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Form <b>990</b>  Department of the Treasury Internal Revenue Service	<b>Return of Organization Exempt From Income Tax</b>  <b>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</b>	OMB No 1545-0047 <div> <div>2012</div> <div>Open to Public Inspection</div> </div>
	The organization may have to use a copy of this return to satisfy state reporting requirements	

**A For the 2012 calendar year, or tax year beginning 10-01-2012 , 2012, and ending 09-30-2013**




<b>B</b> Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization RUTHERFORD HOSPITAL INC		<b>D</b> Employer identification number  56-0619367
	Doing Business As RUTHERFORD REGIONAL HEALTH SYSTEM		
	Number and street (or P O box if mail is not delivered to street address) 288 SOUTH RIDGECREST AVENUE Suite	Room/suite	E Telephone number  (828) 286-5000
	City or town, state or country, and ZIP + 4 RUTHERFORDTON, NC 28139		<b>G</b> Gross receipts \$ 151,756,469
	<b>F</b> Name and address of principal officer CINDY BUCK 288 SOUTH RIDGECREST AVENUE RUTHERFORDTON, NC 28139		<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions)  <b>H(c)</b> Group exemption number ▶
<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀ (Insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			
<b>J</b> Website: ▶ WWW.RUTHERFORDHOSP.ORG			

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities RUTHERFORD HOSPITAL IS A GENERAL ACUTE CARE HOSPITAL THAT PROVIDES TRADITIONAL PATIENT CARE TO RESIDENTS OF ITS SERVICE AREA, REGARDLESS OF ABILITY TO PAY			
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets			
	3	Number of voting members of the governing body (Part VI, line 1a)	14	
	4	Number of independent voting members of the governing body (Part VI, line 1b)	13	
	5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	1,042	
6	Total number of volunteers (estimate if necessary)	280		
7a	Total unrelated business revenue from Part VIII, column (C), line 12	3,949		
7b	Net unrelated business taxable income from Form 990-T, line 34			
Revenue	8	Contributions and grants (Part VIII, line 1h)	235,920	15,000
	9	Program service revenue (Part VIII, line 2g)	102,899,727	101,196,134
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	992,349	1,382,373
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	161,597	169,181
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	104,289,593	102,762,688
	Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0
14		Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15		Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	49,096,079	51,074,418
16a		Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b		Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		
17		Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	58,829,381	55,181,745
18		Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	107,925,460	106,256,163
19		Revenue less expenses Subtract line 18 from line 12	-3,635,867	-3,493,475
Net Assets or Fund Balances			Beginning of Current Year	End of Year
	20	Total assets (Part X, line 16)	100,969,747	99,550,236
	21	Total liabilities (Part X, line 26)	34,418,765	34,939,277
	22	Net assets or fund balances Subtract line 21 from line 20	66,550,982	64,610,959

## Part II Signature Block

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

<b>Sign Here</b>	***** Signature of officer			2014-08-12 Date	
	CINDY BUCK CEO Type or print name and title				
<b>Paid Preparer Use Only</b>	Print/Type preparer's name Brian D Todd		Preparer's signature		Date
	Check <input type="checkbox"/> if self-employed			PTIN	
	Firm's name  BKD LLP			Firm's EIN 	
Firm's address  910 E ST LOUIS 200/PO BOX 1190 SPRINGFIELD, MO 658062523			Phone no (417) 865-8701		

May the IRS discuss this return with the preparer shown above? (see instructions) . . . . . ☒ Yes ☐ No

**Part III**

**Statement of Program Service Accomplishments**

Check if Schedule O contains a response to any question in this Part III ☐ ☒

**1**

Briefly describe the organization's mission

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? ☐ Yes ☒ No

If "Yes," describe these new services on Schedule O

**3**

Did the organization cease conducting, or make significant changes in how it conducts, any program services? ☐ Yes ☒ No

If "Yes," describe these changes on Schedule O

**4**

Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations 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 \$ 42,209,849 including grants of \$ ) (Revenue \$ 48,936,884 )

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 2013, THERE WERE 47,889 OUTPATIENT VISITS AND 37,325 EMERGENCY DEPARTMENT VISITS ALSO, THE HOSPITAL HAD 1368 OBSERVATION ADMISSIONS

**4b**

(Code ) (Expenses \$ 29,876,957 including grants of \$ ) (Revenue \$ 35,124,820 )

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 2013, 6049 PATIENTS RECEIVED INPATIENT SERVICES

**4c**

(Code ) (Expenses \$ 19,511,972 including grants of \$ ) (Revenue \$ 15,116,291 )

RUTHERFORD REGIONAL HAS TWELVE 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 \$ 1,219,308 including grants of \$ ) (Revenue \$ 2,014,190 )

**4e**

Total program service expenses ▶ 92,818,086

Form **990** (2012)

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 for escrow or custodial account liability, 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 and XII 	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 and XII 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, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization 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, line 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 lines 24b through 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	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <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, highest 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 employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <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	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <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, Part II, III, or IV, and Part V, line 1</i> . . . . .	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, 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	<b>Section 501(c)(3) organizations.</b> 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 11b and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	121	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	1,042	
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	Yes	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
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 as charitable contributions?		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	<b>Organizations that may receive deductible contributions under section 170(c).</b>		
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?		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	<b>Sponsoring organizations maintaining donor advised funds.</b>		
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	<b>Section 501(c)(7) organizations.</b> 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	<b>Section 501(c)(12) organizations.</b> 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	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> 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	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
a	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	14	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	13	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	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?	7a	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?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
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?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes
11b	Describe in Schedule O the process, if any, used by the organization to review this Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
12b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	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	12c	Yes
13	Did the organization have a written whistleblower policy?	13	Yes
14	Did the organization have a written document retention and destruction policy?	14	Yes
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	The organization's CEO, Executive Director, or top management official	15a	Yes
15b	Other officers or key employees of the organization	15b	Yes
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	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?	16b	

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 <input type="checkbox"/> Other (explain in Schedule O)
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 during the tax year
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 (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 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 organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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 TRUSTEE	1 0 0 0	X						0	0	
(2) DIANE HAMRICK VICE CHAIRMAN	1 0	X		X				0	0	
(3) E THOMAS HARDIN SECRETARY	1 0 0 0	X		X				0	0	
(4) MATT BRIGHT TREASURER	1 0 0 0	X		X				0	0	
(5) PAUL DECK TRUSTEE	1 0 0 0	X						0	0	
(6) DAVID EAKER TRUSTEE	1 0 0 0	X						0	0	
(7) J LARRY HARRILL TRUSTEE	1 0 0 0	X						0	0	
(8) LEE HARRILL TRUSTEE	1 0 0 0	X						0	0	
(9) THOMAS J JASKI MD TRUSTEE	1 0 1 0	X						0	0	
(10) MICHAEL S WHEELER MD TRUSTEE	1 0 0 0	X						188,988	0	0
(11) TERRY HINES CHAIRMAN	1 0 0 0	X		X				0	0	
(12) BETH MILLER TRUSTEE	1 0 0 0	X						0	0	
(13) LUTHER PERSON MD TRUSTEE	1 0 0 0	X						0	0	
(14) BOBBY ENGLAND MD TRUSTEE	1 0 0 0	X						0	0	
(15) CINDY BUCK CEO	40 0 1 0			X				179,622	0	383
(16) MICHAEL ROBERTS CHIEF OF MEDICAL STAFF	40 0 1 0				X			679,178	0	3,723
(17) CHARLES DANA BOND PHYSICIAN	40 0 0 0					X		678,213	0	3,723



## Part VII

<b>1b</b>	<b>Sub-Total . . . . .</b>	▼			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A . . . . .</b>	▼			
<b>d</b>	<b>Total (add lines 1b and 1c) . . . . .</b>	▼	3,713,371	0	23,194

**2** Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 41

		Yes	No
<b>3</b>	Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i> . . . . .	<b>3</b>	No
<b>4</b>	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> . . . . .	<b>4</b>	Yes
<b>5</b>	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> . . . . .	<b>5</b>	No

## Section B. Independent Contractors

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

(A)	(B)	(C)
Name and business address	Description of services	Compensation
SOUTHEASTERN PHYSICIAN ASSOC ,	HOSPITALISTS	1,374,361
ALBERT SCOTT GREENE CONTRACTOR ,	CONTRACTOR	672,455
RUTHERFORD EMERGENCY GROUP ,	EMERGENCY PHYSICIANS	498,654
STROUDWATER ,	CONSULTANT	455,665
THOMAS BUILDING COMPANY LLC ,	CONTRACTOR	429,865

**2** Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ►17

Part VIII

Statement of Revenue

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

			(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				
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	15,000			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f . . . . .		15,000			
Program Service Revenue	2a	NET PATIENT SERVICE REVENUE	Business Code 621110	98,157,154	98,157,154		
	b	EHR REVENUE	621110	2,074,451	2,074,451		
	c	CAFETERIA & VENDING REVENUE	722514	524,387	520,438	3,949	
	d	OTHER REVENUE	900099	440,142	440,142		
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f . . . . .		101,196,134			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .		1,137,725		1,137,725
4		Income from investment of tax-exempt bond proceeds . . .		0			
5		Royalties . . . . .		0			
6a		Gross rents	(i) Real	(ii) Personal			
			104,506				
			11,509				
			92,997	0			
d		Net rental income or (loss) . . . . .		92,997		92,997	
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other			
			49,146,401	19,869			
			48,888,130	33,492			
			258,271	-13,623			
d		Net gain or (loss) . . . . .		244,648		244,648	
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				
	136,834						
	60,650						
c	Net income or (loss) from sales of inventory . . .		76,184		76,184		
	Miscellaneous Revenue	Business Code					
11a							
b							
c							
d	All other revenue . . . . .						
e	Total. Add lines 11a-11d . . . . .		0				
12	Total revenue. See Instructions . . . . .		102,762,688	101,192,185	3,949	1,551,554	

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).

