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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

C Name of organization
Cumberland County Hospital System Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
PO Box 2000

City or town, state or country, and ZIP + 4
Fayetteville, NC 283022000

D Employer identification number
56-0845796

E Telephone number
(910) 615-4829

G Gross receipts $ 1,046,532,901

F Name and address of principal officer
Sandra Williams
PO Box 2000
Fayetteville, NC 283022000

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

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

H(c) Group exemption number ▶

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

J Website: ▶ www capefearvalley com

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

L Year of formation 1956

M State of legal domicile NC

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Cumberland County Hospital System, Inc exists to meet the health care needs of the residents of Cumberland and Bladen counties, and the surrounding area in North Carolina

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	20
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	20
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	6,739
6	Total number of volunteers (estimate if necessary)	**6**	492
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	-82,113
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-82,113

		Prior Year	Current Year
Revenue **8**	Contributions and grants (Part VIII, line 1h)	473,794	478,450
9	Program service revenue (Part VIII, line 2g)	802,320,052	827,954,023
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	10,908,415	17,194,462
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	11,056,199	12,438,255
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	824,758,460	858,065,190
Expenses **13**	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	254,315	262,290
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)	379,001,606	383,399,136
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	422,299,786	448,335,825
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	801,555,707	831,997,251
19	Revenue less expenses Subtract line 18 from line 12	23,202,753	26,067,939

		Beginning of Current Year	End of Year
Net Assets or Fund Balances **20**	Total assets (Part X, line 16)	929,405,691	935,749,959
21	Total liabilities (Part X, line 26)	524,539,582	501,306,750
22	Net assets or fund balances Subtract line 21 from line 20	404,866,109	434,443,209

Part II Signature Block

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

Sign Here

▶ Signature of officer — 2014-08-15 Date

▶ SANDRA WILLIAMS CFO Chief Financial Officer
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
John W Sadoff Jr				P00540589

Firm's name ▶ Deloitte Tax LLP — Firm's EIN ▶ 86-1065772

Firm's address ▶ 191 Peachtree Stree Suite 2000
Atlanta, GA 303031749 — Phone no (404) 220-1500

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

Cumberland County Hospital System, Inc exists to meet the health care needs of the residents of Cumberland, Bladen and Hoke counties, and the surrounding area in North Carolina

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 $ 763,992,483 including grants of $ 262,290) (Revenue $ 857,683,099)

As part of meeting the health care needs of the service area, CCHS, Inc admitted 35,079 patients, provided 220,324 patient days of care, had 151,878 emergency room visits and had over 446,896 outpatient visits for other services

4b (Code) (Expenses $ including grants of $) (Revenue $)

4c (Code) (Expenses $ including grants of $) (Revenue $)

4d Other program services (Describe in Schedule O)
(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ 763,992,483

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21 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	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f		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? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		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? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**	Yes	
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**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)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**		No
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	511		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	6,739		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a		Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b		Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a		Yes	
b	If "Yes," enter the name of the foreign country ▶ CJ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d	0		
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** 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	**1a** 20		
	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			
b	Enter the number of voting members included in line 1a, above, who are independent	**1b** 20		
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**	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	**8a**	Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**		No

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

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

Section C. Disclosure

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

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

☐ Own website ☐ Another's website ☑ Upon request ☐ 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 ▶ James Dupe PO Box 2000 Fayetteville, NC (910) 615-4829

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) Bradley Broussard Trustee	2 00	X						0	0	0
(2) Bryant Murphy Trustee	2 00	X						0	0	0
(3) Charles Evans Trustee	2 00	X						0	0	0
(4) Denise Mahone Wyatt Trustee	2 00	X						0	0	0
(5) Divyang Patel Trustee	2 00	X						0	0	0
(6) Ed Melvin Trustee	2 00	X						0	0	0
(7) James Martin Trustee	2 00	X						0	0	0
(8) Jeannette Council Trustee	2 00	X						0	0	0
(9) Jennifer Twaddell Trustee	2 00	X						0	0	0
(10) Jerry Dean Trustee	2 00	X						0	0	0
(11) Jimmy Keefe Trustee	2 00	X						0	0	0
(12) Kenneth Edge Trustee	2 00	X						0	0	0
(13) Lucy Jones Trustee	2 00	X						0	0	0
(14) Marion Gillis Olion Trustee	2 00	X						0	0	0
(15) Marshall Faircloth Trustee	2 00	X						0	0	0
(16) Mary Dickey Trustee	2 00	X						0	0	0
(17) Rueben Rivers Trustee	2 00	X						0	0	0

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

(A) Name and Title	(B) Average hours per week (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			
(18) Sanjeev Slehria Trustee	2 00	X						0	0	0
(19) Billy King Secretary/Treasurer	2 00	X		X				0	0	0
(20) Donald L Porter Vice Chairperson	2 00	X		X				0	0	0
(21) Earnest Curry Chairperson	2 00	X		X				0	0	0
(22) John Henley Board Chairperson	2 00	X		X				0	0	0
(23) Michael Nagowski CEO	55 00			X				976,162	0	95,907
(24) Sandra Williams CFO	55 00			X				509,809	0	20,608
(25) William Pryor CHRO	55 00			X				335,381	0	25,540
(26) Inad Atassi Staff Physician	55 00					X		722,835	0	23,832
(27) John Spitalieri Staff Physician	55 00					X		719,878	0	18,498
(28) John Whitley Staff Physician	55 00					X		753,349	0	10,301
(29) Richard Osenbach Medical Director	55 00					X		721,970	0	21,145
(30) Stuart Shelton Medical Director	55 00					X		654,418	0	29,122
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								5,393,802	0	244,953

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 440

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Simpli Fi Managed Services 1834 Sally Hill Farms Blvd Florence SC 29501	Professional Services	19,176,239
Allied Barton Security Services PO Box 534265 Atlanta GA 30353	Security Services	3,738,486
Greeley Company PO Box 3049 Peabody MA 01961	Consulting	2,680,312
RPA Design PC 5960 Fairview Rd Suite 500 Charlotte NC 28210	Construction	1,997,533
K&L Gates LLP 210 Sixth Avenue Pittsburgh PA 15222	Legal Services	1,638,992

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 ▶ 73

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	49,760			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	428,690			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f			478,450			
Program Service Revenue			Business Code				
	2a	Patient Service Revenue	900099	814,855,137	814,855,137		
	b	Ancillary Medical Services	900099	12,899,648	12,899,648		
	c	Education/Outreach	611710	199,238	199,238		
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		827,954,023			
	3	Investment income (including dividends, interest, and other similar amounts)		11,646,795			11,646,795
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real	(ii) Personal			
	6a	Gross rents	43,122				
	b	Less rental expenses	11,050				
	c	Rental income or (loss)	32,072				
	d	Net rental income or (loss)			32,072		14,247	17,825
			(i) Securities	(ii) Other				
	7a	Gross amount from sales of assets other than inventory	193,958,128	46,200				
	b	Less cost or other basis and sales expenses	188,321,889	134,772				
	c	Gain or (loss)	5,636,239	-88,572				
	d	Net gain or (loss)			5,547,667			5,547,667
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a					
	b	Less direct expenses	b					
	c	Net income or (loss) from fundraising events						
	9a	Gross income from gaming activities See Part IV, line 19	a					
	b	Less direct expenses	b					
	c	Net income or (loss) from gaming activities						
	10a	Gross sales of inventory, less returns and allowances	a					
	b	Less cost of goods sold	b					
	c	Net income or (loss) from sales of inventory						
		Miscellaneous Revenue		Business Code				
	11a	Purchase Rebates, Discounts, and		812900	7,500,146			7,500,146
	b	Cafeteria And Parking Revenue		900099	3,843,288			3,843,288
	c	Employee Daycare Revenue		624410	1,159,109			1,159,109
	d	All other revenue			-96,360		-96,360	
	e	**Total.** Add lines 11a–11d			12,406,183			
	12	**Total revenue.** See Instructions			858,065,190	827,954,023	-82,113	29,714,830

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	262,290	262,290		
2 Grants and other assistance to individuals in the United States See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	1,920,500	1,728,450	192,050	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	306,261,289	275,635,160	30,626,129	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	13,532,131	12,178,918	1,353,213	
9 Other employee benefits	41,041,852	36,937,667	4,104,185	
10 Payroll taxes	20,643,364	18,579,028	2,064,336	
11 Fees for services (non-employees)				
a Management	7,653,970	6,888,573	765,397	
b Legal	3,227,352	2,904,617	322,735	
c Accounting	535,113	481,602	53,511	
d Lobbying	95,000	95,000		
e Professional fundraising services See Part IV, line 17				
f Investment management fees				
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)				
12 Advertising and promotion	1,039,070	935,163	103,907	
13 Office expenses	4,144,354	3,729,919	414,435	
14 Information technology	11,416,624	10,355,864	1,060,760	
15 Royalties . .				
16 Occupancy	12,243,889	11,019,500	1,224,389	
17 Travel	356,293	320,664	35,629	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	649,308	584,377	64,931	
20 Interest	11,125,593	10,013,034	1,112,559	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	30,372,412	27,335,171	3,037,241	
23 Insurance	8,026,158	7,223,542	802,616	
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	150,783,234	150,783,234		
b Medical and Other Suppl	111,066,110	99,959,499	11,106,611	
c Contract Labor	18,815,826	16,934,243	1,881,583	
d Purchased Services	17,144,872	15,430,385	1,714,487	
e All other expenses	59,640,647	53,676,583	5,964,064	
25 **Total functional expenses.** Add lines 1 through 24e	831,997,251	763,992,483	68,004,768	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ 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) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		25,364,839	1	15,257,931
	2	Savings and temporary cash investments		53,332,889	2	49,368,461
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		93,594,183	4	103,653,476
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	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			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		8,609,183	8	9,275,510
	9	Prepaid expenses and deferred charges		4,936,431	9	6,016,216
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 720,900,282			
	b	Less accumulated depreciation	10b 401,246,357	303,180,956	10c	319,653,925
	11	Investments—publicly traded securities		266,819,448	11	286,870,967
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		173,567,762	15	145,653,473
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		929,405,691	16	935,749,959
Liabilities	17	Accounts payable and accrued expenses		85,488,984	17	51,614,285
	18	Grants payable			18	
	19	Deferred revenue		180,715	19	158,310
	20	Tax-exempt bond liabilities		292,262,366	20	280,594,642
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	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			22	
	23	Secured mortgages and notes payable to unrelated third parties		0	23	38,447,999
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		146,607,517	25	130,491,514
	26	**Total liabilities.** Add lines 17 through 25		524,539,582	26	501,306,750
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets			27	
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds		0	30	0
	31	Paid-in or capital surplus, or land, building or equipment fund		0	31	0
	32	Retained earnings, endowment, accumulated income, or other funds		393,737,598	32	423,314,698
	33	Total net assets or fund balances		404,866,109	33	434,443,209
	34	Total liabilities and net assets/fund balances		929,405,691	34	935,749,959

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	858,065,190
2	Total expenses (must equal Part IX, column (A), line 25)	2	831,997,251
3	Revenue less expenses Subtract line 2 from line 1	3	26,067,939
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	404,866,109
5	Net unrealized gains (losses) on investments	5	3,509,161
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	0
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	434,443,209

Part XII Financial Statements and Reporting

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

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

Additional Data

Software ID:
Software Version:
EIN: 56-0845796
Name: Cumberland County Hospital System Inc

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

(A) Name and Title	(B) Average hours per week (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			
Bradley Broussard Trustee	2 00	X						0	0	0
Bryant Murphy Trustee	2 00	X						0	0	0
Charles Evans Trustee	2 00	X						0	0	0
Denise Mahone Wyatt Trustee	2 00	X						0	0	0
Divyang Patel Trustee	2 00	X						0	0	0
Ed Melvin Trustee	2 00	X						0	0	0
James Martin Trustee	2 00	X						0	0	0
Jeannette Council Trustee	2 00	X						0	0	0
Jennifer Twaddell Trustee	2 00	X						0	0	0
Jerry Dean Trustee	2 00	X						0	0	0
Jimmy Keefe Trustee	2 00	X						0	0	0
Kenneth Edge Trustee	2 00	X						0	0	0
Lucy Jones Trustee	2 00	X						0	0	0
Marion Gillis Olion Trustee	2 00	X						0	0	0
Marshall Faircloth Trustee	2 00	X						0	0	0
Mary Dickey Trustee	2 00	X						0	0	0
Rueben Rivers Trustee	2 00	X						0	0	0
Sanjeev Slehria Trustee	2 00	X						0	0	0
Billy King Secretary/Treasurer	2 00	X		X				0	0	0
Donald L Porter Vice Chairperson	2 00	X		X				0	0	0
Earnest Curry Chairperson	2 00	X		X				0	0	0
John Henley Board Chairperson	2 00	X		X				0	0	0
Michael Nagowski CEO	55 00			X				976,162	0	95,907
Sandra Williams CFO	55 00			X				509,809	0	20,608
William Pryor CHRO	55 00			X				335,381	0	25,540

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

(A) Name and Title	(B) Average hours per week (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			
Inad Atassi Staff Physician	55 00					X		722,835	0	23,832
John Spitalieri Staff Physician	55 00					X		719,878	0	18,498
John Whitley Staff Physician	55 00					X		753,349	0	10,301
Richard Osenbach Medical Director	55 00					X		721,970	0	21,145
Stuart Shelton Medical Director	55 00					X		654,418	0	29,122

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Cumberland County Hospital System Inc

Employer identification number
56-0845796

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?

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

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

(i) Name of supported organization	**(ii)** EIN	**(iii)** Type of organization (described on lines 1 - 9 above or IRC section **(see instructions))**	**(iv)** Is the organization in col **(i)** listed in your governing document?		**(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 III **Support Schedule for Organizations Described in Section 509(a)(2)**
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 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

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ Complete if the organization is described below. ▶ Attach to Form 990 or Form 990-EZ.
▶ See separate instructions.

