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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

RUTHERFORD HOSPITAL'S MISSION IS TO COMPASSIONATELY IMPROVE THE HEALTH AND WELL-BEING OF OUR PATIENTS

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

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?

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 \$ 46,582,898 including grants of \$) (Revenue \$ 44,789,464)

THE HOSPITAL PROVIDES OUTPATIENT SERVICES WITH IMPROVED TECHNOLOGY, MANY LESS INVASIVE SURGICAL PROCEDURES ARE NOW BEING PERFORMED ON AN OUTPATIENT BASIS THE HOSPITAL'S OUTPATIENT SURGERIES INCLUDE GENERAL, ONCOLOGY, ORTHOPEDIC, PLASTIC, PODIATRIC, UROLOGY, GASTROENTEROLOGY, GYNECOLOGY, OPHTHALMOLOGY, EAR, NOSE, AND THROAT SURGERY DURING FY 2012, THERE WERE 48,933 OUTPATIENT VISITS AND 37,822 EMERGENCY DEPARTMENT VISITS

4b

(Code) (Expenses \$ 30,039,098 including grants of \$) (Revenue \$ 36,124,476)

THE HOSPITAL PROVIDES INPATIENT SERVICES INCLUDING SURGICAL PROCEDURES, AN INTENSIVE CARE UNIT, AND THE BIRTH PLACE GENERAL SURGEONS PROVIDE A FULL RANGE OF CONSULTING, DIAGNOSTIC, AND TREATMENT SERVICES THE ICU IS SPECIFICALLY DESIGNED TO PROVIDE ONGOING, INTENSIVE NURSING ATTENTION FOR THOSE WHO ARE SERIOUSLY ILL OR INJURED OR WHO SUFFER FROM COMPLEX HEALTH CONDITIONS THE BIRTH PLACE OFFERS COMFORT, PRIVACY, PEACE OF MIND, AND FLEXIBILITY TO ITS PATIENTS, AS WELL AS EDUCATIONAL CLASSES FOR EXPECTANT FAMILIES INPATIENT FLOORS UTILIZE HOURLY ROUNDING TO ENSURE THE PATIENT PROGRESS AND NEEDS ARE CONTINUALLY MONITORED DURING FY 2012, 5,293 PATIENTS RECEIVED INPATIENT SERVICES

4c

(Code) (Expenses \$ 21,181,677 including grants of \$) (Revenue \$ 19,051,964)

RUTHERFORD REGIONAL HAS TEN PHYSICIAN PRACTICES TO SERVE THE COMMUNITY'S SURGICAL, FAMILY PRACTICE, AND PSYCHIATRIC NEEDS THE HOSPITAL HAS BEEN HONORED FOUR TIMES AS A THOMPSON COMPANY 100 TOP PERFORMANCE IMPROVEMENT LEADER FACILITY EDUCATION DEPARTMENT MAKES HEALTH FAIRS, EDUCATION, AND SUPPORT AVAILABLE TO OUR COMMUNITY SOME OF THE ACTIVITIES OFFERED INCLUDE CLASSES FOR EXPECTANT MOTHERS AND THEIR FAMILIES, SAFE SITTER COURSES, SUPPORT GROUPS FOR THOSE EXPERIENCING PARTICULAR ILLNESSES, FREEDOM FROM SMOKING CLASSES, THE LIFELINE PROGRAM, DIABETES EDUCATION, AND CPR/FIRST AID TRAINING

4d





















Other program services (Describe in Schedule O)

(Expenses \$ 1,434,560 including grants of \$) (Revenue \$ 2,789,896)

4e

Total program service expenses \$ 99,238,233

Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <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		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <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		No
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		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <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 <input type="checkbox"/>		
		YesNo
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a127
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1cYes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements filed for the calendar year ending with or within the year covered by this return	2a993
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)	2bYes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3aYes
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3bYes
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)?	4aNo
b	If "Yes," enter the name of the foreign country <input type="text"/> 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? . . .	5aNo
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5bNo
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?	6aNo
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b
7	Organizations that may receive deductible contributions under section 170(c).	
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7aNo
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?	7cNo
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?	7eNo
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . . .	7fNo
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8
9	Sponsoring organizations maintaining donor advised funds.	
a	Did the organization make any taxable distributions under section 4966?	9a
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b
10	Section 501(c)(7) organizations. Enter	
a	Initiation fees and capital contributions included on Part VIII, line 12	10a
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b
11	Section 501(c)(12) organizations. Enter	
a	Gross income from members or shareholders	11a
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b
13	Section 501(c)(29) qualified nonprofit health insurance issuers.	
a	Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state	13a
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b
c	Enter the aggregate amount of reserves on hand	13c
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14aNo
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		
1b	Enter the number of voting members included in line 1a, above, who are independent		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		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?	Yes	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	Yes	
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		No
6	Did the organization have members or stockholders?		No
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?		No
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	Yes	
8b	Each committee with authority to act on behalf of the governing body?	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		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?		No
10b	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?		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	Yes	
11b	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	Yes	
12b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	Yes	
12c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	Yes	
13	Did the organization have a written whistleblower policy?	Yes	
14	Did the organization have a written document retention and destruction policy?	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?		
15a	The organization's CEO, Executive Director, or top management official		No
15b	Other officers or key employees of the organization	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?		No
16b	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?		

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
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. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> 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. CINDY BUCK 288 SOUTH RIDGECREST AVENUE RUTHERFORDTON, NC 28139 (828) 286-5202

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) JOSEPH L CARSON JR CHAIRMAN	1 0	X		X				0	0	0
(2) DIANE HAMRICK VICE CHAIRMAN	1 0	X		X				0	0	0
(3) E THOMAS HARDIN SECRETARY	1 0	X		X				0	0	0
(4) MATT BRIGHT TREASURER	1 0	X		X				0	0	0
(5) PAUL DECK TRUSTEE	1 0	X						0	0	0
(6) DAVID EAKER TRUSTEE	1 0	X						0	0	0
(7) J LARRY HARRILL TRUSTEE	1 0	X						0	0	0
(8) LEE HARRILL TRUSTEE	1 0	X						0	0	0
(9) THOMAS J JASKI MD TRUSTEE	1 0	X						0	0	0
(10) MYRA JOHNSON TRUSTEE THROUGH 02/2012	1 0	X						0	0	0
(11) MICHAEL S WHEELER MD TRUSTEE	1 0	X						625,458	0	0
(12) TERRY HINES TRUSTEE	1 0	X						0	0	0
(13) BETH MILLER TRUSTEE	1 0	X						0	0	0
(14) LUTHER PERSON MD TRUSTEE	1 0	X						0	0	0
(15) BOBBY ENGLAND MD TRUSTEE	1 0	X						0	0	0
(16) DAVID BIXLER CEO THROUGH 04/2012	40 0			X				0	0	0
(17) CINDY BUCK CEO BEGINNING 09/12, SEE SCH O	40 0			X				39,975	0	86

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) DEAN R BACKSTROM MEDICAL DIRECTOR	40 0				X			229,915	0	2,564
(19) CHARLES BOND PHYSICIAN	40 0					X		733,547	0	3,515
(20) MICHAEL ROBERTS PHYSICIAN	40 0					X		791,343	0	3,515
(21) GREGG ALLEN DRABEK PHYSICIAN	40 0					X		544,993	0	3,621
(22) DOUGLAS B FREELS PHYSICIAN	40 0					X		529,257	0	4,278
(23) WILLIAM C HADEN PHYSICIAN	40 0					X		432,510	0	2,564
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								3,926,998	0	20,143

2Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization▶40

		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

1Complete 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
HOSPITAL MEDICINE ASSOCIATES	HOSPITALISTS	1,438,434
QUORUM HEALTH RESOURCESQHR	MANAGEMENT SERVICES	1,083,701
MICHAEL S WHEELER MD	LAB MEDICAL DIRECTOR	652,458
SODEXO	MANAGEMENT SERVICES	369,312
ALLIED BARTON SECURITY SVCS	SECURITY SERVICES	224,700

2Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶16

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	235,920				
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f					
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f		235,920				
Program Service Revenue			Business Code					
	2a	NET PATIENT SERVICE REVENUE	621110	85,618,226	85,618,226			
	b	LABORATORY CLIENT REVENUE	621500	13,592,226	13,472,594	119,632		
	c	PATHOLOGY CLIENT REVENUE	621110	2,157,722	2,152,597	5,125		
	d	CAFETERIA & VENDING REVENUE	722410	506,998	506,052	946		
	e	OTHER REVENUE	900099	1,024,555	1,006,331	18,224		
	f	All other program service revenue						
	g	Total. Add lines 2a-2f		102,899,727				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		874,649			874,649	
	4	Income from investment of tax-exempt bond proceeds . .		0				
	5	Royalties		0				
	6a	(i) Real		(ii) Personal				
		Gross rents	100,284					
		b Less rental expenses	12,537					
		c Rental income or (loss)	87,747					
	d	Net rental income or (loss)		87,747			87,747	
	7a	(i) Securities		(ii) Other				
		Gross amount from sales of assets other than inventory	49,146,401	500				
		b Less cost or other basis and sales expenses	49,028,842	359				
		c Gain or (loss)	117,559	141				
	d	Net gain or (loss)		117,700			117,700	
	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 . .		0				
	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 . .		0				
	10a	Gross sales of inventory, less returns and allowances	a	142,686				
	b	Less cost of goods sold	b	68,836				
	c	Net income or (loss) from sales of inventory . .		73,850			73,850	
Miscellaneous Revenue		Business Code						
11a	_____							
b	_____							
c	_____							
d	All other revenue							
e	Total. Add lines 11a-11d		0					
12	Total revenue. See Instructions		104,289,593	102,755,800	143,927	1,153,946		

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	0			
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	897,998	857,937	40,061	0
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	38,941,940	37,049,605	1,892,335	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	0			
9	Other employee benefits	6,518,111	4,829,298	1,688,813	
10	Payroll taxes	2,738,030	2,028,871	709,159	
11	Fees for services (non-employees)				
a	Management	400,338		400,338	
b	Legal	214,346		214,346	
c	Accounting	35,540		35,540	
d	Lobbying	0			
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	166,308		166,308	
g	Other	8,638,469	7,680,980	957,489	
12	Advertising and promotion	396,855	392,973	3,882	
13	Office expenses	2,705,013	2,333,190	371,823	
14	Information technology	606,831	527,086	79,745	
15	Royalties	0			
16	Occupancy	2,733,254	2,720,870	12,384	
17	Travel	302,357	285,762	16,595	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	24,945	24,945		
20	Interest	316,904	265,398	51,506	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	5,867,350	4,913,731	953,619	
23	Insurance	690,709	578,448	112,261	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	BAD DEBT	20,466,731	20,466,731		
b	MEDICAL SUPPLIES & DRUGS	12,278,532	12,278,532		
c	REPAIRS & MAINTENANCE	2,546,933	1,694,294	852,639	
d	RECRUITING	225,179	220,632	4,547	
e					
f	All other expenses	212,787	88,950	123,837	
25	Total functional expenses. Add lines 1 through 24f	107,925,460	99,238,233	8,687,227	0
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			3,900	1	4,260
	2	Savings and temporary cash investments			2,049,175	2	3,792,065
	3	Pledges and grants receivable, net			0	3	0
	4	Accounts receivable, net			13,363,299	4	11,220,632
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L			0	5	0
	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			0	6	0
	7	Notes and loans receivable, net			0	7	0
	8	Inventories for sale or use			1,788,160	8	1,746,370
	9	Prepaid expenses and deferred charges			1,053,533	9	881,819
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D	10a	129,477,057			
	b	Less: accumulated depreciation	10b	81,199,756	47,206,726	10c	48,277,301
	11	Investments—publicly traded securities			32,432,260	11	31,299,317
	12	Investments—other securities. See Part IV, line 11			0	12	0
	13	Investments—program-related. See Part IV, line 11			0	13	0
	14	Intangible assets			599,042	14	599,042
	15	Other assets. See Part IV, line 11			1,134,881	15	3,148,941
	16	Total assets. Add lines 1 through 15 (must equal line 34)			99,630,976	16	100,969,747
Liabilities	17	Accounts payable and accrued expenses			9,305,153	17	9,419,397
	18	Grants payable			0	18	0
	19	Deferred revenue			2,990	19	0
	20	Tax-exempt bond liabilities			15,030,386	20	19,234,551
	21	Escrow or custodial account liability. Complete Part IV of Schedule D			0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L			0	22	0
	23	Secured mortgages and notes payable to unrelated third parties			806,566	23	622,650
	24	Unsecured notes and loans payable to unrelated third parties			0	24	0
	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			2,399,600	25	5,142,167
	26	Total liabilities. Add lines 17 through 25			27,544,695	26	34,418,765
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			72,086,281	27	66,550,982
	28	Temporarily restricted net assets			0	28	0
	29	Permanently restricted net assets			0	29	0
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> 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			72,086,281	33	66,550,982
	34	Total liabilities and net assets/fund balances			99,630,976	34	100,969,747

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	104,289,593
2	Total expenses (must equal Part IX, column (A), line 25)	2	107,925,460
3	Revenue less expenses Subtract line 2 from line 1	3	-3,635,867
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	72,086,281
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-1,899,432
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	66,550,982