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.	1,051,894	871,889	180,005	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).	62,450		62,450	
7	Other salaries and wages.	39,005,010	36,984,055	2,020,955	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	0			
9	Other employee benefits.	8,180,266	6,173,442	2,006,824	
10	Payroll taxes.	2,774,798	2,094,282	680,516	
11	Fees for services (non-employees):				
a	Management.	1,482,652		1,482,652	
b	Legal.	334,825		334,825	
c	Accounting.	170,205		170,205	
d	Lobbying.	0			
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	323,512		323,512	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	8,144,043	7,181,320	962,723	
12	Advertising and promotion.	392,035	391,929	106	
13	Office expenses.	4,633,922	2,638,501	1,995,421	
14	Information technology.	553,052	508,583	44,469	
15	Royalties.	0			
16	Occupancy.	2,605,832	2,596,925	8,907	
17	Travel.	318,639	294,479	24,160	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	37,976	37,976		
20	Interest.	615,980	481,335	134,645	
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	6,515,327	5,091,161	1,424,166	
23	Insurance.	455,897		455,897	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	BAD DEBT	15,699,913	15,699,913		
b	MEDICAL SUPPLIES & DRUGS	9,819,059	9,819,059		
c	REPAIRS & MAINTENANCE	2,728,540	1,747,575	980,965	
d	LICENSES, DUES, SUBSCRIPTIONS	194,415	80,965	113,450	
e	All other expenses	155,921	124,697	31,224	
25	<b>Total functional expenses.</b> Add lines 1 through 24e.	106,256,163	92,818,086	13,438,077	0
26	<b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		4,260	1	4,485
	2	Savings and temporary cash investments		3,792,065	2	3,343,611
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		11,220,632	4	11,074,203
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		0	7	0
	8	Inventories for sale or use		1,746,370	8	1,911,602
	9	Prepaid expenses and deferred charges		881,819	9	1,116,460
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a133,484,619			
	b	Less accumulated depreciation	10b87,495,159	48,277,301	10c	45,989,460
	11	Investments—publicly traded securities		31,299,317	11	30,765,925
	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		3,148,941	15	4,745,448
	16	Total assets. Add lines 1 through 15 (must equal line 34)		100,969,747	16	99,550,236
Liabilities	17	Accounts payable and accrued expenses		9,419,397	17	9,100,752
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		19,234,551	20	21,258,530
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other 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		622,650	23	958,569
	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		5,142,167	25	3,621,426
	26	Total liabilities. Add lines 17 through 25		34,418,765	26	34,939,277
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		66,550,982	27	64,610,959
	28	Temporarily restricted net assets		0	28	0
	29	Permanently restricted net assets		0	29	0
	Organizations that do not follow SFAS 117 (ASC 958), 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		66,550,982	33	64,610,959
	34	Total liabilities and net assets/fund balances		100,969,747	34	99,550,236

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	102,762,688
2	Total expenses (must equal Part IX, column (A), line 25) . . . . .	2	106,256,163
3	Revenue less expenses Subtract line 2 from line 1 . . . . .	3	-3,493,475
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	4	66,550,982
5	Net unrealized gains (losses) on investments . . . . .	5	1,180,038
6	Donated services and use of facilities . . . . .	6	
7	Investment expenses . . . . .	7	
8	Prior period adjustments . . . . .	8	
9	Other changes in net assets or fund balances (explain in Schedule O) . . . . .	9	373,414
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	64,610,959

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? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	2a	No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited 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 separate basis	2b	Yes
2c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a	No
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b	

SCHEDULE A  
(Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2012

Open to Public Inspection

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

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

Name of the organization  
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 described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E )
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state \_\_\_\_\_
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II )
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II )
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 9

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III )
- 10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- 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 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 monetary support
			Yes	No	Yes	No	Yes	No	
Total									

Part II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)  
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here . . . . . ▶						

Section C. Computation of Public Support Percentage						
14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2011 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2012. 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—2011. If the organization did not check a 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—2012. 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—2011. 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 IIISupport Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2012. 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—2011. 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.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

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

2012

Open to Public Inspection

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

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

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

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

If the organization answered “Yes” to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 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
---	--

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

1	Provide a description of the organization’s direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<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 function activities	▶ \$
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$
4	Did the filing organization file Form 1120-POL for this year?	<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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable 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)).

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.

		(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?	Yes		8,142
j	Total. Add lines 1c through 1i.			8,142
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 carry over 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) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No" OR (b) Part III-A, line 3, is answered "Yes."

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) nondeductible 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, Part II-A (affiliated group list), Part II-A, line 2, 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 27.14%, or \$8,142 IS ATTRIBUTABLE TO LOBBYING ACTIVITIES.

SCHEDULE D  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

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 can 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 education)

☐ Preservation of an historically important land area

☐ Protection of natural habitat

☒ Preservation of a certified historic structure

☐ Preservation of open space

2

Complete lines 2a through 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 easements1
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)1
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 ▶ \$ \_\_\_\_\_

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

In Part XIII, 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 (ASC 958), 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 XIII, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116 (ASC 958), 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 (ASC 958) relating to these items

a

Revenues included in Form 990, Part VIII, line 1▶ \$ \_\_\_\_\_

b

Assets included in Form 990, Part X▶ \$ \_\_\_\_\_

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2012

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

3

Using the organization's acquisition, 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 XIII

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 XIII and complete the following table

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☒ No

b

If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a	Beginning of year balance				
b	Contributions				
c	Net investment earnings, gains, and 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 current year end balance (line 1g, column (a)) held as

a

Board designated or quasi-endowment

b

Permanent endowment

c

Temporarily restricted endowment

The percentages in lines 2a, 2b, and 2c should equal 100%

3a

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

(i)

unrelated organizations

3a(i)

☐ Yes

☐ No

(ii)

related organizations

3a(ii)

☐ Yes

☐ No

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

3b

☐ Yes

☐ No

4

Describe in Part XIII 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		62,364,455	38,796,105	23,568,350
c Leasehold improvements		540,946		540,946
d Equipment		66,466,923	47,404,385	19,062,538
e Other		2,584,084	1,294,669	1,289,415
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				45,989,460



Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return				
1	Total revenue, gains, and other support per audited financial statements . . . . .		1	88,329,380
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		2e	
a	Net unrealized gains on investments . . . . .	2a	1,180,038	
b	Donated services and use of facilities . . . . .	2b		
c	Recoveries of prior year grants . . . . .	2c		
d	Other (Describe in Part XIII ) . . . . .	2d	-15,685,505	
e	Add lines 2a through 2d . . . . .		2e	-14,505,467
3	Subtract line 2e from line 1 . . . . .		3	102,834,847
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		4c	
a	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	4a		
b	Other (Describe in Part XIII ) . . . . .	4b	-72,159	
c	Add lines 4a and 4b . . . . .		4c	-72,159
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12 ) . . . . .		5	102,762,688
Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return				
1	Total expenses and losses per audited financial statements . . . . .		1	90,304,897
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		2e	
a	Donated services and use of facilities . . . . .	2a		
b	Prior year adjustments . . . . .	2b		
c	Other losses . . . . .	2c		
d	Other (Describe in Part XIII ) . . . . .	2d	72,159	
e	Add lines 2a through 2d . . . . .		2e	72,159
3	Subtract line 2e from line 1 . . . . .		3	90,232,738
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		4c	
a	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	4a	323,512	
b	Other (Describe in Part XIII ) . . . . .	4b	15,699,913	
c	Add lines 4a and 4b . . . . .		4c	16,023,425
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18 ) . . . . .		5	106,256,163

Part XIII 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, line 2, Part XI, lines 2d and 4b, and Part XII, 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 REVENUE INCLUDED ON LINE 1, BUT NOT ON FORM 990, PART VIII, LINE 12	SCHEDULE D, PART XI, LINE 2D	\$ 277,868 CHANGE IN FAIR VALUE OF INTEREST RATE SWAP 60,052 TRANSFER FROM FOUNDATION (323,512) INVESTMENT MANAGEMENT FEES (15,699,913) BAD DEBT EXPENSE ----- \$ (15,685,505)
OTHER REVENUE INCLUDED ON FORM 990, PART VIII, LINE 12, BUT NOT ON LINE 1	SCHEDULE D, PART XI, LINE 4B	\$ (11,509) RENTAL EXPENSE (60,650) COST OF GOODS SOLD ----- \$ (72,159)
OTHER EXPENSE INCLUDED ON LINE 1, BUT NOT ON FORM 990, PART IX, LINE 25	SCHEDULE D, PART XII, LINE 2D	\$ 60,650 COST OF GOODS SOLD 11,509 RENTAL EXPENSE ----- \$ 72,159
OTHER EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, BUT NOT ON LINE 1	SCHEDULE D, PART XII, LINE 4B	\$ 15,699,913 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

2012

Open to Public Inspection

**Name of the organization**  
RUTHERFORD HOSPITAL INC

**Employer identification number**  
56-0619367

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a . . . . .	1a	Yes	
b	If "Yes," was it a written policy? . . . . .	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year  <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year  <b>a</b> Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care  <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other _____ 120 %	3a	Yes	
b	Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care . . . . .  <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 _____ %	3b	Yes	
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? . . . . .	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .	5b	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	
b	If "Yes," did the organization make it available to the public? . . . . .	6b	Yes	
Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.				

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1) . . . . .			1,611,799		1,611,799	1 780 %
b Medicaid (from Worksheet 3, column a) . . . . .			17,336,191	17,976,633	-640,442	
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .						
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . . . . .			18,947,990	17,976,633	971,357	1 780 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .			1,032,839	248,089	784,750	0 870 %
f Health professions education (from Worksheet 5) . . . . .						
g Subsidized health services (from Worksheet 6) . . . . .			11,098,494	6,985,092	4,113,402	4 540 %
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .						
j <b>Total</b> Other Benefits . . . . .			12,131,333	7,233,181	4,898,152	5 410 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			31,079,323	25,209,814	5,869,509	7 190 %

Part II

Community Building Activities

Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development					
3	Community support					
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building					
7	Community health improvement advocacy					
8	Workforce development					
9	Other					
10	Total					

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1

Yes

2

Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

15,699,913

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

3,187,082

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5

Enter total revenue received from Medicare (including DSH and IME).

5

40,663,527

6

Enter Medicare allowable costs of care relating to payments on line 5.

6

42,416,473

7

Subtract line 6 from line 5. This is the surplus (or shortfall).

7

-1,752,946

8

Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.  

☐ Cost accounting system

☒ Cost to charge ratio

☐ Other

Section C. Collection Practices

9a

Did the organization have a written debt collection policy during the tax year?

9a

Yes

b

If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.