OMB No 1545-0047

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	Employer identification number
Cumberland County Hospital System Inc	56-0845796

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

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 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) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
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?	Yes		95,000
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?		No	
j	Total Add lines 1c through 1i			95,000
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

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Cumberland County Hospital System Inc

Employer identification number
56-0845796

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

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

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

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds 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? ☐ Yes ☐ No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or 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 easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

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 ▶ _____

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 ▶ $ _____

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

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

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

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

4 Describe in Part 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		23,500,091		23,500,091
b Buildings		417,767,447	185,070,562	232,696,885
c Leasehold improvements		1,740,197	611,134	1,129,063
d Equipment		267,650,169	206,437,384	61,212,785
e Other		10,242,378	9,127,277	1,115,101
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				319,653,925

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

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

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

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

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

(a) Description	(b) Book value
(1) Other Receivables	21,516,074
(2) Self Insurance Trusts	43,260,503
(3) Trusts - Bond Funds	10,334,550
(4) Other Assets	5,735,066
(5) Construction in Progress	34,451,960
(6) Derivative Instrument	30,355,320
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	145,653,473

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

1 (a) Description of liability	(b) Book value
Federal income taxes	
Estimated Prof Liability & Worker Comp Costs	43,998,103
Due to Payor Agencies	56,138,091
Derivative Instrument	30,355,320
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	130,491,514

2. Fin 48 (ASC 740) Footnote In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740) Check here if the text of the footnote has been provided in Part XIII ☐

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

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

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

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

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Cumberland County Hospital System Inc

Employer identification number
56-0845796

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			
	☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ 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			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care	3a	Yes	
	☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %			
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☑ Other 50000 0000000000 %			
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		No
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
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)			12,274,000	955,000	11,319,000	1 660 %
b Medicaid (from Worksheet 3, column a)			61,875,000	40,330,000	21,545,000	3 160 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			74,149,000	41,285,000	32,864,000	4 820 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			100,000		100,000	0 010 %
f Health professions education (from Worksheet 5)			3,650,000	3,539,040	110,960	0 020 %
g Subsidized health services (from Worksheet 6)			34,377,000	16,843,000	17,534,000	2 570 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			300,000		300,000	0 040 %
j **Total.** Other Benefits			38,427,000	20,382,040	18,044,960	2 640 %
k **Total.** Add lines 7d and 7j			112,576,000	61,667,040	50,908,960	7 460 %

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			185,000		185,000	0 030 %
7	Community health improvement advocacy						
8	Workforce development			60,000		60,000	0 010 %
9	Other						
10	**Total**			245,000		245,000	0 040 %

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1		No
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	39,250,000		
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			
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	228,039,361	
6	Enter Medicare allowable costs of care relating to payments on line 5	6	244,098,836	
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-16,059,475	
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?
3

	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	Cape Fear Valley Health System 1638 Owen Drive Fayetteville, NC 28304	X	X					X			
2	Highsmith Rainey Hospital 150 Robeson Street Fayetteville, NC 28301	X								Long Term Acute Care Hospital	
3	Bladen County Hospital 501 South Poplar Street Elizabethtown, NC 28337	X				X		X			

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)

Name of hospital facility or facility reporting group Cape Fear Valley Health System

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	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 12			
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?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☑ Participation in the development of a community-wide plan			
d	☑ Participation in the execution of a community-wide plan			
e	☑ Inclusion of a community benefit section in operational plans			
f	☑ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**	Yes	
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
9 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?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 500 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☐ Asset level			
c ☑ Medical indigency			
d ☐ Insurance status			
e ☑ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted on the hospital facility's website			
b ☑ The policy was attached to billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☑ Other (describe in Part VI)			
Billing and Collections			
15 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?	**15**	Yes	
16 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			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 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?	**17**	Yes	
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☑ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

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?	**19**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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 ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☑ Other (describe in Part VI)			
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?	**21**		No
If "Yes," explain in Part VI			
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?	**22**		No
If "Yes," explain in Part VI			

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)

Name of hospital facility or facility reporting group Highsmith Rainey Hospital

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 2

			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	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 12			
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?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☑ Participation in the development of a community-wide plan			
d	☑ Participation in the execution of a community-wide plan			
e	☑ Inclusion of a community benefit section in operational plans			
f	☑ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**	Yes	
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
9 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?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 500 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☐ Asset level			
c ☑ Medical indigency			
d ☐ Insurance status			
e ☑ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted on the hospital facility's website			
b ☑ The policy was attached to billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☑ Other (describe in Part VI)			
Billing and Collections			
15 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?	**15**	Yes	
16 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			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 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?	**17**	Yes	
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☑ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

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?	**19**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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 ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☑ Other (describe in Part VI)			
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?	**21**		No
If "Yes," explain in Part VI			
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?	**22**		No
If "Yes," explain in Part VI			

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)

Name of hospital facility or facility reporting group Bladen County Hospital

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 3

			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	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 12			
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**		No
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☑ Participation in the development of a community-wide plan			
d	☑ Participation in the execution of a community-wide plan			
e	☑ Inclusion of a community benefit section in operational plans			
f	☑ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**	Yes	
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
9 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?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 500 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☐ Asset level			
c ☑ Medical indigency			
d ☐ Insurance status			
e ☑ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted on the hospital facility's website			
b ☑ The policy was attached to billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☑ Other (describe in Part VI)			
Billing and Collections			
15 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?	**15**	Yes	
16 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			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 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?	**17**	Yes	
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☑ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

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?	**19**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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 ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☑ Other (describe in Part VI)			
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?	**21**		No
If "Yes," explain in Part VI			
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?	**22**		No
If "Yes," explain in Part VI			

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?
41

	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
		Part I, Line 6a Cumberland County Hospital System files a community benefit report annually in the state of North Carolina to the North Carolina Hospital Association
		Part II Cumberland County Hospital System, Inc ("CCHS") reported coalition building and workforce development details in the Community Building Activities Part II Coalition building promotes the health of the communities it serves by networking with other community agencies to address the health and safety issues of the community The employees of CCHS utilize their clinical expertise to collaborate with other community agencies and county and state health departments to provide education and other initiatives that benefit the health of people in the community Workforce development activities include the recruitment of physicians and other health professionals to medical shortage areas

Identifier	ReturnReference	Explanation
		Part III, Line 4 A patient's record is reviewed for possible charity care and if the patient does not qualify for charity and the patient does not pay, their charges are written-off as bad debt Amounts in line 2 are determined by calculating a cost-to-charge ratio Total expenses (less bad debts and other operating revenue) are divided into total gross patient revenue Total bad debt charges are multiplied by this percentage
		Part III, Line 8 Cumberland County Hospital Systems, Inc treats the total shortfall of Medicare reimbursement compared to the amount of computed Medicare allowable costs as a community benefit The Hospital improves access to patient care by providing services regardless of a patient's ability to pay or the hospital's ability to receive full cost reimbursement for services The hospital also relieves the government of a financial burden when it provides care to publicly insured patients where reimbursement is less than cost of providing the service

Identifier	ReturnReference	Explanation
		Part III, Line 9b If patients are determined to qualify for charity, then the account is written-off to charity rather than to bad debt
Cape Fear Valley Health System		Part V, Section B, Line 3 The Health System established a Community Health Assessment Team (CHAT) to analyze the community health needs Attendees provided input regarding community health strengths and concerns, as well as identified the top health concerns Those individuals, representing diverse groups were chosen to participate in the CHAT because of their insights about the community's health needs These individuals represented the local Health Departments, County Departments, and community organizations such as United Way and March of Dimes

Identifier	ReturnReference	Explanation
Cape Fear Valley Health System		Part V, Section B, Line 4 Cape Fear Valley and Highsmith Rainey worked collaboratively with one another
Cape Fear Valley Health System		Part V, Section B, Line 14g See the response to Part VI, Line 3

Identifier	ReturnReference	Explanation
Highsmith Rainey Hospital		Part V, Section B, Line 14g See the response to Part VI, Line 3
Bladen County Hospital		Part V, Section B, Line 14g See the response to Part VI, Line 3

Identifier	ReturnReference	Explanation
Cape Fear Valley Health System		Part V, Section B, Line 20d Patients are charged at the hospital Usual Customary and Reasonable rates minus 30%
Highsmith Rainey Hospital		Part V, Section B, Line 20d Patients are charged at the hospital Usual Customary and Reasonable rates minus 30%

Identifier	ReturnReference	Explanation
Bladen County Hospital		Part V, Section B, Line 20d Patients are charged at the hospital Usual Customary and Reasonable rates minus 30%
		Part VI, Line 2 The mission of Cape Fear Valley Health System is to strengthen the health and well-being of the greater Cape Fear Valley region through high-quality, compassionate care provided to all who need it As a community not-for-profit organization, we take seriously our responsibility to invest our resources and energies into understanding and meeting the diverse health care needs of all, and ensure that everyone, regardless of their ability to pay, receive the care they need Our facility is a member of a group called Greater Fayetteville Futures As a member of this group we participate in community meetings to gain insight needs and community suggestions The Senior Administrative team serves in various capacities on several local community boards and groups As members of these various groups, they are able to gain insight to needs of the community Our community partners are critical to helping us improve the health and well-being of the Cape Fear Valley region Together, we can combine resources and strengths, positively impacting the greatest number of people By working closely with the community leaders, we also build a greater sense of community and a shared commitment toward our common goal of improving the community's health The results help us to determine our short and long term priorities as well as strategies for improving community health Those community groups and partners CCCC, SRAHEC, CCMAP, Chamber of Commerce, Fayetteville Area PR Alliance, Cumberland County Education Foundation, Communities in Schools of NC, Fort Bragg Regional Alliance, Care Clinic, and the Methodist University Physician Assistant program

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Uninsured patients are screened at the time of registration for their ability to pay for their health care services If the patient has no ability to pay and is deemed ineligible for governmental programs (Medicare, Medicaid, etc) then they are informed of the Hospital Charity program They are provided with an application and a listing of the appropriate documents necessary to establish eligibility for the Hospital Charity program All patients receive a copy of our Charity Care Application accompanying the first billing statement
		Part VI, Line 4 Cumberland County Hospital System, Inc ("CCHS") doing business as Cape Fear Valley Medical Center ("CFVMC") is the flag ship of Cape Fear Valley Health System ("CFVHS") CFVHS operates a variety of healthcare facilities from its headquarters in Fayetteville, North Carolina including a tertiary acute care hospital, a long-term acute care hospital, a critical access hospital, an inpatient rehabilitation facility, county emergency medical services, an outpatient psychiatric facility, a detoxification facility, a wellness center, 14 primary care clinics, 16 specialty care clinics, 5 walk-in clinics, and Health Pavilion North, an outpatient complex Cape Fear Valley Health System serves a six-county service area made up of the five counties contiguous to Cumberland County, NC, which is its Primary Service Area Per information from the 2012 Census Data, Cumberland has a population of over 324,000 residents, this was a growth of 6 9% from the 2000 Census Data Approximately 53 5% of the 324,000 residents in our primary service area are minorities, compared to 35 3% for the state

Identifier	ReturnReference	Explanation
		Part VI, Line 5 Chronic diseases like diabetes and obesity are increasing within our community Our facility has opened a diabetes and endocrine clinic to help those patients diagnosed with diabetic Our healthplex provides both nutritional and exercise programs to help those in the community address the problem of obesity The goal is to help all residents learn to manage their conditions and live healthier lives by addressing the challenges associated with these conditions Example of Program at Cape Fear Valley Cape Fear Valley Health System's Take Charge of Your Health Program began as an initiative to close the healthcare gap between African-Americans and non-Hispanic Whites in Cumberland County through public service announcements, health fairs, screenings and speaking engagements It has since broadened its focus to all of Cumberland County Darvin Jones is the Coordinator of Take Charge of Your Health Program He serves on the Board of Directors of Community Health Interventions & Sickle Cell Agency, a non-profit that works with individuals with sickle cell disease, hypertension and diabetes Darvin is also a member of the Cumberland County Council for Healthy Living, a group assembled by the Health Department, and the Cumberland County Schools School Health Advisory Council Take Charge of Your Health is affiliated with Eat Smart, Move More North Carolina, a statewide initiative At Cape Fear Valley Health System, it is important to us to give back to our community In addition to employee United Way donations and volunteer time, our employees participate in a variety of community service initiatives, to include Habitat for Humanity and the Friends of Cancer River Walk Last year our employees gave over $150,000 in donations to various community organizations
		Part VI, Line 6 Cumberland County Hospital System is a stand-alone health care organization and is not a part of an affiliated health care system

Identifier	ReturnReference	Explanation
Reports Filed With States	Part VI, Line 7	NC

Additional Data

Software ID:
Software Version:
EIN: 56-0845796
Name: Cumberland County Hospital System 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?
41

