFORTS ARE PROPERLY ALIGNED BASED ON WAKE COUNTY'S SOCIOECONOMIC AND DEMOGRAPHIC INFORMATION REX ALSO RELIES ON INPUT FROM OUR PHYSICIANS AND CLINICAL STAFF, PATIENT OUTCOMES AS WELL AS QUALITATIVE AND QUANTITATIVE RESEARCH TO IDENTIFY AREAS OF OPPORTUNITY TO IMPROVE THE HEALTH OF OUR COMMUNITY

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 REX PROVIDES A WIDE RANGE OF TOOLS AND EDUCATION TO HELP PATIENTS WHO NEED FINANCIAL ASSISTANCE THE REX ASSIST PROGRAM IS DESIGNED TO MAKE IT EASY FOR PATIENTS TO APPLY FOR FINANCIAL ASSISTANCE, CHARITY CARE AND OTHER AID PROGRAMS REX POSTS DETAILED INFORMATION ABOUT ITS GENEROUS CHARITY CARE POLICY, THE REX ASSIST PROGRAM AND OTHER FINANCIAL AID INFORMATION AT VARIOUS POINTS IN THE HOSPITAL AND ON ITS WEBSITE DURING PATIENT REGISTRATION, STAFF WILL DISTRIBUTE THE "YOUR REX HOSPITAL BILL" FLYER TO ANYONE WHO DOES NOT HAVE INSURANCE OR ASKS FOR ASSISTANCE THAT FLYER INCLUDES USEFUL INFORMATION AND HELPFUL RESOURCES REX FINANCIAL COUNSELORS WILL BEGIN WORKING WITH PATIENTS NEEDING ASSISTANCE AT REGISTRATION, OR VISIT THE ROOMS OF PATIENTS WHO ASK FOR HELP THE COUNSELORS WILL ASSIST WITH DETERMINING MEDICAID ELIGIBILITY AND WITH FILLING OUT A REX ASSIST APPLICATION FINALLY, REX ALSO WORKS WITH VARIOUS COMMUNITY GROUPS THAT HELP PROVIDE ASSISTANCE TO THE UNINSURED OR UNDERINSURED, INCLUDING PROJECT ACCESS, PRETTY IN PINK AND OTHERS THE ANGEL FUND OF THE REX HEALTHCARE FOUNDATION ALSO SUPPORTS CANCER PATIENTS WITH UNIQUE FINANCIAL NEEDS, INCLUDING TRANSPORTATION, LIVING EXPENSES AND PRESCRIPTIONS

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 THE ORGANIZATION SERVES AN AREA THAT ENCOMPASSES A FOUR-COUNTY AREA CONSISTING OF WAKE COUNTY AS THE PRIMARY SERVICE AREA WITH HARNETT, FRANKLIN AND JOHNSTON COUNTIES, COMPRISING THE SECONDARY SERVICE AREA WAKE COUNTY AND ITS SURROUNDING COMMUNITIES ARE AMONG THE FASTEST GROWING REGIONS IN THE NATION UNEMPLOYMENT RATES IN THE PRIMARY SERVICE AREA ARE LESS THAN THE UNEMPLOYMENT RATES FOR THE NATION AND THE STATE AVERAGE HOUSEHOLD INCOME AND EDUCATION LEVEL ALSO COMPARE FAVORABLY WITH BOTH THE NATION AND THE STATE

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 THERE ARE MANY WAYS REX WORKS WITH COMMUNITY PARTNERS TO ADDRESS HEALTH ISSUES AND CONCERNS IDENTIFIED WITHIN THE COMMUNITY THROUGH BOTH FINANCIAL, IN-KIND AND STAFF SUPPORT, REX PROVIDES ASSISTANCE IN HOSTING COMMUNITY HEALTH SCREENINGS, MOBILE MAMMOGRAPHY SCREENINGS AND ON-SITE MEDICAL CARE THROUGH THE REX EMERGENCY RESPONSE TEAM ADDITIONALLY, COMMUNITY RELATIONS ACTIVITIES REGULARLY DEMONSTRATE PROMOTING HEALTH AND WELLNESS INITIATIVES "ASK THE EXPERT" FORUMS ARE FREE AND OFFERED THROUGHOUT WAKE COUNTY BY PHYSICIANS AND STAFF REX HAS BEEN DILIGENT IN AWARDING GRANTS TO COMMUNITY GROUPS TO ASSIST THEM WHERE NEEDS ARE GREATEST TWICE A YEAR WE HOST A COLLABORATIVE BREAKFAST INVITING COMMUNITY PARTNERS, ORGANIZATIONS AND HEALTHCARE PROVIDERS WHO WORK WITH UNINSURED WOMEN TO DISCUSS AND ADDRESS CURRENT HARDSHIPS AND RESOURCES -- TRULY A COMMITMENT TO THE NONPROFIT COMMUNITY

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 REX HEALTHCARE IS A SUBSIDIARY OF THE UNC HEALTH CARE SYSTEM IN CHAPEL HILL THAT SYSTEM SERVES PATIENTS FROM ALL 100 COUNTIES, REGARDLESS OF THEIR ABILITY TO PAY, PROVIDING MORE THAN \$300 MILLION A YEAR IN UNCOMPENSATED CARE AS PART OF THE INTEGRATED SYSTEM, REX STRIVES TO IMPROVE ACCESS AND SERVICES IN WAKE COUNTY'S GROWING AND UNDERSERVED AREAS REX CAREGIVERS ALSO WORK CLOSELY WITH THEIR COUNTERPARTS AT UNC HEALTH TO FIND MORE WAYS TO IMPROVE CARE AND QUALITY, REACH MORE UNINSURED PATIENTS AND MORE REX'S BOARD REPRESENTS A CROSS-SECTION OF THE COMMUNITY, WITH VOLUNTEERS THAT INCLUDE BUSINESS LEADERS, COMMUNITY PHYSICIANS AND OTHERS THAT BOARD WORKS CLOSELY WITH THE BOARD AT UNC HEALTH TO DETERMINE THE BEST WAYS TO PLAY A LARGER ROLE IN IMPROVING THE COMMUNITY'S HEALTH, AND REX'S ROLE IN THE BIGGER SYSTEM'S MISSION

Identifier	ReturnReference	Explanation
	PART VI LINE 7	THE ORGANIZATION SUBMITS AN ANNUAL COMMUNITY BENEFIT REPORT TO THE NORTH CAROLINA HOSPITAL ASSOCIATION AND THE NORTH CAROLINA MEDICAL CARE COMMISSION

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
REX HOSPITAL INC DBA REX HEALTHCARE

Employer identification number
56-1509260

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 ▶

25

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

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 REX REQUIRES ALL REQUESTS FOR GRANTS OR OTHER ASSISTANCE TO BE IN WRITING SUCH REQUESTS ARE TYPICALLY REVIEWED ON AN ANNUAL BASIS FOLLOWING GUIDELINES RELATED TO COMMUNITY NEED AND REX'S MISSION REX'S PRIORITIES INCLUDE SUPPORTING HEALTH, HUMAN SERVICES, EDUCATION AND ARTS IN THE COMMUNITIES IT SERVES REX HAS VARIOUS WAYS OF TRACKING THE RESULTS OF ITS CONTRIBUTIONS BECAUSE REX OFTEN WORKS CLOSELY WITH THE COMMUNITY GROUPS IT SUPPORTS, THE ORGANIZATIONS RECEIVES FREQUENT UPDATES ON THEIR WORK AND PROGRESS FOR LARGER GRANTS, REX ALSO RECEIVES ANNUAL OR QUARTERLY REPORTS ON RESULTS

Software ID:
Software Version:
EIN: 56-1509260
Name: REX HOSPITAL INC DBA REX HEALTHCARE

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
WAKE COUNTY MEDICAL SOCIETY2500 BLUE RIDGE ROAD STE 330 RALEIGH, NC 27607	56-2205175	501(C)(6)	75,000				GENERAL SUPPORT, MEDICAL CARE
RALEIGH SCHOOL OF NURSE ANESTH 3900 BARRETT DRIVE SUITE 200 RALEIGH, NC 27609	56-1684241	501(C)(3)	71,646				EDUCATION SUPPORT

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
NORTH CAROLINA SYMPHONY4350 LASSITER STE 250 RALEIGH, NC 27609	56-0556755	501(C)(3)	105,000				GENERAL SUPPORT
AMERICAN HEART ASSOCIATION NORTH CAROLINA AFFILIATEINC 3901 COMPUTER DR STE 110 RALEIGH, NC 27609	56-0529996	501(C)(3)	45,000				GENERAL SUPPORT, EDUCATION SUPPORT

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
POE CENTER FOR HEALTH ED224 SUNNYBROOK ROAD RALEIGH, NC 27610	56-1500678	501(C)(3)	21,000				EDUCATION SUPPORT
KOMEN FOR THE CURE NC TRIANGLE 133 FAYETTEVILLE ST 300 RALEIGH, NC 27601	75-1835298	501(C)(3)	10,000				GENERAL SUPPORT

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
BOYS & GIRLS CLUB701 N RALEIGH BOULEVARD RALEIGH, NC 27610	56-0863051	501(C)(3)	6,250				GENERAL SUPPORT
NC PREVENTION PARTNERS88 VILCOM CIRCLE STE 110 CHAPEL HILL, NC 27514	31-1722051	501(C)(3)	12,000				EDUCATION SUPPORT

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
DEVILS RIDGE CHARITYGOLF CLASSIC PO BOX 98 128 SOUTH MAIN STREET HOLLY SPRINGS, NC 27540	56-2265570	501(C)(3)	6,500				GENERAL SUPPORT
PAY IT FORWARD FERTILITY FDNT 8311 BRIER CREEK PARKWAY STE 105-111 RALEIGH, NC 27617	26-3906064	501(C)(3)	5,000				GENERAL SUPPORT

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
FRIESEN 5K FUN RUN1113 BISHOPTON WAY KNIGHTDALE, NC 27545	26- 2908988	501(C)(3)	6,000				GENERAL SUPPORT
AMERICAN CANCER SOCIETYRED SWORD GUILD PO BOX 10144 RALEIGH, NC 27605	58- 0659875	501(C)(3)	5,100				GENERAL SUPPORT

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
BE ACTIVE NORTH CAROLINA INC2250 PERIMETER PARK DRIVE STE 120 MORRISVILLE, NC 27560	56-1660333	501(C)(3)	5,000				GENERAL SUPPORT
CITY OF OAKS MARATHON7449 SIX FORKS ROAD RALEIGH, NC 27615	26-0232340	501(C)(3)	5,000				GENERAL SUPPORT, MEDICAL CARE

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
COLON CANCER COALITION- RALEIGH8009 34TH AVENUE STE 360 BLOOMINGTON, MN 55425	30-0377727	501(C)(3)	5,000				GENERAL SUPPORT
ENDING HOMELESSNESS - RALWAKE324 BLACKWELL STREET STE 1220 DURHAM, NC 27701	65-1267717	501(C)(3)	5,000				GENERAL SUPPORT

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
JIMMY V CELEBRITY GOLF CLASSIC130 EDINBURGH SODR CARY,NC 27511	56- 1875773	501(C)(3)	10,000				EDUCATION SUPPORT
LEUKEMIA SOCIETY OF AMERICA4206 SIX FORKS ROAD STE 220 RALEIGH,NC 27609	13- 5644916	501(C)(3)	5,000				GENERAL SUPPORT

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
NC CHILDREN'S PROMISE88 VILCOM CIRCLE STE L100 CHAPEL HILL, NE 27599	56-6057494	501(C)(3)	15,125				GENERAL SUPPORT
CEDPO BOX 13353 RTP, NC 27709	56-1399587	501(C)(3)	15,000				GENERAL SUPPORT

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
FOUNDATION FOR NURSINGPO BOX 31824 RALEIGH, NC 27622	30-0105241	501(C)(3)	15,000				EDUCATION SUPPORT
GREATER RALEIGH CHAMBERPO BOX 2978 RALEIGH, NC 27602	56-0370850	501(C)(6)	12,750				GENERAL SUPPORT

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
RALEIGH CIVIC VENTURE120 SOUTH WILMINGTON STREET RALEIGH, NC 27601	56-2095185	501(C)(3)	10,000				GENERAL SUPPORT
HOSPICE OF WAKE COUNTY25 HOSPICE CIRCLE RALEIGH, NC 27607	56-1228779	501(C)(3)	7,200				GENERAL SUPPORT

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
HOLLY SPRINGS CULTURAL300 WEST BALLENTINE STREET HOLLY SPRINGS, NC 27540	56-1143973	GOVERNMENT	6,100				GENERAL SUPPORT
DOWNTOWN RALEIGH ALLIANCE120 SOUTH WILMINGTON STREET RALEIGH, NC 27601	56-1994005	501(C)(6)	6,000				GENERAL SUPPORT

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
FUTURES FOR KIDS INC800 ST MARYS STREET SUITE 104 RALEIGH, NC 27605	56-2276012	501(C)(3)	5,000				EDUCATION SUPPORT
NORTH CAROLINA CHAMBER701 CORPORATE CENTER DRIVE RALEIGH, NC 27607	56-0340499	501(C)(6)	5,000				GENERAL SUPPORT

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 FIRST TEE OF THE5560 MUMFORD ROAD SUITE 201 RALEIGH, NC 27612	56-2266025	501(C)(3)	5,000				GENERAL SUPPORT

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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.