9b

Yes

Part IV

Management Companies and Joint Ventures

(owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

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

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)  
How many hospital facilities did the organization operate during the tax year?  
1

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	RUTHERFORD HOSPITAL INC 288 SOUTH RIDGECREST AVENUE RUTHERFORDTON, NC 28139	X	X					X		PSYCHOLOGICAL INPATIENT	

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

RUTHERFORD HOSPITAL INC

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 . . . . . If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility			
b <input checked="" type="checkbox"/> Demographics of the community			
c <input checked="" 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 checked="" type="checkbox"/> How data was obtained			
e <input checked="" type="checkbox"/> The health needs of the community			
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs			
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests			
i <input checked="" 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)			
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>			
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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	Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	Yes	
5 Did the hospital facility make its CHNA report widely available to the public? . . . . . If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes	
a <input checked="" type="checkbox"/> Hospital facility's website			
b <input checked="" type="checkbox"/> Available upon request from the hospital facility			
c <input type="checkbox"/> Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b <input checked="" type="checkbox"/> Execution of the implementation strategy			
c <input checked="" type="checkbox"/> Participation in the development of a community-wide plan			
d <input checked="" type="checkbox"/> Participation in the execution of a community-wide 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 checked="" type="checkbox"/> Prioritization of health needs in its community			
h <input checked="" 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 CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . . . .	7		No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)? . . . . .	8a		No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .	8b		
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____			

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No		
<b>9</b> Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		<b>9</b>	Yes		
<b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>120</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>10</b>	Yes		
<b>11</b> Used FPG to determine eligibility for providing <i>discounted</i> 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		<b>11</b>	Yes		
<b>12</b> Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)		<b>12</b>	Yes		
<b>a</b> <input checked="" type="checkbox"/> Income level					
<b>b</b> <input checked="" type="checkbox"/> Asset level					
<b>c</b> <input checked="" type="checkbox"/> Medical indigency					
<b>d</b> <input checked="" type="checkbox"/> Insurance status					
<b>e</b> <input checked="" type="checkbox"/> Uninsured discount					
<b>f</b> <input checked="" type="checkbox"/> Medicaid/Medicare					
<b>g</b> <input checked="" type="checkbox"/> State regulation					
<b>h</b> <input type="checkbox"/> Other (describe in Part VI)					
<b>13</b> Explained the method for applying for financial assistance? . . . . .		<b>13</b>	Yes		
<b>14</b> 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)		<b>14</b>	Yes		
<b>a</b> <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website					
<b>b</b> <input type="checkbox"/> The policy was attached to billing invoices					
<b>c</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms					
<b>d</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices					
<b>e</b> <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility					
<b>f</b> <input checked="" type="checkbox"/> The policy was available upon request					
<b>g</b> <input type="checkbox"/> Other (describe in Part VI)					
Billing and Collections					
<b>15</b> 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? . . . . .		<b>15</b>	Yes		
<b>16</b> Check all of the following 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					
<b>a</b> <input type="checkbox"/> Reporting to credit agency					
<b>b</b> <input type="checkbox"/> Lawsuits					
<b>c</b> <input type="checkbox"/> Liens on residences					
<b>d</b> <input type="checkbox"/> Body attachments					
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)					
<b>17</b> 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? . . . . .				<b>17</b>	No
If "Yes," check all actions in which the hospital facility or a third party engaged					
<b>a</b> <input type="checkbox"/> Reporting to credit agency					
<b>b</b> <input type="checkbox"/> Lawsuits					
<b>c</b> <input type="checkbox"/> Liens on residences					
<b>d</b> <input type="checkbox"/> Body attachments					
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)					

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☒

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☒

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	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)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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 its 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 checked="" type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals 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
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? . . . . . If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year?

13

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, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc )
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

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 WAS REDUCED BY BAD DEBT EXPENSE OF \$15,699,913
COSTING METHODOLOGY	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, 3 AND 6



Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE	SCHEDULE H, PART III, SECTION A, LINE 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 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 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 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 BAD DEBT REPORTED ON PART III, SECTION A, LINE 2 IS THE BAD DEBT PER THE ORGANIZATION'S AUDITED FINANCIAL STATEMENTS THE ESTIMATED AMOUNT OF THE ORGANIZATION'S BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY REPORTED ON PART III, SECTION A, LINE 3 IS COMPUTED USING US CENSUS BUREAU FIGURES FOR RUTHERFORD COUNTY, WHICH ESTIMATES 20.3% LIVING BELOW POVERTY LEVEL
COMMUNITY BENEFIT	SCHEDULE H, PART III, SECTION B, LINE 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, LINE 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
COMMUNITY INPUT	SCHEDULE H, PART V, SECTION B, LINE 3	IN ORDER TO LEARN ABOUT THE SPECIFIC FACTORS AFFECTING THE HEALTH AND QUALITY OF LIFE OF RESIDENTS OF WNC, THE WNC HEALTHY IMPACT DATA WORKGROUP AND CONSULTING TEAM IDENTIFIED AND TAPPED NUMEROUS SECONDARY DATA SOURCES ACCESSIBLE IN THE PUBLIC DOMAIN FOR DATA ON THE DEMOGRAPHIC, ECONOMIC AND SOCIAL CHARACTERISTICS OF THE REGION SOURCES INCLUDED THE US CENSUS BUREAU, LOG INTO NORTH CAROLINA (LINC), NC OFFICE OF STATE BUDGET AND MANAGEMENT, NC DEPARTMENT OF COMMERCE, EMPLOYMENT SECURITY COMMISSION OF NC, NC DEPARTMENT OF PUBLIC INSTRUCTION, NC DEPARTMENT OF JUSTICE, NC DIVISION OF MEDICAL ASSISTANCE, AND THE CECIL B SHEPS CENTER FOR HEALTH SERVICES RESEARCH THE WNC HEALTHY IMPACT CONSULTANT TEAM MADE EVERY EFFORT TO OBTAIN THE MOST CURRENT DATA AVAILABLE AT THE TIME THE REPORT WAS PREPARED IT WAS NOT POSSIBLE TO CONTINUALLY UPDATE THE NARRATIVE PAST A CERTAIN DATE, IN MOST CASES THAT END-POINT WAS JUNE 30, 2012 THE PRINCIPAL SOURCE OF SECONDARY HEALTH DATA FOR THIS REPORT WAS THE NC STATE CENTER FOR HEALTH STATISTICS (NC SCHS), INCLUDING ITS COUNTY HEALTH DATA BOOKS, BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM, VITAL STATISTICS UNIT, AND CANCER REGISTRY OTHER HEALTH DATA SOURCES INCLUDED NC DIVISION OF PUBLIC HEALTH (DPH) EPIDEMIOLOGY SECTION, NC DIVISION OF MENTAL HEALTH, DEVELOPMENTAL DISABILITIES AND SUBSTANCE ABUSE SERVICES, NATIONAL CENTER FOR HEALTH STATISTICS, NC DPH NUTRITION SERVICES BRANCH, UNC HIGHWAY SAFETY RESEARCH CENTER, NC DEPARTMENT OF TRANSPORTATION, NC DETECT AND THE NC DPH ORAL HEALTH SECTION BECAUSE IN ANY CHA IT IS INSTRUCTIVE TO RELATE LOCAL DATA TO SIMILAR DATA IN OTHER JURISDICTIONS, THROUGHOUT THIS REPORT REPRESENTATIVE COUNTY DATA IS COMPARED TO LIKE DATA DESCRIBING THE 16-COUNTY REGION AND THE STATE OF NC AS A WHOLE WNC HEALTHY IMPACT RECEIVED APPROVAL FROM THE NC DIVISION OF PUBLIC HEALTH TO USE THIS REGIONAL COMPARISON AS "PEER" FOR THE PURPOSES OF OUR ASSESSMENTS (AND RELATED REQUIREMENTS) COUNTY DATA MAY NOT BE AVAILABLE FOR SOME OF THE DATA PARAMETERS INCLUDED IN THIS REPORT, IN THOSE CASES STATE-LEVEL DATA IS COMPARED TO US-LEVEL DATA OR OTHER STANDARDIZED MEASURES WHERE APPROPRIATE AND AVAILABLE, TREND DATA HAS BEEN USED TO SHOW CHANGES IN INDICATORS OVER TIME ENVIRONMENTAL DATA WAS GATHERED FROM SOURCES INCLUDING US ENVIRONMENTAL PROTECTION AGENCY, US DEPARTMENT OF AGRICULTURE, AND NC RADON PROGRAM IT IS IMPORTANT TO NOTE THAT THIS REPORT CONTAINS DATA RETRIEVED DIRECTLY FROM SOURCES IN THE PUBLIC DOMAIN IN SOME CASES THE DATA IS VERY CURRENT, IN OTHER CASES, WHILE IT MAY BE THE MOST CURRENT AVAILABLE, IT MAY BE SEVERAL YEARS OLD NOTE ALSO THAT THE NAMES OF ORGANIZATIONS, FACILITIES, GEOGRAPHIC PLACES, ETC PRESENTED IN THE TABLES AND GRAPHS IN THIS REPORT ARE QUOTED EXACTLY AS THEY APPEAR IN THE SOURCE DATA IN SOME CASES THESE NAMES MAY NOT BE THOSE IN CURRENT OR LOCAL USAGE, NEVERTHELESS THEY ARE USED SO READERS MAY TRACK A PARTICULAR PIECE OF INFORMATION DIRECTLY BACK TO THE SOURCE TO SUPPLEMENT THE SECONDARY CORE DATASET, MEET ADDITIONAL STAKEHOLDER DATA NEEDS, AND HEAR FROM COMMUNITY MEMBERS ABOUT THEIR CONCERNS AND PRIORITIES, A COMMUNITY SURVEY, 2012 WNC HEALTHY IMPACT SURVEY (A K A 2012 PRC COMMUNITY HEALTH SURVEY), WAS DEVELOPED AND IMPLEMENTED IN 16 COUNTIES ACROSS WESTERN NORTH CAROLINA THE SURVEY INSTRUMENT WAS DEVELOPED BY WNC HEALTHY IMPACT'S DATA WORKGROUP, CONSULTING TEAM, AND LOCAL PARTNERS, WITH ASSISTANCE FROM PROFESSIONAL RESEARCH CONSULTANTS, INC (PRC) MANY OF THE QUESTIONS ARE DERIVED FROM THE CENTERS FOR DISEASE CONTROL AND PREVENTION (CDC) BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM (BRFSS), AS WELL AS OTHER PUBLIC HEALTH SURVEYS, OTHER QUESTIONS WERE DEVELOPED SPECIFICALLY FOR WNC HEALTHY IMPACT TO ADDRESS PARTICULAR ISSUES OF INTEREST TO COMMUNITIES IN WESTERN NORTH CAROLINA EACH COUNTY WAS GIVEN THE OPPORTUNITY TO INCLUDE THREE ADDITIONAL QUESTIONS OF PARTICULAR INTEREST TO THEIR COUNTY, WHICH WERE ASKED OF THEIR COUNTY'S RESIDENTS THE GEOGRAPHIC AREA FOR THE REGIONAL SURVEY EFFORT INCLUDED 16 COUNTIES BUNCOMBE, CHEROKEE, CLAY, GRAHAM, HAYWOOD, HENDERSON, JACKSON, MACON, MADISON, MCDOWELL, MITCHELL, POLK, RUTHERFORD, SWAIN, TRANSYLVANIA AND YANCEY COUNTIES