Name and address	Type of Facility (describe)
CFV-Rehabilitation Center 1638 Owen Drive Fayetteville, NC 28304	Rehabilitation Center
Cumberland Cty EMS of CFV 610 Gillespie Street Fayetteville, NC 28306	Rehabilitation Center
CFV Behavior Health Center 3425 Melrose Road Fayetteville, NC 28304	Rehabilitation Center
CFV Detox Center 1724 Roxie Avenue Fayetteville, NC 28304	Rehabilitation Center
Healthplex Wellness Center 1930 Skibo Road Fayetteville, NC 28304	Rehabilitation Center
Health Pavilion North 6387 Ramsey Street Fayetteville, NC 28311	Rehabilitation Center
Valley Medial Assoc-Cape Fear Valley 1638 Owen Drive Fayetteville, NC 28304	Rehabilitation Center
Highsmith-Rainey Express Care 150 Robeson Street Fayetteville, NC 28311	Rehabilitation Center
Cape Fear Valley Express Care 1638 Owen Drive Fayetteville, NC 28304	Rehabilitation Center
Cape Fear Valley OBGYN 1341 Walther Reed Road Fayetteville, NC 28304	Rehabilitation Center
Health Pavilion North Express Care 6287 Ramsey Street Fayetteville, NC 28301	Rehabilitation Center
Cape Fear Valley Sleep Medicine 1213 Walter Reed Road Fayetteville, NC 28304	Rehabilitation Center
Health Pavilion North Family Care 6387 Ramsey Street Fayetteville, NC 28311	Rehabilitation Center
Hope Mills Family Care 4092 Professional Drive Hope Mills, NC 28348	Rehabilitation Center
Cape Fear Valley Neurology 3308 Melrose Road Fayetteville, NC 28304	Rehabilitation Center
Cape Fear Valley Perinatology 2109 Valleygate Drive Fayetteville, NC 28304	Rehabilitation Center
Behavioral Health Center 3425 Melrose Road Fayetteville, NC 28304	Rehabilitation Center
Valley Medial Associates - Highsmith 101 Robeson Street Fayetteville, NC 28301	Rehabilitation Center
Cape Fear Valley Urology 2301 Robeson Street Suite 203 Fayetteville, NC 28305	Rehabilitation Center
Hoke Family Medical Center 405 South Main Street Raeford, NC 28376	Rehabilitation Center
Senior Health Services 101 Robeson Street Suite 202 Fayetteville, NC 28310	Rehabilitation Center
Bladen Medial Assoc- Elizabethtown 300 A East McKay Street Elizabethtown, NC 28337	Rehabilitation Center
Stedman Medical Care 114 Forte Road Stedman, NC 28391	Rehabilitation Center
Cape Fear Valley Neurosurgery 3308 Melrose Road Fayetteville, NC 28304	Rehabilitation Center
Cape Fear Valley Wound Care Center 101 Robeson St Suite 210 Fayetteville, NC 28301	Rehabilitation Center
Cape Fear Valley Pediatric Care 1262 Oliver Street Fayetteville, NC 28304	Rehabilitation Center
Westside Medical Care 1463 Pamalee Drive Fayetteville, NC 28303	Rehabilitation Center
CFV Infectious Disease Care 101 Robeson Street Suite 300 Fayetteville, NC 28301	Rehabilitation Center
Cape Fear Valley Internal Medicine 101 Robeson Street Suite 300 Fayetteville, NC 28301	Rehabilitation Center
Women's Health Specialists 300 East McKay Street Suite F Elizabethtown, NC 28337	Rehabilitation Center

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?
41

Name and address	Type of Facility (describe)
CFV Pediatric Endocrinology 101 Robeson Street Suite 410 Fayetteville, NC 28301	Rehabilitation Center
Three Rivers Medical Center 580 West McLean Street St Pauls, NC 28384	Rehabilitation Center
Bladen Medial Assoc - Bladenboro 106 Fourth Street Bladenboro, NC 28302	Rehabilitation Center
Bladen Medial Associates - Dublin 16 3rd Street Dublin, NC 28332	Rehabilitation Center
Diabetes & Endocrine Center 101 Robeson Street Suite 405 Fayetteville, NC 28301	Rehabilitation Center
Cape Fear Valley Pediatric Care 6387 Ramsey Street Fayetteville, NC 28311	Rehabilitation Center
Behavioral Health Clinic 3425 Melrose Road Fayetteville, NC 28304	Rehabilitation Center
Convenient Care for Hoke 104 Southern Avenue Raeford, NC 28376	Rehabilitation Center
Walmart Clinic Hoke 4545 Fayetteville Road Raeford, NC 28376	Rehabilitation Center
Phillips Internal Medicine 507 Doctors Drive Elizabethtown, NC 28337	Rehabilitation Center
Bladen Surgical Specialist 107 East Dunham Street Elizabethtown, NC 28377	Rehabilitation Center

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Cumberland County Hospital System Inc

Employer identification number
56-0845796

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . ☑ Yes ☐ No

2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) Cape Fear Valley Health Foundation PO Box 87526 Fayetteville, NC 28304	56-1947017	501(c)(3)	262,290				General Support

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

3 Enter total number of other organizations listed in the line 1 table . . . . . ▶ 0

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. Part III can be duplicated if additional space is needed.

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

Part IV **Supplemental Information.**

Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 Cumberland County Hospital System awards grants to patients for purposes of assisting them in paying various bills and other expenses which the patients cannot pay due to their excessive medical expenses required for treating illness Patients apply and applications are reviewed by hospital social workers Any funds granted are not paid directly to the organization for which patient owes the bill and/or expense

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Cumberland County Hospital System Inc

Employer identification number
56-0845796

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	**1b**		
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**		
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 ☑ Compensation committee ☑ Written employment contract ☑ Independent compensation consultant ☐ Compensation survey or study ☐ Form 990 of other organizations ☑ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**		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 accured 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 Nagowski	(i)	579,760	366,092	30,310	72,578	23,329	1,072,069	0
CEO	(ii)	0	0	0	0	0	0	0
(2)Sandra Williams	(i)	356,328	111,082	42,399	10,100	10,508	530,417	0
CFO	(ii)	0	0	0	0	0	0	0
(3)William Pryor CHRO	(i)	285,637	48,502	1,242	3,676	21,864	360,921	0
	(ii)	0	0	0	0	0	0	0
(4)Inad Atassi Staff	(i)	676,530	23,000	23,305	10,100	13,732	746,667	0
Physician	(ii)	0	0	0	0	0	0	0
(5)John Spitalieri Staff	(i)	719,068	0	810	0	18,498	738,376	0
Physician	(ii)	0	0	0	0	0	0	0
(6)John Whitley Staff	(i)	723,142	0	30,207	0	10,301	763,650	0
Physician	(ii)	0	0	0	0	0	0	0
(7)Richard Osenbach	(i)	702,148	17,500	2,322	5,100	16,045	743,115	0
Medical Director	(ii)	0	0	0	0	0	0	0
(8)Stuart Shelton	(i)	346,723	256,785	50,910	10,100	19,022	683,540	0
Medical Director	(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
	Part I, Line 6	A component of the CEO's bonus at year end is dependent on the financial standing of the organization No specific percentage is tied to net income

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Cumberland County Hospital System Inc

Employer identification number
56-0845796

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	6579022Y7	05-04-2006	37,995,351	Construction and Equipment		X		X		X
B	North Carolina Medical Care Commission	52-1309402	65821DAL5	09-23-2008	285,335,000	To refund bonds issued 5/4/2006		X		X		X
C	North Carolina Medical Care Commission	52-1309402	65821DPP0	12-19-2012	124,978,739	To refund bonds issued 9/23/2008		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	31,640,000	4,915,000		
2	Amount of bonds legally defeased	128,420,000	128,420,000		
3	Total proceeds of issue	39,439,715	285,335,000	124,978,739	
4	Gross proceeds in reserve funds	5,493,800		4,840,744	
5	Capitalized interest from proceeds	2,974,844			
6	Proceeds in refunding escrows	120,398,879		120,398,879	
7	Issuance costs from proceeds	352,680	3,722,838	1,630,191	
8	Credit enhancement from proceeds	683,338			
9	Working capital expenditures from proceeds	12,370			
10	Capital expenditures from proceeds	35,416,483	10,007,178		
11	Other spent proceeds	271,604,984	271,604,984	2,949,669	
12	Other unspent proceeds				
13	Year of substantial completion	2008	2008		

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X		X		X			
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X		X			
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
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%		0%		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	0%		0%		0%		%	
7	Does the bond issue meet the private security or payment test?		X		X		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		X		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?								
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		X		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		X		X		
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X	X		X			
b	Exception to rebate?		X		X		X		
c	No rebate due?	X			X		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	X			X		
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X		X		
b	Name of provider								
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	X			X		
b	Name of provider	Morgan Stanley		Morgan Stanley					
c	Term of GIC	1 100000000000		1 100000000000					
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X		X					
6	Were any gross proceeds invested beyond an available temporary period?		X		X		X		
7	Has the organization established written procedures to monitor the requirements of section 148?		X		X		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		X		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
See Additional Data Table		

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 56-0845796
Name: Cumberland County Hospital System Inc

Form 990 Schedule K, Part VI - Supplemental Information

Identifier	Return Reference	Explanation
Schedule K Part IV, Arbitrage, Line 2c	Date Rebate Computation Performed	Issuer Name North Carolina Medical Care Commission Date the Rebate Computation was Perfor med 11/20/2012

Form 990 Schedule K, Part VI - Supplemental Information

Identifier	Return Reference	Explanation
Schedule K Supplental Information		Differences between the issue price (Part I) and total proceeds (Part II, line 3) are due to investment earnings Part II, line 4, column A and C - The amount shown here consists o f debt services fund deposits Part IV, line 6, column C - This question is being answered without regard to a yield-restricted advance refunding escrow financed with proceeds of t he bonds

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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
Cumberland County Hospital System Inc

Employer identification number
56-0845796

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7a	
	Form 990, Part VI, Section B, line 11	The process the organization uses to review the Form 990 consists of providing the Form 990 to the Cumberland County Hospital System's Board of Trustees by electronic copy Board Members will be given time to do a thorough review before the filing date of August 15, 2014
	Form 990, Part VI, Section B, line 12c	Cumberland County Hospital System, Inc regularly and consistently monitors and enforces compliance with the conflict of interest policy in that any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of the committees with governing board delegated powers considering the proposed transaction or arrangement The remaining individuals on the governing board or committee meeting will decide if conflicts of interest exist Each director, principal officer and member of a committee with governing board delegated powers annually signs a statement which affirms such person has received a copy of the conflicts of interest policy, has read and understands the policy, has agreed to comply with the policy, and understands that the organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish its tax-exempt purpose
	Form 990, Part VI, Section B, line 15	A human resources consulting firm is retained by Cumberland County Hospital Systems, Inc to review the competitiveness and reasonableness of the compensation provided to the CEO and other top management personnel
	Form 990, Part VI, Section C, line 19	Provided upon request

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Cumberland County Hospital System Inc

Employer identification number
56-0845796

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
(1) Cape Fear Insurance LTD PO Box 30600 SMB West Bay Road F Grand Cayman CJ 98-0449284	Insurance	CJ	13,588,231	33,214,299	100
(2) Bladen County Healthcare LLC PO Box 2000 Fayetteville, NC 28302 80-0164702	Health Services	NC	44,253,791	21,179,481	100
(3) Cumberland Health Affiliates LLC PO Box 2000 Fayetteville, NC 28302 56-2275588	Health Services	NC			100
(4) Valley Health Facilities LLC PO Box 2000 Fayetteville, NC 28302 20-4268819	Health Services	NC			100
(5) Hoke Healthcare LLC PO Box 2000 Fayetteville, NC 28302 27-2763125	Health Services	NC	1,847,938	49,882,796	100

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	(g) No

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) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

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
(1) Highsmith-Rainey Medical Arts Center Assoc PO Box 2000 Fayetteville, NC 28302 56-1747424	Rental Association	NC	Cumberland County Hospital	C	202,203	1,063,596	100 000 %		No
(2) Cumberland Health Partners Inc PO Box 2000 Fayetteville, NC 28302 56-2043978	Behavioral Health Care	NC	Cumberland County Hospital	C			100 000 %		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

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

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved

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

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

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

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 56-0845796
Name: Cumberland County Hospital System 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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Form **4562**
Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

OMB No 1545-0172

2012

Attachment Sequence No **179**

Name(s) shown on return	Business or activity to which this form relates	**Identifying number**
Cumberland County Hospital System Inc		56-0845796

Part I **Election To Expense Certain Property Under Section 179**

Note: *If you have any listed property, complete Part V before you complete Part I.*

1	Maximum amount (see instructions)	1	500,000
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	2,000,000
4	Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	4	
5	Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	5	

6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
6			

7	Listed property Enter the amount from line 29	7	
8	Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2011 Form 4562	10	
11	Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	
12	Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2013 Add lines 9 and 10, less line 12 ▶	13	

Note: *Do not use Part II or Part III below for listed property. Instead, use Part V.*

Part II **Special Depreciation Allowance and Other Depreciation (Do not include listed property.)** (See instructions)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

Part III **MACRS Depreciation (Do not include listed property.)** (See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2012	17	3,426
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ ☐		

Section B—Assets Placed in Service During 2012 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27 5 yrs	MM	S/L	
			27 5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

Section C—Assets Placed in Service During 2012 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV **Summary** (see instructions)

21	Listed property Enter amount from line 28	21	
22	**Total.** Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	22	3,426
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V **Listed Property** (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

Note: *For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete* ***only*** *24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.*

Section A—Depreciation and Other Information (Caution: *See the instructions for limits for passenger automobiles.***)**

24a Do you have evidence to support the business/investment use claimed? ☐ **Yes** ☐ **No** | **24b** If "Yes," is the evidence written? ☐ **Yes** ☐ **No**

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation/ deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)						**25**		
26 Property used more than 50% in a qualified business use								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use								
		%				S/L -		
		%				S/L -		
		%				S/L -		
28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1						**28**		
29 Add amounts in column (i), line 26 Enter here and on line 7, page 1							**29**	

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person
If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year (**do not** include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal(noncommuting) miles driven												
33 Total miles driven during the year Add lines 30 through 32												
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons (see instructions)

	Yes	**No**
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions)		

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles

Part VI **Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2012 tax year (see instructions)					
43 Amortization of costs that began before your 2012 tax year				**43**	
44 Total. Add amounts in column (f) See the instructions for where to report				**44**	

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TY 2012 Earnings and Profits Other Adjustments Statement

Name: Cumberland County Hospital System Inc

EIN: 56-0845796

Description	Amount
Underwriting Income Subtraction	-4,568,114

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TY 2012 Itemized Other Current Liabilities Schedule

Name: Cumberland County Hospital System Inc

EIN: 56-0845796

Corporation Name	Corporation EIN	Description	Beginning Amount	Ending Amount
Cape Fear Insurance LTD SPC	98-0449284	Losses and Loss Adjustment Expense	31,203,783	23,352,781
		Claims Payable	661,855	3,121,611

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TY 2012 Itemized Other Assets Schedule

Name: Cumberland County Hospital System Inc

EIN: 56-0845796

Corporation Name	Corporation EIN	Other Assets Description	Beginning Amount	Ending Amount
Cape Fear Insurance LTD SPC	98-0449284	Accrued interest receivable	188,992	140,538
		Reinsurance recoverable	99,998	0
		Premium receivable	449,643	566,157
		Reinsurance Receivable	950,000	0

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TY 2012 Other Deductions Schedule

Name: Cumberland County Hospital System Inc

EIN: 56-0845796

Description	Foreign Amount (should only be used when attached to 5471 Schedule C Line 16)	Amount
Investment management fees		62,910
Reinsurance premiums		1,760,000
Administrative expenses		111,720
Losses and loss expenses paid		7,582,218

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TY 2012 Itemized Other Investments Schedule

Name: Cumberland County Hospital System Inc

EIN: 56-0845796

Corporation Name	Corporation EIN	Other Investments Description	Beginning Amount	Ending Amount
Cape Fear Insurance LTD SPC	98-0449284	Securities Available for Sale	31,279,192	31,956,231

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TY 2012 Other Income Statement

Name: Cumberland County Hospital System Inc

EIN: 56-0845796

Description	Foreign Amount	Amount
Net gain on sale of investments	793,377	793,377

CUMBERLAND COUNTY HOSPITAL SYSTEM, INC.