Name of the organization REX HOSPITAL INC DBA REX HEALTHCARE	Employer identification number 56-1509260
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Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
	☐ First-class or charter travel		
	☐ Travel for companions		
	☐ Tax idemnification and gross-up payments		
	☐ Discretionary spending account		
	☐ Housing allowance or residence for personal use		
	☐ Payments for business use of personal residence		
	☒ Health or social club dues or initiation fees		
	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain	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		
	☒ Independent compensation consultant		
	☐ Form 990 of other organizations		
	☒ Written employment contract		
	☒ Compensation survey or study		
	☒ 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	No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes
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 accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	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	

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.

[illegible]

Part III **Supplemental Information**

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

Identifier	Return Reference	Explanation
	PART I, LINE 1A	THE ORGANIZATION OFFERS COMPLIMENTARY MEMBERSHIPS TO REX WELLNESS CENTERS FOR THE EXECUTIVE STAFF, BOTH ACTIVE AND RETIRED BOARD MEMBERS AND MEDICAL DIRECTORS. ALL MEMBERS RECEIVING COMPLIMENTARY MEMBERSHIPS ARE REQUIRED TO COMPLETE THE SAME APPLICATION AND TESTING PROCEDURES AS OTHER MEMBERS. CURRENTLY, THERE ARE 6 INDIVIDUALS LISTED THAT RECEIVE COMPLIMENTARY MEMBERSHIPS. THE VALUE OF THE COMPLIMENTARY MEMBERSHIP IS TREATED AS TAXABLE COMPENSATION AND IS REPORTED ON THE INDIVIDUAL'S W-2.
	PART I, LINE 4B	DURING THE CALENDAR YEAR 2011, DAVID STRONG PARTICIPATED IN A NON-QUALIFIED SUPPLEMENTAL RETIREMENT PLAN AND RECEIVED DISTRIBUTIONS TOTALING \$308,940. HE ALSO EARNED COMPENSATION UNDER THIS PLAN TOTALING \$207,533. THE CURRENT YEAR EARNINGS ARE PAYABLE IN THE FUTURE.
	PART I, LINE 6	EMPLOYEES IN MANAGERIAL ROLES PARTICIPATE IN AN ANNUAL INCENTIVE COMPENSATION PLAN. THE COMPENSATION EARNED UNDER THIS PLAN IS BASED PARTLY ON THE COMBINED EARNINGS OF REX HEALTHCARE, INC. AND ITS SUBSIDIARIES. ADDITIONALLY, THE INCENTIVE COMPENSATION OF THE PRESIDENT AND CFO IS BASED PARTLY ON THE EARNINGS OF THE UNC HEALTH CARE SYSTEM. OTHER PERFORMANCE MEASURES USED TO DETERMINE INCENTIVE COMPENSATION ARE PHYSICIAN SATISFACTION, PATIENT CARE QUALITY OUTCOMES, EFFECTIVE USE OF TECHNOLOGY AND INDIVIDUAL GOALS.

Software ID:
Software Version:
EIN: 56-1509260
Name: REX HOSPITAL INC DBA REX HEALTHCARE

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) 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 compensation				
GARY L PARK	(i)	0	0	0	0	0	0	0
	(ii)	693,051	0	7,332	215,595	6,930	922,908	0
WILLIAM L ROPER MD	(i)	0	0	0	0	0	0	0
	(ii)	736,460	0	12,000	154,709	4,930	908,099	0
DAVID STRONG	(i)	473,828	189,238	339,870	230,960	12,345	1,246,241	308,940
	(ii)	0	0	0	0	0	0	0
BERNADETTE SPONG	(i)	288,082	78,113	21,840	31,620	15,480	435,135	0
	(ii)	0	0	0	0	0	0	0
MARY LOU POWELL	(i)	237,250	71,175	34,030	45,480	11,643	399,578	0
	(ii)	0	0	0	0	0	0	0
STEPHEN BURRISS	(i)	243,334	71,175	45,479	26,559	17,395	403,942	0
	(ii)	0	0	0	0	0	0	0
NOVLET BRADSHAW	(i)	226,064	62,963	28,790	21,303	11,945	351,065	0
	(ii)	0	0	0	0	0	0	0
LINDA BUTLER	(i)	186,050	54,750	19,257	18,130	13,895	292,082	0
	(ii)	0	0	0	0	0	0	0
DONALD ESPOSITO JR	(i)	206,306	61,594	16,845	17,327	18,445	320,517	0
	(ii)	0	0	0	0	0	0	0
SYLVIA HACKETT	(i)	190,383	52,013	7,488	37,376	9,643	296,903	0
	(ii)	0	0	0	0	0	0	0
R ERICK HAWKINS	(i)	197,030	57,488	33,567	20,150	9,268	317,503	0
	(ii)	0	0	0	0	0	0	0
CHAD LEFTERIS	(i)	154,875	42,979	12,345	12,004	5,177	227,380	0
	(ii)	0	0	0	0	0	0	0
LISA SCHILLER	(i)	150,497	41,884	7,804	14,985	18,390	233,560	0
	(ii)	0	0	0	0	0	0	0
ROBERT B LIVERMAN JR	(i)	125,027	11,735	11,347	25,852	7,753	181,714	0
	(ii)	0	0	0	0	0	0	0
JEFFREY CRANE	(i)	639,016	61,520	27,544	48,268	13,012	789,360	0
	(ii)	0	0	0	0	0	0	0
SHAHRAM TEHRANI	(i)	478,082	25,000	39,815	23,317	13,270	579,484	0
	(ii)	0	0	0	0	0	0	0
S WAYNE SMITH	(i)	434,189	62,150	43,845	98,423	10,153	648,760	0
	(ii)	0	0	0	0	0	0	0
ROBERT WEHBIE	(i)	569,224	64,473	94,963	25,982	12,945	767,587	0
	(ii)	0	0	0	0	0	0	0

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) 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 compensation				
OLUDAMILOLA	(i)	437,442	185,367	7,238	15,848	15,395	661,290	0
OLAJIDE	(ii)	0	0	0	0	0	0	0

Schedule K (Form 990)	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	
	Department of the Treasury Internal Revenue Service	Name of the organization REX HOSPITAL INC DBA REX HEALTHCARE										Employer identification number 56-1509260

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 COMMISSIONS	52-1309402	65821DFJ5	10-26-2010	127,456,150	CONSTRUCTION		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	3,120,000							
2	Amount of bonds defeased								
3	Total proceeds of issue	127,456,150							
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds	572,819							
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds	1,499,411							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	49,264,482							
11	Other spent proceeds	76,034,727							
12	Other unspent proceeds	7,332,770							
13	Year of substantial completion								
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	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						
2	Are there any lease arrangements that may result in private business use of bond-financed property?				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						
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?								
c	Are there any research agreements that may result in private business use of bond-financed property?		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?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

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						
2	Is the bond issue a variable rate issue?		X						
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X						
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						
6	Did the bond issue qualify for an exception to rebate?		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
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Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
REX HOSPITAL INC DBA REX HEALTHCARE

Employer identification number

56-1509260

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	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?		(c)Original principal amount	(d)Balance due	(e) In default?		(f) Approved by board or committee?		(g)Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
(1) NOVLET BRADSHAW RELOCATION LOAN		X	190,000	142,000		No		No	Yes	
Total ▶ \$					142,000					

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

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 REX HOSPITAL INC DBA REX HEALTHCARE	Employer identification number 56-1509260
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Identifier	Return Reference	Explanation
	PART I, LINE 6	THE ORGANIZATION'S VOLUNTEER SERVICES DEPARTMENT MAINTAINS A LARGE STAFF OF COMPETENT AND COMPASSIONATE VOLUNTEERS WHO ENHANCE AND EXTEND SERVICES PROVIDED TO PATIENTS, FAMILY MEMBERS, CLIENTS AND RESIDENTS THE 1,383 VOLUNTEERS PROVIDED A TOTAL OF 137,305 QUALITY SERVICE HOURS TO THE ORGANIZATION THIS YEAR MARKED THE BEGINNING OF OUR ANIMAL ASSISTED THERAPY PROGRAM INSIDE REX HOSPITAL THE PROGRAM HAS 9 CANINE VOLUNTEERS AND VISITED NUMEROUS PATIENTS VOLUNTEERS ALSO VISITED PATIENTS, CONDUCTED HEARING TESTS FOR NEWBORN BABIES, GREETED GUESTS AND DELIVERED FLOWER ARRANGEMENTS AND CARDS THEY MANNED WAITING ROOMS, ESCORTED PATIENTS, MADE BEDS, DISCHARGED PATIENTS AND SO MUCH MORE TO PROVIDE COMFORT TO OUR COMMUNITY
	FORM 990, PART VI, SECTION A, LINE 6	THE ORGANIZATION'S SOLE MEMBER IS REX HEALTHCARE, INC
	FORM 990, PART VI, SECTION A, LINE 7A	THE UNIVERSITY OF NORTH CAROLINA HEALTH CARE SYSTEM APPOINTS ALL OF THE THIRTEEN SEATS ON THE ORGANIZATION'S BOARD OF TRUSTEES
	FORM 990, PART VI, SECTION A, LINE 7B	THE ORGANIZATION'S BOARD REQUIRES PRIOR APPROVAL OF THE UNIVERSITY OF NORTH CAROLINA HEALTH CARE SYSTEM FOR CERTAIN POWERS, INCLUDING BUT NOT LIMITED TO ADDITION OR DELETION OF A HEALTH CARE SERVICE, PARTICIPATION, DIRECTLY OR INDIRECTLY, IN A JOINT VENTURE, INDEBTEDNESS AND CAPITAL BUDGETS, OPERATING BUDGETS AND NON-BUDGETED MATERIAL EXPENDITURES
	FORM 990, PART VI, SECTION B, LINE 11	THE ORGANIZATION'S EXECUTIVE TEAM DISCUSSES AND REVIEWS THE FORM 990 AND ALL ASSOCIATED SCHEDULES THROUGHOUT THE INFORMATION GATHERING STAGE THE FORM 990 AND ASSOCIATED SCHEDULES ARE THEN REVIEWED AND APPROVED BY THE BOARD AS A WHOLE A COPY OF THE APPROVED FORM 990 ALONG WITH THE ASSOCIATED SCHEDULES IS PROVIDED TO ALL BOARD MEMBERS PRIOR TO FILING
	FORM 990, PART VI, SECTION B, LINE 12C	REX REGULARLY AND CONSISTENTLY MONITORS AND ENFORCES COMPLIANCE WITH THE CONFLICT OF INTEREST POLICY BY REQUIRING ALL BOARD MEMBERS TO ANNUALLY COMPLETE AND SIGN A QUESTIONNAIRE DOCUMENTING ANY AREA OF CONFLICT OF INTEREST THE BOARD MEMBERS ARE REQUIRED TO REPORT AND DOCUMENT ANY NEW AREAS OF CONFLICT OF INTEREST AS THEY ARISE
	FORM 990, PART VI, SECTION B, LINE 15	THE ORGANIZATION USES AN INDEPENDENT CONSULTANT TO MEASURE FAIR VALUE OF COMPENSATION FOR THE ORGANIZATION'S PRESIDENT AND OTHER TOP MANAGEMENT REX'S BOARD REVIEWS AND APPROVES THE COMPENSATION FOR ALL OFFICERS EXCEPT THE ASSISTANT TREASURER AND ASSISTANT SECRETARY
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S FORM 990 IS AVAILABLE UPON REQUEST AND ON GUIDESTAR'S WEBSITE AND THE FINANCIAL STATEMENTS ARE AVAILABLE ON MUNICIPAL SECURITIES RULEMAKING BOARD'S WEBSITE THE ORGANIZATION DOES NOT MAKE OTHER GOVERNING DOCUMENTS AND THE CONFLICT OF INTEREST POLICY AVAILABLE TO THE PUBLIC
	PART VII, SECTION A, COLUMN B	DUE TO THE TREMENDOUS OVERLAP OF DIRECTORS BETWEEN THE ORAGANIZATION AND ALL RELATED ORGANIZATIONS, THE RELATED ORGANIZATIONS' HOURS ARE INCLUDED IN THE HOURS LISTED
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED GAINS ON INVESTMENTS 4,159,192

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
REX HOSPITAL INC DBA REX HEALTHCARE

Employer identification number
56-1509260

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) REX HEALTH VENTURES GP I LLC 4420 LAKE BOONE TRAIL RALEIGH, NC 27607 45-5070550	VENTURE CAPITAL INVESTMENT	NC			REX HOSPITAL INC
(2) REX HEALTH VENTURES I LP 4420 LAKE BOONE TRAIL RALEIGH, NC 27607 37-1690478	MANAGING INVESTMENTS	NC			REX HEALTH VENTURES I LP