Identifier	ReturnReference	Explanation
CHNA CONDUCTED WITH OTHER HOSPITALS	SCHEDULE H, PART V, SECTION B, LINE 4	THE CHNA WAS DEVELOPED BY RUTHERFORD COUNTY, IN PARTNERSHIP WITH RUTHERFORD REGIONAL HOSPITAL, RUTHERFORD POLK MCDOWELL DISTRICT HEALTH DEPARTMENT, AND RUTHERFORD HEALTH COUNCIL
IMPLEMENTATION STRATEGY	SCHEDULE H, PART V, SECTION B, LINE 6	IN RESPONSE TO THE RESULTS OF RUTHERFORD HOSPITAL'S MOST RECENTLY CONDUCTED COMMUNITY HEALTH NEEDS ASSESSMENT, THE ORGANIZATION ADOPTED AN IMPLEMENTATION STRATEGY THE IMPLEMENTATION STRATEGY IS AVAILABLE ON THE WEBSITE AT <a href="http://www.myrutherfordregional.com/body.cfm?id=514">http //www myrutherfordregional com/body cfm? id=514</a>

Identifier	ReturnReference	Explanation
ADDRESSING IDENTIFIED NEEDS	SCHEDULE H, PART V, SECTION B, LINE 7	ALTHOUGH THERE ARE MORE THAN TWO OR THREE ISSUES THAT EMERGED FROM THE ASSESSMENT, THE COMMUNITY HEALTH IMPROVEMENT PLAN WILL ADDRESS ONLY TWO OR THREE SPECIFIC AREAS FOR EACH COUNTY ON NOVEMBER 13, 2012, THE RUTHERFORD COUNTY COMMUNITY HEALTH ASSESSMENT FORUM WAS HELD ON THE CAMPUS OF ISOTHERMAL COMMUNITY COLLEGE FOLLOWING A PRESENTATION OF THE CHA DATA, BREAKOUT SESSIONS ENGAGED PARTICIPANTS IN CHOOSING HEALTH PRIORITIES FACILITATORS INTRODUCED THE TOPIC AND GAVE A QUICK REVIEW ABOUT THE PROBLEM PARTICIPANTS WERE ASKED WHAT STRENGTHS, WEAKNESSES, OPPORTUNITIES AND BARRIERS ARE ASSOCIATED WITH THE MAJOR PROBLEM ANSWERS WERE RECORDED NEXT, PARTICIPANTS BRAINSTORMED STRATEGIES AND INTERVENTIONS TO ADDRESS THE PROBLEM FINALLY, EACH COMMUNITY MEMBER RANKED THEIR TOP 3 OR 4 STRATEGIES COLOR CODED STICKERS SIGNIFIED THE RANKING ORDER
INDIVIDUALS ELIGIBLE FOR FINANCIAL ASSISTANCE	SCHEDULE H, PART V, SECTION B, LINE 20D	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		TO MEET ADDITIONAL STAKEHOLDER DATA NEEDS, AND HEAR FROM COMMUNITY MEMBERS ABOUT THEIR CONCERNS AND PRIORITIES, A COMMUNITY SURVEY, 2012 WNC HEALTHY IMPACT SURVEY (A K A 2012 PRC COMMUNITY HEALTH SURVEY), WAS DEVELOPED AND IMPLEMENTED IN 16 COUNTIES ACROSS WESTERN NORTH CAROLINA THE SURVEY INSTRUMENT WAS DEVELOPED BY WNC HEALTHY IMPACT'S DATA WORKGROU, CONSULTING TEAM, AND LOCAL PARTNERS, WITH ASSISTANCE FROM PROFESSIONAL RESEARCH CONSULTANTS, INC (PRC) MANY OF THE QUESTIONS ARE DERIVED FROM THE CENTERS FOR DISEASE CONTROL AND PREVENTION (CDC) BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM (BRFSS), AS WELL AS OTHER PUBLIC HEALTH SURVEYS, OTHER QUESTIONS WERE DEVELOPED SPECIFICALLY FOR WNC HEALTHY IMPACT TO ADDRESS PARTICULAR ISSUES OF INTEREST TO COMMUNITIES IN WESTERN NORTH CAROLINA EACH COUNTY WAS GIVEN THE OPPORTUNITY TO INCLUDE THREE ADDITIONAL QUESTIONS OF PARTICULAR INTEREST TO THEIR COUNTY, WHICH WERE ASKED OF THEIR COUNTY'S RESIDENTS THE GEOGRAPHIC AREA FOR THE REGIONAL SURVEY EFFORT INCLUDED 16 COUNTIES BUNCOMBE, CHEROKEE, CLAY, GRAHAM, HAYWOOD, HENDERSON, JACKSON, MACON, MADISON, MCDOWELL, MITCHELL, POLK, RUTHERFORD, SWAIN, TRANSYLVANIA, AND YANCEY COUNTIES TO ENSURE THE BEST REPRESENTATION OF THE POPULATION SURVEYED, A TELEPHONE INTERVIEW METHODOLOGY (ONE THAT INCORPORATES BOTH LANDLINE AND CELL PHONE INTERVIEWS) WAS EMPLOYED THE PRIMARY ADVANTAGES OF TELEPHONE INTERVIEWING ARE TIMELINESS, EFFICIENCY AND RANDOM SELECTION CAPABILITIES THE SAMPLE DESIGN USED FOR THIS REGIONAL EFFORT CONSISTED OF A STRATIFIED RANDOM SAMPLE OF 3300 INDIVIDUALS AGE 18 AND OLDER IN WESTERN NORTH CAROLINA OUR COUNTY'S SAMPLE SIZE WAS 200 ALL ADMINISTRATION OF THE SURVEYS, DATA COLLECTION AND DATA ANALYSIS WAS CONDUCTED BY PROFESSIONAL RESEARCH CONSULTANTS, INC (PRC) THE INTERVIEWS WERE CONDUCTED IN EITHER ENGLISH OR SPANISH, AS PREFERRED BY THE RESPONDENTS
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE		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		RUTHERFORD COUNTY, NORTH CAROLINA IS LOCATED IN THE FOOTHILLS OF THE WESTERN REGION OF THE STATE OF SOUTH CAROLINA AND POLK, HENDERSON, BUNCOMBE, MCDOWELL, BURKE, AND CLEVELAND COUNTIES BOUND RUTHERFORD COUNTY RUTHERFORD COUNTY'S LAND AREA COMPRISED OF VALLEYS, MOUNTAINS, AND FLAT LAND IS 564 12 SQUARE MILES, AND 2 SQUARE MILES OF WATER THE COUNTY SEAT IS RUTHERFORDTON THE COUNTY IS COMPRISED OF EIGHT MUNICIPALITIES BOSTIC, CHIMNEY ROCK, ELLENBORO, FOREST CITY, RUTHERFORDTON, RUTH, SPINDALE AND LAKE LURE 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%
PROMOTION OF COMMUNITY HEALTH		RUTHERFORD REGIONAL IN 2013 PARTICIPATED IN, SPONSORED OR CONDUCTED A NUMBER OF COMMUNITY EVENTS AIMED AT PROMOTING HEALTH AND WELLNESS FOR PEOPLE OF ALL AGES INCLUDED WERE -THE BABY AND CHILDRENS' FAIR IN WHICH EDUCATIONAL INFORMATION WAS DISTRIBUTED TO EXPECTANT PARENTS OR PARENTS OF NEWBORNS/TODDLERS -THE PRIME OF LIFE FESTIVAL, IN WHICH PROVIDERS AND CLINICIANS MET WITH AND SCREENED ATTENDEES WHO WERE OVER THE AGE OF 55 FOR SIGNS OF VJTPMOV DISEASE OR HIGH BLOOD PRESSURE, DIRECTING THOSE WITH ABNORMAL RESULTS TO AREA PROVIDERS -THE RUTHERFORD BUSINESS EXPO DURING WHICH LOCAL EMPLOYERS WERE EDUCATED ON DISEASE MANAGEMENT PROGRAMS AND CLINICIANS WHO ARE AVAILABLE TO CONSULT WITH EMPLOYEES DESIRING TO PURSUE HEALTHIER LIFESTYLES, AND VARIOUS COMMUNITY HEALTH FAIRS HELD THROUGHOUT THE COMMUNITY DURING WHICH RUTHERFORD REGIONAL HAD A SIGNIFICANT PRESENCE IN EDUCATING PARTICIPANTS AND DISSEMINATING INFORMATION ABOUT HEALTHY LIFESTYLES -ALSO , RUTHERFORD REGIONAL BEGAN SPONSORING THE RUTHERFORD OUTDOOR COALITION, WHICH CONDUCTS RUNNING AND CYCLING EVENTS THROUGHOUT THE COUNTY -RUTHERFORD REGIONAL MEDICAL CENTER'S OCCUPATIONAL MEDICINE CENTER PROVIDES A VARIETY OF COST-EFFECTIVE HEALTHCARE SERVICES TO OUR BUSINESSES AND INDUSTRIES THE CENTER'S OBJECTIVE IS TO PROVIDE THE BEST POSSIBLE CARE TO INJURED WORKERS AND, AT THE SAME TIME, ASSIST WITH REDUCING MEDICAL EXPENSES AND TIME AWAY FROM THE JOB IN TODAY'S CLIMATE, WORKER'S COMPENSATION CLAIMS ACCOUNT FOR A LARGE PORTION OF INDUSTRIES' MEDICAL COSTS THE GOAL IS TO ASSIST EMPLOYERS IN AN ATTEMPT TO DECREASE THESE EXPENDITURES THE STAFF IS ALSO AVAILABLE TO ASSIST WITH CASE MANAGEMENT -THE RUTHERFORD REGIONAL CANCER OUTREACH PROGRAM CONTINUED ITS SUCCESSFUL 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 THROUGH FUNDRAISING PROJECTS SUCH AS \$5 JEWELRY SALES AND UNIFORM SALES, AND THROUGH THE OPERATION OF THE GIFT SHOP THE AUXILIARY'S SERVICE AREAS INCLUDE THE FRONT DESK, GIFT SHOP, INTENSIVE CARE WAITING, MESSENGER, OUTPATIENT SERVICES AND SURGERY WAITING VOLUNTEERS ALSO SERVE IN FOOD SERVICES, THE PET THERAPY PROGRAM, WITH THE TOY CHEST GROUP, AT THE CANCER RESOURCE CENTER AND ONESOURCE, AND AS TEEN VOLUNTEERS IN JUNE, 50 TEEN VOLUNTEERS ATTENDED ORIENTATION, AND FOR THE NEXT SEVEN WEEKS THEY VOLUNTEERED IN 12 DIFFERENT AREAS IN THE MEDICAL CENTER, ALLOWING MANY ADULT VOLUNTEERS TAKE TIME OFF THE TOY CHEST COMMITTEE MADE A TOTAL OF 669 ITEMS WHICH INCLUDED STUFFED ANIMALS, "PATIENT PALS" FOR PEDIATRIC PATIENTS, PILLOW AND TURBANS FOR MASTECTOMY PATIENTS AND BABY CAPS FOR NEWBORNS DONATIONS WERE MADE LIFELINE DURING THE YEAR IN MEMORY OF AUXILIARY MEMBERS WHO PASSED AWAY A TOTAL OF 200 ADULT VOLUNTEERS VOLUNTEERED 20,890 HOURS AND A TOTAL OF 50 TEEN VOLUNTEERS VOLUNTEERED 2,418 HOURS WITH A COMBINED TOTAL OF 23,308 SERVICE HOURS FOR THE YEAR THE ACCUMULATED HOURS OF SERVICE TO RUTHERFORD REGIONAL, SINCE THE FOUNDING OF THE AUXILIARY 48 YEARS AGO, IS 869,375 HOURS AND THE ACCUMULATED DONATION IS \$3,070,088 65 -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		<p>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</p>