(d/b/a Cape Fear Valley Health System)

Financial Statements and Other Financial Information

September 30, 2013

(With Independent Auditors' Report Thereon)

CUMBERLAND COUNTY HOSPITAL SYSTEM, INC.
(d/b/a Cape Fear Valley Health System)

Table of Contents

KPMG LLP
Suite 1200
150 Fayetteville Street
Raleigh, NC 27601

Independent Auditors' Report

The Board of Trustees
Cumberland County Hospital System, Inc.
(d/b/a Cape Fear Valley Health System)
Fayetteville, North Carolina:

Report on the Financial Statements

We have audited the accompanying financial statements of Cumberland County Hospital System, Inc. (d/b/a Cape Fear Valley Health System) (the Health System) and its discretely presented component units as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Health System's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Cumberland County Hospital System, Inc. (d/b/a Cape Fear Valley Health System) and its discretely presented component units as of September 30, 2013, and the respective changes in net position, and cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 2(p) to the financial statements, in 2013, the Health System adopted Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity Omnibus, an amendment to GASB Statements Nos. 14 and 34*. Our opinions are not modified with respect to this matter.

Other Matters

New Accounting Pronouncement

As part of our audit of the 2013 financial statements, we also audited the adjustments described in Note 2(p) that were applied to restate cash and cash equivalents and net position as of September 30, 2012 in conjunction with the adoption of GASB Statement No. 61. The Health System's previously issued financial statements were audited by other auditors. In our opinion, such adjustments are appropriate and have been properly applied.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 3 through 8, the schedule of plan funding progress on page 45, and the historical summary of actual and required pension contributions on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Health System's basic financial statements. The combining schedule of assets, deferred outflows, liabilities and net position, September 30, 2013 and combining schedule of revenues, expenses and changes in net position, year ended September 30, 2013 (the Combining Information) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Raleigh, North Carolina
January 28, 2014

CUMBERLAND COUNTY HOSPITAL SYSTEM, INC.
(d/b/a Cape Fear Valley Health System)
Management's Discussion and Analysis (Unaudited)
September 30, 2013 and 2012
(Dollar amounts in thousands)

This section of Cumberland County Hospital System, Inc.'s (d/b/a Cape Fear Valley Health System) (the Health System) annual financial report presents management's analysis of the Health System's financial performance during the years ended September 30, 2013 and 2012. Please read this analysis in conjunction with the financial statements, which follow this section.

Overview of the Financial Statements

This annual financial report includes the independent auditor's report, managements' discussion and analysis, the basic financial statements of the Health System and required supplementary and combining information. The basic financial statements also include notes that explain in more detail some of the information in the basic financial statements. As required by U.S. generally accepted accounting principles (GAAP), the basic financial statements also include the Health System's discretely presented component units, the Cape Fear Valley Medical Foundation, Inc. (the Foundation), Bladen Healthcare, LLC (d/b/a Cape Fear Valley – Bladen County Hospital) (Bladen County Hospital or Bladen), Hoke Healthcare, LLC (HHC), and its blended component unit Cape Fear Insurance, Ltd.

In 2013, the Health System adopted GASB Statement No. 61, *The Financial Reporting Entity Omnibus, an amendment to GASB Statement Nos 14 and 34* (GASB 61). GASB 61 modified the existing requirements for the assessment and blending of component units that should be included in the financial statements of the Health System. The adoption of this statement resulted in the presentation of Bladen County Hospital and HHC as discretely presented component units. In the Health System's 2012 financial statements, Bladen County Hospital and HHC were presented as blended component units. The 2012 amounts included in management's discussion and analysis have been recast to reflect the impact of the adoption of GASB 61.

Required Financial Statements

The Health System's financial statements report information of the Health System using accounting methods similar to those used by private sector healthcare organizations. These statements offer short- and long-term financial information about its activities. The balance sheet includes all of the Health System's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Health System's creditors (liabilities). The balance sheet also provides the basis for evaluating the capital structure of the Health System and assessing the liquidity and financial flexibility of the Health System.

Revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the results of the Health System's operations and can be used to determine whether the Health System has successfully recovered all of its costs through its fees and other sources of revenue.

The final required statement is the statement of cash flows. This statement report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It also provides information on where the cash came from, what the cash was used for, and the change in the cash balance during the reporting period.

(Continued)

(Dollar amounts in thousands)

Financial Analysis of the Health System

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

Net Position

A summary of the Health System's balance sheets as of September 30, 2013 and 2012 is presented in Table A-1:

Table A-1

CAPE FEAR VALLEY HEALTH SYSTEM

Condensed Summary of Balance Sheets

September 30, 2013 and 2012

		2013	2012
Current assets	$	242,899	233,333
Capital assets – net		293,222	303,994
Other noncurrent assets and deferred outflows of resources		332,317	350,885
Total assets and deferred outflows of resources	$	868,438	888,212
Long-term debt – including current maturities	$	261,868	280,633
Other liabilities		193,742	216,025
Total liabilities		455,610	496,658
Net investment in capital assets		33,831	23,361
Restricted		10,335	11,360
Unrestricted		368,662	356,833
Total net position		412,828	391,554
Total liabilities and net position	$	868,438	888,212

The net position of the Health System increased $21,274 during 2013. The increase in net position in 2013 was due to favorable results of operations and favorable returns on the Health System's investments.

(Continued)

(Dollar amounts in thousands)

Revenues, Expenses, and Changes in Net Position

While the balance sheet shows the net position, the statement of revenues, expenses, and changes in net position provides information about the nature and source of changes to net position.

Table A-2

CAPE FEAR VALLEY HEALTH SYSTEM

Condensed Summary of Revenues,
Expenses, and Changes in Net Position

Years ended September 30, 2013 and 2012

	2013	2012
Operating revenues	$ 657,427	674,453
Operating expenses	645,112	660,078
Operating income	12,315	14,375
Nonoperating income	19,777	31,523
Excess of revenues over expenses	32,092	45,898
Capital contributions and transfers to affiliates	(10,818)	—
Increase in net position	$ 21,274	45,898

The Health System's operating revenues decreased $17,026, or 2.5%, in 2013 compared to 2012. The decrease in 2013 operating revenues is due to decreases in government payer reimbursement and a slight decrease in volumes.

Operating expenses decreased $14,966, or 2.3%, in 2013 compared to 2012. The decrease in total expenses included decreases in professional liability insurance, depreciation, and interest expense. The decrease in depreciation was attributable to a revision of the estimated useful lives of selected buildings based on an engineering consultant's study The decrease in interest expense was due to the refinancing of 2008C series bonds. Nonoperating income decreased $11,746 in 2013 compared to 2012. These changes in nonoperating income are attributed to unrealized investment gains not being as great in 2013 as those that were incurred during 2012. Affiliate transfers totaled $10,818 in 2013.

(Continued)

(Dollar amounts in thousands)

Capital Assets and Debt Administration

Capital Assets

The Health System has invested $293,222 and $303,994 in net capital assets as shown in Table A-3, for fiscal years 2013 and 2012, respectively. Construction-in-progress related to improvement projects decreased $6,442 during 2013. The decrease is reflective of the completion of renovations on the Cancer Center, 2 South Surgery, PICU and the Emergency Department

Table A-3

CAPE FEAR VALLEY HEALTH SYSTEM

Capital Assets

September 30, 2013 and 2012

		2013	2012
Land and land improvements	$	30,310	29,983
Buildings		392,392	386,465
Equipment		262,468	255,251
Construction-in-progress		6,574	13,016
Subtotal		691,744	684,715
Accumulated depreciation		(398,522)	(380,721)
Net capital assets	$	293,222	303,994

(Continued)

(Dollar amounts in thousands)

Debt

Table A-4
CAPE FEAR VALLEY HEALTH SYSTEM
Debt
September 30, 2013 and 2012

		2013	2012
Hospital Facility Revenue Bonds:			
Series 2006A	$	5,380	10,565
Series 2008A		152,000	152,000
Series 2008C		—	129,690
Series 2012A		108,195	—
		265,575	292,255
Less:			
Unamortized bond premium		(15,020)	(7)
Current maturities		7,800	6,455
Unamortized deferred loss on early extinguishment of debt		18,727	11,629
Total	$	254,068	274,178

In December 2012, the Health System refinanced the Series 2008C bonds with Series 2012A bonds, totaling $108,195. The Health System has a letter of credit in conjunction with its 2008A Series bonds in the amount of $153,700 (see note 5 to the financial statements).

At September 30, the Health System had $254,068 and $274,178 of long-term bond principal outstanding in 2013 and 2012, respectively. The Health System made principal payments of $6,455 and $6,160 for 2013 and 2012, respectively. More detailed information about the Health System's capital debt is presented in note 5 to the financial statements.

In 2011, HHC entered into a construction loan draw note with a bank to provide financing of $38,448 to fund the majority of the project costs of an outpatient pavilion in Hoke County The Health System served as the guarantor of the draw note. In March 2013, HHC refinanced the note with a long term direct loan through the United States Department of Agriculture.

Subsequent to year end, HHC closed on interim construction financing for the construction and equipping of a 41-bed acute care hospital in Hoke County to be known as the "Hoke Community Medical Center." During the construction of the project, the Health System will guarantee payment of the interim construction financing (see note 14 to the financial statements).

(Continued)

Economic and Other Factors

The Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Affordability Reconciliation Act, which contains a number of amendments to PPACA, were signed into law in March 2010. These healthcare bills (collectively, the Reform Legislation) seek to increase the number of persons with access to health insurance in the United States by requiring substantially all U.S. citizens to maintain medical insurance coverage. The Reform Legislation makes a number of other changes to Medicare and Medicaid, such as reductions to the annual market basket update for federal fiscal years 2010 through 2019, a productivity offset to the market basket update beginning October 1, 2011, and a reduction to the disproportionate share payments. The various provisions in the Reform Legislation that directly or indirectly affect reimbursement are scheduled to take effect over a number of years.

Also included in the Reform Legislation are provisions aimed at reducing fraud, waste, and abuse in the healthcare industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The Reform Legislation amends several existing federal laws, including the Medicare Anti-Kickback Statute and False Claims Act, making it easier for government agencies and private plaintiffs to prevail in lawsuits brought against healthcare providers These amendments also make it easier for potentially severe fines and penalties to be imposed on healthcare providers accused of violating applicable laws and regulations.

Management cannot predict the full impact the Reform Legislation may have on the Health System's financial position, results of operations, or cash flows. Management stays abreast of the various provisions in the Reform Legislation and routinely analyzes the relevant issues as they develop for their potential impact.

Finance Contact

The Health System's financial statements are designed to present users with a general overview of the Health System's finances and to demonstrate the Health System's accountability. If you have any questions about the report or need additional financial information, please contact the Chief Financial Officer, Cape Fear Valley Health System, Post Office Box 2000, Fayetteville, NC 28302.