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) REX HEALTHCARE INC 4420 LAKE BOONE TRAIL RALEIGH, NC 27607 56-1509129	HEALTHCARE	NC	501(C)(3)	509(A)(3)	UNC HEALTHCARE		No
(2) THE REX HEALTHCARE FOUNDATION INC 4420 LAKE BOONE TRAIL RALEIGH, NC 27607 56-6052117	SUPPORT OF REX HOSPITAL	NC	501(C)(3)	509(A)(3)	REX HEALTHCARE		No
(3) REX HOME SERVICES INC 4420 LAKE BOONE TRAIL RALEIGH, NC 27607 56-1636242	HEALTHCARE	NC	501(C)(3)	LINE 3	REX HOSPITAL		No
(4) UNC HEALTH CARE SYSTEM 101 MANNING DRIVE CHAPEL HILL, NC 27514 56-2206970	HEALTHCARE	NC	501(C)(3)	LINE 3	UNC HEALTHCARE		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?		(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	
(1) REX SURGERY CENTER OF CARY LLC 4420 LAKE BOONE TRAIL RALEIGH, NC 27607 27-3684056	ASC	NC	REX HOSPITAL INC	RELATED	5,025,707	4,321,975		No			No	55 000 %
(2) JRH VENTURES LLC 4420 LAKE BOONE TRAIL RALEIGH, NC 27607 27-4092967	MED CAMPUS DVLTL	NC	REX HOSPITAL INC	RELATED	116,016	3,531,886		No			No	50 000 %
(3) REX HEALTH VENTURES 4420 LAKE BOONE TRAIL RALEIGH, NC 27607	VENTURE CAPITAL INVESTMENT	NC	REX HEALTH VENTURES	RELATED		500,000		No			No	100 000 %

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) REX ENTERPRISES COMPANY INC 4420 LAKE BOONE TRAIL RALEIGH, NC 27607 56-1553957	OPERATIONS SUPPORT	NC	REX HEALTHCARE	C			
(2) REX PHYSICIANS LLC 4420 LAKE BOONE TRAIL RALEIGH, NC 27607 26-4594963	HEALTHCARE	NC	REX HOLDINGS	C			

Part V

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

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

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity

b Gift, grant, or capital contribution to related organization(s)

c Gift, grant, or capital contribution from related organization(s)

d Loans or loan guarantees to or for related organization(s)

e Loans or loan guarantees by related organization(s)

f Sale of assets to related organization(s)

g Purchase of assets from related organization(s)

h Exchange of assets with related organization(s)

i Lease of facilities, equipment, or other assets to related organization(s)

j Lease of facilities, equipment, or other assets from related organization(s)

k Performance of services or membership or fundraising solicitations for related organization(s)

l Performance of services or membership or fundraising solicitations by related organization(s)

m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

n Sharing of paid employees with related organization(s)

o Reimbursement paid to related organization(s) for expenses

p Reimbursement paid by related organization(s) for expenses

q Other transfer of cash or property to related organization(s)

r Other transfer of cash or property from related organization(s)

Yes

No

1a

No

1b

Yes

1c

Yes

1d

Yes

1e

No

1f

No

1g

No

1h

No

1i

Yes

1j

No

1k

Yes

1l

No

1m

Yes

1n

Yes

1o

No

1p

No

1q

No

1r

No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) REX HEALTHCARE FOUNDATION INC	B	678,659	FMV
(2) REX HEALTHCARE FOUNDATION INC	C	1,291,083	FMV
(3) REX PHYSICIANS LLC	D	11,899,031	FMV
(4) REX PHYSICIANS LLC	I	2,324,115	FMV
(5) REX PHYSICIANS LLC	K	2,392,256	FMV
(6) JRH VENTURES LLC	K	997,992	FMV

Schedule R (Form 990) 2011

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.

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation
	PART V, LINE 1 M & N	ADMINISTRATIVE SUPPORT, SUCH AS EXECUTIVE MANAGEMENT, LEGAL ACCOUNTING, HUMAN RESOURCES, PURCHASING AND IT FUNCTIONS, FOR EACH OF THESE ENTITIES IS PROVIDED BY REX HOSPITAL, INC PERSONNEL UTILIZING REX HOSPITAL FACILITIES AND OTHER ASSETS ESTIMATING THE VALUE OF THESE SHARES PERSONNEL AND ASSETS CANNOT BE READILY DETERMINED

Software ID:

Software Version:

EIN: 56-1509260

Name: REX HOSPITAL INC DBA REX HEALTHCARE

Form 990, Schedule R, Part V - Transactions With Related Organizations

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved (\$)	(d) Method of determining amount involved
(1) REX HEALTHCARE FOUNDATION INC	B	678,659	FMV
(2) REX HEALTHCARE FOUNDATION INC	C	1,291,083	FMV
(3) REX PHYSICIANS LLC	D	11,899,031	FMV
(4) REX PHYSICIANS LLC	I	2,324,115	FMV
(5) REX PHYSICIANS LLC	K	2,392,256	FMV
(6) JRH VENTURES LLC	K	997,992	FMV

REX HEALTHCARE, INC. AND SUBSIDIARIES

**COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED JUNE 30, 2012 AND 2011

REX HEALTHCARE, INC. AND SUBSIDIARIES
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YEARS ENDED JUNE 30, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Rex Healthcare, Inc. and Subsidiaries
Raleigh, North Carolina

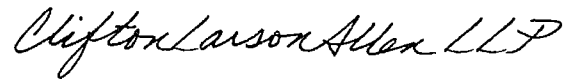
We have audited the accompanying combined balance sheets of Rex Healthcare, Inc. and Subsidiaries ("Rex") for the years ended June 30, 2012 and 2011 and the related combined statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of Rex's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes 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, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Rex Healthcare, Inc. and Subsidiaries as of June 30, 2012 and 2011, and the combined results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 and the Schedule of Plan Funding Progress on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic combined financial statements, is required by the Governmental Accounting Standards Board ("GASB"), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplemental combining schedules on pages 38 through 39 are presented for purposes of additional analysis 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, 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 taken as a whole

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Charlotte, North Carolina
September 10, 2012

REX HEALTHCARE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011
(IN \$000'S)

Overview

The Management's Discussion and Analysis section of the Rex Healthcare, Inc. and Subsidiaries ("Rex") annual financial report is designed to provide a general overview of the financial position and operating results as of and for the fiscal years ended June 30, 2012 and 2011. This discussion and analysis should be read in conjunction with the combined financial statements and related notes which follow this discussion and analysis.

Rex Healthcare, Inc. is a private, not-for-profit health care organization located in Raleigh, North Carolina, and a member of the University of North Carolina Health Care System. The flagship facility is Rex Hospital, Inc., a 433-bed community hospital. Rex has a 118-year history of providing excellent health services. Rex Hospital, Inc. provides comprehensive care, including emergency, general surgery, orthopedics, oncology, vascular, cardiac, gynecology, and obstetric services on its main campus. Rex Hospital, Inc. reaches beyond the hospital setting to provide long-term care and sub-acute rehabilitation in two skilled nursing centers – a 120-bed center in Raleigh and a 107-bed facility in Apex. In Cary, Rex offers wellness and diagnostic services. Rex Surgery Center of Cary provides outpatient surgery services. At its Wakefield campus, Rex provides outpatient surgery, a full cancer center with medical and radiation oncology services, urgent care, diagnostics, family medicine and a wellness center. At its Knightdale campus, Rex provides urgent care, diagnostics, family medicine, wound care and a sleep disorders center. In addition, Rex has a fourth medically supervised wellness center in Garner. Rex operates a home health service, outpatient rehab in three locations, and a senior health center in an underserved market in downtown Raleigh. Rex also provides radiation oncology services in Johnston County. Rex Healthcare of Holly Springs opened during 2012, providing urgent care, diagnostics and physician practices to residents in Southern Wake County.

Current Year Events

Rex Healthcare had a successful fiscal year 2012. State regulators approved Certificate of Need (CON) applications for a 50-bed community hospital in Holly Springs as well as a new heart and vascular bed tower at Rex's main campus. That project will include the relocation of 115 acute care beds from Rex's aging patient tower, relocation of 2 existing operating rooms, and consolidation of all existing heart and vascular services into a more convenient and accessible location.

Rex's footprint continued to expand throughout the area. Johnston Health and Rex formalized their partnership to provide comprehensive cancer care for patients at facilities in Clayton and Smithfield. Rex also celebrated the opening of a Holly Springs outpatient campus and a new wellness center in Knightdale and began construction with Raleigh Orthopaedic Clinic on the Raleigh Orthopaedic Surgery Center.

Physician alignment continued to be a priority at Rex during the past fiscal year. Two of the Triangle's leading cardiothoracic surgeons formed a new practice affiliated with Rex, and Rex Pulmonary Specialists and Rex Vascular Surgical Specialists were launched. Additionally, four new physicians joined existing Rex specialty practices and six new practices joined the Rex supported portion of the UNC Physicians Network.

REX HEALTHCARE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011
(IN \$000'S)

Current Year Events (Continued)

Rex continued to be recognized with significant accolades. *Modern Healthcare* magazine named Rex one of the top 100 places to work in health care for 2012. Professional Research Consultants (PRC) nationally recognized Rex Healthcare for its achievements in patient service. Rex won two patient loyalty awards; 7 East and Wakefield Surgery were awarded 5-Star Award, which recognizes departments for being in the top 10 percent of departments nationwide. Rex achieved both its HCAHPS and Excellence in patient satisfaction goals, obtaining the highest excellent rating ever at 67.8 percent. Overall satisfaction was at 98 percent. Rex was named a Top 100 Best Hospital in the nation by *Becker's Hospital Review* for 2012, and one of the 100 great places to work in healthcare.

Rex received an 'A' grade from the Leapfrog Group for Hospital Safety. In the Triangle, UNC Hospitals was the only other hospital to receive a top mark. The grade was based on data tracking preventable errors and medical complications. Additional accomplishments during fiscal year 2012 included designation as an advanced primary stroke center and "Three-Year Accreditation with Commendation" to the Rex Cancer Center by the Commission on Cancer (CoC) of the American College of Surgeons.

Rex continues to invest in the latest medical technology, including new a TomoTherapy machine that allows physicians to more precisely target treatment for radiation oncology patients. Rex was designated as the first robotic surgery epicenter in North Carolina and began offering TAVR, a minimally invasive heart valve replacement procedure for patients who were previously considered inoperable. Rex was the first hospital in Wake County to offer the procedure, and one of only 25 in the Southeast.

Other awards included: Best Place to Work by *Triangle Business Journal* and a Family-Friendly Place to Work by *Carolina Parent*. The American Alliance of Healthcare Providers "AAHCP," recognized Rex with a *Hospital of Choice Award* for 2012. Rex also became the first hospital in North Carolina to remove its fryers, part of a broader effort to serve healthier cuisine and Rex's culinary team gained national attention with positive articles in a range of media outlets, including *GQ Magazine* and the *Wall Street Journal* as well as won a gold medal at the Association for Healthcare Foodservice 2012 Culinary Competition in Miami.

The National Research Corporation (NRC) named Rex Healthcare a Consumer Choice Award winner in 2011. Rex was also recognized nationally by Health Grades in 2012 with numerous awards including recipient of America's 50 Best Hospitals Award, Distinguished Hospital Award for Clinical Excellence, Gastrointestinal Care Excellence Award, General Surgery Excellence Award and Pulmonary Care Excellence Award.

Rex's overall credit rating was reaffirmed by rating agencies Fitch and Moody's at A+/A1.

REX HEALTHCARE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011
(IN \$000'S)

Using this Financial Report

Rex's financial statements report information of Rex using accounting methods similar to those used by private-sector health organizations. These statements offer short and long-term financial information about its activities.

Balance Sheet

The balance sheet includes all of Rex's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Rex's creditors (liabilities). The balance sheet also provides the basis for evaluating the capital structure of Rex and assessing the liquidity and financial flexibility of Rex.

Statement of Revenues, Expenses and Changes in Net Assets

Revenues and expenses are accounted for in the statement of revenues, expenses and changes in net assets. This statement measures the success of Rex's operations over the past year and can be used to determine whether Rex has successfully recovered all of its costs through its fees and other sources of revenue, profitability and credit worthiness.

REX HEALTHCARE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011
(IN \$000'S)

Statement of Cash Flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments and net changes in cash resulting from operating, investing and capital and related financing activities. It also provides answers to such questions as where cash comes from, what cash was used for and what the change in the cash balance was during the reporting period.

Notes to the Combined Financial Statements

Notes to the combined financial statements are designed to give the reader additional information concerning Rex and further supports the statements noted above.

Financial Analysis

The statement of revenues, expenses and changes in net assets reports the net assets of Rex and the changes affecting them. Rex's net assets, the difference between assets and liabilities, are a way to measure financial health or financial position. Over time, increases or decreases in Rex's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will also need to consider other non-financial factors such as changes in economic conditions, population growth and new or changed governmental legislation.