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

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year?

13

Name and address	Type of Facility (describe)
CAROLINA HOME CARE 2270 HWY 74-A SUITE 345 FOREST CITY,NC 28043	HOME HEALTH
RUTHERFORD ORTHOPEDICS 139 DR HENRY NORRIS DRIVE RUTHERFORDTON,NC 28139	HOME HEALTH
RUTHERFORD SURGICAL ASSOCIATES 330 NC 108 HIGHWAY RUTHERFORDTON,NC 28139	HOME HEALTH
RUTHERFORD ANESTHESIOLOGY 288 SOUTH RIDGECREST AVENUE RUTHERFORDTON,NC 28139	HOME HEALTH
FOREST CITY FAMILY CENTER 212 ALLENDALE DRIVE FOREST CITY,NC 28043	HOME HEALTH
RUTHERFORD CHILDREN'S CARE 288 SOUTH RIDGECREST AVENUE RUTHERFORDTON,NC 28139	HOME HEALTH
CHASE FAMILY CARE 1269 US HWY 74 BYPASS 341 FOREST CITY,NC 28043	HOME HEALTH
RUTHERFORD EAST FAMILY CARE 605 NC 120 HIGHWAY MOORESBORO,NC 28114	HOME HEALTH
INSIGHTS PSYCHIATRIC RESOURCES 393 S OAK STREET SUITE 100 SPINDALE,NC 28160	HOME HEALTH
BOILING SPRINGS FAMILY CARE 305 W COLLEGE AVE SUITE A SHELBY,NC 28152	HOME HEALTH
THE CLINIC AT WALMART 197 PLAZA DRIVE FOREST CITY,NC 28043	HOME HEALTH
OCCUPATIONAL MEDICINE 288 SOUTH RIDGECREST AVENUE RUTHERFORDTON,NC 28139	HOME HEALTH
RUTHERFORD UROLOGY 288 SOUTH RIDGECREST AVENUE RUTHERFORDTON,NC 28139	HOME HEALTH



Schedule J  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

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 of 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 filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III		
	<div><div><input checked="" 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 Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III	8	No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9	

**Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is needed.

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

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

(A) Name and Title		(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 as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1)MICHAEL S WHEELER MD TRUSTEE	(i)	188,988	0	0	0	0	188,988	0
	(ii)	0	0	0	0	0	0	0
(2)CHARLES DANA BOND PHYSICIAN	(i)	661,673	0	16,540	0	3,723	681,936	0
	(ii)	0	0	0	0	0	0	0
(3)MICHAEL ROBERTS CHIEF OF MEDICAL STAFF	(i)	662,638	0	16,540	0	3,723	682,901	0
	(ii)	0	0	0	0	0	0	0
(4)GREGG ALLEN DRABEK PHYSICIAN	(i)	307,074	233,308	40	0	3,748	544,170	0
	(ii)	0	0	0	0	0	0	0
(5)WILLIAM KIRKPATRICK PHYSICIAN	(i)	373,008	0	59,271	0	3,748	436,027	0
	(ii)	0	0	0	0	0	0	0
(6)CINDY BUCK CEO	(i)	179,582	0	40	0	383	180,005	0
	(ii)	0	0	0	0	0	0	0
(7)DOUGLAS FREELS PHYSICIAN	(i)	446,468	55,136	30,899	0	3,184	535,687	0
	(ii)	0	0	0	0	0	0	0
(8)JAMES EDWARD LEE PHYSICIAN	(i)	300,666	181,460	40	0	4,685	486,851	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
HOUSING ALLOWANCES	SCHEDULE J, PART I, LINE 1A	IN CALENDAR 2012, THERE WERE ZERO EMPLOYEES WHO RECEIVED HOUSING ALLOWANCE OR USE OF A PERSONAL RESIDENCE, IN FY 13, THE INTERIM NURSING VP RECEIVED A \$4,115 HOUSING ALLOWANCE. HR DIRECTOR, ROBIN CALLAS, RECEIVED PAYMENT IN CY 12 FOR \$3,500 AND FOR FY 2013 \$5,565 FOR HOUSING ALLOWANCE.
CEO COMPENSATION DETERMINATION	SCHEDULE J, PART I, LINE 3	THE CEO WAS COMPENSATED DIRECTLY BY THE ORGANIZATION FOR SERVICES PERFORMED CONSISTENT WITH THE ORGANIZATIONS REBUTTABLE PRESUMPTION POLICY. THE PROPOSED CEO COMPENSATION, ALONG WITH VARIOUS COMPARATIVE HOSPITAL CEO COMPENSATION DATA, WAS PRESENTED TO THE PERSONNEL, COMPLIANCE, AND QUALITY COMMITTEE OF THE BOARD OF TRUSTEES BY THE VICE PRESIDENT OF HUMAN RESOURCES. FOR THEIR REVIEW THE PCQ FOUND THAT THE PROPOSED COMPENSATION WAS APPROPRIATE AND APPROVED IT AS PRESENTED.

Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

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 legally 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 escrows	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	13,765,288							
11	Other spent proceeds	2,462							
12	Other unspent proceeds	0							
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 of bond-financed property?		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	Does the bond issue meet the private security or payment test?		X						
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X						
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?		X						
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X							

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X						
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?	X							
b	Exception to rebate?		X						
c	No rebate due?		X						
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?	X							
4a	Has the organization or the governmental issuer entered into a qualified 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?								

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (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?								
6	Were any gross proceeds invested beyond an available temporary period?		X						
7	Has the organization established written procedures to monitor the requirements of section 148?		X						

Part V

Procedures To Undertake Corrective Action

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has 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?	X							

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 L  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

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

OMB No 1545-0047  
**2012**  
Open to Public Inspection

Name of the organization RUTHERFORD HOSPITAL INC	Employer identification number  56-0619367
---	--

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

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

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No

2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 . . . . . ▶ \$

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

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

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

Part III Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

**Part IV**

**Business Transactions Involving Interested Persons.**  
Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) WILLIAM DEAN BUCK	SPOUSE OF CEO	62,450	SALARY		No

**Part V**

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

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2012

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, LINE 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, LINE 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 2013, 749 PATIENTS RECEIVED INPATIENT BEHAVIORAL HEALTH SERVICES, WHILE 999 EMERGENCY DEPARTMENT ASSESSMENTS (472 INPATIENT AND 527 OUTPATIENT) WERE PERFORMED ADDITIONALLY , THE ORGANIZATION PROVIDES GRANTS TO ORGANIZATIONS IN THE COMMUNITY

Identifier	Return Reference	Explanation
PROCESS TO REVIEW THE FORM 990	FORM 990, PART VI, SECTION B, LINE 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
MONITORING COMPLIANCE WITH CONFLICT OF INTEREST POLICY	FORM 990, PART VI, SECTION B, LINE 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, LINE 15A	THE PERSONNEL, COMPLIANCE, AND QUALITY COMMITTEE OF THE BOARD OF TRUSTEES (THE "PCQ"), ACTING AS THE COMPENSATION COMMITTEE OF THE BOARD, REVIEWS AND APPROVES THE CEO COMPENSATION ANNUALLY USING THE ORGANIZATION'S REBUTTABLE PRESUMPTION POLICY WHICH IS BASED ON THE IRS "REBUTTABLE PRESUMPTION OF REASONABLENESS" PROCEDURE. CONSISTENT WITH THAT POLICY, THE VICE PRESIDENT OF HUMAN RESOURCES PROVIDED THE PCQ WITH VARIOUS COMPARATIVE HOSPITAL CEO COMPENSATION DATA AND INDUSTRY AND MARKET STANDARDS. SPECIFICALLY, THE COMPARATIVE DATA USED DURING THIS YEAR'S ANNUAL REVIEW INCLUDED THAT FROM THE NC HOSPITAL ASSOCIATION, COMPDATA HEALTHCARE, AND NCHHRA COMPENSATION & BENEFITS SURVEY DATA FOR CEO COMPENSATION.

Identifier	Return Reference	Explanation
REVIEW OF OTHER OFFICER OR KEY EMPLOYEES COMPENSATION	FORM 990, PART VI, SECTION B, LINE 15B	THE ORGANIZATION HAS A REBUTTABLE PRESUMPTION POLICY, UPDATED IN JULY 2013, 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
TRUSTEE COMPENSATION	FORM 990, PART VII	NO BOARD MEMBERS RECEIVE COMPENSATION FOR THEIR DUTIES AS TRUSTEES. 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.



Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS	FORM 990, PART XI, LINE 9	\$ 277,868 CHANGE IN FAIR VALUE OF INTEREST RATE SWAP 95,546 TRANSFER FROM FOUNDATION ----- \$ 373,414

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

2012

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" to Form 990, Part IV, line 33.)