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		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 <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		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 RUTHERFORD HOSPITAL INC	Employer identification number 56-0619367
---	--

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									

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 RUTHERFORD HOSPITAL INC	Employer identification number 56-0619367
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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?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> 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?	<input type="checkbox"/> Yes <input type="checkbox"/> 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?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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		8,379
	j Total lines 1c through 1i			8,379
	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 1.
Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
OTHER LOBBYING ACTIVITIES	SCHEDULE C, PART II-B, LINE 1I	THE ORGANIZATION PAYS DUES TO THE NORTH CAROLINA HOSPITAL ASSOCIATION, OF WHICH \$8,074 IS ATTRIBUTABLE TO LOBBYING ACTIVITIES AND TO AHA OF WHICH \$305 IS ATTRIBUTABLE 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
RUTHERFORD HOSPITAL INC

Employer identification number

56-0619367

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? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	
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? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	

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 ▶ _____ 1

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
▶ \$ _____ 0

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		1,528,211		1,528,211
b Buildings		66,369,807	36,138,081	30,231,726
c Leasehold improvements		681,069	0	681,069
d Equipment		58,244,680	43,846,309	14,398,371
e Other		2,653,290	1,215,366	1,437,924
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				48,277,301

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	104,289,593
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	107,925,460
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	-3,635,867
4	Net unrealized gains (losses) on investments	4	3,646,938
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-340,397
9	Total adjustments (net) Add lines 4 - 8	9	3,306,541
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-329,326

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	87,044,468
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	3,646,938
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	-20,973,436
e	Add lines 2a through 2d	2e	-17,326,498
3	Subtract line 2e from line 1	3	104,370,966
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	-81,373
c	Add lines 4a and 4b	4c	-81,373
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	104,289,593

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	87,373,794
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	81,373
e	Add lines 2a through 2d	2e	81,373
3	Subtract line 2e from line 1	3	87,292,421
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	166,308
b	Other (Describe in Part XIV)	4b	20,466,731
c	Add lines 4a and 4b	4c	20,633,039
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	107,925,460

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
CONSERVATION EASEMENT FINANCIAL REPORTING	SCHEDULE D, PART II, LINE 9	THERE IS NO REVENUE ASSOCIATED WITH THE CONSERVATION EASEMENT REPORTED IN SCHEDULE D, PART II. THE ONLY EXPENSES RELATED TO THE EASEMENT RELATES TO NORMAL COSTS OF HOLDING THE BUILDING SUCH AS UTILITIES. THE BUILDING IS SHOWN IN THE BALANCE SHEET AS PART OF FIXED ASSETS AT COST, BUT IS FULLY DEPRECIATED. THERE WAS NO NOTE REGARDING THE CONSERVATION EASEMENT IN THE AUDITED FINANCIAL STATEMENTS.
OTHER CHANGES IN NET ASSETS	SCHEDULE D, PART XI, LINE 8	\$ (340,397) CHANGE IN FV OF INTEREST RATE SWAP
OTHER REVENUE INCLUDED ON LINE 1, BUT NOT ON FORM 990, PART VIII, LINE 12	SCHEDULE D, PART XII, LINE 2D	\$ (20,466,731) BAD DEBT EXPENSE (340,397) CHANGE IN FV OF INTEREST RATE SWAP (166,308) INVESTMENT FEES ----- \$ (20,973,436)
OTHER REVENUE INCLUDED ON FORM 990, PART VIII, LINE 12, BUT NOT ON LINE 1	SCHEDULE D, PART XII, LINE 4B	\$ (68,836) COST OF GOODS SOLD (12,537) RENTAL EXPENSE ----- \$ (81,373)
OTHER EXPENSE INCLUDED ON LINE 1, BUT NOT ON FORM 990, PART IX, LINE 25	SCHEDULE D, PART XIII, LINE 2D	\$ 68,836 COST OF GOODS SOLD 12,537 RENTAL EXPENSE ----- \$ 81,373
OTHER EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, BUT NOT ON LINE 1	SCHEDULE D, PART XIII, LINE 4B	\$ 20,466,731 BAD DEBT EXPENSE

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
RUTHERFORD HOSPITAL INC

Employer identification number
56-0619367

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 <div><input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div>			
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 <div><input type="checkbox"/> 100%<input type="checkbox"/> 150%<input type="checkbox"/> 200%<input checked="" type="checkbox"/> Other <u>120. %</u></div> 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 <div><input type="checkbox"/> 200%<input checked="" type="checkbox"/> 250%<input type="checkbox"/> 300%<input type="checkbox"/> 350%<input type="checkbox"/> 400%<input type="checkbox"/> Other _____%</div> c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care 4 Did the organization's policy provide free or discounted care to the "medically indigent"?	3a	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)			1,660,240		1,660,240	1 900 %
b Medicaid (from Worksheet 3, column a)			18,117,495	16,495,301	1,622,194	1 850 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			19,777,735	16,495,301	3,282,434	3 750 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1,003,450	289,486	713,963	0 820 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			11,546,750	10,665,497	881,253	1 010 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j Total Other Benefits			12,550,200	10,954,983	1,595,216	1 830 %
k Total. Add lines 7d and 7j			32,327,935	27,450,284	4,877,650	5 580 %

Part IICommunity 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
1Physical improvements and housing						
2Economic development						
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total						

Part IIIBad 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?	1Yes	
2	Enter the amount of the organization's bad debt expense	26,901,383	
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	31,428,586	
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)	536,750,991	
6	Enter Medicare allowable costs of care relating to payments on line 5	639,041,270	
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7-2,290,279	
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: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9aYes	
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.	9bYes	

Part IVManagement Companies and Joint Ventures (see instructions)

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

Section A. Hospital Facilities

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

Name and address

Schedule H (Form 990) 2011

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)

RUTHERFORD 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 <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> 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 <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> 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 <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> 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 120 % 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</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 <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input checked="" type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input checked="" type="checkbox"/> State regulation h <input type="checkbox"/> 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 <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> 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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> 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 <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input checked="" type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input checked="" type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input checked="" type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> 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	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> 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	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> 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	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> 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? 12

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

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6l, 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
PERCENT OF TOTAL EXPENSE	SCHEDULE H, PART I, QUESTION 7, COLUMN F	TO ARRIVE AT THE PERCENT OF TOTAL EXPENSES, THE DENOMINATOR WHICH EQUALS TOTAL OPERATING EXPENSES PER PART IX, LINE 25, OF THE FORM 990 (\$107,925,460) WAS REDUCED BY BAD DEBT EXPENSE (\$20,466,731)

Identifier	ReturnReference	Explanation
COST TO CHARGE RATIO	SCHEDULE H, PART I, LINE 7	THE COST TO CHARGE RATIO COMPUTED ON IRS WORKSHEET 2 WAS USED IN THE CALCULATIONS ON IRS WORKSHEETS 1 AND 3 FOR IRS WORKSHEET 6 CALCULATING SUBSIDIZED SERVICES, THE ORGANIZATION USED A COST ACCOUNTING SYSTEM USING DIRECTLY ALLOCABLE DEDUCTIONS FOR THE CALCULATION OF ONE GROUP OF SUBSIDIZED SERVICES AND USED THE COST TO CHARGE RATIO COMPUTED ON IRS WORKSHEET 2 FOR THE CALCULATION OF ANOTHER GROUP OF SUBSIDIZED SERVICES

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE	SCHEDULE H, PART III, SECTION A, QUESTION 4	THE AUDITED FINANCIAL STATEMENTS DO NOT CONTAIN A FOOTNOTE THAT DESCRIBES BAD DEBT EXPENSE THEY DO, HOWEVER, CONTAIN A FOOTNOTE THAT DESCRIBES PATIENT ACCOUNTS RECEIVABLE IN EVALUATING THE COLLECTABILITY OF ACCOUNTS RECEIVABLE, THE HOSPITAL ANALYZES ITS PAST HISTORY AND IDENTIFIES TRENDS FOR EACH OF ITS MAJOR PAYER SOURCES OF REVENUE TO ESTIMATE THE APPROPRIATE ALLOWANCE FOR DOUBTFUL ACCOUNTS AND THE PROVISION FOR UNCOLLECTABLE ACCOUNTS MANAGEMENT REGULARLY REVIEWS DATA ABOUT THESE MAJOR PAYER SOURCES OF REVENUE IN EVALUATING THE SUFFICIENCY OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PATIENTS THE HOSPITAL RECORDS A SIGNIFICANT PROVISION FOR UNCOLLECTABLE ACCOUNTS IN THE PERIOD OF SERVICE ON THE BASIS OF ITS PAST EXPERIENCE, WHICH INDICATES THAT MANY PATIENTS ARE UNABLE OR UNWILLING TO PAY THE PORTION OF THEIR BILL FOR WHICH THEY ARE FINANCIALLY RESPONSIBLE the DIFFERENCE BETWEEN THE STANDARD RATES (OR THE DISCOUNTED RATES IF NEGOTIATED OR PROVIDED BY POLICY) AND THE AMOUNTS ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS THE HOSPITAL'S ALLOWANCE FOR DOUBTFUL ACCOUNT FOR SELF-PAY PATIENTS INCREASED FROM 81% OF SELF PAY ACCOUNTS RECEIVABLE AT 9-30-11 TO 87% OF SELF PAY ACCOUNTS RECEIVABLE AT 9-30-12

Identifier	ReturnReference	Explanation
COMMUNITY BENEFIT	SCHEDULE H, PART III, SECTION B, QUESTION 8	SERVING PATIENTS WITH GOVERNMENT HEALTH BENEFITS, SUCH AS MEDICARE, IS A COMPONENT OF THE COMMUNITY BENEFIT STANDARD THAT TAX-EXEMPT HOSPITALS ARE HELD TO THIS IMPLIES THAT SERVING MEDICARE PATIENTS IS A COMMUNITY BENEFIT AND THAT THE HOSPITAL OPERATES TO PROMOTE THE HEALTH OF THE COMMUNITY

Identifier	ReturnReference	Explanation
COLLECTION POLICY	SCHEDULE H, PART III, SECTION C, QUESTION 9B	RUTHERFORD HOSPITAL, INC , WILL RECOGNIZE PATIENTS WHO DO NOT QUALIFY UNDER THE CREDIT AND COLLECTION POLICY GUIDELINES AND PROVIDE ASSISTANCE IN OBTAINING THIRD PARTY COVERAGE OR IN QUALIFYING FOR THE MEDICAL ASSISTANCE PROGRAM AS OUTLINED IN ESTABLISHED HOSPITAL PROCEDURES ALL PATIENTS WILL BE GIVEN THE OPPORTUNITY TO APPLY FOR THE MEDICAL ASSISTANCE PROGRAM IF THEY ARE UNABLE TO PAY FOR DESIRED MEDICAL TREATMENT SELF-PAY ACCOUNTS WHICH REMAIN UNPAID, OR HAVE NO PAYMENT CONTRACT ESTABLISHED, WILL BE TRANSFERRED TO A BAD DEBT STATUS 60 DAYS AFTER THE ACCOUNT IS BILLED BY THE HOSPITAL'S BILLING SYSTEM INSURANCE ACCOUNTS WILL BE TRANSFERRED TO A BAD DEBT STATUS WHEN IT IS DETERMINED BY THE FINANCIAL COUNSELOR THAT THE ACCOUNT WILL REQUIRE MORE INTENSE COLLECTION EFFORTS THAN THOSE PROVIDED BY THE HOSPITAL BUSINESS OFFICE FOR PATIENTS COVERED BY MEDICARE, THIS TRANSFER TO A BAD DEBT STATUS WILL NOT OCCUR BEFORE 120 DAYS AFTER FINAL BILLING BY THE HOSPITAL PATIENT ACCOUNTING SYSTEM

Identifier	ReturnReference	Explanation
INDIVIDUALS ELIGIBLE FOR FINANCIAL ASSISTANCE	SCHEDULE H, PART V, SECTION B, LINE 19D	OUR MEDICAL ASSISTANCE POLICY ALLOWS UP TO 120% OF FEDERAL POVERTY GUIDELINE FOR 100% REDUCTION OF BALANCE/CHARGES THE SLIDING SCALE ALLOWS UP TO 250% OF THE FEDERAL POVERTY GUIDELINE IN ALLOWING A 30% REDUCTION OF THE BALANCE/CHARGES ALL SELF PAY ACCOUNTS RECEIVE A 20% DISCOUNT OF CHARGES AT THE TIME OF FINAL BILLING ALSO, IF SELF PAY BALANCE IS PAID PROMPTLY (15 DAYS FROM FINAL BILLING), PATIENT IS ENTITLED TO AND ADDITIONAL 30% DISCOUNT OF CHARGES