Condensed Combined Balance Sheets

The following condensed combined balance sheets show the combined financial position at June 30, 2012, 2011, and 2010

	2012	2011	2010
ASSETS			
Current Assets	\$ 176,878	\$ 194,576	\$ 143,526
Capital Assets, Net	290,662	268,125	261,418
Noncurrent Assets	240,928	217,212	136,265
Total Assets	<u>\$ 708,468</u>	<u>\$ 679,913</u>	<u>\$ 541,209</u>
LIABILITIES			
Long-Term Debt, Including Current Portion	\$ 155,566	\$ 159,570	\$ 111,148
Other Liabilities	104,709	106,878	85,655
Total Liabilities	<u>260,275</u>	<u>266,448</u>	<u>196,803</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	135,096	103,728	150,270
Restricted	4,082	3,959	4,123
Unrestricted	309,015	305,778	190,013
Total Net Assets	<u>448,193</u>	<u>413,465</u>	<u>344,406</u>
Total Liabilities and Net Assets	<u>\$ 708,468</u>	<u>\$ 679,913</u>	<u>\$ 541,209</u>

REX HEALTHCARE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011
(IN \$000'S)

Financial Analysis (Continued)

Current assets decreased \$17,698 (9.1%) and increased \$51,050 (35.6%) in 2012 and 2011, respectively. The decrease is a result of transferring \$20,000 of cash to the long-term investment portfolio. The increases result from growth in outpatient volumes, disciplined expense control, and improved reimbursement associated with renegotiated payor contracts.

Noncurrent assets increased \$23,716 (10.9%) in 2012 and \$80,947 (59.4%) in 2011, the result of investment earnings consistent with overall market performance as well as additional investment.

During 2012 and 2011, long-term debt decreased \$4,004 (2.5%) and \$48,423 (43.6%), respectively. The decrease in 2012 is the result of making scheduled principal payments. The increase in 2011 is the net result of issuing Series 2010A Revenue Bonds, the proceeds of which refunded the Series 1998 Revenue Bonds and provided approximately \$47,600 in funding for certain capital projects, resulting in a net increase in long-term debt.

Net assets increased \$34,728 (8.4%) in 2012 and \$69,059 (20.1%) during 2011, primarily the result of strong operating performance and investment earnings. Investment income contributed (\$5,878) and \$27,857 in 2012 and 2011, respectively, to the change in net assets. For further information on this change, see the following statement of revenues, expenses and changes in net assets.

Capital Assets

Rex's investment in capital assets consisted of the following at June 30, 2012, 2011 and 2010:

	2012	2011	2010
Land and Land Improvements	\$ 49,452	\$ 48,934	\$ 49,679
Buildings and Improvements	254,697	250,338	264,540
Equipment	323,562	292,626	273,734
Total Capital Assets	627,711	591,898	587,953
Accumulated Depreciation	(384,764)	(356,671)	(334,139)
Total Capital Assets, Net	242,947	235,227	253,814
Construction in Progress	47,715	32,898	7,604
Total Capital Assets	\$ 290,662	\$ 268,125	\$ 261,418

Capital investments in 2012 consisted primarily of costs incurred in conjunction with the construction of Rex Healthcare of Holly Springs, a replacement Central Energy Plant for the main campus, and technology assets.

During 2011, capital investments consisted primarily of costs incurred in conjunction with the construction of a replacement Central Energy Plant for the main campus, new inpatient beds, and technology assets.

REX HEALTHCARE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011
(IN \$000'S)

Financial Analysis (Continued)

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

While the combined balance sheets show the change in financial position of net assets, the following combined statements of revenues, expenses and changes in net assets provides answers to the nature and source of these changes for the years ended June 30, 2012, 2011 and 2010

	2012	2011	2010
Operating Revenues	\$ 719,912	\$ 628,617	\$ 571,001
Operating Expenses	663,934	579,761	535,228
Operating Income	55,978	48,856	35,773
Nonoperating Income (Loss)	(1,807)	26,232	12,187
Contributions and Other	(19,443)	(6,029)	(1,019)
Change in Net Assets	34,728	69,059	46,941
Net Assets, Beginning of Period	413,465	344,406	297,465
Net Assets, End of Period	\$ 448,193	\$ 413,465	\$ 344,406

Operating Income

The increase in operating revenues in 2012 and 2011 is primarily the result of volume growth, increased reimbursement resulting from renegotiated payor contracts, and effective cost control. In addition, Rex recognized approximately \$11,802 in 2012 operating revenues related to the new Upper Payment Limit plan and \$2,198 in 2011 related to the North Carolina Medicaid Reimbursement Initiative Program. Of the \$11,802 recognized in 2012, \$7,332 related to the 2011 Upper Payment Limit Plan year. The increases in operating expenses in each year are the result of changes in patient volumes, inflation and expansion of services offered, mitigated by coordinated cost control measures. The increase in operating income is the net result of all these factors.

Nonoperating Income

Nonoperating income consisted of the following for the years ended June 30, 2012, 2011 and 2010:

	2012	2011	2010
Interest Income	\$ 888	\$ 983	\$ 471
Dividend Income	3,080	1,946	1,885
Realized Gains (Losses), Net	698	3,430	12,425
Net Change in Unrealized Gains (Losses) on Investments	(9,540)	21,990	751
Brokerage Fees	(912)	(745)	(597)
Income from Investments in Affiliates	-	253	308
Total Investment Income (Loss)	(5,786)	27,857	15,243
Other	3,979	(1,625)	(3,056)
Total Nonoperating Income (Loss)	\$ (1,807)	\$ 26,232	\$ 12,187

REX HEALTHCARE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011
(IN \$000'S)

Finance Contact

Rex's financial statements are designed to present users with a general overview of Rex's finances and to demonstrate Rex's accountability. If you have any questions about this report or need additional financial information, inquiries may be sent to:

Chief Financial Officer
Rex Healthcare, Inc.
4420 Lake Boone Trail
Raleigh, North Carolina 27607

REX HEALTHCARE, INC. AND SUBSIDIARIES
COMBINED BALANCE SHEETS
JUNE 30, 2012 AND 2011
(IN \$000's)

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 70,527	\$ 96,427
Patient Accounts Receivable, Net of Allowance for Uncollectible Accounts of Approximately \$15,749 in 2012 and \$9,722 in 2011	77,123	75,243
Other Receivables	10,645	5,989
Inventories	10,775	10,102
Prepaid Expenses and Other Current Assets	7,808	6,815
Total Current Assets	<u>176,878</u>	<u>194,576</u>
ASSETS LIMITED AS TO USE	230,948	206,120
CAPITAL ASSETS, NET	290,662	268,125
OTHER ASSETS		
Investments in Affiliates	7,018	5,582
Deferred Debt Issuance Costs, Net	1,286	1,405
Other Assets	1,676	4,105
Total Other Assets	<u>9,980</u>	<u>11,092</u>
Total Assets	<u><u>\$ 708,468</u></u>	<u><u>\$ 679,913</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 6,685	\$ 36,851
Vendor Accounts Payable	36,325	30,709
Accrued Expenses and Other Liabilities	58,225	49,416
Estimated Third-Party Payor Settlements	4,417	24,640
Total Current Liabilities	<u>105,652</u>	<u>141,616</u>
LONG-TERM DEBT , Net of Current Maturities	148,881	122,719
NON-CONTROLLING INTEREST	4,580	1,170
OTHER NONCURRENT LIABILITIES	1,162	943
Total Liabilities	<u>260,275</u>	<u>266,448</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	135,096	103,728
Restricted	4,082	3,959
Unrestricted	309,015	305,778
Total Net Assets	<u>448,193</u>	<u>413,465</u>
Total Liabilities and Net Assets	<u><u>\$ 708,468</u></u>	<u><u>\$ 679,913</u></u>

See accompanying Notes to Combined Financial Statements

REX HEALTHCARE, INC. AND SUBSIDIARIES
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2012 AND 2011
(IN \$000's)

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Net Patient Service Revenue (Net of Provision for Uncollectible Accounts of Approximately \$26,858 in 2012 and \$21,415 in 2011)	\$ 693,524	\$ 608,277
Other Operating Revenues	26,388	20,340
Total Operating Revenues	<u>719,912</u>	<u>628,617</u>
OPERATING EXPENSES		
Salaries	287,098	247,064
Employee Benefits	81,510	68,788
Medical Supplies and Other Expenses	262,977	233,226
Depreciation and Amortization	27,296	25,713
Interest	5,053	4,970
Total Operating Expenses	<u>663,934</u>	<u>579,761</u>
OPERATING INCOME	55,978	48,856
NONOPERATING INCOME (LOSS)		
Investment Income, Net	(5,786)	27,857
Other, Net	3,979	(1,625)
Nonoperating Income, Net	<u>(1,807)</u>	<u>26,232</u>
EXCESS OF REVENUES AND GAINS OVER EXPENSES AND LOSSES	54,171	75,088
CONTRIBUTIONS TO RELATED PARTY	(12,982)	(5,609)
INCOME APPLICABLE TO NON-CONTROLLING INTEREST	(3,881)	(420)
OTHER	<u>(2,580)</u>	<u>-</u>
CHANGE IN NET ASSETS	34,728	69,059
Net Assets - Beginning of Year	<u>413,465</u>	<u>344,406</u>
NET ASSETS - END OF YEAR	<u><u>\$ 448,193</u></u>	<u><u>\$ 413,465</u></u>

See accompanying Notes to Combined Financial Statements.

REX HEALTHCARE, INC. AND SUBSIDIARIES
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011
(IN \$000's)

	2012	2011
OPERATING ACTIVITIES		
Receipts from Third-Party Payors and Patients	\$ 666,765	\$ 599,010
Payments to and on Behalf of Employees	(362,270)	(309,514)
Payments to Suppliers	(257,301)	(235,718)
Other Receipts	20,219	19,266
Net Cash Provided by Operating Activities	<u>67,413</u>	<u>73,044</u>
INVESTING ACTIVITIES		
Purchases and Sales of Investments, Net	(49,876)	(31,509)
Contributions to Related Party	(12,982)	(5,609)
Investment Income	3,754	5,867
Other Nonoperating Income, Net	3,979	(1,625)
Net Cash Used in Investing Activities	<u>(55,125)</u>	<u>(32,876)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(43,069)	(28,336)
Proceeds from Issuance of Long-Term Debt, Net of Premium	30,072	130,041
Principal Repayments of Long-Term Debt	(38,057)	(80,086)
Cash Paid for Financing Costs on Long-Term Debt	-	(1,361)
Cash Paid for Interest on Long-Term Debt	(2,642)	(2,641)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(53,696)</u>	<u>17,617</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(41,408)	57,785
Cash and Cash Equivalents - Beginning of Year	<u>124,069</u>	<u>66,284</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 82,661</u></u>	<u><u>\$ 124,069</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO COMBINED BALANCE SHEETS:		
Cash and Cash Equivalents in Current Assets	\$ 70,527	\$ 96,427
Cash and Cash Equivalents in Assets Limited as to Use	12,134	27,642
Total Cash and Cash Equivalents	<u><u>\$ 82,661</u></u>	<u><u>\$ 124,069</u></u>

See accompanying Notes to Combined Financial Statements

REX HEALTHCARE, INC. AND SUBSIDIARIES
COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2012 AND 2011
(IN \$000's)

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 55,978	\$ 48,856
Interest Expense Considered Capital Financing Activity	5,053	4,970
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Provision for Uncollectible Accounts	26,858	21,415
Depreciation and Amortization	27,296	25,713
(Gain) Loss on Disposal of Capital Assets	(2,482)	974
Changes in Assets and Liabilities		
Patient and Other Receivables, Net	(33,394)	(39,564)
Accounts Payable and Accrued Expenses	12,014	3,846
Estimated Third-Party Payor Settlements	(20,223)	8,882
Other Assets and Liabilities, Net	(3,687)	(2,048)
Net Cash Provided by Operating Activities	<u>\$ 67,413</u>	<u>\$ 73,044</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION		
Net Change in Unrealized Gains (Losses) on Investments	<u>\$ (9,540)</u>	<u>\$ 21,990</u>
Additions to Capital Assets Included in Current Liabilities	<u>\$ 5,762</u>	<u>\$ 4,842</u>
Capital Assets Acquired through Capital Lease Obligations	<u>\$ 4,104</u>	<u>\$ -</u>

See accompanying Notes to Combined Financial Statements

REX HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(IN \$000's)

NOTE 1 ORGANIZATION AND DESCRIPTION OF THE COMPANY

Rex Healthcare, Inc. ("Rex") is a North Carolina not-for-profit corporation organized to provide a broad range of health care services to residents of the Triangle area of North Carolina. Acting through its network of operating affiliates, Rex provides health care to patients from several locations through continued development of acute care and non-hospital programs.

Rex's sole member is the University of North Carolina Health Care System ("UNCHCS"). UNCHCS appoints eight of the thirteen seats on Rex's Board of Trustees. Additionally, UNCHCS reviews and approves Rex's annual operating and capital budgets. As required by accounting principles generally accepted in the United States of America, the combined financial statements of Rex present the financial position and results of operations of the parent entity and its blended component units which are described below

Rex Hospital, Inc. – Rex Hospital, Inc (the "Hospital"), located in Raleigh, North Carolina, is a 433-bed hospital. The Hospital provides inpatient, outpatient and emergency services primarily to the residents of Wake County, North Carolina. The Hospital operates on its main campus Rex Cancer Center, Rex Women's Center and Rex Rehabilitation and Nursing Care Center of Raleigh, a 120-bed nursing facility. The Hospital provides urgent care and diagnostics at its Cary, North Carolina campus, and outpatient surgery, oncology and wellness services, urgent care, family medicine and diagnostics at its Wakefield campus. Rex's Knightdale campus provides urgent care, diagnostics, family medicine, wound care and a sleep disorders center. Rex also operates Rex Rehabilitation and Nursing Care Center of Apex, a 107-bed nursing facility located in Apex, North Carolina. Rex's Holly Springs campus, opened December 2011, provides urgent care, diagnostics and physician practice services.