(a) Name, address, and EIN (if applicable) 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" to 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 entity?	
						Yes	No
(1) RUTHERFORD HOSPITAL FOUNDATION INC  288 S RIDGECREST AVENUE  RUTHERFORDTON, NC 28139 56-1968736	SUPPORT	NC	501(C)(3)	11A I	RUTH HOSP	Yes	

Part III

Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" to 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" to 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	(i) Section 512 (b)(13) controlled entity?	
								Yes	No

Part V

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

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

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 or (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 Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

No

No

No

No

No

No

No

No

No

No

No

Yes

Yes

No

No

No

Yes

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) RUTHERFORD HOSPITAL FOUNDATION INC	O	56,268	2012 W-2 BOX 5
(2) RUTHERFORD HOSPITAL FOUNDATION INC	S	95,546	FMV

Schedule R (Form 990) 2012

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]

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

**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**

**Independent Auditor's Report and Consolidated  
Financial Statements**

**September 30, 2013 and 2012**

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# **Rutherford Hospital, Inc. and Affiliates**

## **September 30, 2013 and 2012**

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## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Rutherford Hospital, Inc. and Affiliates, which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the 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, 2013 and 2012, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The accompanying supplemental 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 audit of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*BKD, LLP*

Springfield, Missouri  
January 27, 2014

**Rutherford Hospital, Inc. and Affiliates**  
**Consolidated Balance Sheets**  
**September 30, 2013 and 2012**

**Assets**

	<u>2013</u>	<u>2012</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,176,013	\$ 2,477,542
Patient accounts receivable, net of allowance, 2013 – \$13,906,000, 2012 – \$11,982,000	11,074,203	11,271,604
Other receivables	3,998,437	2,489,102
Inventory	1,911,602	1,746,370
Prepaid expenses and other	<u>878,001</u>	<u>632,823</u>
Total current assets	<u>20,038,256</u>	<u>18,617,441</u>
<b>Assets Limited As To Use</b>		
Internally designated	31,775,840	32,536,297
Externally restricted	<u>749,616</u>	<u>572,865</u>
	<u>32,525,456</u>	<u>33,109,162</u>
<b>Investments</b>	<u>508,160</u>	<u>469,545</u>
<b>Property and Equipment, Net</b>	<u>46,007,468</u>	<u>48,293,717</u>
<b>Other Assets</b>		
Goodwill	599,042	599,042
Deferred financing costs	238,459	248,996
Other	<u>684,606</u>	<u>538,322</u>
	<u>1,522,107</u>	<u>1,386,360</u>
Total assets	<u><u>\$ 100,601,447</u></u>	<u><u>\$ 101,876,225</u></u>

## Liabilities and Net Assets

	<b>2013</b>	<b>2012</b>
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 1,449,631	\$ 945,259
Accounts payable	3,991,093	3,980,349
Accrued expenses	5,109,659	5,439,048
Estimated amounts due to third-party payers	1,416,060	2,912,472
	<hr/>	<hr/>
Total current liabilities	11,966,443	13,277,128
 <b>Long-Term Debt</b>	 20,767,468	 18,911,942
 <b>Estimated Insurance Liabilities and Other</b>	 1,397,613	 1,144,074
 <b>Interest Rate Swap Agreement</b>	 807,753	 1,085,621
	<hr/>	<hr/>
Total liabilities	34,939,277	34,418,765
	<hr/>	<hr/>
<b>Net Assets</b>		
Unrestricted	65,270,072	67,107,206
Temporarily restricted	323,546	281,702
Permanently restricted	68,552	68,552
	<hr/>	<hr/>
Total net assets	65,662,170	67,457,460
	<hr/>	<hr/>
Total liabilities and net assets	\$ 100,601,447	\$ 101,876,225
	<hr/> <hr/>	<hr/> <hr/>

**Rutherford Hospital, Inc. and Affiliates**  
**Consolidated Statements of Operations**  
**Years Ended September 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Unrestricted Revenues, Gains and Other Support</b>		
Net patient service revenue (net of contractual discounts and allowances)	\$ 98,157,154	\$ 101,243,417
Provision for uncollectible accounts	(15,699,913)	(20,466,731)
Net patient service revenue less provision for uncollectible accounts	82,457,241	80,776,686
Other	3,300,783	1,899,421
Net assets released from restrictions used for operations	40,966	245,848
Total unrestricted revenues, gains and other support	85,798,990	82,921,955
<b>Expenses and Losses</b>		
Salaries and wages	39,926,260	39,211,830
Employee benefits	10,959,170	9,258,791
Professional services and professional fees	10,606,310	10,497,138
Supplies and other	21,720,317	22,326,361
Depreciation and amortization	6,515,671	5,867,619
Interest	615,980	316,904
Total expenses and losses	90,343,708	87,478,643
<b>Operating Loss</b>	(4,544,718)	(4,556,688)
<b>Other Income (Expense)</b>		
Contributions	135,645	109,812
Investment return	2,294,071	4,534,798
Change in fair value of interest rate swap agreement	277,868	(340,397)
Total other income (expense)	2,707,584	4,304,213
<b>Deficiency of Revenues Over Expenses and Decrease in Unrestricted Net Assets</b>	\$ (1,837,134)	\$ (252,475)

**Rutherford Hospital, Inc. and Affiliates**  
**Consolidated Statements of Changes in Net Assets**  
**Years Ended September 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Unrestricted Net Assets</b>		
Deficiency of revenues over expenses	\$ (1,837,134)	\$ (252,475)
Decrease in unrestricted net assets	<u>(1,837,134)</u>	<u>(252,475)</u>
<b>Temporarily Restricted Net Assets</b>		
Investment return	16,272	24,838
Contributions received	66,538	261,141
Net assets released from restriction	<u>(40,966)</u>	<u>(245,848)</u>
Increase in temporarily restricted net assets	<u>41,844</u>	<u>40,131</u>
<b>Change in Net Assets</b>	(1,795,290)	(212,344)
<b>Net Assets, Beginning of Year</b>	<u>67,457,460</u>	<u>67,669,804</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 65,662,170</u></u>	<u><u>\$ 67,457,460</u></u>

**Rutherford Hospital, Inc. and Affiliates**  
**Consolidated Statements of Cash Flows**  
**Years Ended September 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Operating Activities</b>		
Change in net assets	\$ (1,795,290)	\$ (212,344)
Items not requiring (providing) operating cash flow		
(Gain) loss on sale of property and equipment	13,623	(141)
Depreciation and amortization	6,515,671	5,867,619
Provision for uncollectible accounts	15,699,913	20,466,731
Net gains on investments	(2,288,678)	(4,536,098)
Change in fair value of interest rate swap agreement	(277,868)	340,397
Accrued self-insurance costs	107,255	129,021
Changes in		
Patient accounts receivable, net	(15,502,512)	(21,497,652)
Estimated amounts due to and from third-party payers	(1,496,412)	523,460
Accounts payable and accrued expenses	188,996	(436,548)
Other current assets and liabilities	(1,919,745)	(1,194,549)
Net cash used in operating activities	<u>(755,047)</u>	<u>(550,104)</u>
<b>Investing Activities</b>		
Purchases of investments	(32,602,828)	(43,599,322)
Proceeds from disposition of investments	35,436,597	49,539,604
Purchases of property and equipment	(4,740,149)	(7,545,630)
Net cash used in investing activities	<u>(1,906,380)</u>	<u>(1,605,348)</u>
<b>Financing Activities</b>		
Proceeds from issuance of long-term debt	3,480,179	4,204,165
Principal payments on capital lease	(295,281)	(183,916)
Principal payments on long-term debt	(825,000)	-
Net cash provided by financing activities	<u>2,359,898</u>	<u>4,020,249</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(301,529)</u>	<u>1,864,797</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>2,477,542</u>	<u>612,745</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 2,176,013</u></u>	<u><u>\$ 2,477,542</u></u>
<b>Supplemental Cash Flows Information</b>		
Interest paid (net of amount capitalized)	\$ 618,394	\$ 321,504
Property and equipment in accounts payable	\$ 57,419	\$ 565,030

# **Rutherford Hospital Inc. and Affiliates**

## **Notes to Consolidated Financial Statements**

**September 30, 2013 and 2012**

### **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, urology 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, 2013 and 2012, cash equivalents consisted primarily of money market accounts with brokers.



# **Rutherford Hospital Inc. and Affiliates**

## **Notes to Consolidated Financial Statements**

### **September 30, 2013 and 2012**

At September 30, 2013, the Hospital's cash accounts exceeded federally insured limits by approximately \$2,050,000

#### ***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 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.

# **Rutherford Hospital Inc. and Affiliates**

## **Notes to Consolidated Financial Statements**

### **September 30, 2013 and 2012**

The Hospital's allowance for doubtful accounts for self-pay patients increased from 87% of self-pay accounts receivable at September 30, 2012, to 88% of self-pay accounts receivable at September 30, 2013. In addition, the Hospital's write-offs decreased approximately \$3,074,000 from approximately \$20,560,000 for the year ended September 30, 2012, to approximately \$17,486,000 for the year ended September 30, 2013. Changes were the result of trends experienced in the collection of amounts from self-pay patients in fiscal year 2013.

#### ***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, 2013 and 2012.

#### ***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 respective 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

# **Rutherford Hospital Inc. and Affiliates**

## **Notes to Consolidated Financial Statements**

### **September 30, 2013 and 2012**

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 2013 or 2012.

#### ***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.

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.

# **Rutherford Hospital Inc. and Affiliates**

## **Notes to Consolidated Financial Statements**

### **September 30, 2013 and 2012**

#### ***Professional Liabilities Claims***

The Hospital recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 6*.