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	SCHEDULE H, PART VI, QUESTION 2	THE ORGANIZATION USES A NEEDS ASSESSMENT CONDUCTED BY THE UNITED WAY OF RUTHERFORD COUNTY (UWRC) IN 2008 TO ASSESS THE HEALTH CARE NEEDS OF THE COMMUNITY IT SERVES TO CONDUCT THIS ASSESSMENT, THE UWRC AND THE RUTHERFORD HEALTH DEPARTMENT, IN COLLABORATION WITH THE COMMUNITY HEALTH COUNCIL (OF WHICH RUTHERFORD HOSPITAL, INC WAS A FOUNDING MEMBER AND CONTINUES AS ITS PRIMARY SPONSOR), WORKED TOGETHER AND COMPILED LEADERS IN VARIOUS FIELDS FROM THE COMMUNITY AS MEMBERS OF A STEERING COMMITTEE THE COMMITTEE REVIEWED SEVERAL NEEDS ASSESSMENTS CONDUCTED BY OTHER COMMUNITIES IN NORTH CAROLINA AND OTHER STATES AND USED "COMPASS", A NEEDS ASSESSMENT GUIDE CREATED BY THE UNITED WAY OF AMERICA, WHICH PROVIDED A BASIC FRAMEWORK FOR THE ASSESSMENT THE COMMITTEE SURVEYED THE GENERAL PUBLIC, SURVEYED SERVICE PROVIDERS (INCLUDING RUTHERFORD HOSPITAL), AND CONDUCTED FOCUS GROUPS NEEDS IDENTIFIED IN THIS ASSESSMENT WERE UNEMPLOYMENT/LACK OF JOBS, FOLLOWED BY SUBSTANCE ABUSE, AND ACCESS TO AFFORDABLE MEDICAL CARE TEEN PREGNANCY, CRIME, AND OBESITY WERE ALSO IDENTIFIED AS ISSUES IN SOME CATEGORIES

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	SCHEDULE H, PART VI, QUESTION 3	PATIENTS WITH ESTIMATED BALANCES AFTER INSURANCE ARE CONTACTED PRIOR TO VISIT THIS ALLOWS THE ESTIMATE TO BE PROVIDED TO PATIENT, AND TO DISCUSS INSURANCE BENEFITS AND ESTIMATED BALANCES AFTER INSURANCE THIS DOES INCLUDE ALL SELF PAY PATIENTS AS WELL A FINANCIAL COUNSELOR MAKES THIS CALL AND EXPLAINS ALL PAYMENT OPTIONS AND OPPORTUNITIES TO APPLY FOR MEDICAL ASSISTANCE PATIENT REPRESENTATIVES ALSO FOLLOW UP WITH ALL SELF PAY PATIENTS TO PURSUE QUALIFICATION OF PATIENT INTO SOME TYPE OF ASSISTANCE (NCMEDICAID, DISABILITY, CRIME VICTIMS, VOCATIONAL REHAB OR OTHER POSSIBLE PAYMENT SOURCE) IF NO RESOURCES ARE IDENTIFIED FROM PATIENT REPRESENTATIVES, THE REPRESENTATIVE FACILITATES GETTING A MEDICAL ASSISTANCE APPLICATION TO THE PATIENT FOR POSSIBLE QUALIFICATION REGISTRATION EMPLOYEES HAVE MEDICAL ASSISTANCE FORMS AND ARE TO PROVIDE THESE TO PATIENTS AT TIME OF REGISTRATION PMAB (EXTENDED BUSINESS OFFICE) STAFF ALSO HAVE MEDICAL ASSISTANCE APPLICATIONS AND ARE TO PROVIDE THESE AS NECESSARY TO PATIENTS AFTER PHONE CONTACT THE MEDICAL ASSISTANCE POLICY IS ON THE RRHS WEBSITE FOR PUBLIC VIEWING, ALONG WITH THE APPLICATION THAT CAN BE PRINTED FOR COMPLETION FROM THE INDIVIDUAL REQUESTING ASSISTANCE

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	SCHEDULE H, PART VI, QUESTION 4	<p>RUTHERFORD COUNTY, NORTH CAROLINA IS LOCATED AT THE BASE OF THE BLUE RIDGE MOUNTAINS AND IS CENTERED BETWEEN ASHEVILLE AND CHARLOTTE IT IS DESIGNATED AS RURAL BY HRSA RURAL HEALTH POLICY THE COUNTY IS COMPRISED OF EIGHT MUNICIPALITIES BOSTIC, CHIMNEY ROCK, ELLENBORO, FOREST CITY, RUTHERFORDTON, RUTH, SPINDALE AND LAKE LURE RUTHERFORD COUNTY IS 563 SQ MILES, THE COUNTY SEAT IS RUTHERFORDTON ONE MUNICIPALITY, FOREST CITY, IS CONSIDERED A MICROPOLITAN STATISTICAL AREA, HOWEVER, IT DOES NOT HAVE A METROPOLITAN STATISTICAL AREA DESIGNATION (AS DESIGNATED BY OMB BULLETIN FOR FY04 B04-03) ACCORDING TO THE MOST RECENT US CENSUS BUREAU DATA FROM 2010, THE TOTAL POPULATION OF RUTHERFORD COUNTY IS 67,810 OF THIS AMOUNT, 49% ARE MALE AND 51% ARE FEMALE THE RACIAL/ETHNIC BACKGROUND OF THE POPULATION INCLUDES 87 3% WHITE, 10 3% BLACK OR AFRICAN AMERICAN, 3 7% HISPANIC OR LATINO WITH THE REMAINING AS OTHER OF THE TOTAL POPULATION, 20 4% HAVE NOT GRADUATED FROM HIGH SCHOOL OR OBTAINED A HIGH SCHOOL EQUIVALENCY PERSONS BELOW POVERTY LEVEL FOR 2006-2010 WERE 20 7%, WITH MEDIAN HOUSEHOLD INCOME AT \$35,364 RUTHERFORD COUNTY WORKFORCE TOTALS 22,790 (2006 REPORT) IT BREAKS DOWN AS FOLLOWS MANUFACTURING, 18 2 %, CONSTRUCTION, 5 5%, TRANSPORTATION AND UTILITIES, 21 4%, EDUCATION AND HEALTH SERVICES, 24%, PROFESSIONAL AND BUSINESS SERVICES, 9 3%, LEISURE AND HOSPITALITY, 8 4%, INFORMATION, 4%, FINANCIAL ACTIVITIES, 2%, PUBLIC ADMINISTRATION, 5 3% AND ALL OTHER, 2 08% FOR EMPLOYMENT OPPORTUNITIES CALL THE N C EMPLOYMENT SECURITY COMMISSION AT (828) 246-9841 OR CONTACT THE CHAMBER AND ASK FOR A LISTING OF TEMPORARY AGENCIES</p>

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH	SCHEDULE H, PART VI, QUESTION 5	COMMUNITY BENEFIT IS COLLABORATION WITH A COMMUNITY TO BENEFIT ITS RESIDENTS - PARTICULARLY THOSE BELOW THE POVERTY LEVEL, MINORITIES AND UNDERSERVED GROUPS - BY IMPROVING THEIR HEALTHCARE STATUS AND QUALITY OF LIFE AS A NOT-FOR-PROFIT HOSPITAL, RHI EMBRACES ITS ROLE AS THE HEALTHCARE PROVIDER OF CHOICE FOR THE COMMUNITY RUTHERFORD HOSPITAL HOSTED A SERIES OF SEVEN RUTHERFORD REGIONAL CONNECTS EVENTS IN 2012 RUTHERFORD REGIONAL CONNECTS EVENTS WERE HELD IN THE FOLLOWING LOCATIONS FOREST CITY - DUNBAR ELEMENTARY, LAKE LURE TOWN HALL, R-S CENTRAL HIGH SCHOOL, ELLENBORO ELEMENTARY, CLIFFSIDE ELEMENTARY AND SUNSHINE ELEMENTARY EVENTS WERE SCHEDULED FOR EITHER A MORNING OR EVENING EACH EVENT INCLUDED FREE CHOLESTEROL, GLUCOSE, BLOOD PRESSURE AND BODY MASS INDEX (BMI) SCREENINGS EXHIBITS PROVIDED INFORMATION ON THE CHANGES AT RUTHERFORD REGIONAL HOSPITAL, AND PARTICIPANTS HAD THE OPPORTUNITY TO VISIT WITH DEPARTMENT REPRESENTATIVES AND RRHS PRESIDENT AND CEO DAVE BIXLER TO ASK QUESTIONS DURING THE RUTHERFORD REGIONAL CONNECTS EVENTS, SCREENINGS WERE GIVEN FREE OF CHARGE THOSE WHO VISITED BOOTHS AT THE EVENTS LEARNED ABOUT THE MANY PROGRAMS OFFERED THROUGH THE ORGANIZATION SIXTY INDUSTRIES ENROLLED IN THE WELLNESSWORKS PROGRAM, RUTHERFORD HOSPITAL'S EMPLOYER HEALTH PROGRAM, IN 2012 DESIGNED TO HELP PROVIDE ONGOING COMMUNICATION AND EASY ACCESS TO HEALTHCARE SERVICES TO EMPLOYERS AND THEIR EMPLOYEES, THE FOUR BASIC COMPONENTS THAT MAKE UP THE WELLNESSWORKS PROGRAM ARE OCCUPATIONAL HEALTH SERVICES, WORKER'S COMPENSATION SERVICES, PREVENTATIVE HEALTH/WELLNESS SERVICES AND GROUP HEALTH SERVICES THERE IS NO COST ASSOCIATED WITH ENROLLING IN THE PROGRAM IN JULY 2011, THE RUTHERFORD REGIONAL CANCER OUTREACH PROGRAM LAUNCHED A NEW CANCER SUPPORT GROUP FOR ANYONE WHO HAS EVER HEARD THE WORDS "YOU HAVE CANCER " SURVIVIN' MEETS ON THE THIRD MONDAY OF EACH MONTH AT THE CANCER RESOURCE CENTER EACH MONTH THE GROUP EXPLORES WAYS TO LIVE LIFE TO THE FULLEST AFTER A CANCER DIAGNOSIS INFORMATION REGARDING NUTRITION, EXERCISE AND EMOTIONAL WELL-BEING IS ALSO PRESENTED FRIENDS AND FAMILY MAY ATTEND AS WELL THE RUTHERFORD REGIONAL AUXILIARY RAISED MONEY DURING SEVERAL FUNDRAISING EFFORTS, THE GIFT SHOP, BABY PHOTO PROGRAM, VENDING MACHINES AND EVENTS SUCH AS THE \$5 JEWELRY, BOOK AND UNIFORM SALES THE AUXILIARY'S SERVICE AREAS INCLUDE FRONT DESK, GIFT SHOP, INTENSIVE CARE WAITING, MESSENGER, OUTPATIENT SERVICES AND SURGERY WAITING VOLUNTEERS ALSO SERVE IN THE PET THERAPY PROGRAM, AS CLERICAL ASSISTANTS IN MEDICAL RECORDS, AS CARETAKERS OF ST LUKE'S CHAPEL, AS CLOWNS WITH THE TOY CHEST, AT THE CANCER RESOURCE CENTER MAKING TRAY FAVORS FOR PATIENT FOOD TRAYS, WITH THE EDUCATION DEPARTMENT FOR COMMUNITY SCREENINGS, AND AS TEEN VOLUNTEERS IN JUNE, 39 TEEN VOLUNTEERS ATTENDED ORIENTATION, AND FOR THE NEXT EIGHT WEEKS THEY VOLUNTEERED IN 17 DIFFERENT DEPARTMENTS AT THE HOSPITAL, ALLOWING MANY ADULT VOLUNTEERS TO TAKE TIME OFF THE TOY CHEST COMMITTEE MADE A TOTAL OF 1,054 ITEMS, WHICH INCLUDED STUFFED ANIMALS, "PATIENT PALS" FOR PEDIATRIC PATIENTS, PILLOWS FOR MASTECTOMY PATIENTS AND BABY CAPS FOR INFANTS AS A REMINDER TO PARENTS OF THE DANGERS OF CHILD ABUSE DONATIONS WERE MADE TO LIFELINE DURING THE YEAR IN MEMORY AUXILIARY MEMBERS WHO PASSED AWAY A TOTAL OF 194 ADULT VOLUNTEERS VOLUNTEERED 21,364 HOURS AND A TOTAL OF 78 TEEN VOLUNTEERS VOLUNTEERED 2,366 HOURS WITH A COMBINED TOTAL OF 23,730 SERVICE HOURS FOR THE YEAR THE ACCUMULATED HOURS OF SERVICE TO RUTHERFORD HOSPITAL, SINCE THE FOUNDING OF THE AUXILIARY 47 YEARS AGO, IS 846,067 HOURS AND THE ACCUMULATED DONATION IS \$2,992,030 56 THE SCHOOL OF CLINICAL PASTORAL EDUCATION OF RUTHERFORD REGIONAL MEDICAL CENTER IS ACCREDITED TO OFFER CPE LEVELS I & II BY THE ASSOCIATION FOR CLINICAL PASTORAL EDUCATION, INC CLINICAL PASTORAL EDUCATION WILL ENABLE YOU TO INTEGRATE FAITH, EXPERIENCE AND KNOWLEDGE FOR MORE EFFECTIVE MINISTRY CPE IS PROFESSIONAL TRAINING FOR MINISTRY DESIGNED FOR SEMINARIANS, CLERGY AND LAITY OF DIVERSE CULTURES, ETHNIC GROUPS AND FAITH TRADITIONS THE METHOD IS LEARNING BY DOING AND REFLECTING UNDER THE DIRECTION OF A CERTIFIED ACPE SUPERVISOR, INSTRUCTED BY AN INTERDISCIPLINARY ADJUNCT FACULTY IN A SUPPORTIVE COLLEGIAL GROUP