CUMBERLAND COUNTY HOSPITAL SYSTEM, INC.
(d/b/a Cape Fear Valley Health System)

Balance Sheet

September 30, 2013

(In thousands)

Assets and Deferred Outflows of Resources		Primary Government	Component Units
Current assets:			
Cash and cash equivalents	$	63,636	1,214
Short-term investments		20,554	4,777
Patient accounts receivable – net		95,631	8,022
Other accounts receivable		24,704	1,083
Assets limited as to use – cash and investments – current portion:			
Restricted for debt service		10,335	—
Designated for self-insurance		13,350	—
Inventories		8,814	462
Prepaid expenses		5,875	141
Total current assets		242,899	15,699
Capital assets – net		293,222	60,887
Other noncurrent assets:			
Assets limited as to use – cash and investments:			
Designated for capital improvements		94,367	
Designated for self-insurance		29,911	—
Total assets limited as to use		124,278	—
Investments		171,949	—
Other assets		5,735	—
Total other noncurrent assets		301,962	—
Total assets		838,083	76,586
Deferred outflows of resources – fair value of hedging derivatives		30,355	—
Total assets and deferred outflows of resources	$	868,438	76,586
Liabilities and Net Position			
Current liabilities:			
Accounts payable	$	31,052	1,365
Salaries and benefits payable		25,840	1,725
Other liabilities and accruals		22,342	5,297
Estimated third-party payor settlements		53,506	2,632
Current maturities of long-term debt		7,800	495
Total current liabilities		140,540	11,514
Long-term debt – less current maturities		254,068	37,954
Interest rate swap liability		30,355	—
Other liabilities		30,647	—
Total liabilities		455,610	49,468
Commitments and contingencies (notes 10, 13 and 14)			
Net position:			
Net investment in capital assets		33,831	22,438
Restricted for debt service		7,800	2,770
Unrestricted		371,197	1,910
Total net position		412,828	27,118
Total liabilities and net position	$	868,438	76,586

See accompanying notes to financial statements

CUMBERLAND COUNTY HOSPITAL SYSTEM, INC.
(d/b/a Cape Fear Valley Health System)

Statement of Revenues, Expenses, and Changes in Net Position

Year ended September 30, 2013

(In thousands)

	Primary Government	Component Units
Revenues:		
Net patient service revenue	$ 630,950	33,122
Other revenue	26,477	1,635
Total revenues	657,427	34,757
Operating expenses:		
Salaries	308,514	18,484
Fringe benefits	70,040	5,177
Medical supplies	98,585	2,493
Professional fees	27,745	3,232
Purchased services	35,019	1,196
Other expenses	65,672	4,299
Depreciation and amortization	29,070	1,619
Interest expense	10,467	659
Total operating expenses	645,112	37,159
Operating income (loss)	12,315	(2,402)
Nonoperating income:		
Net investment income	19,700	483
Other nonoperating income	77	—
Total nonoperating income	19,777	483
Excess of revenues over (under) expenses	32,092	(1,919)
Capital contributions and transfers to affiliates	(10,818)	10,818
Increase in net position	21,274	8,899
Net position:		
Beginning of year, as restated (note 2(p))	391,554	18,219
End of year	$ 412,828	27,118

See accompanying notes to financial statements.

CUMBERLAND COUNTY HOSPITAL SYSTEM, INC.
(d/b/a Cape Fear Valley Health System)

Statement of Cash Flows

Year ended September 30, 2013

(In thousands)

	Primary Government	Component Units
Cash flows from operating activities:		
Receipts from patients and insurers	$ 635,487	28,199
Payments to employees	(380,288)	(23,737)
Payments to vendors	(236,378)	(15,149)
Other	25,576	1,635
Net cash provided by (used in) operating activities	44,397	(9,052)
Cash flows from noncapital financing activities:		
Contributions and transfers to affiliates	(10,818)	10,818
Cash flows from capital and related financing activities:		
Purchases of capital assets	(21,319)	(23,238)
Proceeds from debt borrowings	108,195	56,091
Unamortized bond premium	16,784	—
Principal and interest payments on debt	(148,956)	(39,106)
Debt issuance costs	(1,849)	—
Other long-term assets	4,122	—
Net cash used in capital and related financing activities	(43,023)	(6,253)
Cash flows from investing activities:		
Interest and dividends on investments	10,207	148
Proceeds from the sale and maturity of investments	204,942	335
Purchases of investments	(195,396)	(582)
Net cash provided by (used in) investing activities	19,753	(99)
Net increase (decrease) in cash and cash equivalents	10,309	(4,586)
Cash and cash equivalents:		
Beginning of year, as restated (note 2(p))	73,354	5,800
End of year	$ 83,663	1,214
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash and cash equivalents	$ 63,636	1,214
Restricted for debt service	10,335	—
Investments	9,692	—
Total cash and cash equivalents	$ 83,663	1,214

(Continued)

CUMBERLAND COUNTY HOSPITAL SYSTEM, INC.
(d/b/a Cape Fear Valley Health System)

Statement of Cash Flows

Year ended September 30, 2013

(In thousands)

		Primary Government	Component Units
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$	12,315	(2,402)
Interest expense considered capital financing activity		10,467	659
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Provision for bad debts		138,938	11,845
Depreciation and amortization		29,070	1,619
Changes in operating assets and liabilities:			
Patient and other accounts receivable		(152,359)	(16,587)
Inventory and prepaid expenses		(1,728)	(18)
Accounts payable		1,164	24
Salaries and benefits payable		(1,735)	(76)
Other liabilities and accruals		(1,730)	(3,795)
Estimated third-party payor settlements		9,995	(321)
Net cash provided by (used in) operating activities	$	44,397	(9,052)
Noncash investing, capital, and financing activities:			
Property and equipment acquired through accounts payable	$	3,320	—

See accompanying notes to financial statements.

(1) Reporting Entity

Cumberland County Hospital System, Inc. (d/b/a Cape Fear Valley Health System) (the Health System), was incorporated under the laws of North Carolina on July 7, 1964, by the board of Commissioners of Cumberland County (the County) for the primary purpose of operating and maintaining certain hospital facilities, owned by the County, under the terms and conditions of a management lease agreement with the County. On May 4, 2006, a transfer agreement (the Transfer Agreement) was entered into with the County converting the Health System, as permitted under North Carolina General Statute (NCGS) § 131E-8, from a public hospital to a private, nonprofit hospital system The articles of incorporation provide for the Health System to be governed by a board of trustees (the Board of Trustees), the majority of which are to be appointed by the County.

The Transfer Agreement also contains certain covenants that give the County a reversionary interest in the facilities and related property. Such covenants relate to the Health System's operation as a community general hospital, including the provision of services to indigent patients and adhering to certain requirements covering additional liens, additional debt, disposition of assets, maintaining certain financial strength ratios, and maintaining tax-exempt status among other criteria. Management believes the Health System was in compliance with all such covenants on September 30, 2013 In addition, the Transfer Agreement provides for an annual payment in lieu of taxes by the Health System to the County (see note 10).

The Health System includes the following described facilities, all located in Fayetteville, North Carolina.

- Cape Fear Valley Medical Center, a 490-bed regional referral, acute care hospital (temporarily licensed at 539 beds since March 2011 due to high census)
- Cape Fear Valley Rehabilitation Center, a 78-bed rehabilitation facility
- Behavioral Health Care of Cape Fear Valley Health System, a 32-bed psychiatric facility
- Highsmith-Rainey Specialty Hospital, a 66-bed long-term acute care hospital
- Health Pavilion North, a multispecialty outpatient facility
- Cumberland County Emergency Medical Services, the HealthPlex of Cape Fear Valley Health System, a medically oriented wellness center, and primary care and specialty care practices are also members of the obligated group.

These facilities are owned and operated by the Health System and are members of the Health System's obligated group under its Master Trust Indenture executed in connection with the issuance of certain long-term debt obligations Each member of the obligated group is jointly and severally liable for the repayment the principal and interest of the Health System's long-term debt obligations under the Hospital Facility Revenue Bonds.

The assets, liabilities, revenue, and expenses of all these facilities are included in the primary government accompanying financial statements.

(Dollar amounts in thousands)

Cape Fear Insurance, Ltd., SPC (Cape Fear Insurance), is not a member of the obligated group. Cape Fear Insurance is a wholly-owned, captive insurance company domiciled in the Cayman Islands. Although legally separate, the principal activity of Cape Fear Insurance is to provide professional and general liability insurance coverage to the Health System and to purchase reinsurance policies from external markets The Health System appoints the voting majority of Cape Fear Insurance's Board of Directors. Since Cape Fear Insurance provides services entirely to the primary government, the blending method has been used to incorporate its financial statements into the Health System's financial statements. Under the blending method, transactions between the company and the Health System that generate intercompany receivables, payables, revenues, and expenses are eliminated. After eliminations, the remaining balances and transactions of Cape Fear Insurance are included in the Health System's assets, liabilities, revenues and expenses.

Following is a summary of Cape Fear Insurance's condensed financial information as of and for the year ended September 30, 2013:

CAPE FEAR INSURANCE
Condensed Summary of Net Position
September 30, 2013

Assets:		
Current assets	$	14,141
Noncurrent assets		19,073
Total assets	$	33,214
Liabilities and net position:		
Current liabilities	$	10,682
Noncurrent liabilities		15,824
Net position - unrestricted		6,708
Total liabilities and net position	$	33,214

(Continued)

(Dollar amounts in thousands)

CAPE FEAR INSURANCE
Condensed Summary of Revenues,
Expenses, and Changes in Net Position
Year ended September 30, 2013

Total operating revenue	$	13,474
Total operating expenses		(7,693)
Operating income		5,781
Total nonoperating losses, net		276
Increase in net position		6,057
Net position:		
Beginning of year		651
End of year	$	6,708

CAPE FEAR INSURANCE
Condensed Statement of Cash Flows
Year ended September 30, 2013

Cash flows from operating activities	$	728
Cash flows from investing activities		(600)
Net increase in cash and cash equivalents		128
Cash and cash equivalents at beginning of year		97
Cash and cash equivalents at end of year	$	225

Discretely Presented Component Units

As required by U.S. generally accepted accounting principles (GAAP), these financial statements reflect the activities of the Health System and its discretely presented component units. The discretely presented component units of the Health System, all of which are nonmajor, include:

- Bladen Healthcare, LLC (d/b/a Cape Fear Valley – Bladen County Hospital) (Bladen County Hospital); a critical access hospital
- Hoke Healthcare, LLC (HHC), which operates a medical office building, opened in the first quarter of 2013, and Hoke Community Hospital, which is scheduled to open in January 2015.
- Hoke Imaging, LLC (Hoke Imaging), which will operate a diagnostic imaging center in Hoke County

(Continued)

- Cape Fear Valley Medical Foundation, Inc. (d/b/a Cape Fear Valley Health Foundation) (the Foundation), a non-stock charitable corporation

Under the discrete presentation method, intercompany receivables, payables, revenues, and expenses are not eliminated. The discretely presented component units' financial statements are included in a separate column apart from the Health System's (primary government) financial statements.

On June 1, 2008, the Health System, entered into a lease and operating agreement (the Agreement) with the County of Bladen (Bladen County). To facilitate the arrangement with the County of Bladen, the Health System established Bladen Healthcare, LLC, a 100%-owned subsidiary of the Health System. The Agreement had an initial term of five years and could be renewed for five additional five-year terms. Also on June 1, 2008, the Health System entered into a sublease and assignment agreement (the Sublease) with Bladen County Hospital. The Sublease assigned all rights, duties, and obligations under the Agreement to Bladen County Hospital. In March 2012, the Bladen Healthcare, LLC obtained 100% ownership of all assets of Bladen County Hospital's facility through a transaction with Bladen County. Prior to this acquisition, the Bladen Healthcare, LLC operated Bladen County Hospital under a management agreement and was leasing the related hospital facility under an operating lease arrangement. Bladen County Hospital is operated by a Board of Managers which are appointed by the Health System's Board of Trustees.

In June 2009, the Health System established Hoke Healthcare, LLC, a 100% owned subsidiary of the Health System, to conduct healthcare activities in Hoke County, NC. HHC is operated by a Board of Managers which are appointed by the Health System's Board of Trustees.

The Foundation is a legally separate, non-stock charitable corporation. Its purpose is to solicit and receive contributions to assist with and further the mission of the Health System. The Foundation has been included as a component unit because almost all of the resources it holds are available to benefit the Health System and its patients.

Bladen County Hospital, HHC, Hoke Imaging and the Foundation are not members of the obligated group as defined in the Health System's Master Trust Indenture. Combined, they account for approximately 5% of the total reporting entity revenues for the year ended September 30, 2013.

(2) Summary of Significant Accounting and Reporting Policies

(a) Basis of Accounting

The basic financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus in accordance with GAAP as prescribed by the Governmental Accounting Standards Board (GASB).

(b) Use of Estimates

The preparation of the financial statements in conformity with GAAP 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. The Health System considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its financial statements, including the following: recognition of net patient service revenues; valuation of accounts receivable, including contractual allowances and provisions for bad debt; reserves for losses and expenses related to employee health care, professional liabilities, workers' compensation, general liabilities; valuation of pension and other retirement obligations, and estimated third-party payor settlements. Management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgments and estimates. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments with an original maturity of three months or less at the time of purchase, and which are not limited as to their use or been designated as short- or long-term investments, are considered to be cash equivalents and are recorded at cost, which approximates fair value.

(d) Patient Accounts Receivable – Net

The Health System's patient accounts receivable is recorded net of allowances for uncollectible accounts of $86,464 at September 30, 2013. The Health System's net patient revenue is shown net of provision for uncollectible accounts of $138,938 for the year ended September 30, 2013

(e) Inventories

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

(f) Investments

Investments in marketable debt and equity securities with readily determinable fair values, including assets whose use is limited, are reported at fair value in the accompanying balance sheets. Investment income (including realized and unrealized gains and losses on investments, interest, and dividends) of $19,700 for the year ended September 30, 2013, is included in nonoperating income in the accompanying financial statements.

(g) Assets Limited as to Use

Assets limited as to use consist of cash and investments set aside by the Health System's Board of Trustees for future capital improvements over which the Board of Trustees maintains control and may, at its discretion, subsequently use for other purposes. In addition, assets limited as to use consist of restricted cash held by trustee for debt service and investments designated to cover self-insurance claims.

(h) Other Assets

Other assets consist of goodwill, bond issuance costs, and investments in certain health care-related businesses. Bond issuance costs, which include underwriters' discounts, printing costs, legal

expenses, and other fees incurred in issuing the debt, are being amortized over the life of the debt using the effective interest method.