Rex Holdings, LLC – Rex formed and became the sole member of Rex Holdings, LLC ("Holdings"), a single member limited liability company. Holdings was formed to hold membership interest in various limited liability companies. During fiscal year 2012, there was no activity related to this entity.

Rex Physicians, LLC – Holdings formed and became the sole member of Rex Physicians LLC ("Physicians"), a single member limited liability company which has elected to be treated as a taxable corporation. Physicians was formed to operate specialty physician practices serving the residents of Wake County and surrounding areas. Physicians currently operates physician practices in the areas of general surgery, heart and vascular services, and thoracic surgery.

Rex Enterprises Company, Inc. – Rex Enterprises Company, Inc ("Enterprises") is a North Carolina for-profit corporation organized to hold investments in various affiliates and to promote the development of real property in support of the mission of Rex.

REX HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(IN \$000's)

NOTE 1 ORGANIZATION AND DESCRIPTION OF THE COMPANY (CONTINUED)

Rex CDP Ventures, LLC – Rex CDP Ventures, LLC ("Ventures"), is a limited liability company organized to own and develop real estate in the Wakefield community of northern Wake County. At June 30, 2012, Ventures was the sole member of the following limited liability companies:

Rex Wakefield Wellness, LLC – Enterprises formed and became the sole member of Rex Wakefield Wellness, LLC ("Wellness"), a single member limited liability company. Wellness was created to develop a wellness center building on the Wakefield campus of the Hospital. The Hospital leases the building from Wellness.

Rex CDP Ventures – HT, LLC – Ventures formed and became the sole member of Rex CDP Ventures – HT, LLC ("HT"), a single member limited liability company. HT was formed to develop a retail unit of the Wakefield campus of the Hospital. During 2012, Ventures sold essentially all of HT's assets to an unrelated party.

Wakefield Rex Investors MOB, LLC – Wakefield Rex Investors, LLC, formed and became the sole member of Rex Wakefield Investors MOB, LLC ("MOB") a single member limited liability company. MOB was formed to develop a medical office building on the Wakefield campus of the Hospital.

Rex CDP Ventures – Retail, LLC – Ventures formed and became the sole member of Rex CDP Ventures – Retail, LLC ("Retail"), a single member limited liability company. Retail was formed to develop a retail unit of the Wakefield campus of the Hospital. During 2012, Ventures sold approximately 63% of Retail's capital assets to an unrelated party.

Rex Healthcare Foundation, Inc. – Rex Healthcare Foundation, Inc. (the "Foundation") is a North Carolina not-for-profit corporation organized to promote the health and welfare of the people of the Triangle area by promoting philanthropic contributions and public support of Rex.

Rex Home Services, Inc. – The Hospital owns Rex Home Services, Inc. ("Home Services"), a North Carolina not-for-profit corporation, organized to provide home health services primarily to the residents of Wake County, North Carolina.

REX HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(IN \$000's)

NOTE 1 ORGANIZATION AND DESCRIPTION OF THE COMPANY (CONTINUED)

Smithfield Radiation Oncology, LLC – Smithfield Radiation Oncology, LLC (“SRO”) is a limited liability company organized to own and operate a linear accelerator. The Hospital was the sole member of SRO; however, effective February 1, 2012 the Hospital was no longer the sole member of SRO (see Note 2).

Rex Surgery Center of Cary, LLC – Rex Surgery Center of Cary, LLC (“Surgery Center”) is a limited liability company organized to own and operate an ambulatory surgery center. Surgery Center was formed and began operations on February 28, 2011. At June 30, 2011 the Hospital owned 79.5% of the membership interests, with the remaining 20.5% owned by an unrelated third party. During 2012, the Hospital sold an additional 24.5% interest to the unrelated party, increasing the non-controlling interest to 45%. Since the Hospital controls the Surgery Center, it is combined in the accompanying financial statements, with a non-controlling interest.

Rex Health Ventures – In April 2012, Rex created Rex Health Ventures, LLC, Rex Health Ventures GP I, LLC and Rex Health Ventures I, LLP (collectively “Rex Health Ventures” or “RHV”). RHV was formed as a venture capital fund to invest in and partner with health care startup companies and entrepreneurs. RHV invests in organizations that support the discovery and development of new treatments, tools, products and services that foster innovation and positively impact the provision of healthcare. Rex has committed to investing up to \$10,000 in RHV. At June 30, 2012, Rex’s actual investment was \$500. Following is the organizational structure of the RHV entities:

Rex Health Ventures GP I, LLC – The Hospital is the sole member of Rex Health Ventures GP I, LLC (“RHV GP”).

Rex Health Ventures I, LLP – The Hospital is the sole limited partner in Rex Health Ventures I, LLP (“RHVI”) and RHV GP is the sole general partner. RHVI is the venture capital fund and invests in startup companies. At June 30, 2012, RHVI has invested \$500 for a 3% interest in an unrelated pharmaceutical startup company. RHV accounts for this investment utilizing the cost method of accounting.

Rex Health Ventures, LLC – Enterprises is the sole member of Rex Health Ventures, LLC (“RHVLLC”), which provides management services to RHVI.

All significant intercompany transactions and balances have been eliminated in combination.

REX HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(IN \$000's)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

As a result of the transfer of the membership interest to UNCHCS, an agency of the State of North Carolina, Rex is subject to the application of accounting pronouncements issued by the Governmental Accounting Standards Board (GASB). In 1993, GASB issued Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that use Proprietary Fund Accounting* (the Statement), which provides guidance on how GASB pronouncements affect government entities that use business-type accounting and financial reporting. The provisions of the Statement were effective for periods beginning after December 15, 1993. As is allowable under the Statement, Rex has elected to follow the GASB hierarchy exclusively regarding authoritative literature issued after November 30, 1989.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with an original maturity of three months or less, and which are not designated as investments, are considered to be cash equivalents and are recorded at cost which approximates market value.

Inventories

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

Investments

Investments in marketable debt and equity securities with readily determinable fair values, including assets whose use is limited, are measured at fair value in the accompanying balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in nonoperating income (loss) in the accompanying combined financial statements. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments.

REX HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(IN \$000's)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in Affiliates

Quality Textile services, Inc - Enterprises own a 50% interest in Quality Textile Services, Inc ("QTS"), a Raleigh, North Carolina company that provides laundry services to local hospitals. Enterprises exercises significant influence over QTS; however, it does not control it through a majority voting interest. This investment is accounted for using the equity method of accounting, accordingly, Enterprises' investment has been adjusted for its share of QTS's operations. Enterprises' equity in the net income of this affiliate totaled approximately \$60 and \$12 for the years ended June 30, 2012 and 2011, respectively, and is included in net nonoperating income. Enterprises received no cash distributions from QTS during 2012 or 2011. Enterprises' investment in QTS totaled approximately \$2,313 and \$2,299 as of June 30, 2012 and 2011, respectively. Separate financial statements for QTS are not publicly available.

Rex Cary MOB, LLC - Enterprises owns a 32.5% interest in Rex Cary MOB, LLC, a company that in July 2003, built and began leasing a medical office building in Cary, North Carolina. Enterprises exercises significant influence over Rex Cary MOB, LLC; however, it does not control it through a majority voting interest. This investment is accounted for using the equity method of accounting; accordingly, Enterprises' investment has been adjusted for its share of Rex Cary MOB, LLC's operations. Enterprises' equity in the net income of this affiliate totaled approximately \$303 and \$241 for the years ended June 30, 2012 and 2011, respectively, and is included in net nonoperating income. Additionally, Enterprises received cash distributions from Rex Cary MOB, LLC totaling approximately \$121 and \$241 during 2012 and 2011, respectively. Enterprises' investment in Rex Cary MOB, LLC totaled approximately \$795 and \$614 as of June 30, 2012 and 2011, respectively. Separate financial statements for Rex Cary MOB, LLC are not publicly available.

Rex MOB Partners, LLC - Enterprises owns less than a 5% interest in Rex MOB Partners, LLC, a company that operates a multi-tenant medical office building in Raleigh, North Carolina on land leased from the Hospital. This investment is accounted for using the cost method of accounting. Enterprises' investment in Rex MOB Partners, LLC totaled approximately \$300 as of June 30, 2012 and 2011. Separate financial statements for Rex MOB Partners, LLC are not publicly available.

JRH Ventures, LLC - On February 1, 2012, the Hospital assigned 100% of its membership interest in Smithfield Radiation Oncology to JRH Ventures, LLC ("JRH"), a limited liability company organized to own and operate linear accelerators, in exchange for a 50% member interest in JRH. Since the Hospital does not control JRH, it accounts for its investment in JRH under the equity method of accounting. Separate financial statements for JRH are not publicly available.

REX HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(IN \$000's)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital asset acquisitions are recorded at cost and include interest on funds used to finance the acquisition or construction of major capital projects. Assets under capital lease are stated at the present value of the minimum lease payments at the inception of the lease. Depreciation is provided on both straight-line and accelerated methods over the estimated useful lives of the depreciable assets which is generally 5 to 15 years for equipment, 5 to 15 years for building improvements, and 30 to 40 years for buildings

Assets under capital leases and leasehold improvements are depreciated over the estimated useful life or the related lease term, whichever is shorter; generally periods ranging from 5 to 7 years. Depreciation of assets under capital leases and leasehold improvements is included in depreciation and amortization expense in the accompanying statements of revenues, expenses and changes in net assets

Deferred Debt Issuance Costs

Deferred debt issuance costs are amortized over the term of the related bond issuance under a method which approximates the effective interest method over the life of the bonds. Amortization of deferred debt issuance costs totaled approximately \$119 and \$131 for years ended June 30, 2012 and 2011. Cumulative amortization of deferred debt issuance costs totaled approximately \$214 and \$94 as of June 30, 2012 and 2011, respectively.

Other Assets

Other assets consisted of the following at June 30, 2012 and 2011:

	2012	2011
Goodwill	\$ -	\$ 1,812
Other Assets	1,676	2,293
Total	<u>\$ 1,676</u>	<u>\$ 4,105</u>

The excess of purchase price over the fair values of identifiable net assets acquired has been allocated to goodwill. Management periodically evaluates the carrying value and remaining amortization periods of unamortized amounts based on an analysis of estimated undiscounted operating earnings from the operations of each specific business. Any events or circumstances occurring during the year or future years that might have an impact on such carrying value or remaining amortization periods are considered. Other than amortization, no adjustments were made to the carrying value of the goodwill at June 30, 2011. The goodwill was associated with SRO.

Proprietary Fund Accounting

Rex utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual

REX HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(IN \$000's)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

In accordance with GASB Statement No 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, net assets are categorized as invested in capital assets, net of related debt, restricted and unrestricted. Invested in capital assets, net of related debt is intended to reflect the portion of net assets that are associated with non-liquid capital assets less outstanding debt related to capital assets. Restricted net assets are assets generated from revenues that have third-party limitation on their use. Unrestricted net assets have no third-party restrictions on use.

Restricted net assets included the following at June 30, 2012 and 2011.

	2012	2011
Restricted Net Assets		
Expendable		
Various Scholarships, Lectureships and Buildings	\$ 1,184	\$ 481
Various Supplies, Equipment and Patient Charity Care	2,573	3,144
Total Expendable	3,757	3,625
Nonexpendable Restricted Net Assets		
Endowments	325	334
Total Restricted Net Assets	\$ 4,082	\$ 3,959

Net Patient Service Revenue

Net patient service revenue is recorded at established rates when services are provided with contractual adjustments, estimated bad debt expenses, and services qualifying as charity care deducted to arrive at net patient service revenue. Contractual adjustments arise under reimbursement agreements with certain insurance carriers, health maintenance organizations and preferred provider organizations, which provide for payments that are generally less than established billing rates. Contractual adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in the future as final settlements are determined. Total contractual adjustments were approximately \$1,190,315 and \$1,026,693, respectively, for the years ended June 30, 2012 and 2011.

Medicare and Medicaid Programs

Services rendered to Medicare program beneficiaries and inpatient services rendered to Medicaid program beneficiaries are paid primarily at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors and cover both operating and capital costs. Outpatient services rendered to Medicaid beneficiaries are reimbursed based on a percentage of actual costs incurred. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by fiscal intermediaries. Final settlements are based on regulations established by the respective programs and as interpreted by fiscal intermediaries. The classification of patients under the Medicare and Medicaid programs, and the appropriateness of their admission, are subject to review by an independent peer review organization.

REX HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(IN \$000's)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Medicare and Medicaid Programs (Continued)

Accounts receivable and patient service revenue relating to these programs are stated at estimated net realizable amounts in the accompanying combined financial statements. The Hospital's Medicare cost reports have been audited through June 30, 2007. During 2012, the Hospital filed the 2011 Medicare cost report, resulting in a tentative cash settlement of approximately \$410. During 2011, the Hospital filed the 2010 Medicare cost report, resulting in a tentative cash settlement of approximately \$279. For the years ended June 30, 2012 and 2011, net patient service revenue increased by approximately \$20,190 and \$5,109, respectively, as a result of changes in estimates related to various third-party accruals and reserves.