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM	SCHEDULE H, PART VI, QUESTION 6	RUTHERFORD HOSPITAL IS AFFILIATED WITH RUTHERFORD HOSPITAL FOUNDATION, WHOSE PRIMARY PURPOSE IS TO PROVIDE SUPPORT FOR THE HOSPITAL THE FOUNDATION PROVIDES SCHOLARSHIPS TO INDIVIDUALS AND GRANTS TO ORGANIZATIONS IN THE COMMUNITY, WHICH IS THE SAME COMMUNITY THAT RUTHERFORD HOSPITAL SERVES THE MISSION OF RUTHERFORD HOSPITAL FOUNDATION IS TO "SECURE CURRENT AND FUTURE GIFTS OF SUPPORT FOR RUTHERFORD REGIONAL MEDICAL SYSTEM, ENSURING THAT ALL MEMBERS OF OUR COMMUNITY CONTINUE TO HAVE ACCESS TO A BROAD RANGE OF COMPASSIONATE, HIGH QUALITY HEALTH SERVICES " THE RUTHERFORD HOSPITAL FOUNDATION SEEKS TO GIVE ALL SEGMENTS OF THE COMMUNITY THE OPPORTUNITY TO INVEST IN THE FUTURE OF THE HOSPITAL, TO ENSURE GOOD STEWARDSHIP OF AVAILABLE RESOURCES, AND TO BE RECOGNIZED AS A SIGNIFICANT CONTRIBUTOR TO ECONOMIC GROWTH AND DEVELOPMENT OF RUTHERFORD REGIONAL HEALTH SYSTEM RUTHERFORD HOSPITAL CONTINUES TO HAVE AN AFFILIATION WITH DUKE ONCOLOGY NETWORK THIS AGREEMENT PROVIDES EDUCATION FOR PHYSICIANS AND NURSING STAFF, PHYSICIAN CONSULTATION AND A REVIEW AND EVALUATION OF THE CARE PROVIDED OUR CANCER PATIENTS IN 2011, AN EXPERT IN THE FIELD OF BREAST CANCER HELPED TO CONDUCT A STUDY ABOUT OUR CARE AND PRESENTED INFORMATION RELATED TO THE STUDY AS AN EDUCATION SESSION IT IS A GREAT OPPORTUNITY FOR RUTHERFORD REGIONAL MEDICAL CENTER TO BE ALIGNED WITH DUKE, WHICH HAS BEEN CONSISTENTLY IN THE TOP-RANKED CENTERS FOR CANCER CARE IN THE UNITED STATES

Additional Data

Software ID:
Software Version:
EIN: 56-0619367
Name: RUTHERFORD HOSPITAL INC

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

[illegible]

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
RUTHERFORD HOSPITAL INC

Employer identification number

56-0619367

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		
	<div><div><input type="checkbox"/> First-class or charter travel</div><div><input checked="" type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>		
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		
	<div><div><input type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Written employment contract</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div>		
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	No
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c	No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a	The organization?	5a	No
b	Any related organization?	5b	No
	If "Yes," to line 5a or 5b, describe in Part III		
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a	The organization?	6a	No
b	Any related organization?	6b	No
	If "Yes," to line 6a or 6b, describe in Part III		
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	No
8	Were any amounts reported in Form 990, Part VII, paid or 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	

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) MICHAEL S WHEELER MD	(i)	625,458	0	0	0	0	625,458	0
	(ii)	0	0	0	0	0	0	0
(2) DEAN R BACKSTROM	(i)	218,078	11,837	0	0	2,564	232,479	0
	(ii)	0	0	0	0	0	0	0
(3) CHARLES BOND	(i)	690,264	26,783	16,500	0	3,515	737,062	0
	(ii)	0	0	0	0	0	0	0
(4) MICHAEL ROBERTS	(i)	747,111	27,732	16,500	0	3,515	794,858	0
	(ii)	0	0	0	0	0	0	0
(5) GREGG ALLEN DRABEK	(i)	544,993	0	0	0	3,621	548,614	0
	(ii)	0	0	0	0	0	0	0
(6) DOUGLAS B FREELS	(i)	495,891	0	33,366	0	4,278	533,535	0
	(ii)	0	0	0	0	0	0	0
(7) WILLIAM C HADEN	(i)	420,421	12,089	0	0	2,564	435,074	0
	(ii)	0	0	0	0	0	0	0
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

Part IIISupplemental 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
HOUSING ALLOWANCES	SCHEDULE J, PART I, LINE 1A	DOUGLAS B FREELS RECEIVED A HOUSING ALLOWANCE DURING THE YEAR INCLUDING \$4,800 FOR HOUSING RENTAL AND \$8,562 FOR CLOSING COSTS ON A NEW HOME. THESE WERE INCLUDED AS PART OF TAXABLE COMPENSATION.
CEO COMPENSATION DETERMINATION	SCHEDULE J, PART I, LINE 3	THE ORGANIZATION'S CEO WAS COMPENSATED BY AN UNRELATED MANAGEMENT COMPANY FOR HIS SERVICES PERFORMED FOR THE ORGANIZATION. THE MANAGEMENT COMPANY CONTRACT TERMINATED IN JUNE 2012 AND SERVICES HAVE CEASED, INCLUDING THE SERVICES OF THE CEO, WHICH WERE RELINQUISHED IN APRIL 2012. AT THIS TIME, CINDY BUCK, WHO WAS THE VP/CFO, BECAME INTERIM CEO UNTIL SHE WAS APPOINTED AS CEO IN SEPTEMBER 2012. UNDER THE REBUTTABLE PRESUMPTION POLICY DESCRIBED IN THE NARRATIVE FOR FORM 990, PART VI, SECTION B, QUESTION 15A LOCATED ON SCHEDULE O, A COMPENSATION SURVEY AND BOARD APPROVAL ARE USED. CINDY WILL BE SUBJECT TO THIS REVIEW IN FY2012.

<div>Schedule K (Form 990)</div> <div>Department of the Treasury Internal Revenue Service</div>	<div>Supplemental Information on Tax Exempt Bonds</div> <div>▶ 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.</div>							OMB No 1545-0047	
								2011	
	Name of the organization RUTHERFORD HOSPITAL INC							Employer identification number 56-0619367	

Part I Bond Issues											
(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A NORTH CAROLINA MEDICAL CARE COMMISSION	52-1309402		12-16-2010	22,160,000	SEE PART V		X		X		X

Part II		Proceeds							
		A		B		C		D	
1	Amount of bonds retired	0							
2	Amount of bonds defeased	0							
3	Total proceeds of issue	22,160,000							
4	Gross proceeds in reserve funds	0							
5	Capitalized interest from proceeds	0							
6	Proceeds in refunding escrow	8,140,000							
7	Issuance costs from proceeds	252,250							
8	Credit enhancement from proceeds	0							
9	Working capital expenditures from proceeds	0							
10	Capital expenditures from proceeds	11,591,309							
11	Other spent proceeds	2,462							
12	Other unspent proceeds	2,173,979							
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	0 %							
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government								
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	0							
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	0							
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
PURPOSE	SCHEDULE K, PART I, LINE A, COLUMN F	A PORTION OF THE BONDS WERE USED TO ADVANCE REFUND THE OUTSTANDING PORTIONS OF PREVIOUSLY ISSUED REVENUE BONDS THE REMAINING PROCEEDS WERE USED TO FINANCE THE UPGRADE AND EXPANSION OF AN INTENSIVE CARE UNIT, THE REPLACEMENT OF THE WOMEN'S CENTER ON THE HOSPITAL'S PREMISES AND THE PURCHASE OF MOBILE MAGNETIC RESONANCE IMAGING EQUIPMENT

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 RUTHERFORD HOSPITAL INC	Employer identification number 56-0619367
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Identifier	Return Reference	Explanation
ORGANIZATION'S MISSION OR MOST SIGNIFICANT ACTIVITIES	FORM 990, PART I, QUESTION 1	OUR VISION IS THAT WE WILL PROVIDE AN EXCELLENT PATIENT CARE EXPERIENCE EVERY TIME. OUR VALUES ARE TRUST, EXCELLENCE, ACCOUNTABILITY, AND MUTUAL RESPECT.

Identifier	Return Reference	Explanation
DESCRIPTION OF OTHER PROGRAM SERVICES	FORM 990, PART III, QUESTION 4D	THE HOSPITAL PROVIDES REGIONAL TREATMENT FOR BEHAVIORAL & MENTAL HEALTH SERVICES PROGRAMS AND SERVICES INCLUDE 24-HR NURSING CARE, MEDICATION MANAGEMENT & EDUCATION, GROUP OR RECREATIONAL THERAPY, & FAMILY EDUCATION THE BEHAVIORAL DEPARTMENT ALSO OFFERS PSYCHIATRIC INDEPENDENT MEDICAL EVALUATIONS, CONSULTATIONS, DIAGNOSIS, & TREATMENT OF VARIOUS CONDITIONS, INCLUDING DEPRESSION, ANXIETY, AUTISM, SLEEP DISORDERS, BRAIN INJURIES, HEADACHES, & DEMENTIA, AMONG OTHERS DURING FISCAL YEAR 2012, 805 PATIENTS RECEIVED BEHAVIORAL HEALTH SERVICES ADDITIONALLY, THE ORGANIZATION PROVIDES GRANTS TO ORGANIZATIONS IN THE COMMUNITY

Identifier	Return Reference	Explanation
DELEGATION OF CONTROL TO A MANAGEMENT COMPANY	FORM 990, PART VI, SECTION A, QUESTION 3	THE ORGANIZATION USES A MANAGEMENT COMPANY , QUORUM, TO DELEGATE DAY TO DAY MANAGEMENT FUNCTIONS. ADDITIONALLY, THE CEO IS COMPENSATED THROUGH THE MANAGEMENT COMPANY. PAYMENTS TO QUORUM ARE REPORTED ON FORM 990, PART X, LINE 11A. THIS CONTRACT TERMINATED IN JUNE 2012 AND SERVICES HAVE CEASED.

Identifier	Return Reference	Explanation
SIGNIFICANT CHANGES TO GOVERNING DOCUMENTS	FORM 990, PART VI, SECTION A, QUESTION 4	DUE TO THE DISCONTINUANCE OF THE SERVICES OF THE MANAGEMENT COMPANY , A REPRESENTATIVE OF QUORUM HEALTH RESOURCES IS NO LONGER REQUIRED TO ATTEND BOARD MEETINGS OR TO BE A MEMBER OF THE EXECUTIVE COMMITTEE

Identifier	Return Reference	Explanation
PROCESS TO REVIEW THE FORM 990	FORM 990, PART VI, SECTION B, QUESTION 11B	THE FORM 990 IS PREPARED BY AN INDEPENDENT ACCOUNTING FIRM BASED ON THE AUDITED FINANCIAL STATEMENTS AND INFORMATION PROVIDED BY THE ACCOUNTING DEPARTMENT OF THE ORGANIZATION. THE ORGANIZATION PROVIDES A COPY OF THE 990 TO EACH BOARD MEMBER VIA EMAIL, PRIOR TO FILING THE 990.

Identifier	Return Reference	Explanation
PROCESS FOR MONITORING COMPLIANCE WITH CONFLICT OF INTEREST POLICY	FORM 990, PART VI, SECTION B, QUESTION 12C	THE ORGANIZATION HAS AN OBLIGATION TO CONDUCT ITS BUSINESS OPERATIONS, INCLUDING THE PROVISION OF PATIENT CARE, IN AN OBJECTIVE MANNER THAT IS NOT MOTIVATED BY AN INDIVIDUALS' DESIRE FOR PERSONAL OR FINANCIAL GAIN, EITHER FOR THEMSELVES, THEIR FRIENDS, OR THEIR FAMILY MEMBERS. ESPECIALLY FOR THOSE ON THE BOARD OF TRUSTEES, EXECUTIVE COMMITTEE, KEY LEADERS OF RHI MEDICAL STAFF, EXECUTIVE AND MANAGEMENT LEADERSHIP TEAM, AND RHI STAFF DIRECTLY INVOLVED IN PROCUREMENT AND CASE MANAGEMENT SERVICES, THERE IS INCREASING REGULATORY OVERSIGHT AND ACCOMPANYING PUBLIC SCRUTINY OF SPECIFIC SITUATIONS ASSOCIATED WITH CONFLICTS OF INTEREST. THE ORGANIZATION'S COMPLIANCE OFFICER COMPLETES AN ANNUAL COMPLIANCE SURVEY TO ENSURE THAT THE CONFLICT OF INTEREST POLICY IS BEING ENFORCED EFFECTIVELY. IN ADDITION, EMPLOYEES ARE REQUIRED TO PROACTIVELY IDENTIFY SPECIFIC CONFLICTS OF INTEREST. EMPLOYEES MUST SEEK GUIDANCE AND APPROVAL FROM THEIR DEPARTMENT DIRECTOR WHEN POTENTIAL CONFLICTS OF INTEREST ARE IDENTIFIED. WHEN DEEMED NECESSARY BY THEIR DEPARTMENT DIRECTOR, EMPLOYEES MUST AVOID OR DISCONTINUE THE ACTIVITY OR INTEREST AND MAY ALSO BE REQUIRED TO TAKE CORRECTIVE ACTION IF THEIR ACTIVITY HAS HARMED RHI IN ANY WAY. VIOLATION OF THE CONFLICT OF INTEREST POLICY IS GROUNDS FOR DISCIPLINARY ACTION APPROPRIATE TO THE VIOLATION UP TO AND INCLUDING TERMINATION.