(i) Capital Assets

Capital assets are recorded at cost or, if donated, at fair market value on the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Such depreciation is included in depreciation and amortization in the accompanying financial statements.

Property classification	Estimated lives (years)
Land improvements	12–20
Buildings	10–90
Equipment	3–10

Expenditures for repairs and maintenance are charged to expense as incurred, unless the betterments extend the useful lives of the assets, at which point these costs are capitalized. Interest cost incurred on borrowed funds, less any interest earned on temporary investment of those funds, during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

(j) Charity Care

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

(k) Interest Rate Swap

The fair value of the Health System's interest rate swap agreement is reported on the balance sheets as a liability and deferred outflows because Health System management has determined that the interest rate swap is an effective hedging instrument.

(l) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

(Continued)

(m) Net Position

The financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets is intended to reflect the portion of net position that is associated with nonliquid capital assets, less outstanding debt associated with the capital assets. Restricted net position consists of assets generated from revenues that have third-party limitation on their use. Unrestricted net position has no third-party restrictions on use. When both restricted and unrestricted resources are available for use, generally it is the Health System's policy to use restricted resources first and then unrestricted resources when they are needed.

(n) Revenues, Expenses, and Changes in Net Position

All revenue and expenses directly related to the delivery of health care services are included in operating revenue and expenses in the statements of revenues, expenses, and changes in net position. Nonoperating revenue and expenses consist of those revenue and expenses that are related to financing and investing types of activities and result from nonexchange transactions or investment income.

(o) Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

(p) Recently Adopted Accounting Pronouncements

In 2013, the Health System adopted GASB Statement No. 61, *The Financial Reporting Entity Omnibus, an amendment to GASB Statements Nos. 14 and 34* (GASB 61) GASB 61 modified the existing requirements for the assessment and blending of component units that should be included in the financial statements of the Health System. The adoption of this statement resulted in the presentation of Bladen County Hospital and HHC as discretely presented component units. In the Health System's 2012 financial statements, Bladen County Hospital and HHC were presented as blended component units. The adoption of GASB 61 resulted in a restatement of the Health System's cash and cash equivalents and net position as of October 1, 2012.

(Dollar amounts in thousands)

Following is a reconciliation of total net position and cash and cash equivalents as previously reported at October 1, 2012, to the restated amounts:

Primary Government		
Net position at October 1, 2012, as previously reported	$	404,867
Effect of change in component unit presentation from blended to discrete		(13,313)
Net position at October 1, 2012, as restated	$	391,554
Cash and cash equivalents at October 1, 2012, as previously reported	$	78,698
Effect of change in component unit presentation from blended to discrete		(5,344)
Cash and cash equivalents at October 1, 2012, as restated	$	73,354
Component Units		
Net position at October 1, 2012, as previously reported	$	4,906
Effect of change in component unit presentation from blended to discrete		13,313
Net position at October 1, 2012, as restated	$	18,219
Cash and cash equivalents at October 1, 2012, as previously reported	$	456
Effect of change in component unit presentation from blended to discrete		5,344
Cash and cash equivalents at October 1, 2012, as restated	$	5,800

In 2013, the Health System adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and identifies net position as the residual of all other elements presented in the statement of financial position. Upon adoption of the new requirements, "net assets" was effectively renamed "net position" in the basic financial statements of the Health System.

(q) Future Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The statement is intended to improve financial reporting by clarifying the appropriate use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement specifically requires certain balances currently being reported as assets and liabilities to be reported as deferred outflows of resources and deferred inflows of resources in the statement of financial position. Further, the statement also requires certain balances currently being reported as assets and liabilities to be reported as outflows of resources and inflows of resources in the statements of revenues, expenses, and changes in net position. The provisions of GASB Statement No. 65 are effective for financial statement periods beginning after December 15,

(Continued)

2012. The Health System is evaluating the impact the adoption of GASB statement No. 65 will have on its financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No 27*. The statement is intended to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness will also be enhanced through new note disclosures and required supplementary information. The provisions of GASB Statement No. 68 are effective for financial statement periods beginning after June 15, 2014. The Health System is evaluating the impact the adoption of GASB Statement No. 68 will have on its financial statements.

In January 2013, the GASB issued Statement No. 69, *Government combinations and disposals of government operations*. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. The provisions of GASB Statement No. 69 are effective for financial statement periods beginning after December 15, 2013. The Health System is evaluating the impact the adoption of GASB Statement No 69 will have on its financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The Statement establishes accounting and financial reporting standards for financial guarantees that are nonexchange transactions (nonexchange financial guarantees) extended or received by a state or local government. The provisions of GASB Statement No. 70 are effective for financial statement periods beginning after June 15, 2013. The Health System is evaluating the impact the adoption of GASB Statement No. 70 will have on its financial statements.

In November 2013, the issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The statement is intended to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pensions plans prior to implementation of GASB Statement No. 68. GASB Statement No. 71 amends GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for it pension contributions, if any, made subsequent to the measurement date of the beginning net position liability. The provisions of GASB Statement No. 71 are required to be applied simultaneously with the provisions of GASB Statement No. 68 The Health System is evaluating the impact the adoption of GASB Statement No 71 will have on its financial statements.

(Dollar amounts in thousands)

(r) Income Taxes disclosure

The Health System and the Foundation are exempt from Federal income taxes on related income under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). The unrelated business income generated by the Health System and the income generated by the Health System's taxable component are not material to the basic financial statements. Accordingly, no provision for income taxes is required in the accompanying financial statements.

(3) Cash, Investments, and Assets Limited as to Use

(a) Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Health System's deposits may not be returned. As of September 30, 2013, the Health System's deposits had a carrying amount of $63,636 and a bank balance of $68,069. Of the bank balance, $725 was covered by federal depository insurance. The remaining balance of $67,344 was subject to custodial risk as it was neither insured nor collateralized.

(b) Investments and Assets Limited as to Use

The Health System holds a combination of money market and fixed-income securities, including securities issued by government-sponsored enterprises (GSEs), such as the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal National Mortgage Association (Fannie Mae), and the Government National Mortgage Association (Ginnie Mae). Based on the Transfer Agreement in May 2006, the Health System is no longer subject to NCGS §159-30; as such, the Health System holds certain nongovernmental equity investments.

The Health System's investments are categorized by investment type. The Health System as of September 30, 2013 had the following investments:

		Investment maturities (in years)			
Investment type	Fair value	Less than 1	1 – 5	6 – 10	More than 10
Cash and cash equivalents	$ 20,027	20,027	—	—	—
U.S. Treasury and agency obligations	32,947	4,448	26,407	1,041	1,051
Mortgage-backed securities	49,775	2	239	2,074	47,460
Corporate obligations	35,452	1,687	18,338	7,927	7,500
Equity securities	125,753	N/A	N/A	N/A	N/A
Mutual funds-fixed income	66,965	—	65,985	—	980
Other	4,964	—	449	244	4,271
Total assets limited as to use and other investments	$ 340,466	26,164	111,418	11,286	61,262

(Continued)

(Dollar amounts in thousands)

(c) Credit Risk

Credit risk is the risk that the Health System will not recover its investments due to the failure of the counterparty to fulfill its obligation. The credit quality ratings for the Health System's fixed-income investments as of September 30, 2013 are listed below:

	Moody's Rating	Investment percentage
U.S. Treasury and agency obligations	AAA	10.0%
Mortgage-backed securities	AAA	12.3
Corporate obligations	AAA	0 5
Corporate obligations	AA	1.9
Mortgage-backed securities	AA	0.5
Corporate obligations	A	6 0
Mortgage-backed securities	A	2.0
Corporate obligations	BBB	2.3
Mortgage-backed securities	BBB	0.3
Mutual funds-fixed income	Not rated	21.7

The Health System's investment policy requires that fixed income securities rated below "BBB" by at least one major rating agency not exceed 5% of the Health System's portfolio. At September 30, 2013, the Health System met this overall average requirement.

The mutual funds-fixed income investments that are not rated consist primarily of an investment in the PIMCO Total Return Fund with a fair value of approximately $71,500 as of September 30, 2013.

(d) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Health System will not be able to recover the value of its investments or collateral securities that are in the possession of a third party.

Fixed-income investments and equity securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Health System, and are held by either the counterparty or the counterparty's trust department or agent, but not in the Health System's name. As of September 30, 2013, all of the Health System's fixed-income investments and equity securities are held by the Health System's custodial bank in the Health System's name and are, therefore, not exposed to custodial credit risk.

*(e) **Interest Rate Risk***

Interest rate risk is the risk that fair value of the Health System's investments will decrease as a result of an increase in interest rates. The Health System maintains a formal investment policy to manage its exposure to fair value losses arising from increasing interest rates by holding equity investments in addition to fixed-income investments and by allocating its fixed-income investments between both short- and long-term investments. Short-term funds, investments with a time horizon of one year or less, amount to $26,164 as of September 30, 2013. The remaining portfolio is allocated to long-term investments. Within the long-term section of the portfolio, the Health System's targeted allocations are approximately 55% fixed-income investments, 35% equity investments, 5% global tactical investments, and 5% global real estate investments

The Health System invests in mortgage-backed securities. The fair values of these securities are based on cash flows from principal and interest payments on the underlying mortgages. Prepayments reduce the future cash flows of these investments and consequently their fair values. Therefore, these securities are sensitive to decreases in interest rates, which may result in an increase in prepayments by mortgagees. As of September 30, 2013, the Health System had $49,775, invested in this type of asset- backed security.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements. Refer to the distribution of maturities for the reporting entity's debt-related investments as of September 30, 2013, in the preceding investment composition tables.

(Continued)

(Dollar amounts in thousands)

(4) Capital Assets

A summary of the Health System's changes in capital assets during the year ended September 30, 2013 is as follows.

	Balance beginning	Additions	Transfers/ disposals	Balance ending
Depreciable capital assets:				
Land improvements	$ 10,522	14	(293)	10,243
Buildings	386,466	7,526	(1,600)	392,392
Equipment	255,251	16,361	(9,144)	262,468
Depreciable capital assets – gross	652,239	23,901	(11,037)	665,103
Accumulated depreciation	(380,721)	(28,769)	10,967	(398,523)
Depreciable capital assets – net	271,518	(4,868)	(70)	266,580
Nondepreciable capital assets:				
Land	19,460	608	—	20,068
Construction in progress	13,016	2,529	(8,971)	6,574
Nondepreciable capital assets	32,476	3,137	(8,971)	26,642
Net capital assets	$ 303,994	(1,731)	(9,041)	293,222

Depreciation expense for the Health System was $28,769 for the year ended September 30, 2013. During fiscal year 2013, the Health System contracted with an independent engineering firm to perform a facility life analysis Their review concluded that the useful lives of several buildings were higher than their estimated remaining useful lives. Using their recommendations, the Health System extended the lives of the buildings in question, which resulted in a reduction in depreciation expense during 2013.

(Continued)

(Dollar amounts in thousands)

A summary of HHC's changes in capital assets during the year ended September 30, 2013 is as follows:

	Balance beginning	Additions	Transfers/ disposals	Balance ending
Depreciable capital assets:				
Buildings	$ —	16,594	—	16,594
Equipment	—	2,963	—	2,963
Depreciable capital assets – gross	—	19,557	—	19,557
Accumulated depreciation	—	(576)	—	(576)
Depreciable capital assets – net	—	18,981	—	18,981
Nondepreciable capital assets:				
Land	829	1,783	—	2,612
Construction in progress	26,341	20,374	(19,557)	27,158
Nondepreciable capital assets	27,170	22,157	(19,557)	29,770
Net capital assets	$ 27,170	41,138	(19,557)	48,751

(5) Long-Term Debt

In September 2008, the Health System issued $152,000 in Health Care Facilities Revenue Bonds, Series 2008A (the Series 2008A Bonds) and $133,335 in Health Care Facilities Revenue Bonds, Series 2008C (the Series 2008C Bonds) through the North Carolina Medical Care Commission The Series 2008A Bonds have interest payable at a weekly rate as determined by the remarketing agent and are backed by a letter of credit from BB&T in the amount of $153,700. The Series 2008C Bonds were fully registered, whereby interest was payable at fixed rates ranging from 3.10% to 4.75% for 2010 to 2019 and 5.25% to 5.63% for 2020 to 2033. The Series 2006A Bonds are fully registered bonds, whereby interest is payable at fixed rates ranging from 3.75% to 5.0%. The Series 2008C Bonds were refinanced in December 2012 in connection with the issuance of the Series 2012A Bonds.

(Continued)

In December 2012, the Health System issued $108,195 in Health Care Facilities Revenue Refunding Bonds, Series 2012A (the Series 2012A Bonds) through the North Carolina Medical Care Commission. The proceeds of the Series 2012A Bonds were used to (1) refund in advance the Series 2008C Bonds and (2) pay certain expenses incurred with the issuance of the 2012A Bonds. The Series 2012A Bonds are fully registered, whereby interest is payable at fixed rates ranging from 2.00% to 5.00% for 2013 to 2022 and 3 5% to 5.00% for 2013 to 2033.

Under the terms of the advance refunding related to the issuance of the Series 2012A Bonds, the bond indenture permits the 2008C bonds to be defeased in whole or in part with no security requirement by the bond indenture or any obligation of the Health System if the bond trustee holds cash or defeasance obligations sufficient to provide for the payment of such 2008C bonds. At the issuance of the respective Series 2012A bonds, the Health System secured a sufficient amount of cash to meet all scheduled principal and interest payments associated with outstanding balances on the Health System's Series 2008C Bonds.