The Hospital has historically participated in the voluntary North Carolina Medicaid Reimbursement Initiative Program (the "MRI Program"). The MRI Program allowed the Hospital to receive additional annual Medicaid funding for its disproportionate share costs. In March 2012, the Center for Medicare and Medicaid Services ("CMS") approved two new disproportionate share plans for North Carolina.

The first plan covers the UNCHCS hospitals (The UNC Upper Payment Limit or "UPL Plan"), including Rex. The second plan covers all other non-state government hospitals and private hospitals in North Carolina (the "GAP Plan") and is essentially a supplemental upper payment limit plan to the existing MRI Program. Under the UNC UPL Plan, Rex does not participate in the GAP Plan and no longer participates in the MRI Program.

Under the provisions of the UPL Plan, Rex is assessed an inter-governmental transfer ("IGT Payment") by the North Carolina Medicaid program ("Medicaid"), in return Medicaid makes an upper payment limit payment to Rex. When both amounts are reasonably estimable and probable of payment, Rex recognizes the revenues related to the UPL Plan as net patient service revenue.

At June 30, 2012, Rex recognized net patient revenue and a receivable of approximately \$7,332 for transactions that did not occur until July 2012, and approximately \$4,470 for the transactions that are expected to occur in the Fall 2012.

REX HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(IN \$000's)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Medicare and Medicaid Programs (Continued)

Both the UPL Plan and the GAP Plan were approved in March 2012, however, the provisions were retroactively effective to October 1, 2010 and January 1, 2011, respectively. Thus, Rex has recognized approximately nine months of revenue in 2012 that related to the 2011 federal fiscal UPL plan year. The following table summarizes the revenue recognized by Rex related to these plans for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
UPL Plan Year - 2011:		
IGT Payment	\$ (17,150)	\$ -
UPL Received	24,950	-
	7,800	-
Reserve for future settlements	(468)	-
	<u>7,332</u>	<u>-</u>
UPL Plan Year - 2012		
IGT Payment	(16,622)	-
UPL Received	21,230	-
	4,608	-
Reserve for future settlements	(138)	-
	<u>4,470</u>	<u>-</u>
MRI Program	-	2,198
	<u>\$ 11,802</u>	<u>\$ 2,198</u>

Other Payors

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

Concentrations of Credit Risk

Rex provides services primarily to residents of Wake and surrounding counties without collateral or other proof of ability to pay. Concentrations of credit risk with respect to patient accounts receivable are limited due to large numbers of patients served and formalized agreements with third-party payors. Rex has significant accounts receivable whose collectability is dependent upon the performance of certain governmental programs, primarily Medicare. Management does not believe there are significant credit risks associated with these governmental programs.

REX HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(IN \$000's)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk (continued)

The aggregate mix of accounts receivable from patients and third-party payors was as follows at June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Medicare	25 %	25 %
Medicaid	3	3
Managed Care	53	52
Self Pay	19	20
Total	<u>100 %</u>	<u>100 %</u>

Charity Care

Rex provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because Rex does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue or accounts receivable in the accompanying financial statements. Rex maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. The amount of charity care provided, based on charges foregone, was approximately \$82,423 and \$70,136 for the years ended June 30, 2012 and 2011, respectively.

Functional Expenses

Rex does not present expense information by functional classification because its resources and activities are primarily related to providing health care services. Further, since Rex receives substantially all of its resources from providing health care services in a manner similar to a business enterprise, other indicators contained in these financial statements are considered important in evaluating how well management has discharged its stewardship responsibilities.

Operating Income

Rex classifies all revenues and expenses earned or incurred in the course of providing health care to patients as operating activities.

REX HEALTHCARE, INC. AND SUBSIDIARIES
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonoperating Income (Loss)

Nonoperating income (loss) consists primarily of investment income and other miscellaneous income and expense items. Activities related to Ventures and its affiliates are included in other nonoperating income (loss). Nonoperating income (loss) consisted of the following for the years ended June 30, 2012 and 2011:

	2012	2011
Interest Income	\$ 888	\$ 983
Dividend Income	3,080	1,946
Realized Gains (Losses), Net	698	3,430
Net Change in Unrealized Gains (Losses) on Investments	(9,540)	21,990
Brokerage Fees	(912)	(745)
Income from Investments in Affiliates	-	253
Total Investment Income (Loss)	(5,786)	27,857
Other	3,979	(1,625)
Total Nonoperating Income, Net	<u>\$ (1,807)</u>	<u>\$ 26,232</u>

Capitalized Interest

Interest incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest of approximately \$408 and \$171 was capitalized during the years ended June 30, 2012 and 2011, respectively.

Electronic Health Record Incentive Payments

As discussed in Note 10, Rex received funds under the Electronic Health Records (EHR) Incentive Program during 2012. The Hospital recognizes revenue at the completion of the EHR reporting period and all meaningful use objectives and any other specific grant requirements that are applicable (such as electronic transmission of quality measures in the second and subsequent payment years) are met.

Risk Management

Rex 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; employee health, dental, and accident benefits; and medical malpractice (see Note 10). Commercial insurance and stop loss coverage is purchased for claims arising from such matters, subject to various deductibles.

REX HEALTHCARE, INC. AND SUBSIDIARIES
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-Exempt Status

Rex, the Hospital, the Foundation, and Home Services are exempt from federal income tax under Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code. Enterprises is a taxable corporation that previously had net operating loss carryforwards. As of June 30, 2012, Enterprises exhausted their net operating loss carryforwards. Physicians is a single member limited liability company that has elected to be taxed as a for-profit corporation. Physicians had a net operating loss in 2012 and 2011. Accordingly, no provision for income taxes has been reflected in the combined financial statements.

Enterprises is the sole member of Ventures, Wellness, HT, MOB, Retail and RHVLLC. As such, these entities are considered disregarded entities for tax purposes.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of this statement is to establish new accounting and financial reporting requirements for governments that provide their employees with pensions. The requirements in this statement will change how governments calculate and report the costs and obligations associated with pensions and improve the decision-usefulness of reported pension information and increase the transparency, consistency, and comparability of pension information across governments. This statement will be effective for Rex's fiscal year ending June 30, 2015. Management has not evaluated the impact of adopting this statement, but it could be significant to the combined balance sheet.

Reclassifications

Certain amounts in the 2011 combined financial statements have been reclassified to conform to the 2012 presentation. These reclassifications had no effect on previously reported changes in net assets.

NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS

Assets Limited as to Use

At June 30, 2012 and 2011, Rex had the following investments, all of which were held by custodians that are agents of Rex:

	2012	2011
Cash and Cash Equivalents	\$ 12,134	\$ 27,642
Certificates of Deposit	300	200
Mutual Funds	153,960	125,212
Equities	11,104	12,800
Alternative Investments	53,450	40,266
	<u>\$ 230,948</u>	<u>\$ 206,120</u>

REX HEALTHCARE, INC. AND SUBSIDIARIES
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NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Assets Limited as to Use (Continued)

As of June 30, 2012, all of these investments had maturities of one year or less

Interest rate risk – Rex has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The policy requires that the duration of the portfolio shall not exceed six years and its average maturity shall range between two and six years

Credit risk – Rex's investment policy allows it to invest in (i) direct obligations or obligations on which the principal and interest are unconditionally guaranteed by the United States government; (ii) obligations issued by an approved agency or corporation wholly-owned by the United States government; (iii) interest-bearing time deposits, certificates of deposit or other approved forms of deposits in any bank or trust company in North Carolina which satisfies insurance and, if necessary, collateral requirements for holding Company money; and (iv) corporate notes and bonds.

Alternative investments are investments in the common stock of limited investment companies that offer a pattern of returns different from that of the overall market and occasionally have lesser levels of liquidity. Examples of alternative investments include non-publicly traded companies, real estate and hedge funds.

Concentration of credit risk – Rex limits the amount it may invest in any single issuer. Fixed income holdings in a single issuer (excluding obligations of the United States Government, its agencies and government sponsored entities) shall be limited to 5 percent of the portfolio measured at market value at the time of purchase. Treasuries, agencies and government-sponsored entities have no issuer limits. Securities rated under "A-" are limited to 3% per issuer.

Custodial credit risk – At year end, Rex's investments were not exposed to custodial credit risk

REX HEALTHCARE, INC. AND SUBSIDIARIES
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NOTE 3 CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Assets Limited as to Use (Continued)

The carrying amount of deposits and investments included in the combined balance sheets are as follows at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Carrying Amount		
Deposits	\$ 82,661	\$ 124,069
Investments	218,814	178,478
	<u>\$ 301,475</u>	<u>\$ 302,547</u>
Included in the Following Balance Sheet Captions		
Cash and Cash Equivalents	\$ 70,527	\$ 96,427
Assets Limited as to Use		
Restricted by Contributors and Grantors	4,082	3,959
Bond Funds Held by Trustee	7,333	22,001
Funds Held in Escrow or Trust	-	30
Designated for Long-Term Investment	219,533	180,130
	<u>230,948</u>	<u>206,120</u>
	<u>\$ 301,475</u>	<u>\$ 302,547</u>

All investments in securities are on deposit with Rex's fiduciary agent, which holds these securities by book entry in its fiduciary Federal Reserve accounts. Rex's ownership of these securities is identified through the internal records of the fiduciary agent. Certain of these securities are optionally callable at par by the issuer on specified dates

REX HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 4 CAPITAL ASSETS AND ACCUMULATED DEPRECIATION

A summary of changes in the historical cost of capital assets and accumulated depreciation and amortization related to capital assets are as follows:

For the year ended June 30, 2012:

	June 30, 2011	Transfers/ Additions	Transfers/ Retirements	June 30, 2012
PROPERTY AND EQUIPMENT				
Land	\$ 32,475	\$ 7,280	\$ (9,843)	\$ 29,912
Land Improvements	16,459	3,081	-	19,540
Buildings and Improvements	250,338	12,318	(7,959)	254,697
Equipment	292,626	31,553	(617)	323,562
Construction in Progress	32,898	25,645	(10,828)	47,715
Total	624,796	79,877	(29,247)	675,426
ACCUMULATED DEPRECIATION				
Land Improvements	6,677	829	-	7,506
Buildings	117,063	10,849	(524)	127,388
Equipment	232,931	17,534	(595)	249,870
Total	356,671	29,212	(1,119)	384,764
Property and Equipment, Net	<u>\$ 268,125</u>	<u>\$ 50,665</u>	<u>\$ (28,128)</u>	<u>\$ 290,662</u>

For the year ended June 30, 2011:

	June 30, 2010	Transfers/ Additions	Transfers/ Retirements	June 30, 2011
PROPERTY AND EQUIPMENT				
Land	\$ 34,375	\$ -	\$ (1,900)	\$ 32,475
Land Improvements	15,304	1,155	-	16,459
Buildings and Improvements	264,540	-	(14,202)	250,338
Equipment	273,734	20,780	(1,888)	292,626
Construction in Progress	7,604	30,287	(4,993)	32,898
Total	595,557	52,222	(22,983)	624,796
ACCUMULATED DEPRECIATION				
Land Improvements	6,051	734	(108)	6,677
Buildings	113,317	14,412	(10,666)	117,063
Equipment	214,771	18,796	(636)	232,931
Total	334,139	33,942	(11,410)	356,671
Property and Equipment, Net	<u>\$ 261,418</u>	<u>\$ 18,280</u>	<u>\$ (11,573)</u>	<u>\$ 268,125</u>

The capital acquisitions' figures above are presented net of transfers from construction in progress to operating asset categories and sales and other dispositions. Depreciation expense related to Ventures and its related entities is included in other nonoperating income. Depreciation and amortization expense totaled approximately \$27,296 and \$25,713 for the years ended June 30, 2012 and 2011, respectively. The expense shown in the table above is net of decreases in accumulated depreciation for sales and other dispositions of capital assets. At June 30, 2012 and 2011, equipment under capital obligations had a cost of approximately \$7,394 and \$4,214 and accumulated amortization of approximately \$2,314 and \$2,134, respectively.