Identifier	Return Reference	Explanation
REVIEW OF CEO COMPENSATION	FORM 990, PART VI, SECTION B, QUESTION 15A	THE ORGANIZATION'S MANAGEMENT COMPANY PROVIDED COMPARATIVE DATA AND INDUSTRY AND MARKET STANDARDS FROM A COMPENSATION REVIEW PERFORMED USING NC HOSPITAL ASSOCIATION DATA FOR THE CEO COMPENSATION. THE ORGANIZATION HAS A REBUTTABLE PRESUMPTION POLICY ADMINISTERED BY THE PCQ COMMITTEE OF THE BOARD THAT COVERS THE REVIEW AND THE APPROVAL OF THE CEO USING THE IRS MODEL. THE COMMITTEE SHALL REVIEW PROPOSALS FOR THE COMPENSATION OF THE CEO ANNUALLY FOR THE FOLLOWING YEAR. THE CURRENT CEO WILL BE SUBJECT TO THE REVIEW POLICY IN FY2012.

Identifier	Return Reference	Explanation
REVIEW OF OTHER OFFICER OR KEY EMPLOYEES COMPENSATION	FORM 990, PART VI, SECTION B, QUESTION 15B	THE ORGANIZATION HAS A REBUTTABLE PRESUMPTION POLICY , UPDATED IN MARCH 2012, ADMINISTERED BY THE PCQ COMMITTEE OF THE BOARD THAT COVERS THE REVIEW AND APPROVAL OF THE CEO AND OTHER LEADERS, INCLUDING TRUSTEES, OFFICERS, KEY EMPLOYEES, AND OTHER HIGHLY COMPENSATED EMPLOYEES OR INDEPENDENT CONTRACTORS. FOR POLICY PURPOSES, THIS APPLIES TO ALL HIGHLY COMPENSATED OFFICERS AND KEY EMPLOYEES WITH COMPENSATION EXCEEDING A THRESHOLD OF \$125,000 ANNUALLY IN TOTAL COMPENSATION AFTER THE COMMITTEE'S INITIAL BENEFIT TRANSACTION REVIEW OF COMPENSATION FOR EACH OF THE OFFICERS AND KEY EMPLOYEES, FURTHER REVIEW WILL NOT BE NECESSARY EXCEPT FOR INSTANCES WHERE THERE HAS BEEN SIGNIFICANT CHANGES MADE IN THE SPAN OF AUTHORITY OR THE TOTAL VALUE OF THE EXISTING COMPENSATION ARRANGEMENT IS INCREASING BY MORE THAN THREE PERCENT.

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

Identifier	Return Reference	Explanation
CEO COMPENSATION & CEO CHANGE	FORM 990, PART VII	THE ORGANIZATION'S CEO WAS COMPENSATED BY AN UNRELATED MANAGEMENT COMPANY FOR HIS SERVICES PERFORMED FOR THE ORGANIZATION. THE MANAGEMENT COMPANY CONTRACT TERMINATED IN JUNE 2012 AND SERVICES HAVE CEASED, INCLUDING THE SERVICES OF THE CEO, WHICH WERE RELINQUISHED IN APRIL 2012. AT THIS TIME, CINDY BUCK, WHO WAS THE VP/CFO, BECAME INTERIM CEO UNTIL SHE WAS APPOINTED AS CEO IN SEPTEMBER 2012.

Identifier	Return Reference	Explanation
TRUSTEE COMPENSATION	FORM 990, PART VII	MICHAEL S WHEELER, MD, A TRUSTEE, IS CONTRACTED BY THE ORGANIZATION AS A MEDICAL DIRECTOR THE COMPENSATION REPORTED IN PART VII IS RELATED TO HIS ROLE AS MEDICAL DIRECTOR AND NOT AS A TRUSTEE OF THE BOARD NO MEMBERS OF THE BOARD RECEIVE COMPENSATION FOR THEIR SERVICES AS TRUSTEES OF THE BOARD

Identifier	Return Reference	Explanation
RELATED HOURS	FORM 990, PART VII	THE FOLLOWING BOARD MEMBERS, OFFICERS, AND HIGHEST COMPENSATED EMPLOYEES SERVE ON THE BOARD OF RUTHERFORD HOSPITAL FOUNDATION, A RELATED ORGANIZATION, FOR AN AVERAGE OF ONE HOUR OF SERVICE PER WEEK DIANE HAMRICK THOMAS J JASKI, M.D. DAVID BIXLER MICHAEL ROBERTS, M.D. CINDY BUCK IN ADDITION, DAVID BIXLER, CEO, SERVED AS CEO FOR RUTHERFORD HOSPITAL FOUNDATION, A RELATED ORGANIZATION, FOR AN AVERAGE OF 40 HOURS PER WEEK BETWEEN THE TWO ORGANIZATIONS THROUGH 04/06/2012 CINDY BUCK SERVED AS VP/CFO UNTIL APRIL 2012, INTERIM CEO UNTIL SEPTEMBER 2012, AND CEO BEGINNING SEPTEMBER 2012 FOR RUTHERFORD HOSPITAL FOUNDATION AND SERVES AN AVERAGE OF 40 HOURS PER WEEK BETWEEN THE TWO ORGANIZATIONS

Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS	FORM 990, PART XI, LINE 5	\$ (5,185,633) PRIOR PERIOD ADJUSTMENT 3,646,938 UNREALIZED GAINS (340,397) CHANGE IN FV OF INTEREST RATE SWAP (20,340) TRANSFER TO FOUNDATION ----- \$ (1,899,432)

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
RUTHERFORD HOSPITAL INC

Employer identification number
56-0619367

Part I

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

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

Part II

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) RUTHERFORD HOSPITAL FOUNDATION INC 288 S RIDGECREST AVENUE RUTHERFORDTON, NC 28139 56-1968736	SUPPORT	NC	501(C)(3)	11A I	NA	Yes	

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	

Part IV

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

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

Part V

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

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

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

No

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

No

1l

No

1m

Yes

1n

Yes

1o

No

1p

No

1q

Yes

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) RUTHERFORD HOSPITAL FOUNDATION INC	C	235,920	FMV
(2) RUTHERFORD HOSPITAL FOUNDATION INC	N	57,604	2011 W-2 BOX 5
(3)			
(4)			
(5)			
(6)			

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	
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Rutherford Hospital, Inc. and Affiliates

Accountants' Report and Consolidated Financial Statements

September 30, 2012 and 2011

Rutherford Hospital, Inc. and Affiliates

September 30, 2012 and 2011

Contents

Independent Accountants' Report.....	1
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Consolidated Financial Statements

Balance Sheets	2
Statements of Operations	3
Statements of Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6

Supplementary Information

Consolidating Schedule – 2012 Balance Sheet Information	27
Consolidating Schedule – 2012 Statement of Operations Information	29
Consolidating Schedule – 2011 Balance Sheet Information	30
Consolidating Schedule – 2011 Statement of Operations Information	32

Independent Accountants' Report

Board of Trustees
Rutherford Hospital, Inc. and Affiliates
Rutherfordton, North Carolina

We have audited the accompanying consolidated balance sheet of Rutherford Hospital Inc. and Affiliates (the Hospital) as of September 30, 2012, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Rutherford Hospital Inc. and Affiliates as of and for the year ended September 30, 2011, before they were restated for the matters discussed in *Note 16*, were audited by other accountants whose report dated May 8, 2012, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2012 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rutherford Hospital Inc. and Affiliates as of September 30, 2012, and the results of its operations, the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in *Note 15*, in 2012, the Hospital changed its method of presentation and disclosure of patient service revenue, provision for uncollectible accounts and the allowance for doubtful accounts in accordance with Accounting Standards Update 2011-07.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

February 1, 2013

Rutherford Hospital, Inc. and Affiliates
Consolidated Balance Sheets
September 30, 2012 and 2011

Assets

	2012	2011 (Restated - Note 16)
Current Assets		
Cash and cash equivalents	\$ 2,477,542	\$ 612,745
Patient accounts receivable, net of allowance, 2012 – \$11,982,000, 2011 – \$11,463,000	11,220,632	10,189,711
Other receivables	2,540,074	1,118,882
Inventory	1,746,370	1,788,160
Prepaid expenses and other	632,823	791,017
	<hr/>	<hr/>
Total current assets	18,617,441	14,500,515
	<hr/>	<hr/>
Assets Limited As To Use		
Internally designated	32,536,297	34,028,199
Externally restricted	572,865	470,094
	<hr/>	<hr/>
	33,109,162	34,498,293
	<hr/>	<hr/>
Investments	469,545	412,593
	<hr/>	<hr/>
Property and Equipment, Net	48,293,717	47,208,311
	<hr/>	<hr/>
Other Assets		
Goodwill	599,042	599,042
Deferred financing costs	248,996	262,516
Other	538,322	-
	<hr/>	<hr/>
	1,386,360	861,558
	<hr/>	<hr/>
Total assets	\$ 101,876,225	\$ 97,481,270
	<hr/> <hr/>	<hr/> <hr/>

Liabilities and Net Assets

	2012	2011 (Restated - Note 16)
Current Liabilities		
Current maturities of long-term debt	\$ 945,259	\$ 183,916
Accounts payable	3,980,349	4,192,515
Accrued expenses	5,439,048	6,243,037
Estimated amounts due to third-party payers	2,912,472	2,389,012
	<u>13,277,128</u>	<u>13,008,480</u>
Total current liabilities	13,277,128	13,008,480
Long-Term Debt	18,911,942	15,653,036
Estimated Insurance Liabilities and Other	1,144,074	404,726
Interest Rate Swap Agreement	<u>1,085,621</u>	<u>745,224</u>
Total liabilities	<u>34,418,765</u>	<u>29,811,466</u>
Net Assets		
Unrestricted	67,107,206	67,359,681
Temporarily restricted	281,702	241,571
Permanently restricted	68,552	68,552
	<u>67,457,460</u>	<u>67,669,804</u>
Total net assets	67,457,460	67,669,804
Total liabilities and net assets	<u>\$ 101,876,225</u>	<u>\$ 97,481,270</u>

Rutherford Hospital, Inc. and Affiliates
Consolidated Statements of Operations
Years Ended September 30, 2012 and 2011

	2012	2011 (Restated - Note 16 and Adjusted - Note 15)
Unrestricted Revenues, Gains and Other Support		
Net patient service revenue (net of contractual discounts and allowances)	\$ 101,243,417	\$ 93,155,865
Provision for uncollectible accounts	(20,466,731)	(18,384,171)
Net patient service revenue less provision for uncollectible accounts	80,776,686	74,771,694
Other	1,899,421	1,235,197
Net assets released from restrictions used for operations	245,848	284,077
Total unrestricted revenues, gains and other support	82,921,955	76,290,968
Expenses and Losses		
Salaries and wages	39,211,830	39,362,797
Employee benefits	9,258,791	9,726,107
Professional services and professional fees	10,497,138	10,551,072
Supplies and other	22,326,361	19,421,242
Depreciation and amortization	5,867,619	5,420,113
Interest	316,904	345,507
Total expenses and losses	87,478,643	84,826,838
Operating Loss	(4,556,688)	(8,535,870)
Other Income (Expense)		
Contributions	109,812	83,552
Investment return	4,534,798	(109,012)
Change in fair value of interest rate swap agreement	(340,397)	(611,981)
Loss on refunding of long-term debt	-	(116,656)
Total other income (expense)	4,304,213	(754,097)
Deficiency of Revenues Over Expenses and Decrease in Unrestricted Net Assets	\$ (252,475)	\$ (9,289,967)

Rutherford Hospital, Inc. and Affiliates
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2012 and 2011

	2012	2011 (Restated - Note 16)
Unrestricted Net Assets		
Deficiency of revenues over expenses	\$ (252,475)	\$ (9,289,967)
Decrease in unrestricted net assets	(252,475)	(9,289,967)
Temporarily Restricted Net Assets		
Investment return	24,838	(246)
Contributions received	261,141	305,930
Net assets released from restriction	(245,848)	(284,077)
Increase in temporarily restricted net assets	40,131	21,607
Change in Net Assets	(212,344)	(9,268,360)
Net Assets, Beginning of Year, As Previously Reported		78,503,164
Adjustments Applicable to Prior Years		(1,565,000)
Net Assets, Beginning of Year, as Restated	67,669,804	76,938,164
Net Assets, End of Year	\$ 67,457,460	\$ 67,669,804

Rutherford Hospital, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended September 30, 2012 and 2011

	2012	2011 (Restated - Note 16)
Operating Activities		
Change in net assets	\$ (212,344)	\$ (9,268,360)
Items not requiring (providing) operating cash flow		
(Gain) loss on sale of property and equipment	(141)	206,483
Depreciation and amortization	5,867,619	5,420,113
Provision for uncollectible accounts	20,466,731	18,384,171
Net (gain) loss on investments	(4,536,098)	126,892
Change in fair value of interest rate swap agreement	340,397	611,981
Accrued self-insurance costs	129,021	-
Loss on refunding of long-term debt	-	116,656
Changes in		
Patient accounts receivable, net	(21,497,652)	(18,791,923)
Estimated amounts due to and from third-party payers	523,460	(1,484,382)
Accounts payable and accrued expenses	(436,548)	994,762
Other current assets and liabilities	(1,194,549)	198,795
Net cash used in operating activities	<u>(550,104)</u>	<u>(3,484,812)</u>
Investing Activities		
Proceeds from disposition of investments, net	5,940,282	1,494,147
Purchases of property and equipment	(7,545,630)	(9,713,487)
Proceeds from sale of property and equipment	-	35,848
Net cash used in investing activities	<u>(1,605,348)</u>	<u>(8,183,492)</u>
Financing Activities		
Proceeds from issuance of long-term debt	4,204,165	15,030,386
Principal payments on long-term debt	(183,916)	(173,231)
Advance refunding of Series 2001 bonds	-	(8,140,000)
Payment of financing costs on long-term debt	-	(252,250)
Net cash provided by financing activities	<u>4,020,249</u>	<u>6,464,905</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>1,864,797</u>	<u>(5,203,399)</u>
Cash and Cash Equivalents, Beginning of Year	<u>612,745</u>	<u>5,816,144</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,477,542</u></u>	<u><u>\$ 612,745</u></u>
Supplemental Cash Flows Information		
Interest paid (net of amount capitalized)	\$ 321,504	\$ 345,507
Property and equipment in accounts payable	\$ 565,060	\$ 1,144,667

Rutherford Hospital Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Principles of Consolidation

Rutherford Hospital Inc. and Affiliates (the "Hospital"), is a network of not-for-profit operating affiliates located in Rutherfordton, North Carolina. The activities of the principal entities comprising the Hospital are summarized below.