The difference between the reacquisition price and the net carrying amount of the previously existing Series 2008C Bonds of approximately $18,727 is being deferred and amortized as a component of interest expense over the remaining scheduled life of the old debt, which represents the shorter of the original amortization period remaining from the prior refundings or the life of the latest refunding debt. For financial reporting purposes, the debt has been considered defeased and, therefore, removed from the Health System's 2013 balance sheet. As of September 30, 2013, the amount of defeased debt outstanding but removed from the Health System's balance sheet amounted to $128,420, including unamortized discounts. All defeased bonds were paid in full on October 1, 2013.

The bonds (Series 2006A, Series 2008A, and Series 2012A) are governed by multiple bond documents that include the bond indenture, the Master Trust Indenture, and the supplemental master trust indenture that will be referred to collectively herein as the "Bond Indenture." The indentures for the Health System's Series 2008A Bonds and Series 2012A Bonds include covenants that require the Health System to maintain specified financial ratios, levels of working capital, and equity and other nonfinancial covenants Management believes the Health System was in compliance with these covenants under the Bond Indenture as of and during the years ended September 30, 2013 and 2012.

As discussed above, the Health System has entered into an irrevocable letter of credit related to the Series 2008A Bonds. The letter of credit, as amended, expires on October 23, 2016. In the event of a failed remarketing of the bonds, the bank is required to make a letter of credit payment to tendering bondholders. The Health System is required to pay the bank the aggregate amount of the tender advances on the earliest of (i) the subsequent remarketing of such bonds or (ii) the date 180 days following such liquidity draw: provided that if any liquidity draw is outstanding 180 days following such liquidity draw (term out commencement date), then the amount outstanding shall be repaid in equal monthly principal payments sufficient to fully amortize the principal balance of the amount outstanding over the period (not to exceed 60 months) from the term out commencement date to the expiration of the term of the letter of credit Drawings under the letter of credit will bear interest, payable monthly, at a fluctuating interest rate equal to (i) for the first 90 days the 30 day London InterBank Offered Rate (LIBOR), plus 2.75% and (ii) beginning on the ninety first day the 30 day LIBOR, plus 3.25%. The letter of credit agreement includes certain

(Dollar amounts in thousands)

covenants, including financial ratio covenants related to debt to capitalization, long term debt service coverage ratio, and days of unrestricted cash on hand. Management believes the Health System was in compliance with all such financial ratio covenants as of September 30, 2013.

In addition, the Health System had previously entered into an interest rate swap agreement with Citibank, N.A., New York, with respect to the Health Care Facilities Revenue Bonds, Series 2006B (the Series 2006B Bonds) in a notional amount of $202,275 (the Swap Agreement) (see note 6). In conjunction with the refunding of the Series 2006B Bonds and the issuance of the Series 2008A and 2008C Bonds, the Health System terminated approximately 30% of the Swap Agreement and, therefore, the outstanding notional amount of the Swap Agreement is $137,000 after the refunding.

The debt service requirements of the Series 2006A Bonds, 2008A Bonds, and 2012A Bonds, as of September 30, 2013 (over the next five years and in five-year increments thereafter), are as follows:

	Principal	Interest	Interest Rate Swap - Net	Total
Years ending September 30:				
2014	$ 7,800	5,905	4,877	18,582
2015	6,595	5,672	4,877	17,144
2016	6,790	5,442	4,877	17,109
2017	7,075	5,188	4,877	17,140
2018	7,325	4,923	4,877	17,125
2019–2023	42,265	18,951	24,384	85,600
2024–2028	53,425	10,820	21,404	85,649
2029–2033	65,830	7,048	12,842	85,720
2034–2038	68,470	2,580	2,784	73,834
Total	$ 265,575	66,529	85,799	417,903

The variable interest included in the schedule above is based on the rate in effect at the financial statement date, which ranged from 0.20% to 1.00%.

(Continued)

(Dollar amounts in thousands)

A summary of long-term debt as of September 30, 2013 is as follows:

Hospital Facility Revenue Bonds, Series 2006A serial and term bonds, payable annually through 2014, in installments ranging from $4,060 to $5,380, plus interest from 3.75% to 5.00%	$	5,380
Hospital Facility Revenue Bonds, Series 2008A serial and term bonds, payable annually through fiscal year 2037, in amounts ranging from $7,850 to $18,780, plus interest at variable rates which are adjusted weekly (weighted-average rate for the year ended September 30, 2013 was .13%)		152,000
Hospital Facility Revenue Bonds, Series 2012A serial and term bonds, payable annually through 2034, in installments ranging from $2,200 to $9,785, plus interest at 2.00% to 5.00%		108,195
		265,575
Less:		
Unamortized premium		(15,020)
Current maturities		7,800
Unamortized deferred loss on early extinguishment of debt (Series 2008, 2006, 1999, 1993, and 1991 bonds)		18,727
Total	$	254,068

A summary of the Health System's changes in long-term debt during the year ended September 30, 2013 are as follows:

	Beginning balance	Additions	Payments	Ending balance	Amounts due within one year
Series 2006A serial and term bonds	$ 10,565	—	(5,185)	5,380	5,380
Series 2008A serial and term bonds	152,000	—	—	152,000	—
Series 2008C serial and term bonds	129,690	—	(129,690)	—	—
Series 2012A serial and term bonds	—	108,195	—	108,195	2,420
Total	$ 292,255	108,195	(134,875)	265,575	7,800

(Continued)

(Dollar amounts in thousands)

A summary of HHC's changes in long-term debt during the year ended September 30, 2013 are as follows:

	Beginning balance	Additions	Payments	Ending balance	Amounts due within one year
Construction loan draw note payable	$ 20,805	17,643	(38,448)	—	—
USDA Direct Loan	—	38,448	—	38,448	495
Total	$ 20,805	56,091	(38,448)	38,448	495

In July 2011, HHC entered into a contract for construction services to build an outpatient pavilion in Hoke County. The contract is a gross maximum price contract not to exceed $29,920. The budget for the entire project including land, equipment, consulting, and architecture costs is $42,740. HHC entered into a construction loan draw note with a bank in November 2011, that will provided financing of $38,448 to fund the majority of the project costs during the construction period. The Health System serves as the guarantor for this draw noted. In March 2013, the Health System refinanced the note with a long term direct loan, through the United States Department of Agriculture (USDA). The borrowings under the direct loan of the USDA bear interest at 3.13%. The construction process was completed in January 2013.

The debt service requirements of the USDA direct loan as of September 30, 2013 (over the next five years and in five-year increments thereafter), are as follows:

	Principal	Interest	Total
Years ending September 30:			
2014	$ 495	1,202	1,697
2015	510	1,187	1,697
2016	527	1,170	1,697
2017	543	1,154	1,697
2018	560	1,137	1,697
2019–2023	3,076	5,411	8,487
2024–2028	3,588	4,899	8,487
2029–2033	4,185	4,302	8,487
2034–2038	4,881	3,606	8,487
2039–2043	5,694	2,793	8,487
2044–2048	6,641	1,846	8,487
2049–2053	7,748	693	8,441
Total	$ 38,448	29,400	67,848

(Continued)

(Dollar amounts in thousands)

(6) Interest Rate Swap

On April 1, 2006, the Health System entered into the Swap Agreement (see note 5) as a means to lower its borrowing costs on the Series 2006B Bonds when compared against fixed-rate bonds at the time of issuance. The agreement was effective May 4, 2006, with a notional amount of $202,275.

Under the Swap Agreement, the Health System pays the swap provider fixed amounts based on a fixed rate of 3.91%, and the swap provider pays to the Health System floating amounts based on 63.50% of the British Bankers' Association 30-day LIBOR, plus 0.20%. Each such amount is based on the outstanding notional amount of the Swap Agreement.

On September 18, 2008, in conjunction with the issuance of the Series 2008A Bonds and the refunding of the Series 2006B Bonds (see note 5), the Health System terminated $65,275 of the notional amount of the swap, reducing the associated notional amount to $137,000. The significant terms of the swap remain unchanged as of September 30, 2013.

The significant terms and features of the Swap Agreement are as follows:

Corresponding bond series	2008A
Swap type	Floating to fixed
Notional amount	$137,000
Effective date	September 18, 2008
Termination date	October 1, 2036
Final bond maturity	October 1, 2036
Health System pays	3.91%
Cash payments remitted by Health System for year ended September 30, 2013	$4,887
Health System receives	63.50% of 30-day LIBOR + 0.20%
Swap fair value – September 30, 2013	$(30,355)
Swap fair value – September 30, 2012	(48,087)
Classification	Deferred outflow of resources

(a) Fair Value

As of September 30, 2013, the swap has a negative fair value of $30,355, developed by a mark-to-market pricing service using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

(b) Credit Risk

The Health System seeks to limit its counterparty risk by contracting only with highly rated entities. As of September 30, 2013, the credit rating for the counterparty of the interest rate swap was rated A3 by Moody's Investors Service (Moody's), A by Standard & Poor's (S&P), and A by Fitch Investors Services (Fitch). To mitigate the potential for credit risk, under the terms of the Swap Agreement if the counterparty's credit quality falls below AA- for Fitch or S&P or Aa3 for Moody's and the swap has a fair value that is positive in favor of the Health System, the fair value of the swap will be collateralized by the counterparty with U.S. government securities. Collateral would be posted by the counterparty with a third-party custodian.

(c) Basis Risk

The Health System is exposed to basis risk on its interest rate swap agreement because the variable rate payments received by the Health System on these hedging derivative instruments are based on a rate or index (30-day LIBOR) other than the interest rates that the Health System pays on its hedged variable rate debt (SIFMA).

(d) Termination Risk

The swap uses the International Swap Dealers Association Master Agreement (the Master Agreement), which includes standard termination events, such as failure to pay and bankruptcy. The Master Agreement also includes an "additional termination event." The Master Agreement can be terminated if, at any time, a relevant rating with respect to a party declines below the termination level or is withdrawn, or if any party has no relevant rating but was previously rated by such rating agency. The termination levels are, with respect to Moody's, Baa3; S&P, BBB-; and Fitch, BBB-.

The negative swap fair value is the termination payment that would be owed by the Health System to the swap counterparty if the swap were terminated. The payments from the Health System to the swap counterparty are insured by Ambac Financial Group, Inc. (Ambac). This insurance provides protection to the swap counterparty in the event the Health System fails to make payments due under the swap.

When the Health System entered into the swap in 2006, Ambac was rated AAA by each of three rating agencies. Under the terms of the Swap Agreement, an "insurer event" will occur if both Moody's and S&P's ratings for Ambac fall below the A category. If an insurer event happens, and the Health System were downgraded below the A category, the Health System would be required to post collateral in an amount equal to the market value of the swap minus a threshold of up to $5 million as defined in the Swap Agreement.

As of September 30, 2013, Ambac's rating had been withdrawn by Moody's, by S&P, and by Fitch. As of September 30, 2013, the Health System was rated A3 by Moody's Investors Service and A- by S&P. Accordingly, an insurer event has occurred; however, the Health System is not required to post collateral based on its current rating.

(Continued)

(e) Rollover Risk

Rollover risk is the risk that occurs when the term of the swap does not match the term or maturity of the debt associated with the hedge. The Health System does not have rollover risk.

(7) Net Patient Service Revenue

Net patient service revenue for the year ended September 30, 2013 consisted of the following (in thousands):

Gross patient charges at established rates – including charges foregone for charity care	$	2,522,311
Deductions:		
Contractual adjustments		1,708,514
Charity care provided at established billing rates and provision for bad debts		182,847
Net patient service revenue	$	630,950

The Health System has agreements with third-party payors that provide for payments to the Health System at amounts different from its established rates A summary of the payment arrangements with third-party payors is as follows:

Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are paid primarily at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors and cover both operating and capital costs. As of August 1, 2000, outpatient services are reimbursed at prospectively determined rates. The Health System is reimbursed for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Health System, and audits thereof, by the Medicare fiscal intermediary. The Health System's and Bladen's Medicare cost reports have been audited by the Medicare fiscal intermediary for cost report periods through September 30, 2009, respectively. The cost reports for Highsmith-Rainey have been audited for 2008 and 2009; however, audits are incomplete for fiscal years 2006, 2007, 2010, and subsequent years.

Medicaid – The North Carolina Department of Health and Human Services Division of Medical Assistance reimburses costs for "inpatient" Medicaid services using a payment per discharge system with case-mix adjustments based on diagnostic-related groups, similar to those used by the Medicare program. The Health System is reimbursed for "outpatient" costs at a tentative rate, with final settlement determined after submission of annual Medicaid cost reports by the Health System, and audits thereof, by the Medicaid fiscal intermediary. The Health System recognizes the impact of new information obtained from audits or reviews as it is obtained. The Health System's Medicaid cost reports have been audited by the Medicaid program through September 30, 2007. Bladen County Hospital's cost reports have been audited through 2010 while Highsmith-Rainey's cost reports have been audited through the period ending 2011.

(Dollar amounts in thousands)

Laws governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the future The effect of these settlement adjustments to net patient service revenue was a decrease of $316 in 2013.

The Health System receives supplemental Medicaid funds under the North Carolina Medicaid Reimbursement Initiative (the MRI Program) based on the costs related to the treatment of a disproportionate share of indigent patients. This program was amended in 2012 to provide additional funds to cover a portion of the unreimbursed costs of treating uninsured patients. The amended funding plan is referred to as the GAP Plan The GAP Plan requires hospitals to pay assessments into a state fund as a condition to receive the additional funds The state submitted the GAP Plan to Centers for Medicare and Medicaid Services (CMS) for approval in January 2010. It was approved in April 2012, retroactive to the submission date of January 2010. Therefore, the expenses and revenue recognized in the Hospital System's fiscal year 2013 include payments received for unreimbursed costs for the 12 months ended September 30, 2013. For FY12, the expenses and revenue recognized in the Hospital System's fiscal year include payments received for unreimbursed costs for the 9 months ended September 30, 2011, and for the 12 months ended September 30, 2012.