REX HEALTHCARE, INC. AND SUBSIDIARIES
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NOTE 5 ACCOUNTS RECEIVABLE AND ACCRUED EXPENSES

Accounts receivable, accrued expenses and other liabilities consisted of the following at June 30, 2012 and 2011:

	2012	2011
Gross Receivables		
Medicare	\$ 42,557	\$ 38,810
Medicaid	5,174	4,798
Managed Care	87,185	78,650
Self Pay	32,141	30,030
	<u>167,057</u>	<u>152,288</u>
Less		
Contractual Allowances	(74,185)	(67,323)
Allowance for Doubtful Accounts	(15,749)	(9,722)
	<u>\$ 77,123</u>	<u>\$ 75,243</u>
Accrued Salaries, Wages and Withholdings	\$ 29,488	\$ 26,518
Accrued Paid Time Off	14,856	13,126
Reserve for Workers' Compensation Claims	1,804	1,541
Reserve for Employee Health Benefit Claims	2,805	1,840
Reserve for Medical Malpractice Claims	2,152	2,355
Other	7,120	4,036
	<u>\$ 58,225</u>	<u>\$ 49,416</u>

NOTE 6 LONG-TERM DEBT

A summary of long-term debt and changes in long-term debt for the years ended June 30, 2012 and 2011 is as follows:

	June 30, 2010	Borrowings	Payments and Amortization	June 30, 2011	Borrowings	Payments and Amortization	June 30, 2012
Bonds Payable							
Series 1998	\$ 74,415	\$ -	\$ (74,415)	\$ -	\$ -	\$ -	\$ -
Series 2010A	-	122,965	-	122,965	-	(3,118)	119,847
Tax-Exempt Financing	3,231	-	(3,231)	-	-	-	-
Construction Loan	31,544	2,445	(1,306)	32,683	-	(32,683)	-
Notes Payable	-	-	-	-	30,072	(262)	29,810
Lines of Credit	-	140	-	140	-	(140)	-
Obligations Under Capital Lease	2,467	-	(1,134)	1,333	4,104	(1,854)	3,583
	<u>111,657</u>	<u>125,550</u>	<u>(80,086)</u>	<u>157,121</u>	<u>34,176</u>	<u>(38,057)</u>	<u>153,240</u>
Bond Premium, Net	(509)	4,491	248	4,230	-	(379)	3,851
Deferred Loss on Refunding	-	(1,947)	166	(1,781)	-	256	(1,525)
	<u>\$ 111,148</u>	<u>\$ 128,094</u>	<u>\$ (79,672)</u>	<u>\$ 159,570</u>	<u>\$ 34,176</u>	<u>\$ (38,180)</u>	<u>\$ 155,566</u>

REX HEALTHCARE, INC. AND SUBSIDIARIES
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NOTE 6 LONG-TERM DEBT (CONTINUED)

Bonds Payable

In March 1998, Rex issued \$124,215 Hospital Revenue Bonds (1998 Bonds) through the North Carolina Medical Care Commission (the "Commission") under a Master Indenture and other related agreements. The proceeds were used to refund a portion of the Series 1993 Bonds and to finance certain capital projects.

In October 2010, Rex issued \$122,965 Series 2010A Health Care Facilities Revenue and Revenue Refunding Bonds (2010A Bonds) through the Commission. The proceeds were used to refund the outstanding 1998 Bonds, fund costs of construction and equipment related to the relocation of Rex's power plant, pay construction period interest, and pay for issuance costs for the 2010A Bonds.

The 2010A Bonds mature annually in amounts ranging from \$1,000 to \$8,130 and bear interest at rates between 2.00% and 5.00% for amounts maturing between 2011 and 2030. Under the agreements, the Obligated Group must also maintain a defined level of income available for debt service. As of June 30, 2011, Rex believed that the Obligated Group was in compliance with all debt covenants.

The 2010A Bonds are secured by a pledge of and a lien on the accounts receivable and the proceeds thereof derived from the ownership and operation of the Obligated Group. In the Master Indenture agreements for the 2010A Bonds, the Obligated Group includes Rex and the Hospital. Under the terms of the Master Indenture agreement for the 2010A Bonds, the Obligated Group is subject to certain financial covenants including but not limited to limitations on the transfer or sale of the Obligated Group's assets, limitations on the incurrence of additional indebtedness, maintenance of adequate insurance coverage on property, and maintenance of its tax-exempt status. Under the agreements, the Obligated Group must also maintain a defined level of income available for debt service. Rex believes the Obligated Group is in compliance with all debt covenants at June 30, 2012.

As a result of the early extinguishment of the 1998 Bonds, Rex incurred a loss of approximately \$1,947 during 2011. The loss has been deferred and is being amortized over the remaining life of the 1998 Bonds. At June 30, 2012, accumulated amortization of the deferred loss was approximately \$422.

Tax-Exempt Equipment Financing

In December 2005, Rex entered into a tax-exempt equipment financing arrangement through the Commission for \$30,000. The proceeds were used in connection with a lease-purchase financing of various capital equipment. The remaining outstanding balance was repaid in full during 2011.

REX HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 6 LONG-TERM DEBT (CONTINUED)

Construction Loan

Ventures entered into a construction loan agreement with Wellness, HT, Retail and MOB as "Co-Borrowers" to fund the construction of the Wakefield campus. The loan bears interest at the BBA LIBOR daily floating rate plus 1.45% (1.69% and 1.64% at June 30, 2012 and 2011, respectively) and required interest only payments through April 2011. Beginning May 2011, all net cash flow from the Rex CDP properties will be applied to the outstanding principal balance of the construction loan through December 2011. Beginning in January 2012, 50% of the net cash flow from properties will be applied to the outstanding principal balance of the construction loan until the note matures and all outstanding balances are due in March 2012. On March 28, 2012, the loan was paid in full with the proceeds from a promissory note.

Lines of Credit

During the year ended June 30, 2009, the Hospital entered into a note agreement for a short-term revolving line of credit with a financial institution for an amount up to \$50,000 to support short-term normal operating expenses and to enhance liquidity. The line of credit is collateralized by the Hospital's accounts receivable. Interest is due and payable monthly at the monthly London Inter-Bank Offered Rate ("LIBOR") plus 1.25 percent. The outstanding principal amount along with any accrued interest will be due upon the maturity date of March 31, 2013. The Hospital has not drawn any proceeds on this line of credit, thus, at June 30, 2012 and 2011, there was no outstanding balance.

During 2011, the Surgery Center entered into a note agreement for a short-term revolving line of credit with a financial institution for an amount up to \$1,250,000 to support short-term normal operating expense and to enhance liquidity. The line of credit is collateralized by certain assets of the Surgery Center. Interest is due and payable monthly at 3.0%. The outstanding principal amount along with any accrued interest will be due upon maturity date of March 8, 2013. The Surgery Center did not draw on the line of credit during 2012. At June 30, 2011, the Surgery Center had drawn approximately \$140, and repaid this amount at June 30, 2012.

REX HEALTHCARE, INC. AND SUBSIDIARIES
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NOTE 6 LONG-TERM DEBT (CONTINUED)

Notes Payable

During the year ended June 30, 2012, Ventures entered into a note agreement with a financial institution for \$30,000 to pay off the remaining balance of the construction loan described above. The note is payable in monthly principal and interest payments of \$153 from April 5, 2012 through March 5, 2022. The note is collateralized by certain property of Ventures.

Rex Physicians entered into a note agreement with a financial institution for \$72. The outstanding principal amount along with any accrued interest will be due November 6, 2012. The outstanding balance of the loan at June 30, 2012 was \$62.

Obligations Under Capital Lease

Rex has entered into non-cancellable capital lease obligations for several pieces of equipment as of June 30, 2012 which expire at various dates through 2016.

Total future debt service requirements subsequent to June 30, 2012 are as follows

	Bonds	Notes Payable	Obligations Under Capital Lease	Interest	Total
Year Ending June 30					
2013	\$ 4,645	\$ 781	\$ 1,259	\$ 6,411	\$ 13,096
2014	4,835	811	891	6,196	12,733
2015	4,980	825	752	5,978	12,535
2016	5,175	842	681	5,714	12,412
2017	5,435	876	-	5,443	11,754
2018-2022	31,025	25,675	-	18,752	75,452
2023-2027	33,525	-	-	13,240	46,765
2028- 2031	30,227	-	-	4,794	35,021
	<u>119,847</u>	<u>29,810</u>	<u>3,583</u>	<u>(66,528)</u>	<u>219,768</u>
Unamortized Bond Premium, Net	3,851	-	-	-	3,851
Deferred Loss on Refunding, Net	(1,525)	-	-	-	(1,525)
	<u>\$ 122,173</u>	<u>\$ 29,810</u>	<u>\$ 3,583</u>	<u>\$ (66,528)</u>	<u>\$ 222,094</u>

NOTE 7 RELATED PARTY TRANSACTIONS

UNCHCS provides and receives certain services with Rex. Rex paid UNCHCS approximately \$3,115 and \$4,785 for such services during the years ended June 30, 2012 and 2011, respectively. UNCHCS paid Rex approximately \$844 and \$587 for such services during the years ended June 30, 2012 and 2011, respectively.

Under a management agreement effective January 1, 2000, UNCHCS assumed responsibility for the management and day-to-day operations of Rex Home Services, Inc. During the years ended June 30, 2012 and 2011, this agreement resulted in approximately \$152 and \$948, respectively, paid to UNCHCS.

REX HEALTHCARE, INC. AND SUBSIDIARIES
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NOTE 7 RELATED PARTY TRANSACTIONS (CONTINUED)

Rex contributed approximately \$7,561 and \$4,209 to UNCHCS to help fund working capital needs at Triangle Physicians Network, LLC ("TPN"), of which UNCHCS is the sole member. TPN provides health care to patients throughout the Triangle and surrounding counties in North Carolina. Rex also contributed \$5,421 and \$1,400 during the years ended June 30, 2012 and 2011, respectively, to the UNCHCS Enterprise Fund to support the ongoing health care mission of UNCHCS.

Net payables due to UNCHCS were approximately \$4,571 and \$83 as of June 30, 2012 and 2011, respectively, and are included in accrued expenses and other liabilities in the accompanying combined balance sheets.

The Hospital paid QTS (an equity investment, discussed in Note 2) approximately \$1,437 and \$1,395 for laundry services during the years ended June 30, 2012 and 2011, respectively.

The Hospital paid Rex Cary MOB, LLC (an equity investment discussed in Note 2) approximately \$261 and \$764 in rent expenditures for the use of surgical and office suites during the years ended June 30, 2012 and 2011, respectively.

Rex MOB Partners, LLC (a cost based investment discussed in Note 2) paid the Hospital approximately \$259 and \$293 for rent during the years ended June 30, 2012 and 2011, respectively.

NOTE 8 EMPLOYEE BENEFITS

Rex Employees' Retirement Plan

The Hospital sponsors the Rex Employees' Retirement Plan (the "Plan"), a single-employer defined benefit retirement plan available to eligible employees. The benefit formula is based on the highest five consecutive years of an employee's compensation during the 10 plan years preceding retirement.

During the year ended June 30, 2009, the Hospital amended the Plan to (1) reduce early retirement benefits by increasing the retirement age from 62 to 65, and (2) freeze access to the Plan for eligible employees hired after February 1, 2009. In addition, the Hospital revised certain actuarial assumptions to (1) change the amortization period for gains and losses from 10 to 30 years and (2) change the asset valuation method from 20% to 30% above and below market value.

Funding amounts for the Plan are based upon actuarial calculations. The Plan utilized the projected unit-credit method to determine the annual contributions. The Hospital contributed approximately \$8,020 and \$7,475 to the Plan in 2012 and 2011, respectively. There are no employee contributions to the Plan.

Plan assets held in trust on behalf of the Plan participants consisted primarily of equity securities, U.S. Treasury securities and corporate bonds at June 30, 2012 and 2011. The actuarial value of Plan assets was determined by using a five-year moving average method.

REX HEALTHCARE, INC. AND SUBSIDIARIES
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NOTE 8 EMPLOYEE BENEFITS (CONTINUED)

The following table shows the trend in Rex's annual pension cost (APC), percentage of APC contributed, and net pension asset

<u>Fiscal Year Ending</u>	Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
June 30, 2012	\$ (8,020)	100 00 %	\$ -
June 30, 2011	(7,475)	100 00	-
June 30, 2010	(6,141)	100 00	-

As of January 1, 2012, the most recent actuarial valuation date, the Plan was 77.1% funded. The actuarial accrued liability for benefits was approximately \$215,516 and the actuarial value of assets was approximately \$166,265 resulting in an unfunded actuarial accrued liability of approximately \$49,251. The covered payroll was approximately \$185,343 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 26.6%.

The schedule of funding progress, presented as Required Supplementary Information following the Notes to the Combined Financial Statements, presents multi-year trend information about whether the actuarial value of Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The following assumptions were used in the January 1, 2012 and 2011 actuarial variations:

Inflation Rate	3.00%
Investment Rate of Return	8.00%
Projected Salary Increases	3.75%

Tax Deferred Annuity Retirement Plan

The Hospital sponsors a defined contribution retirement plan covering substantially all employees. The Hospital matches one-half of each participant's voluntary contributions on a graduated scale based on length of service not to exceed 5% of the participant's annual salary. Employer contributions totaled approximately \$6,470 and \$5,705 for the years ended June 30, 2012 and 2011, respectively.

REX HEALTHCARE, INC. AND SUBSIDIARIES
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NOTE 9 COMMITMENTS AND CONTINGENCIES

Commitments

The Hospital has entered into certain agreements, in connection with ongoing development and support of its electronic medical records system. Future minimum payments subsequent to June 30, 2012 are approximately \$468 in 2012.

The Hospital has entered into a lease with Wellness to lease the wellness center. In addition, the Hospital entered into a lease with MOB for part of the medical office building. Rex has certain other noncancellable operating leases for the rental of office space and equipment. Future rent payments under these leases subsequent to June 30, 2012 are as follows:

Year Ending June 30	Wellness Center	Medical Office Building	Office Space and Equipment	Total
2013	\$ 798	\$ 2,189	\$ 8,073	\$ 11,060
2014	835	2,221	6,883	9,939
2015	862	2,253	6,001	9,116
2016	862	2,286	5,616	8,764
2017	862	2,300	5,237	8,399
2018-2022	4,556	9,344	20,334	34,234
2023-2007	4,920	9,229	7,308	21,457
2028-2029	1,424	3,484	-	4,908
	<u>\$ 15,119</u>	<u>\$ 33,306</u>	<u>\$ 59,452</u>	<u>\$ 107,877</u>

Total rental expense, including rental expense under noncancellable leases, was approximately \$13,668 and \$10,559 for the years ended June 30, 2012 and 2011, respectively.