Rutherford Hospital – Rutherford Hospital is a 143-bed acute care hospital providing inpatient, outpatient and emergency services primarily to the residents of Rutherford County, North Carolina.

Carolina Community Care – Carolina Community Care provides comprehensive health care in the home environment primarily to the residents of Rutherford County, North Carolina and surrounding counties. Services provided include home health care, companion services, alternative programs for disabled adults, case management and personal care.

Physician Practices – Physician Practices is comprised of eight physician practices specializing in family medicine, behavioral health services, general surgery, anesthesia, plastic surgery, and orthopedic surgery practice.

Rutherford Hospital Auxiliary – Rutherford Hospital Auxiliary (the "Auxiliary") provides support to the programs, services and staff of Rutherford Hospital. The Auxiliary carries out this purpose by operating a gift shop within Rutherford Hospital.

Rutherford Hospital Foundation – Rutherford Hospital Foundation (the "Foundation") supports the health and welfare of the people of Rutherford County, North Carolina by promoting philanthropic contributions and public support for Rutherford Hospital.

The consolidated financial statements include the accounts of Rutherford Hospital and all wholly-owned or controlled subsidiaries. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2012 and 2011, cash equivalents consisted primarily of money market accounts with brokers.

Rutherford Hospital Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. At September 30, 2012, the Hospital's cash accounts exceeded federally insured limits by approximately \$2,870,000.

Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions. At September 30, 2012, all Health System cash accounts were interest bearing and insured by the FDIC insurance limit of \$250,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value and are classified as trading securities. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Assets Limited As To Use

Assets limited as to use include (1) assets restricted by donors and under deferred compensation arrangements and (2) assets set aside by the Board of Trustees for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes.

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or

Rutherford Hospital Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Hospital's allowance for doubtful accounts for self-pay patients increased from 81% of self-pay accounts receivable at September 30, 2011, to 87% of self-pay accounts receivable at September 30, 2012. In addition, the Hospital's write-offs increased approximately \$1,460,000 from approximately \$20,560,000 for the year ended September 30, 2011, to approximately \$19,100,000 for the year ended September 30, 2012. Changes were the result of trends experienced in the collection of amounts from self-pay patients in fiscal year 2012.

Inventory

The Hospital states supply inventories at the lower of cost, determined using the first-in, first-out method, or market.

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

Long-Lived Asset Impairment

The Hospital evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended September 30, 2012 and 2011.

Rutherford Hospital Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the related debt using the straight-line method.

Goodwill

The Hospital acquired certain physician practices for prices in excess of the fair value of identifiable assets, thereby generating goodwill. The Hospital evaluates goodwill annually for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in financial statements. No goodwill impairment was recognized in 2012 or 2011. Goodwill, which is included in other noncurrent assets on the accompanying consolidated balance sheets, is \$599,042 as of September 30, 2012 and 2011.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity.

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Contributions

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Rutherford Hospital Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

Estimated Malpractice Costs

An annual estimated provision is accrued for medical malpractice claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported.

Income Taxes

The Hospital has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

The Hospital files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Hospital is no longer subject to U.S. federal examinations by tax authorities for years before 2008.

Deficiency of Revenues Over Expenses

The statements of operations include deficiency of revenues over expenses. Changes in unrestricted net assets which are excluded from deficiency of revenues over expenses, consistent with industry practice, include permanent transfers to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Self-Insurance

The Hospital has elected to self-insure certain costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to income when incurred.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are

Rutherford Hospital Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

In 2012, the Hospital completed the first-year requirements for the Medicaid programs and has recorded revenue of approximately \$650,000, which is included in other revenue within operating revenues in the statement of operations.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 financial statement presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Accountants' Report, which is the date the financial statements were available to be issued.

Note 2: Net Patient Service Revenue

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the statement of operations as a component of net patient service revenue.

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

Medicare Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients' acuity. Certain inpatient nonacute services are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

Medicaid Inpatient Medicaid services are reimbursed by using a payment per discharge system with case-mix adjustments based on a Diagnosis Related Group (DRG) system. Outpatient Medicaid services are reimbursed at a certain percentage of allowable costs, with certain cost being reimbursed based on a prescribed fee schedule.

Rutherford Hospital Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the year ended September 30, 2012, was approximately

Medicare	\$ 37,019,217
Medicaid	13,831,829
Other third-party payers	32,902,819
Patients	<u>17,489,552</u>
	<u><u>\$ 101,243,417</u></u>

Note 3: Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at September 30, 2012 and 2011, is

	<u>2012</u>	<u>2011</u>
Medicare	42%	31%
Medicaid	13%	16%
Other third-party payers	28%	29%
Patients	<u>17%</u>	<u>24%</u>
	<u><u>100%</u></u>	<u><u>100%</u></u>

Rutherford Hospital Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Note 4: Investments and Investment Return

Assets Limited As To Use

Assets limited as to use include

	2012	2011
Cash and cash equivalents	\$ 1,511,831	\$ 1,609,787
Fixed income securities	9,214,674	13,370,534
Equity securities	14,707,852	13,373,728
Mutual funds	7,604,260	6,059,571
Accrued income	70,545	84,673
	<u>\$ 33,109,162</u>	<u>\$ 34,498,293</u>

Other Investments

Long-term investments include

	2012	2011
Cash and cash equivalents	\$ 47,534	\$ 38,709
Fixed income securities	200,261	193,637
Equity securities	210,492	169,502
Mutual funds	11,258	10,745
	<u>\$ 469,545</u>	<u>\$ 412,593</u>

Total investment return is comprised of the following

	2012	2011
Interest and dividend income	\$ 23,538	\$ 17,634
Realized and unrealized gains (losses) on trading securities	4,536,098	(126,892)
	<u>\$ 4,559,636</u>	<u>\$ (109,258)</u>

Rutherford Hospital Inc. and Affiliates
Notes to Consolidated Financial Statements
September 30, 2012 and 2011

Total investment return is reflected in the statements of operations and changes in net assets as follows

	2012	2011
Unrestricted net assets		
Investment return	\$ 4,534,798	\$ (109,012)
Temporarily restricted net assets	24,838	(246)
	<u>\$ 4,559,636</u>	<u>\$ (109,258)</u>

Note 5: Property and Equipment

Property and equipment includes the following at September 30

	2012	2011
Land and land improvements	\$ 3,346,419	\$ 3,338,190
Building and leasehold improvements	67,050,876	63,984,656
Equipment	58,266,552	51,651,836
Construction in progress	850,183	3,657,235
	<u>129,514,030</u>	<u>122,631,917</u>
Less accumulated depreciation	<u>81,220,313</u>	<u>75,423,606</u>
	<u>\$ 48,293,717</u>	<u>\$ 47,208,311</u>

Note 6: Medical Malpractice Claims

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis and workers' compensation insurance with a premium based on certain loss ratios and employee payroll costs. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of malpractice and workers' compensation claims costs, if any, for any reported and unreported incidents of potential improper professional service or employee worker compensation occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claim experience, an accrual of approximately \$625,822 and \$150,000 has been recorded for malpractice claims, and \$191,521 and \$0 has been recorded for workers' compensation at September 30, 2012 and 2011, respectively. An estimate of proceeds to be received from the Hospital's insurance providers of \$346,801 and \$0, for malpractice claims and \$191,521 and \$0 for workers' compensation claims as of September 30, 2012 and 2011, respectively, has been recorded in other assets. It is reasonably possible that this estimate could change in the near term.

Rutherford Hospital Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

In 2012, the Hospital adopted the provisions of Accounting Standards Update (ASU) 2010-24, Health Care Entities (Topic 954) *Presentation of Insurance Claims and Related Insurance Recoveries*. This ASU eliminates the practice of netting claim liabilities with expected related insurance recoveries for balance sheet presentation. Claim liabilities are to be determined without regard for recoveries and presented gross. Expected recoveries are presented separately within other assets. Prior to the adoption of ASU 2010-24, accounting principles generally accepted in the United States of America required a health care provider to accrue only an estimate of the malpractice claims costs and other similar contingent liabilities for both reported claims and claims incurred but not reported where the risk of loss had not been transferred to a financially viable insurer. There was no material impact of the ASU adoption to the Health System's financial statements.

Note 7: Long-Term Debt

	2012	2011
Series 2010 Bonds (A)	\$ 19,234,551	\$ 15,030,386
Capital lease obligation (B)	622,650	806,566
	<u>19,857,201</u>	<u>15,836,952</u>
Less current maturities	<u>945,259</u>	<u>183,916</u>
	<u><u>\$ 18,911,942</u></u>	<u><u>\$ 15,653,036</u></u>

- (A) In December 2010, the Hospital entered into an agreement with the North Carolina Medical Care Commission (the "Commission") whereby the Commission issued up to \$22,160,000 of North Carolina Medical Care Commission Health Care Facilities Revenue and Refunding Bonds, Series 2010 (Series 2010 Bonds). The Hospital used \$8,140,000 of the proceeds to advance refund the outstanding portions of the Series 2001 Bonds. The remaining proceeds of the bond issuance will be used to finance the capital projects and pay for the costs of issuance. The Hospital has drawn \$19,234,551 on the Series 2010 Bonds at September 30, 2012. The 2010 Bonds are variable rate bonds (1.61% at September 30, 2012). The Bonds are payable in monthly installments of \$75,000 beginning December 1, 2012, through December 1, 2013. The Bonds are secured by the Hospital's net revenues, accounts receivable and general intangibles.

Upon issuance the Hospital entered into a Reimbursement Note with a financial institution that is due on demand with 180 day notice, however, a mandatory purchase cannot occur until December 16, 2017, or after. At such time, the direct placement can be extended with the financial institution, an alternate financial institution could be obtained or the note could convert to a weekly, long-term, or adjustable interest rate mode. In connection with the refunding of the Series 2001 Bonds, the Hospital recognized a loss on refunding of \$116,656 during the year ended September 30, 2011.

Rutherford Hospital Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

The Series 2010 Bonds Loan Agreement and Revenue Note requires the Hospital to comply with certain restrictive covenants, including maintaining a debt service coverage ratio, unrestricted liquid asset ratio and debt to capitalization ratio among others

In association with the Series 2010 Bond, the Hospital entered into an interest rate swap agreement, on April 29, 2011, to help mitigate exposure to future changes in interest rates. See *Note 8* for additional discussion on the interest rate swap agreement

- (B) Capital lease obligation due September 2015, payable \$18,942 monthly including interest at an imputed rate of 6.00%, collateralized by equipment

The future debt service requirements of long-term debt and obligations under capital lease are as follows

	Long-Term Debt (Excluding Capital Lease Obligations)	Capital Lease Obligations
2013	\$ 750,000	\$ 227,307
2014	930,000	227,307
2015	960,000	227,306
2016	1,000,000	-
2017	1,200,000	-
Thereafter	14,394,551	-
	\$ 19,234,551	681,920
Less amount representing interest		59,270
Present value of future minimum lease payments		622,650
Less current maturities		195,259
Noncurrent portion		\$ 427,391

Note 8: Derivative Financial Instrument

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate risk, the Hospital entered into an interest rate swap agreement with a financial institution in conjunction with a portion of the \$22,160,000 Bonds (see *Note 7 (A)*) on December 16, 2010. The agreement provides for the Hospital to receive interest from the counterparty equivalent to the 30 day LIBOR rate times a multiplier of 0.68 plus the bank credit spread of 1.4625 and to pay interest to the counterparty at a fixed rate of 4.13%. At both September 30, 2012 and 2011, the notional amount was \$11,042,500. Under the agreement,

Rutherford Hospital Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

beginning on the effective date of December 1, 2012, the Hospital will pay or receive the net interest amount monthly, with the monthly settlements included in interest expense. The swap expires on December 1, 2017. Through a credit support agreement with the counterparty, the interest rate swap agreement is secured by the Hospital's net revenues, accounts receivable and general intangibles.