#### ***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 2009.

#### ***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.

#### ***Transfers Between Fair Value Hierarchy Levels***

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

#### ***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 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.

# **Rutherford Hospital Inc. and Affiliates**

## **Notes to Consolidated Financial Statements**

### **September 30, 2013 and 2012**

The Hospital recognizes revenue only after management meets all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period

The Hospital has recorded revenue of approximately \$2,075,000 and \$650,000 in 2013 and 2012, respectively, which is included in other revenue within operating revenues in the consolidated statement of operations

#### ***Reclassifications***

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 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 Auditor's 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, 2013 and 2012

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, 2013, was approximately

	2013	2012
Medicare	\$ 41,116,765	\$ 37,536,800
Medicaid	13,325,083	15,329,217
Other third-party payers	23,917,321	28,075,639
Patients	19,797,985	20,301,761
	<u>\$ 98,157,154</u>	<u>\$ 101,243,417</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, 2013 and 2012, is

	2013	2012
Medicare	31%	42%
Medicaid	11%	13%
Other third-party payers	40%	28%
Patients	18%	17%
	<u>100%</u>	<u>100%</u>

# Rutherford Hospital Inc. and Affiliates

## Notes to Consolidated Financial Statements

September 30, 2013 and 2012

### Note 4: Investments and Investment Return

#### *Assets Limited As To Use*

Assets limited as to use include

	2013	2012
Cash and cash equivalents	\$ 1,454,710	\$ 1,511,831
Fixed income securities	8,538,882	9,214,674
Equity securities	16,631,881	14,707,852
Mutual funds	5,837,578	7,604,260
Accrued income	62,405	70,545
	<u>\$ 32,525,456</u>	<u>\$ 33,109,162</u>

#### *Other Investments*

Long-term investments include

	2013	2012
Cash and cash equivalents	\$ 25,520	\$ 47,534
Fixed income securities	234,362	200,261
Equity securities	239,883	210,492
Mutual funds	8,395	11,258
	<u>\$ 508,160</u>	<u>\$ 469,545</u>

Total investment return is comprised of the following

	2013	2012
Interest and dividend income	\$ 21,665	\$ 23,538
Realized and unrealized gains on trading securities	2,288,678	4,536,098
	<u>\$ 2,310,343</u>	<u>\$ 4,559,636</u>

**Rutherford Hospital Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2013 and 2012**

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

	<b>2013</b>	<b>2012</b>
Unrestricted net assets		
Investment return	\$ 2,294,071	\$ 4,534,798
Temporarily restricted net assets	16,272	24,838
	<u>\$ 2,310,343</u>	<u>\$ 4,559,636</u>

**Note 5: Property and Equipment**

Property and equipment includes the following at September 30

	<b>2013</b>	<b>2012</b>
Land and land improvements	\$ 3,437,863	\$ 3,346,419
Building and leasehold improvements	69,510,451	67,050,876
Equipment	59,880,495	58,266,552
Construction in progress	694,720	850,183
	<u>133,523,529</u>	<u>129,514,030</u>
Less accumulated depreciation	<u>87,516,061</u>	<u>81,220,313</u>
	<u>\$ 46,007,468</u>	<u>\$ 48,293,717</u>

At September 30, 2013, construction in progress primarily represents costs incurred for the replacement of the Hospital's operating room HVAC system and various information technology upgrades, which are expected to be completed during 2014. The Hospital has estimated the remaining cost to complete these projects to be approximately \$75,000. The additional costs to complete will be funded through operating cash flows.

**Note 6: Professional Liability and Other Claims**

The Hospital purchases medical malpractice insurance under a claims-made policy. Under such a policy, only claims made and reported to the insurer during the policy term, regardless of when the incidents giving rise to the claims occurred, are covered. The Hospital also purchases excess umbrella liability coverage, which provides additional coverage above the basic policy limits up to the amount specified in the umbrella policy.



# Rutherford Hospital Inc. and Affiliates

## Notes to Consolidated Financial Statements

### September 30, 2013 and 2012

Based upon the Hospital's claims experience, an accrual had been made for the Hospital's estimated medical malpractice costs, including costs associated with litigating or settling claims, under its malpractice insurance policy, amounting to approximately \$471,442 and \$625,822 as of September 30, 2013 and 2012, respectively. Based upon the Hospital's claims experience, an accrual had been made for the Hospital's estimated workers' compensation costs amounting to approximately \$430,992 and \$191,521 as of September 30, 2013 and 2012, respectively. An estimate of proceeds to be received from the Hospital's insurance providers of \$253,614 and \$346,801 for malpractice claims and \$430,922 and \$191,521 for workers' compensation claims as of September 30, 2013 and 2012, respectively, has been recorded in other assets. It is reasonably possible that this estimate could change materially in the near term.

#### Note 7: Long-Term Debt

	2013	2012
Series 2010 Bonds (A)	\$ 21,258,530	\$ 19,234,551
Capital lease obligation (B)	427,393	622,650
Capital lease obligation (C)	531,176	-
	<u>22,217,099</u>	<u>19,857,201</u>
Less current maturities	<u>1,449,631</u>	<u>945,259</u>
	<u><u>\$ 20,767,468</u></u>	<u><u>\$ 18,911,942</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 \$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 2010 Bonds are variable rate bonds (1.58% and 1.61% at September 30, 2013 and 2012, respectively). The Bonds are payable in monthly installments of \$75,000 beginning December 1, 2012, with monthly payments increasing annually to \$135,000 through maturity on December 1, 2030. 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.

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.

**Rutherford Hospital Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2013 and 2012**

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.
- (C) Capital lease obligation due May 2015, payable \$27,975 monthly including interest at an imputed rate of 6.00%, one month lease payment as a security deposit which will be applied toward the total amount due if no event of default occurs.

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

	<b>Long-Term Debt (Excluding Capital Lease Obligations)</b>	<b>Capital Lease Obligations</b>
2014	\$ 930,000	\$ 563,009
2015	960,000	451,109
2016	1,000,000	
2017	1,020,000	-
2018	1,075,000	-
Thereafter	16,273,530	-
	<u>\$ 21,258,530</u>	<u>1,014,118</u>
Less amount representing interest		55,549
Present value of future minimum lease payments		958,569
Less current maturities		519,631
Noncurrent portion		<u>\$ 438,938</u>

**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 September 30,

# Rutherford Hospital Inc. and Affiliates

## Notes to Consolidated Financial Statements

### September 30, 2013 and 2012

2013 and 2012, the notional amount was \$10,705,000 and \$11,042,500, respectively. Under the agreement, 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 \$(807,753) and \$(1,085,621) at September 30, 2013 and 2012, respectively, which is included as a noncurrent liability on the consolidated balance sheets. The change in fair value thereof for 2013 and 2012, which was a gain of \$277,868 and a loss of \$340,397, respectively, is included in other income (expense) in the consolidated statements of operations. The monthly cash flow settlements of the interest rate swap agreement were \$232,505 and \$0, for September 30, 2013 and 2012, respectively, and are included within interest expense in the consolidated statement of operations.

#### **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, 2013 and 2012, the investment balance in these plans is \$495,179 and \$326,731, respectively.

#### **Note 10: Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purpose:

	<b>2013</b>	<b>2012</b>
Scholarships and various health care services	\$ 323,546	\$ 281,702

During 2013 and 2012, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of \$40,966 and \$245,848, respectively.

**Rutherford Hospital Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2013 and 2012**

Permanently restricted net assets are restricted to

	<u>2013</u>	<u>2012</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 \$1,340,000 and \$1,323,000 for 2013 and 2012, 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>2013</u>	<u>2012</u>
Health care services	\$ 66,928,784	\$ 66,011,022
General and administrative	23,414,924	21,467,621
	<u>\$ 90,343,708</u>	<u>\$ 87,478,643</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 \$1,147,000 and \$1,306,000 for the years ended September 30, 2013 and 2012, respectively. Future minimum lease payments at September 30, 2013, were:

2014	\$ 785,505
2015	676,592
2016	383,678
2017	121,090
2018	56,850
Thereafter	<u>14,100</u>
	<u>\$ 2,037,815</u>

**Rutherford Hospital Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2013 and 2012**

**Note 14: Disclosures About Fair Value of Financial Instruments**

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- |                |   |
|----------------|---|
| <b>Level 1</b> | Quoted prices in active markets for identical assets or liabilities   |
| <b>Level 2</b> | 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 |
| <b>Level 3</b> | Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities  |

***Recurring Measurements***

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. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

***Interest Rate Swap Agreement***

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

# Rutherford Hospital Inc. and Affiliates

## Notes to Consolidated Financial Statements

September 30, 2013 and 2012

		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)
<b>September 30, 2013</b>				
Investments				
Money market funds	\$ 1,250,680	\$ 1,250,680	\$ -	\$ -
Fixed income securities	8,773,244	-	8,773,244	-
Equity and mutual fund securities				
Large cap	13,265,655	13,265,655	-	-
Small-Mid cap	2,558,775	2,558,775	-	-
International	1,815,295	1,815,295	-	-
Emerging market	48,568	48,568	-	-
Real estate	883,381	883,381	-	-
Fixed income	2,690,819	2,690,819	-	-
Other	1,455,244	1,455,244	-	-
Derivative financial instruments				
Interest rate swap agreement	(807,753)	-	(807,753)	-
<b>September 30, 2012</b>				
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 securities	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)	-

# Rutherford Hospital Inc. and Affiliates

## Notes to Consolidated Financial Statements

### September 30, 2013 and 2012

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

#### ***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, 2013 and 2012

	2013		2012	
	Carrying Amount Value	Fair Value	Carrying Amount Value	Fair Value
<b>Financial Assets (Liabilities)</b>				
Cash and cash equivalents	\$ 2,176,013	\$ 2,176,013	\$ 2,477,542	\$ 2,477,542
Long-term debt excluding capital lease obligations	(21,258,530)	(21,258,530)	(19,234,551)	(19,234,551)

#### **Note 15: 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*

##### ***Professional Liability Claims***

Estimates related to the accrual for professional liability claims are described in *Notes 1* and *6*

##### ***Patient Revenues***

In 2013, approximately 25% of net patient revenues were derived from a nonemployed physician group

# **Rutherford Hospital Inc. and Affiliates**

## **Notes to Consolidated Financial Statements**

### **September 30, 2013 and 2012**

#### ***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 reached a final settlement during 2013 of \$706,000, of which \$261,500 was refunded in prior years, and final payment of \$444,500 made during 2013. As of September 30, 2013 and 2012, the Health System had \$0 and \$841,000 accrued within estimated amounts due to third-party payers. No loss related to this matter was recorded in 2013 or 2012.