Contingencies

The Hospital self-insures a portion of its workers' compensation exposure up to \$350 per claim. An accrual for the self-insurance program is established to provide for estimated claims and losses and applicable legal expenses for claims incurred through June 30, 2012 but not reported. This accrual was determined by an actuary and totaled approximately \$1,804 and \$1,541 at June 30, 2012 and 2011, respectively. The accrual is included in accrued expenses and other liabilities in the accompanying combined balance sheets. Commercial insurance has been obtained for coverage in excess of the self-insured amounts.

The Hospital self-insures a portion of its employee health benefits exposure up to \$200 per incident. An accrual for the self-insurance program is established to provide for estimated claims and losses and applicable legal expenses for claims incurred through June 30, 2012 but not reported. This accrual was determined by an actuary and totaled approximately \$2,805 and \$1,840 at June 30, 2012 and 2011, respectively. The accrual is included in accrued expenses and other liabilities in the accompanying balance sheets. Commercial insurance has been obtained for coverage in excess of the self-insured amounts.

Rex is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates these matters will be resolved without a material adverse effect on Rex's financial position or results of operations.

REX HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Hospital has entered into an agreement whereby patients without insurance that meet contractually specified criteria can apply for medical loans from a third-party lender. Under this medical loan program, approved patients owe the third-party lender and the Hospital receives payment and recognizes revenue at the time medical services are provided. The Hospital is then contingently obligated to repurchase accounts receivable balances once the borrower does not make three scheduled monthly payments. Total accounts which the Hospital could possibly be required to repurchase were approximately \$248 and \$283 at June 30, 2012 and 2011, respectively. The Hospital establishes a reserve for accounts it believes it will have to repurchase based on historical experience with this program. The Hospital reserved approximately \$30 and \$28 for potential recourse that was included in the net accounts receivable, at June 30, 2012 and 2011, respectively.

The health care industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

Management believes Rex is in compliance with fraud and abuse as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayment for patient services previously billed

NOTE 10 ELECTRONIC HEALTH RECORD INCENTIVE PROGRAM

The Electronic Health Record (EHR) incentive program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These Acts provided for incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified EHR technology. The incentive payments are made based on a statutory formula and are contingent on Systems continuing to meet the escalating meaningful use criteria. For the first payment year, Rex must attest, subject to an audit, that it met the meaningful use criteria for a continuous 90-day period. For the subsequent payment year, Rex must demonstrate meaningful use for the entire year. The incentive payments are generally made over a 4-year period.

REX HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(IN \$000's)

NOTE 10 ELECTRONIC HEALTH RECORD INCENTIVE PROGRAM (CONTINUED)

Rex demonstrated meaningful use to the 90-day period ended September 30, 2011, and received the first tentative incentive payments of approximately \$2,512 in March 2012. Of the \$2,512 received, \$2,012 is recognized as other operating revenue in the statement of revenues, expenses, and changes in net assets. The final amount of this payment will be determined based on information from Rex's Medicare cost report for the year ending June 30, 2012. Events could occur that would cause the final payment to differ materially upon final settlement.

NOTE 11 COMMUNITY BENEFITS

In addition to providing care without charge, or at amounts less than established rates to certain patients identified as qualifying for charity care, Rex also recognizes its responsibility to provide health care services and programs for the benefit of the community, at no cost or at reduced rates. Rex sponsors many community health initiatives, including breast and prostate cancer screenings, cardiovascular and pulmonary awareness and diabetes education programs that ultimately result in the overall improved health of our community. The Rex Healthcare Emergency Response Team provides emergency aid and medical treatment at special events in the Wake County area. Rex also provides contributions, cash and in-kind, to various charitable and community organizations. The costs of these programs are included in operating expenses in the accompanying statements of revenues, expenses and changes in net assets.

SUPPLEMENTARY INFORMATION

REX HEALTHCARE, INC. AND SUBSIDIARIES
COMBINING BALANCE SHEET
JUNE 30, 2012
(IN \$000's)

	Obligated Group	Nonobligated Group	Eliminations	Combined Rex Healthcare, Inc. and Subsidiaries
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 58,656	\$ 11,871	\$ -	\$ 70,527
Patient Accounts Receivable, Net	66,253	10,870	-	77,123
Other Receivables	38,992	113	(28,460)	10,645
Inventories	10,102	673	-	10,775
Prepaid Expenses and Other Current Assets	6,913	895	-	7,808
Total Current Assets	180,916	24,422	(28,460)	176,878
ASSETS LIMITED AS TO USE	226,546	4,402	-	230,948
CAPITAL ASSETS, NET	257,753	32,909	-	290,662
OTHER ASSETS				
Investment in Affiliates	3,800	5,729	(2,511)	7,018
Deferred Debt Issuance Costs, Net	1,286	-	-	1,286
Other Assets	809	2,843	(1,976)	1,676
	5,895	8,572	(4,487)	9,980
Total Assets	\$ 671,110	\$ 70,305	\$ (32,947)	\$ 708,468
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current Maturities of Long-Term Debt	\$ 5,761	\$ 924	\$ -	\$ 6,685
Vendor Accounts Payable	36,311	10,803	(10,789)	36,325
Accrued Expenses and Other Liabilities	52,414	23,482	(17,671)	58,225
Estimated Third-Party Settlements	2,987	1,430	-	4,417
Total Current Liabilities	97,473	36,639	(28,460)	105,652
LONG-TERM DEBT, Net of Current Maturities	119,665	29,216	-	148,881
NON-CONTROLLING INTEREST	-	-	4,580	4,580
OTHER NONCURRENT LIABILITIES	3,138	-	(1,976)	1,162
Total Liabilities	220,276	65,855	(25,856)	260,275
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	132,327	2,769	-	135,096
Restricted	997	3,585	(500)	4,082
Unrestricted	317,510	(1,904)	(6,591)	309,015
Total Net Assets	450,834	4,450	(7,091)	448,193
Total Liabilities and Net Assets	\$ 671,110	\$ 70,305	\$ (32,947)	\$ 708,468

REX HEALTHCARE, INC. AND SUBSIDIARIES
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012
(IN \$000's)

	Obligated Group	Nonobligated Group	Eliminations	Rex Healthcare, Inc. and Subsidiaries
OPERATING REVENUES				
Net Patient Service Revenue	\$ 614,388	\$ 79,136	\$ -	\$ 693,524
Other Operating Revenues	23,675	2,713	-	26,388
Total Operating Revenues	638,063	81,849	-	719,912
OPERATING EXPENSES				
Salaries	238,020	49,078	-	287,098
Employee Benefits	70,199	11,311	-	81,510
Medical Supplies and Other Expenses	242,363	23,585	(2,971)	262,977
Depreciation and Amortization	26,209	1,087	-	27,296
Interest	5,002	51	-	5,053
Total Operating Expenses	581,793	85,112	(2,971)	663,934
OPERATING INCOME (LOSS)	56,270	(3,263)	2,971	55,978
NONOPERATING INCOME (LOSS)				
Investment Income (Loss), Net	(6,155)	369	-	(5,786)
Other, Net	6,026	924	(2,971)	3,979
Nonoperating Income (Loss), Net	(129)	1,293	(2,971)	(1,807)
EXCESS OF REVENUES AND GAINS OVER EXPENSES AND LOSSES	56,141	(1,970)	-	54,171
CONTRIBUTIONS TO RELATED PARTY	(12,982)	-	-	(12,982)
INCOME APPLICABLE TO NON-CONTROLLING INTEREST	-	-	(3,881)	(3,881)
OTHER	1,473	(4,920)	867	(2,580)
CHANGE IN NET ASSETS	44,632	(6,890)	(3,014)	34,728
Net Assets - Beginning of Year	406,202	11,340	(4,077)	413,465
NET ASSETS - END OF YEAR	\$ 450,834	\$ 4,450	\$ (7,091)	\$ 448,193

REX HEALTHCARE, INC. AND SUBSIDIARIES
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR REX EMPLOYEES' RETIREMENT PLAN
(UNAUDITED)
JUNE 30, 2012
(IN \$000's)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2012	\$ 166,265	\$ 215,516	\$ 49,251	77.15 %	\$ 185,343	26.57 %
January 1, 2011	158,693	188,633	29,940	84.13	190,434	15.72
January 1, 2010	149,019	171,627	22,608	86.83	199,427	11.34
January 1, 2009	140,562	155,914	15,352	90.15	173,000	8.87
January 1, 2008	139,324	151,747	12,423	91.81	152,626	8.14
January 1, 2007	123,721	136,052	12,331	90.94	140,917	8.75

The surplus actuarial accrued liability is being amortized over a ten-year period on an open basis using the level-dollar method.

Additional Data

Software ID:
Software Version:
EIN: 56-1509260
Name: REX HOSPITAL INC DBA REX HEALTHCARE

Form 990, Part III - 4 Program Service Accomplishments (See the Instructions)

4d. Other program services					
(Code	) (Expenses \$	365,599,851	including grants of \$	1,299,739) (Revenue \$	403,496,358)
REX PROVIDES A FULL RANGE OF ONCOLOGY THERAPY AND SUPPORT SERVICES TO ALL PATIENTS IN WAKE COUNTY AND BEYOND, REGARDLESS OF THEIR ABILITY TO PAY AT THE MAIN RALEIGH CANCER CENTER AND A SATELLITE FACILITY IN WAKEFIELD, REX PROVIDES MORE THAN 20,000 RADIATION ONCOLOGY TREATMENTS, 10,000 CHEMOTHERAPY TREATMENTS AND 17,000 HEMATOLOGY TREATMENTS THE CENTERS ALSO HELP PATIENTS NAVIGATE THEIR CARE AND OFFER COUNSELING, REHABILITATION AND MORE AT REX'S WOMEN'S AND CHILDREN'S CENTER, CAREGIVERS SEEK TO PROVIDE FAMILY-CENTERED CARE TO THE NEW MOTHER, BABY AND EXTENDED FAMILY, WITHOUT REGARD TO ABILITY TO PAY THE WOMEN'S CENTER DELIVERED MORE THAN 5,500 BABIES AND PROVIDES 24/7 ANESTHESIOLOGY, NEONATOLOGY AND LACTATION SERVICES AND AN IN-HOUSE RETAIL CENTER FOR INFANT NUTRITION THERE ARE PRE- AND POST-NATAL SUPPORT GROUPS, EXERCISE CLASSES AND MORE					

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
A DALE JENKINS DIRECTOR	5 00	X						0	0	0
VINCENT L HOELLERICH MD DIRECTOR	2 00	X						0	0	0
JAMES B HYLER JR DIRECTOR	2 00	X						0	0	0
DARLEEN M JOHNS DIRECTOR	2 00	X						0	0	0
JEFFREY J LYASH DIRECTOR	2 00	X						0	0	0
GARY L PARK DIRECTOR	5 00	X		X				0	700,383	222,525
ORAGE QUARLES III DIRECTOR	2 00	X						0	0	0
WILLIAM L ROPER MD DIRECTOR	5 00	X						0	748,460	159,639
MARK A STRIEBEL DIRECTOR	2 00	X						0	0	0
ROBERT S THOMAS DIRECTOR	2 00	X						0	0	0
DAVID STRONG PRESIDENT	60 00	X		X				1,002,936	0	243,305
TERESA C ARTIS DIRECTOR	2 00	X						0	0	0
HOWARD NYE DIRECTOR	2 00	X						0	0	0
BERNADETTE SPONG SVP/FINANCE AND CFO, TREAS	60 00			X				388,035	0	47,100
MARY LOU POWELL SVP/PATIENT CARE SVCS & CN	60 00			X				342,455	0	57,123
STEPHEN BURRISS SVP/OPERATIONS & AMB CARE	60 00			X				359,988	0	43,954
NOVLET BRADSHAW VP/INFORMATION TECHNOLOGY/	60 00			X				317,817	0	33,248
LINDA BUTLER VP/MEDICAL AFFAIRS & CMO	60 00			X				260,057	0	32,025
DONALD ESPOSITO JR VP/GENERAL COUNSEL	60 00			X				284,745	0	35,772
SYLVIA HACKETT VP/HUMAN RESOURCES AND DEV	60 00			X				249,884	0	47,019
R ERICK HAWKINS VP/FINANCE & STRATEGY	60 00			X				288,085	0	29,418
CHAD LEFTERIS VP/SUPPORT SERVICES	60 00			X				210,199	0	17,181
LISA SCHILLER VP/MKTG, PR, COMM & GOVT R	60 00			X				200,185	0	33,375
ROBERT B LIVERMAN JR ASSISTANT TREASURER	60 00			X				148,109	0	33,605
JEFFREY CRANE MD/ONCOLOGY	60 00					X		728,080	0	61,280

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
SHAHRAM TEHRANI MEDICAL DIRECTOR IT & HOSP	60 00					X		542,897	0	36,587
S WAYNE SMITH DIRECTOR/VASCULAR LAB	60 00					X		540,184	0	108,576
ROBERT WEHBIE MD/ONCOLOGY	60 00					X		728,660	0	38,927
OLUDAMILOLA OLAJIDE MD/ONCOLOGY	60 00					X		630,047	0	31,243