The fair value of the interest rate swap agreement was \$(1,085,621) and \$(745,224) at September 30, 2012 and 2011, respectively, which is included as a noncurrent liability on the consolidated balance sheets. The change in fair value thereof for 2012 and 2011, which was a loss of \$340,397 and \$745,224, respectively, is included in other income (expense) in the consolidated statements of operations. In addition, the 10-year interest rate swap agreement associated with the Series 2001 Bonds matured in 2011, with a final change in fair value of \$133,243.

Note 9: Employee Benefits

The Hospital sponsors a defined contribution retirement plan (the "Retirement Plan"), organized under Section 403(b) of the Internal Revenue Code, for all employees who work at least 1,000 hours per year. The Retirement Plan provides tax-deferred annuities to its participants. In January 2009, the Hospital amended the Retirement Plan and discontinued making matching contributions at that time.

The Hospital also provides a 457(b) deferred compensation plan. The plan is eligible to certain key employees of the Hospital. The plans consist of salary reduction only and there are no contributions by the Hospital. Under the terms of the plans, the deferred compensation liability and related assets limited as to use are recorded by the Hospital and are subject to the general creditors of the Hospital. At September 30, 2012 and 2011, the investment balance in these plans is \$326,731 and \$254,726, respectively.

Note 10: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purpose:

	<u>2012</u>	<u>2011</u>
Scholarships and various health care services	<u>\$ 281,702</u>	<u>\$ 241,571</u>

Rutherford Hospital Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

During 2012 and 2011, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of \$245,848 and \$284,077, respectively

Permanently restricted net assets are restricted to

	<u>2012</u>	<u>2011</u>
Investments to be held in perpetuity, income is restricted for scholarships	\$ 68,552	\$ 68,552

Note 11: Charity Care

The costs of charity care provided under the Hospital's charity care policy were approximately \$1,323,000 and \$1,994,000 for 2012 and 2011, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 12: Functional Expenses

The Hospital provides health care services primarily to residents within its geographic area. Expenses related to providing these services are as follows:

	<u>2012</u>	<u>2011</u>
Health care services	\$ 66,011,022	\$ 66,139,050
General and administrative	21,467,621	18,687,788
	<u>\$ 87,478,643</u>	<u>\$ 84,826,838</u>

Note 13: Operating Leases

The Hospital leases buildings and certain equipment under operating leases expiring through December 2018. The lease expense under operating leases was approximately \$1,306,000 and \$860,000 for the years ended September 30, 2012 and 2011, respectively. Future minimum lease payments at September 30, 2012, were:

2013	\$ 1,391,205
2014	973,975
2015	721,203
2016	552,885
2017	223,312
Thereafter	71,100
	<u>\$ 3,933,680</u>

Rutherford Hospital Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Note 14: Disclosures About Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- | | |
|----------------|---|
| Level 1 | Quoted prices in active markets for identical assets or liabilities |
| Level 2 | Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities |
| Level 3 | Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities |

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy:

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include equity securities, mutual funds and money market accounts. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. For these investments, the inputs used by the pricing service to determine the fair value include one or a combination of observable inputs, such as broker/dealer quotes, issuer spreads, benchmark securities, bid offers and reference data market research publications and are classified within the Level 2 of the valuation hierarchy. Level 2 securities include fixed income securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Hospital has no securities classified as Level 3.

Interest Rate Swap Agreement

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the ASC 820 fair value hierarchy in which the fair value measurements fall at September 30, 2012 and 2011:

Rutherford Hospital Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

		Fair Value Measurements Using		
		Quoted Prices in	Significant	
		Active Markets	Other	Significant
		for Identical	Observable	Unobservable
	Fair	Assets	Inputs	Inputs
	Value	(Level 1)	(Level 2)	(Level 3)
September 30, 2012				
Investments				
Money market funds	\$ 1,152,418	\$ 1,152,418	\$ -	\$ -
Fixed income securities	9,414,935	-	9,414,935	-
Equity and mutual fund securities				
Large cap	11,873,591	11,873,591	-	-
Small-Mid cap	2,030,061	2,030,061	-	-
International	1,472,423	1,472,423	-	-
Emerging market	482,408	482,408	-	-
Real estate	1,296,518	1,296,518	-	-
Commodities	605,660	605,660	-	-
Fixed income	3,544,719	3,544,719	-	-
Other	1,228,482	1,228,482	-	-
Derivative financial instruments				
Interest rate swap agreement	(1,085,621)	-	(1,085,621)	-
September 30, 2011				
Investments				
Money market funds	\$ 1,274,440	\$ 1,274,440	\$ -	\$ -
Fixed income securities	13,564,171	-	13,564,171	-
Equity and mutual fund securities				
Large cap	11,119,550	11,119,550	-	-
Small-Mid cap	2,068,119	2,068,119	-	-
International	1,520,269	1,520,269	-	-
Emerging market	414,302	414,302	-	-
Real estate	992,615	992,615	-	-
Commodities	578,066	578,066	-	-
Fixed income securities	2,642,467	2,642,467	-	-
Other	278,158	278,158	-	-
Derivative financial instruments				
Interest rate swap agreement	(745,224)	-	(745,224)	-

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value

Rutherford Hospital Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Cash and Cash Equivalents

The carrying amount approximates fair value

Long-Term Debt Excluding Capital Lease Obligations

Fair value is estimated based on the borrowing rates currently available to the Hospital for bank loans with similar terms and maturities

The following table presents estimated fair values of the Hospital's financial instruments at September 30, 2012 and 2011

	2012		2011	
	Carrying Amount Value	Fair Value	Carrying Amount Value	Fair Value
Financial Assets (Liabilities)				
Cash and cash equivalents	\$ 2,477,542	\$ 2,477,542	\$ 612,745	\$ 612,745
Long-term debt excluding capital lease obligations	(19,234,551)	(19,234,551)	(15,030,386)	(15,030,386)

Note 15: Change in Accounting Principle

In 2012, the Hospital changed its method for presentation and disclosure of patient service revenue, provision of uncollectible accounts and the allowance for doubtful accounts in accordance with Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The major changes associated with ASU 2011-07 are to reclassify the provision for uncollectible accounts to a deduction from patient service revenue and to provide enhanced disclosures around the Hospital's policies related to uncollectible accounts. The change had no effect on the deficiency of revenues over expenses or on 2011 change in net assets. See *Note 16* for financial statement line items for fiscal year 2011 that were affected by the change.

Note 16: Restatement of Prior Financial Statements

In 2011 and prior, the Hospital utilized a certain methodology to estimate the net realizable value of accounts receivable. It was determined that this methodology did not accurately reflect the net realizable value of accounts receivable. During 2012, the Hospital corrected this error to conform with the requirements of accounting principles generally accepted in the United States of America (GAAP) by increasing the allowance for uncollectible accounts by \$3,163,000. An adjustment of

Rutherford Hospital Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

\$1,565,000 applicable to 2010 and prior has been included in the restated beginning of year net assets balance. An adjustment of \$1,748,000 applicable to 2011 has been recorded in the restated 2011 financial statements.

The Hospital entered into an interest rate swap agreement associated with the Series 2010 Bonds during fiscal year 2011 (*Note 8*). The Hospital did not record the fair value of the interest rate swap agreement in the financial statements at September 30, 2011. During 2012, the Hospital corrected this error to conform with the requirements of accounting principles generally accepted in the United States of America (GAAP) by recording the interest rate swap agreement liability on the balance sheet and the change in fair value of the swap in other income (expenses). An adjustment of \$745,224 applicable to 2011 has been recorded in the restated 2011 financial statements.

During 2012, the Hospital identified that certain self-insured health insurance claims had not been included in the 2011 estimated self-insured health insurance claims liability, thereby causing the liability to be understated at September 30, 2011. The Hospital corrected this error to conform with the requirements of accounting principles generally accepted in the United States of America (GAAP) by including the amount in accrued expenses and employee benefits expense. An adjustment of \$1,127,409 applicable to 2011 has been recorded in the restated 2011 financial statements.

The following financial statement line items for fiscal year 2011 were affected by these changes:

	As Previously Reported	Effect of Change from Restatement	Reclassifications	As Restated
<i>Balance Sheet</i>				
Patient accounts receivable, net	\$ 13,363,299	\$ (3,163,000)	\$ (10,588)	\$ 10,189,711
Total current assets	17,674,103	(3,163,000)	(10,588)	14,500,515
Total assets	100,400,132	(3,163,000)	244,138	97,481,270
Accrued expenses	5,112,638	1,277,409	(147,010)	6,243,037
Total current liabilities	11,891,659	1,277,409	(160,588)	13,008,480
Interest rate swap agreement	-	745,224	-	745,224
Total liabilities	27,544,695	2,022,633	244,138	29,811,466
Unrestricted net assets	72,545,314	(5,185,633)	-	67,359,681
Total net assets	72,855,437	(5,185,633)	-	67,669,804
Total liabilities and net assets	100,400,132	(3,163,000)	244,138	97,481,270

Rutherford Hospital Inc. and Affiliates
Notes to Consolidated Financial Statements
September 30, 2012 and 2011

	As Previously Reported	Effect of Change in Accounting Principle (Note 15)	Effect of Change from Restatement	Reclassifications	As Restated
<i>Statement of Operations and Changes in Net Assets</i>					
Net patient service revenue (net of contractual discounts and allowances)	\$ 93,155,865	\$ -	\$ -	\$ -	\$ 93,155,865
Provision for uncollectible accounts	-	(16,636,171)	(1,748,000)	-	(18,384,171)
Net patient service revenue less provision for uncollectible accounts	93,155,865	(16,636,171)	(1,748,000)	-	74,771,694
Total unrestricted revenues, gains and other support	94,758,691	(16,636,171)	(1,748,000)	(83,552)	76,290,968
<i>Operating Expenses</i>					
Employee benefits	8,598,698	-	1,127,409	-	9,726,107
Provision for uncollectible accounts	16,636,171	(16,636,171)	-	-	-
Total expenses	100,335,600	(16,636,171)	1,127,409	-	84,826,838
Operating income (loss)	(5,576,909)	-	(2,875,409)	(83,552)	(8,535,870)
<i>Other Income (Expense)</i>					
Change in fair value of interest rate swap agreement	133,243	-	(745,224)	-	(611,981)
Total other income (expense)	(92,425)	-	(745,224)	83,552	(754,097)
Deficiency of revenues over expenses	(5,669,334)	-	(3,620,633)	-	(9,289,967)
Decrease in unrestricted net assets	(5,669,334)	-	(3,620,633)	-	(9,289,967)
Change in net assets	(5,647,727)	-	(3,620,633)	-	(9,268,360)
Net assets, Beginning of Year	78,503,164	-	(1,565,000)	-	76,938,164
Net assets, End of Year	72,855,437	-	(5,185,633)	-	67,669,804
<i>Statement of Cash Flows</i>					
Change in net assets	(5,647,727)	-	(3,620,633)	-	(9,268,360)
Provision for uncollectible accounts	16,636,171	-	1,748,000	-	18,384,171
Change in fair value of interest rate swap agreement	-	-	745,224	(133,243)	611,981
Accounts payable and accrued expenses	334,049	-	1,077,409	(416,696)	994,762

Rutherford Hospital Inc. and Affiliates
Notes to Consolidated Financial Statements
September 30, 2012 and 2011

Note 17: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in *Notes 1* and *2*.

Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Notes 1* and *6*.

Patient Revenues

In 2012, approximately 22% of patient revenues was derived from two physician groups.

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's self-insurance program discussed elsewhere in these notes or by commercial insurance, for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Investments

The Hospital invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying balance sheets.

Voluntary Disclosure of Regulator Matter

As a result of an internal investigation, the Hospital voluntarily disclosed a matter regarding billing of certain pathology services to the Office of Inspector General. The Hospital is currently responding to request for additional information related to the disclosure.

Rutherford Hospital Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Based on the internal analysis, the Hospital has recorded an estimate for the regulatory settlement of approximately \$840,000 on its balance sheet as a component of estimated amounts due to third-party payers at September 30, 2012 and 2011, respectively. No additional amount consists of contingent losses was recorded in 2012 and 2011 statement of operations related to the matter. The investigation is ongoing and involves interpretation of complex regulatory matters. The estimated amount of the provision for loss contingency is uncertain and may be subject to material change in the near future.

Economic Conditions

The current protracted economic decline continues to present hospitals with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Hospital.

Current economic conditions, including the high unemployment rate, have made it difficult for certain patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid Program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts and pledges receivable that could negatively impact the Hospital's ability to meet debt covenants or maintain sufficient liquidity.

Note 18: Medicaid Enhancement Programs

The Hospital participates in two voluntary North Carolina Medicaid programs designed to reduce the disparity between cost of providing service the Medicaid and uninsured population and reimbursement received. The Hospital has historically participated in the Medicaid Reimbursement Initiative and recognized supplemental Medicaid reimbursement of approximately \$906,000 and \$1,637,000 in net patient services revenues for the years ended September 30, 2012 and 2011, under this program.