#### ***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.



# **Rutherford Hospital Inc. and Affiliates**

## **Notes to Consolidated Financial Statements**

### **September 30, 2013 and 2012**

#### **Note 16: Medicaid Enhancement Programs**

The Hospital participates in two voluntary North Carolina Medicaid programs designed to reduce the disparity between cost of providing service to Medicaid and the uninsured population and reimbursement received. The Hospital has historically participated in the Medicaid Reimbursement Initiative and recognized supplemental Medicaid reimbursement of approximately \$844,000 and \$906,000 in net patient services revenues for the years ended September 30, 2013 and 2012, 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 \$1,740,000 and \$2,764,000 in 2012, which are recorded as a component of supplies and other within the statement of operations. The Hospital receives approximately \$4,734,000 for 2013 and \$8,524,000 in 2012 of supplemental Medicaid funds, which was recorded as a component of net patient service revenue. Included within the 2012 amounts above are assessments of \$1,110,000 and supplemental Medicaid funds of \$3,970,000, related to retroactively applying the program to 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 17: Patient Protection and Affordable Care Act**

The Patient Protection and Affordable Care Act (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible that the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

The state of North Carolina has initially indicated it will not expand the Medicaid program, which may result in revenues from newly covered individuals not offsetting the Hospital's reduced revenue from other Medicare/Medicaid programs.

**Rutherford Hospital Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2013 and 2012**

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is possible that it will have a negative impact on the Hospital's net patient service revenue. Additionally, it is possible the Hospital will experience payment delays and other operational challenges during PPACA's implementation.

**Note 18: Joint Venture with Duke LifePoint Healthcare, LLC**

As of September 9, 2013, the Rutherford Hospital Inc. and Affiliates Board of Trustees has advanced efforts to strengthen the Hospital and enhance its ability to provide outstanding care to patients in Rutherford County and surrounding areas, by signing a memorandum of understanding to form a joint venture with Duke LifePoint Healthcare, LLC. Under the terms of the proposed joint venture, the Hospital will hold a 20 percent interest and Duke LifePoint will obtain an 80 percent interest to share in ownership of the hospital system. Governance would be shared equally between the Hospital and Duke LifePoint, giving the community a long-term voice in the Hospital's strategic direction. The Board of Trustees and management are actively working on a definitive agreement to be finalized in the near future.

## **Supplementary Information**

**Rutherford Hospital Inc. and Affiliates**  
**Consolidating Schedule – Balance Sheet Information**  
**September 30, 2013**

**Assets**

	<b>Rutherford Hospital</b>	<b>Carolina Community Care</b>	<b>Physician Practices</b>	<b>Rutherford Hospital Auxiliary</b>	<b>Rutherford Hospital Foundation</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Current Assets</b>							
Cash and cash equivalents	\$ 1,883,129	\$ 100	\$ 2,275	\$ 19,903	\$ 270,606	\$ -	\$ 2,176,013
Patient accounts receivable, net	8,697,719	858,423	1,518,061	-	-	-	11,074,203
Other receivables	3,991,976	361	6,100	-	-	-	3,998,437
Inventory	1,846,057	-	43,118	22,427	-	-	1,911,602
Prepaid expenses and other	878,001	-	-	-	-	-	878,001
Total current assets	17,296,882	858,884	1,569,554	42,330	270,606	-	20,038,256
<b>Due (To) From Affiliates</b>	5,080	-	(5,080)	-	-	-	-
<b>Assets Limited As To Use</b>							
Internally designated	31,775,840	-	-	-	-	-	31,775,840
Externally restricted	495,179	-	-	-	254,437	-	749,616
	32,271,019	-	-	-	254,437	-	32,525,456
<b>Investments</b>	-	-	-	-	508,160	-	508,160
<b>Property and Equipment, Net</b>	39,498,200	497,409	5,993,132	719	18,008	-	46,007,468
<b>Other Assets</b>							
Goodwill	-	-	599,042	-	-	-	599,042
Deferred financing costs	238,459	-	-	-	-	-	238,459
Other	684,606	-	-	-	-	-	684,606
	923,065	-	599,042	-	-	-	1,522,107
Total assets	\$ 89,994,246	\$ 1,356,293	\$ 8,156,648	\$ 43,049	\$ 1,051,211	\$ -	\$ 100,601,447

**Rutherford Hospital Inc. and Affiliates**  
**Consolidating Schedule – Balance Sheet Information**  
**September 30, 2013**

**Liabilities and Net Assets**

	<b>Rutherford Hospital</b>	<b>Carolina Community Care</b>	<b>Physician Practices</b>	<b>Rutherford Hospital Auxiliary</b>	<b>Rutherford Hospital Foundation</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Current Liabilities</b>							
Current maturities of long-term debt	\$ 1,449,631	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,449,631
Accounts payable	3,940,851	-	49,951	291	-	-	3,991,093
Accrued expenses	4,538,098	129,462	442,099	-	-	-	5,109,659
Estimated amounts due to third-party payers	1,416,060	-	-	-	-	-	1,416,060
Total current liabilities	11,344,640	129,462	492,050	291	-	-	11,966,443
<b>Long-Term Debt</b>	20,767,468	-	-	-	-	-	20,767,468
<b>Estimated Insurance Liabilities and Other</b>	1,397,613	-	-	-	-	-	1,397,613
<b>Interest Rate Swap Agreement</b>	807,753	-	-	-	-	-	807,753
Total liabilities	34,317,474	129,462	492,050	291	-	-	34,939,277
<b>Net Assets</b>							
Unrestricted	55,676,772	1,226,831	7,664,598	42,758	659,113	-	65,270,072
Temporarily restricted	-	-	-	-	323,546	-	323,546
Permanently restricted	-	-	-	-	68,552	-	68,552
Total net assets	55,676,772	1,226,831	7,664,598	42,758	1,051,211	-	65,662,170
Total liabilities and net assets	\$ 89,994,246	\$ 1,356,293	\$ 8,156,648	\$ 43,049	\$ 1,051,211	\$ -	\$ 100,601,447

**Rutherford Hospital Inc. and Affiliates**  
**Consolidating Schedule – Statement of Operations Information**  
**Year Ended September 30, 2013**

	<b>Rutherford Hospital</b>	<b>Carolina Community Care</b>	<b>Physician Practices</b>	<b>Rutherford Hospital Auxiliary</b>	<b>Rutherford Hospital Foundation</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Unrestricted Revenues, Gains and Other Support</b>							
Net patient service revenue (net of contractual discounts and allowances)	\$ 81,996,202	\$ 5,391,119	\$ 10,769,833	\$ -	\$ -	\$ -	\$ 98,157,154
Provision for uncollectible accounts	(13,661,196)	(105,196)	(1,933,521)	-	-	-	(15,699,913)
Net patient service revenue less provision for uncollectible accounts	68,335,006	5,285,923	8,836,312	-	-	-	82,457,241
Other	3,030,950	7,776	151,100	151,923	-	(40,966)	3,300,783
Net assets released from restrictions used for operations	-	-	-	-	40,966	-	40,966
Total unrestricted revenues, gains and other support	71,365,956	5,293,699	8,987,412	151,923	40,966	(40,966)	85,798,990
<b>Expenses and Losses</b>							
Salaries and wages	26,772,940	3,160,682	9,992,638	-	-	-	39,926,260
Employee benefits	8,311,473	1,151,822	1,495,875	-	-	-	10,959,170
Purchased services and professional fees	9,744,115	124,048	712,466	-	25,681	-	10,606,310
Supplies and other	19,964,178	504,470	1,163,988	74,895	53,752	(40,966)	21,720,317
Depreciation and amortization	5,789,646	48,133	677,306	242	344	-	6,515,671
Interest	615,980	-	-	-	-	-	615,980
Total expenses and losses	71,198,332	4,989,155	14,042,273	75,137	79,777	(40,966)	90,343,708
<b>Operating Income (Loss)</b>	167,624	304,544	(5,054,861)	76,786	(38,811)	-	(4,544,718)
<b>Other Income (Expense)</b>							
Contributions	-	-	-	-	135,645	-	135,645
Investment return	2,252,497	-	-	25	41,549	-	2,294,071
Change in fair value of interest rate swap agreement	277,868	-	-	-	-	-	277,868
Total other income (expense)	2,530,365	-	-	25	177,194	-	2,707,584
<b>Excess (Deficiency) of Revenues Over Expenses and Increase (Decrease) in Unrestricted Net Assets</b>	<u>\$ 2,697,989</u>	<u>\$ 304,544</u>	<u>\$ (5,054,861)</u>	<u>\$ 76,811</u>	<u>\$ 138,383</u>	<u>\$ -</u>	<u>\$ (1,837,134)</u>

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

**Assets**

	<b>Rutherford Hospital</b>	<b>Carolina Community Care</b>	<b>Physician Practices</b>	<b>Rutherford Hospital Auxiliary</b>	<b>Rutherford Hospital Foundation</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Current Assets</b>							
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	1,705,244	-	-	-	11,271,604
Other receivables	2,480,902	-	8,200	-	-	-	2,489,102
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
<b>Assets Limited As To Use</b>							
Internally designated	32,536,297	-	-	-	-	-	32,536,297
Externally restricted	326,731	-	-	-	246,134	-	572,865
	32,863,028	-	-	-	246,134	-	33,109,162
<b>Investments</b>	-	-	-	-	469,545	-	469,545
<b>Property and Equipment, Net</b>	41,501,908	536,641	6,237,791	961	16,416	-	48,293,717
<b>Other Assets</b>							
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**  
**Year Ended September 30, 2012**

**Liabilities and Net Assets**

	<b>Rutherford Hospital</b>	<b>Carolina Community Care</b>	<b>Physician Practices</b>	<b>Rutherford Hospital Auxiliary</b>	<b>Rutherford Hospital Foundation</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Current Liabilities</b>							
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
<b>Long-Term Debt</b>	18,911,942	-	-	-	-	-	18,911,942
<b>Estimated Insurance Liability and Other</b>	1,144,074	-	-	-	-	-	1,144,074
<b>Interest Rate Swap Agreement</b>	1,085,621	-	-	-	-	-	1,085,621
Total liabilities	33,687,130	136,258	594,981	396	-	-	34,418,765
<b>Net Assets</b>							
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	<u>\$ 91,199,438</u>	<u>\$ 1,146,196</u>	<u>\$ 8,582,770</u>	<u>\$ 41,343</u>	<u>\$ 906,478</u>	<u>\$ -</u>	<u>\$ 101,876,225</u>



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

	<b>Rutherford Hospital</b>	<b>Carolina Community Care</b>	<b>Physician Practices</b>	<b>Rutherford Hospital Auxiliary</b>	<b>Rutherford Hospital Foundation</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Unrestricted Revenues, Gains and Other Support</b>							
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
<b>Expenses and Losses</b>							
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
<b>Operating Income (Loss)</b>	(985,381)	696,811	(4,377,566)	204,369	(94,921)	-	(4,556,688)
<b>Other Income (Expense)</b>							
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
<b>Excess (Deficiency) of Revenues Over Expenses and Increase (Decrease) in Unrestricted Net Assets</b>	<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>