During 2011, the State of North Carolina enacted legislation (the "GAP Assessment Program") intended to implement a program such that the State can further supplement existing deficits in providing Medicaid and uninsured costs. The GAP Assessment Program was approved by CMS during 2012, retroactive to 2011. The Hospital paid assessments of approximately \$1,654,000 and \$1,110,000, in 2012 and 2011, which are recorded as a component of supplies and other within the statement of operations for 2012. The Hospital receives approximately \$4,554,000 and \$2,333,000 of supplemental Medicaid funds for both 2012 and 2011, which was recorded as a component of net patient service revenue in 2012.

Rutherford Hospital Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Currently, management has estimated that no funds are expected to be repaid under these programs, however, it is reasonably possible that circumstances could change materially in the near term

Note 19: Subsequent Event

Since last October, Rutherford Hospital, Inc. and Affiliates has been involved in a strategic alignment process. The purpose of this process was to determine if the organization should partner with another entity to strengthen the healthcare offerings for the citizens of the region. Over the last several months many outstanding organizations expressed interest in working with the Hospital and various proposals they submitted were considered.

Recently, the Hospital Board of Trustees unanimously decided to negotiate an affiliation with Mission Health. The Hospital will now begin negotiating a non-binding memorandum of understanding that will detail the terms of the affiliation.

Supplementary Information

Rutherford Hospital Inc. and Affiliates
Consolidating Schedule – Balance Sheet Information
September 30, 2012

Assets

	Rutherford Hospital	Carolina Community Care	Physician Practices	Rutherford Hospital Auxiliary	Rutherford Hospital Foundation	Eliminations	Consolidated
Current Assets							
Cash and cash equivalents	\$ 2,282,904	\$ 100	\$ 2,200	\$ 17,955	\$ 174,383	\$ -	\$ 2,477,542
Patient accounts receivable, net	8,956,905	609,455	1,654,272	-	-	-	11,220,632
Other receivables	2,480,902	-	59,172	-	-	-	2,540,074
Inventory	1,693,650	-	30,293	22,427	-	-	1,746,370
Prepaid expenses and other	632,823	-	-	-	-	-	632,823
Total current assets	16,047,184	609,555	1,745,937	40,382	174,383	-	18,617,441
Assets Limited As To Use							
Internally designated	32,536,297	-	-	-	-	-	32,536,297
Externally restricted	326,731	-	-	-	246,134	-	572,865
	32,863,028	-	-	-	246,134	-	33,109,162
Investments	-	-	-	-	469,545	-	469,545
Property and Equipment, Net	41,501,908	536,641	6,237,791	961	16,416	-	48,293,717
Other Assets							
Goodwill	-	-	599,042	-	-	-	599,042
Deferred financing costs	248,996	-	-	-	-	-	248,996
Other	538,322	-	-	-	-	-	538,322
	787,318	-	599,042	-	-	-	1,386,360
Total assets	\$ 91,199,438	\$ 1,146,196	\$ 8,582,770	\$ 41,343	\$ 906,478	\$ -	\$ 101,876,225

Rutherford Hospital Inc. and Affiliates
Consolidating Schedule – Balance Sheet Information
September 30, 2012

Liabilities and Net Assets

	Rutherford Hospital	Carolina Community Care	Physician Practices	Rutherford Hospital Auxiliary	Rutherford Hospital Foundation	Eliminations	Consolidated
Current Liabilities							
Current maturities of long-term debt	\$ 945.259	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 945.259
Accounts payable	3.925.996	-	53.957	396	-	-	3.980.349
Accrued expenses	4.761.766	136.258	541.024	-	-	-	5.439.048
Estimated amounts due to third-party payers	2.912.472	-	-	-	-	-	2.912.472
Total current liabilities	12.545.493	136.258	594.981	396	-	-	13.277.128
Long-Term Debt	18.911.942	-	-	-	-	-	18.911.942
Estimated Insurance Liabilities and Other	1.144.074	-	-	-	-	-	1.144.074
Interest Rate Swap Agreement	1.085.621	-	-	-	-	-	1.085.621
Total liabilities	33.687.130	136.258	594.981	396	-	-	34.418.765
Net Assets							
Unrestricted	57.512.308	1.009.938	7.987.789	40.947	556.224	-	67.107.206
Temporarily restricted	-	-	-	-	281.702	-	281.702
Permanently restricted	-	-	-	-	68.552	-	68.552
Total net assets	57.512.308	1.009.938	7.987.789	40.947	906.478	-	67.457.460
Total liabilities and net assets	\$ 91.199.438	\$ 1.146.196	\$ 8.582.770	\$ 41.343	\$ 906.478	\$ -	\$ 101.876.225

Rutherford Hospital Inc. and Affiliates
Consolidating Schedule – Statement of Operations Information
Year Ended September 30, 2012

	Rutherford Hospital	Carolina Community Care	Physician Practices	Rutherford Hospital Auxiliary	Rutherford Hospital Foundation	Eliminations	Consolidated
Unrestricted Revenues, Gains and Other Support							
Net patient service revenue (net of contractual discounts and allowances)	\$ 84,801,933	\$ 5,639,080	\$ 10,802,404	\$ -	\$ -	\$ -	\$ 101,243,417
Provision for uncollectible accounts	(18,876,121)	(33,798)	(1,556,812)	-	-	-	(20,466,731)
Net patient service revenue less provision for uncollectible accounts	65,925,812	5,605,282	9,245,592	-	-	-	80,776,686
Other	1,736,833	201	96,973	301,334	-	(235,920)	1,899,421
Net assets released from restrictions used for operations	-	-	-	-	245,848	-	245,848
Total unrestricted revenues, gains and other support	67,662,645	5,605,483	9,342,565	301,334	245,848	(235,920)	82,921,955
Expenses and Losses							
Salaries and wages	26,365,745	3,189,094	9,656,991	-	-	-	39,211,830
Employee benefits	6,921,149	1,104,821	1,232,821	-	-	-	9,258,791
Purchased services and professional fees	9,200,023	52,112	1,186,237	-	58,766	-	10,497,138
Supplies and other	20,540,504	520,395	1,122,925	96,723	281,734	(235,920)	22,326,361
Depreciation and amortization	5,303,701	42,250	521,157	242	269	-	5,867,619
Interest	316,904	-	-	-	-	-	316,904
Total expenses and losses	68,648,026	4,908,672	13,720,131	96,965	340,769	(235,920)	87,478,643
Operating Income (Loss)	(985,381)	696,811	(4,377,566)	204,369	(94,921)	-	(4,556,688)
Other Income (Expense)							
Contributions	-	-	-	-	109,812	-	109,812
Investment return	4,472,732	-	-	106	61,960	-	4,534,798
Change in fair value of interest rate swap agreement	(340,397)	-	-	-	-	-	(340,397)
Total other income (expense)	4,132,335	-	-	106	171,772	-	4,304,213
Excess (Deficiency) of Revenues Over Expenses and Increase (Decrease) in Unrestricted Net Assets	<u>\$ 3,146,954</u>	<u>\$ 696,811</u>	<u>\$ (4,377,566)</u>	<u>\$ 204,475</u>	<u>\$ 76,851</u>	<u>\$ -</u>	<u>\$ (252,475)</u>

Rutherford Hospital Inc. and Affiliates
Consolidating Schedule – Balance Sheet Information
Year Ended September 30, 2011

Assets

	Rutherford Hospital	Carolina Community Care	Physician Practices	Rutherford Hospital Auxiliary	Rutherford Hospital Foundation	Eliminations	Consolidated
Current Assets							
Cash and cash equivalents	\$ 438,514	\$ 100	\$ 1,900	\$ 16,622	\$ 155,609	\$ -	\$ 612,745
Patient accounts receivable, net	8,293,982	633,054	1,262,675	-	-	-	10,189,711
Other receivables	1,023,287	-	95,595	-	-	-	1,118,882
Inventory	1,721,105	-	44,628	22,427	-	-	1,788,160
Prepaid expenses and other	772,374	13,611	5,032	-	-	-	791,017
Total current assets	12,249,262	646,765	1,409,830	39,049	155,609	-	14,500,515
Due (To) From Affiliates	13,861,058	12,120,969	(25,966,028)	-	(15,999)	-	-
Assets Limited As To Use							
Internally designated	34,028,199	-	-	-	-	-	34,028,199
Externally restricted	254,726	-	-	-	215,368	-	470,094
	34,282,925	-	-	-	215,368	-	34,498,293
Investments	-	-	-	-	412,593	-	412,593
Property and Equipment, Net	41,060,668	576,011	5,568,844	1,203	1,585	-	47,208,311
Other Assets							
Goodwill	-	-	599,042	-	-	-	599,042
Deferred financing costs	262,516	-	-	-	-	-	262,516
	262,516	-	599,042	-	-	-	861,558
Total assets	\$101,716,429	\$ 13,343,745	\$(18,388,312)	\$ 40,252	\$ 769,156	\$ -	\$ 97,481,270

Rutherford Hospital Inc. and Affiliates
Consolidating Schedule – Balance Sheet Information
Year Ended September 30, 2011

Liabilities and Net Assets

	Rutherford Hospital	Carolina Community Care	Physician Practices	Rutherford Hospital Auxiliary	Rutherford Hospital Foundation	Eliminations	Consolidated
Current Liabilities							
Current maturities of long-term debt	\$ 183.916	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 183.916
Accounts payable	4,142.099	12.500	37.943	(27)	-	-	4,192.515
Accrued expenses	5,468.999	164.426	609.612	-	-	-	6,243.037
Estimated amounts due to third-party payers	<u>2,389.012</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,389.012</u>
Total current liabilities	12,184.026	176.926	647.555	(27)	-	-	13,008.480
Long-Term Debt	15,653.036	-	-	-	-	-	15,653.036
Estimated Insurance Liability and Other	404.726	-	-	-	-	-	404.726
Interest Rate Swap Agreement	<u>745.224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>745.224</u>
Total liabilities	<u>28,987.012</u>	<u>176.926</u>	<u>647.555</u>	<u>(27)</u>	<u>-</u>	<u>-</u>	<u>29,811.466</u>
Net Assets							
Unrestricted	72,729.417	13,166.819	(19,035.867)	40.279	459.033	-	67,359.681
Temporarily restricted	-	-	-	-	241.571	-	241.571
Permanently restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68.552</u>	<u>-</u>	<u>68.552</u>
Total net assets	<u>72,729.417</u>	<u>13,166.819</u>	<u>(19,035.867)</u>	<u>40.279</u>	<u>769.156</u>	<u>-</u>	<u>67,669.804</u>
Total liabilities and net assets	<u>\$101,716.429</u>	<u>\$ 13,343.745</u>	<u>\$(18,388.312)</u>	<u>\$ 40.252</u>	<u>\$ 769.156</u>	<u>\$ -</u>	<u>\$ 97,481.270</u>

Rutherford Hospital Inc. and Affiliates
Consolidating Schedule – Statement of Operations Information
Year Ended September 30, 2011

	Rutherford Hospital	Carolina Community Care	Physician Practices	Rutherford Hospital Auxiliary	Rutherford Hospital Foundation	Eliminations	Consolidated
Unrestricted Revenues, Gains and Other Support							
Net patient service revenue (net of contractual discounts and allowances)	\$ 78,303,453	\$ 5,789,628	\$ 9,062,784	\$ -	\$ -	\$ -	\$ 93,155,865
Provision for uncollectible accounts	(17,445,858)	-	(938,313)	-	-	-	(18,384,171)
Net patient service revenue less provision for uncollectible accounts	60,857,595	5,789,628	8,124,471	-	-	-	74,771,694
Other	985,156	1,950	81,379	166,712	-	-	1,235,197
Net assets released from restrictions used for operations	-	-	-	-	284,077	-	284,077
Total unrestricted revenues, gains and other support	61,842,751	5,791,578	8,205,850	166,712	284,077	-	76,290,968
Expenses and Losses							
Salaries and wages	26,877,019	3,441,500	9,042,291	-	1,987	-	39,362,797
Employee benefits	7,910,944	918,437	896,726	-	-	-	9,726,107
Purchased services and professional fees	9,806,166	35,744	634,252	-	74,910	-	10,551,072
Supplies and other	17,747,297	485,947	752,307	105,039	330,652	-	19,421,242
Depreciation and amortization	5,010,708	37,219	371,675	242	269	-	5,420,113
Interest	345,507	-	-	-	-	-	345,507
Total expenses and losses	67,697,641	4,918,847	11,697,251	105,281	407,818	-	84,826,838
Operating Income (Loss)	(5,854,890)	872,731	(3,491,401)	61,431	(123,741)	-	(8,535,870)
Other Income (Expense)							
Contributions	-	-	-	-	83,552	-	83,552
Investment return	(96,973)	-	-	166	(12,205)	-	(109,012)
Change in fair value of interest rate swap agreement	(611,981)	-	-	-	-	-	(611,981)
Loss on refunding of long-term debt	(116,656)	-	-	-	-	-	(116,656)
Total other income (expense)	(825,610)	-	-	166	71,347	-	(754,097)
Excess (Deficiency) of Revenues Over Expenses and Increase (Decrease) in Unrestricted Net Assets	<u>\$ (6,680,500)</u>	<u>\$ 872,731</u>	<u>\$ (3,491,401)</u>	<u>\$ 61,597</u>	<u>\$ (52,394)</u>	<u>\$ -</u>	<u>\$ (9,289,967)</u>