The funds received under the MRI Program and the GAP Plan are included in net patient service revenue, and the assessments paid are included in other operating expenses in the statement of revenues, expenses, and changes in net position. A summary of the funds received and assessments paid under these programs during fiscal years 2013 and 2012 is as follows:

		Related to FY 2013 costs and recognized in FY 2013	Related to FY 2012 costs and recognized in FY 2012	Related to FY 2011 costs and recognized in FY 2012
MRI funds received	$	34,384	29,087	—
GAP Plan funds received		14,124	13,508	10,827
Less assessments paid		(5,557)	(5,413)	(3,774)
Net amounts recognized	$	42,951	37,182	7,053

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

(Continued)

(Dollar amounts in thousands)

The Health System's payor mix as a percent of gross revenue was as follows for the year ended September 30, 2013:

Medicare	47.6 %
Medicaid	20.2
Tricare	5.6
Self-Pay	7.8
Commercial, Managed Care, & Other	18.8
Total	100 %

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters, such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse Government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and/or abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Management is proactively monitoring compliance with these matters through its corporate compliance program to mitigate the inherent risks of operating in the health care industry.

(8) Charity Care

The Health System maintains records to identify and monitor the level of charity care it provides. These records include the approximate amount of charges forgone for services and supplies furnished under its charity care policy. The estimated cost of services provided under the System's charity care policy, based on applying an estimated cost to charge ratio to the amount of applicable charges foregone, was approximately $20,700 for the year ended September 30, 2013.

(9) Risk Management

The Health System is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Health System is self-insured for medical malpractice and workers' compensation up to the various limits discussed below The Health System has purchased commercial insurance to cover losses exceeding the self-insurance limits.

(Continued)

(Dollar amounts in thousands)

Estimated Malpractice Costs

The Health System is self-insured for medical malpractice risks up to $5,000 per claim and an annual aggregate of $25,000, on a claims-made basis. In addition, the Health System has an excess coverage policy, which is limited to annual costs of $50,000.

Losses from asserted claims and from unasserted claims identified under the Health System's incident reporting system, and possible losses attributable to incidents that may have occurred, but that have not been identified under the incident reporting system, are accrued based on estimates that incorporate the Health System's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. The Health System has retained an independent actuary to assist management in preparing such estimates. Accrued malpractice losses have not been discounted.

The following is a summary of the activity in the liability for medical malpractice claims for the years ended September 30, 2013 and 2012. The summary includes the activities and liabilities of Cape Fear Insurance.

Year ended September 30	Beginning balance	Incurred Claims	Paid Claims	Ending balance
2013	$ 43,024	7,604	(15,340)	35,288
2012	44,181	10,649	(11,806)	43,024

The current portion of the above liability was $10,650 as of September 30, 2013, and is included in the accompanying balance sheets within other liabilities and accruals. The remaining noncurrent portion is included in other liabilities in the accompanying balance sheets The Health System transfers funds to Cape Fear Insurance for the payment of medical malpractice claim settlements. Independent actuaries have been retained to assist the Health System with the annual determination of funds to be transferred.

Workers' Compensation

The Health System is self-insured for workers' compensation claims up to $400 per incident, with a corridor of $200 (e.g., a one-time additional retention of $200 above $400). The Health System has an excess coverage policy with statutory limits. The Health System has utilized independent actuaries to assist management in estimating the ultimate cost of the self-insurance portion of the settlement of such claims.

The following is a summary of the activity in the liability for workers' compensation claims for the years ended September 30, 2013 and 2012.

Year ended September 30	Beginning balance	Incurred Claims	Paid Claims	Ending balance
2013	$ 9,032	1,885	(2,207)	8,710
2012	9,648	1,729	(2,345)	9,032

(Continued)

(Dollar amounts in thousands)

The workers' compensation liability reflected in the balance sheet within other liabilities was $8,710 as of September 30, 2013. The current portion of this liability was $2,700 as of September 30, 2013 Workers' compensation expense for the year ended September 30, 2013 was $1,166.

Employee Health Benefit

The Health System self-insures employee health and dental insurance. The Health System's accrued employee health and dental costs amounted to approximately $5,300 at September 30, 2013 and are included in other liabilities and accruals in the accompanying balance sheet.

Year ended September 30	Beginning balance	Incurred Claims	Paid Claims	Ending balance
2013	$ 7,490	28,523	(30,713)	5,300
2012	4,680	32,473	(29,663)	7,490

(10) Commitments and Contingencies

(a) Leases

The Health System leases various types of equipment and outpatient clinic locations These leases are classified as operating leases with various expiration dates. Management expects that in the normal course of events leases will be renewed or replaced by other leases. Minimum lease payments projected below also include servicing and licensing agreements.

Total expenses for all operating leases and related agreements, including the payment in lieu of taxes, were $11,482 for the year ended September 30, 2013.

Future minimum payments that have noncancelable lease terms in excess of one year as of September 30, 2013 are as follows:

	Minimum lease payments
Years ending September 30:	
2014	$ 1,764
2015	1,764
2016	1,787
2017	618
2018	228
2019 - 2023	1,218
2024 - 2027	1,015
Total	$ 8,394

(Continued)

(Dollar amounts in thousands)

(b) Transfer Agreement

The Transfer Agreement specifies that a payment in lieu of taxes will be paid by the Health System to the County on each July 1, beginning on July 1, 2006. The annual payment in lieu of taxes includes a base payment, as specified in the Transfer Agreement. The annual payment also includes an additional payment that shall be an amount equal to the ad valorem taxes that would have been received by the County on any real property acquired by or for the use of the Health System after January 1, 1998.

Future estimated minimum payments in lieu of taxes required under the Transfer Agreement as of September 30, 2013 are as follows:

	Minimum payments
Years ending September 30:	
2014	$ 3,645
2015	3,645
2016	3,645
2017	3,645
2018	3,645
2019–2023	18,225
Each five-year period thereafter	18,225

Effective with the year ended September 30, 2010, the base payment shall be the previous agreement year's base payment amount adjusted by the most recently published Consumer Price Index for South Urban Size C Communities. Minimum payments above do not include a Consumer Price Index adjustment or the additional payment in lieu of taxes specified under the Transfer Agreement. The Health System made payments including these adjustments totaling $3,645 for 2013. These payments are reflected in the other expenses line of the statement of revenues, expenses, and changes in net position.

(c) Health Care Industry Matters

The health care industry continues to attract legislative interest and public attention. In recent years, an increasing number of legislative proposals have been introduced or proposed in Congress and in some state legislatures that, like the Medicare Modernization Act, would effect major changes in the health care system. During 2010, the U.S. Congress passed the Patient Protection and Affordable Care Act, which calls for significant changes to the health care payment and delivery system. The legislation calls for changes in Medicare, Medicaid, and other state and federal programs, cost controls on hospitals, and mandatory health insurance coverage for individuals. While the Health System is planning and preparing for the certain changes called for in the legislation, it cannot predict the ultimate impact of this or future health care legislation or other changes in the administration or interpretation of governmental health care programs and the effect that any

(Continued)

legislation, interpretation, or change may have on the Health System. Such effects may include material adverse changes to the amounts of reimbursement received by the Health System.

(d) Legal and Regulatory Matters

The Health System is involved in litigation, administrative proceedings, and regulatory examinations arising in the normal course of business. The health care industry is subject to numerous laws and regulations of federal and state governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid related matters. The Health System's management believes that the ultimate outcome of these matters will not have a material impact on the Health System's net position, operations, or cash flows.

(11) Employee Benefits

(a) Retirement Plan

The Health System has a single-employer defined benefit pension plan administered by the Pension Committee of the Health System (the Plan). The Plan provides retirement benefits to Plan members and beneficiaries. Employees are eligible to become participants in the Plan on the first day of the Plan year in which the employee has completed five years of credited service and attained age 25. The Plan provides pension benefits to vested participants who have attained at least five years of service. The benefits are based on years of service, age, and the employee's compensation. The Health System reserves the right to amend or terminate the Plan at any time. Accordingly, the amounts disclosed herein relate to the Plan as a whole. Separate financial statements for the Plan have not been issued. The Plan is not subject to the requirements of the Employee Retirement Income Security Act of 1974, and the assets and liabilities of the Plan are not recorded in the basic financial statements in accordance with governmental accounting standards. The Plan was closed to new employees hired on or after July 1, 2011, through an amendment to the Plan effective July 1, 2011.

The January 1, 2013 Plan actuarial valuation used the Frozen Initial Liability Method with initial liability determined by the Unit Credit Method. This method is often referred to as the Attained Age Normal Method. The factors considered under this method include: average compensation (highest 10 years out of the last 15 years), years of credited service (maximum of 35 years), age, the Social Security taxable wage base, and employee's accrued benefit as of December 31, 2008. However, for Plan participants with a sum total of age and credited service of at least 85 years as of January 1, 2009; average compensation is based on highest five years out of the last 10 years and a maximum credited service of 25 years. Normal retirement age under the Plan is 65 with provisions for early retirement if the participant is 55 years of age and has attained 15 years of credited service or 60 years of age with 10 years of credited service. These benefit levels may be modified upon approval by the Board of Trustees. Benefits under the early retirement provision are reduced to reflect the Plan participant's age at the time benefits begin.

(Dollar amounts in thousands)

The Health System intends to fund the annual required contribution (ARC) during the employer's fiscal year beginning after the valuation date. The ARC is composed of the normal cost, plus amortization of the unfunded actuarial accrued liability (UAAL) on a level-dollar basis over an open period of 20 years.

Based on the funding status of the Plan, there was no net pension obligation as of September 30, 2013 and 2012. The Health System's annual pension cost and funding for the years ended September 30, 2013 and 2012 were as follows (unaudited):

	2013	2012
Years ending September 30:		
Annual required contribution	$ 10,131	9,684
Contribution made	10,131	9,684
Percentage of annual required cost contributed	100%	100%

The ARC for 2013 and 2012 was determined as part of the January 1, 2013 and 2012, actuarial valuations, respectively. The actuarial cost method used to determine the ARC is called the "Attained Age Normal Methods." Participant data used for 2013 is as follows:

Covered payroll for the calculation of the 2013 actuarial information	$ 146,263
Covered payroll as a percentage of total payroll of $268,226	55%
Participant data as of January 1, 2013 (date of most recent valuation):	
Active	2,418
Retired	351
Terminated vested	1,230
Total	3,999

(Continued)

(Dollar amounts in thousands)

The more significant actuarial assumptions utilized in the most recent actuarial valuation (January 1, 2013) for computing the annual required contributions for the Plan are as follows

Mortality basis		RP-2000 IRS PPA 2012 Annuitant/Non-Annuitant Tables for Males and Females	
Termination		The following indicates the probability that a participant will terminate within the year:	
Age		**Male**	**Female**
25		0.20000	0 20000
30		0.12200	0 12200
35		0.11700	0.11700
40		0.11200	0.11200
45		0 10100	0.10100
50		0.09200	0.09200
55		0.10200	0.10200
60		0.17750	0.17750
Interest rate		7.75%	
Salary increases		3.00%	
Retirement age		At normal retirement, or age on actuarial valuation date, if greater	
Amortization method		Level-dollar method	
Underfunded accrued liability amortization period		20 years	

(b) Funding Status and Progress

The Health System accounts for the Plan using an actuarial accrued liability (AAL) as the standardized measure of disclosure on a net present value basis of pension benefits, which will become payable at future dates. The calculation of the AAL includes projected salary data. This measure is intended to help users assess the funding status of the pension plan on a going-concern basis, assess progress in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The actuarial measure is the basis for the determination of the annual funding requirements used to determine the contributions made to the Plan. Funding levels and obligations to contribute to the Plan are established by the Board of Trustees and can be amended by the Board of Trustees. The actuarial value of plan assets is determined based on a three-year smoothing method with a 30% corridor.

(Continued)

(Dollar amounts in thousands)

(c) Trend Information (Unaudited)

The Health System's progress in accumulating sufficient assets to pay benefits when due is presented as follows:

Actuarial valuation date	Actuarial value of assets	AAL Projected unit credit	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as percentage of covered payroll
January 1, 2011	$ 94,126	124,838	30,712	75 4	$ 144,737	21 2
January 1, 2012	105,533	144,619	39,086	73 0	145,384	26 9
January 1, 2013	118,606	157,413	38,807	75 3	145,472	26 7

The schedules of Plan funding progress, presented as required supplementary information following the notes to the basic financial statements, present multiyear trend information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the AAL for benefits.

A summary of Plan net position as of September 30, 2013, and of the changes in Plan net position for the years ended September 30, 2013, is as follows:

Plan net position:		
Cash and short-term investments	$	1,301
Investments at fair value:		
Equity – domestic		44,015
Equity – international		33,904
Fixed income – domestic		43,702
Total investments		121,621
Net position held in trust for pension benefits	$	122,922
Changes in plan net position:		
Beginning plan net position	$	107,904
Receipts:		
Employer contributions		10,689
Investment gain – net		11,538
Total receipts		22,227
Disbursements:		
Benefit payments		6,723
Administrative expenses		486
Total disbursements		7,209
Ending plan net position	$	122,922

(Continued)

(12) Investments in Joint Ventures

The Health System purchased a 22% limited partnership interest in Fayetteville Ambulatory Surgery Center Limited Partnership in October 1995. The investment is accounted for using the equity method The Health System's investment in Fayetteville Ambulatory Surgery Center Limited Partnership as of September 30, 2013 is $1,410, and is reflected within other assets in the balance sheets

The Health System has a 49% equity interest in Valley Regional Imaging. The investment is accounted for using the equity method. The Health System's investment in Valley Regional Imaging as of September 30, 2013 is $1,202, and is reflected within other assets in the balance sheets.

The Health System is an investor in other medical-related organizations that are accounted for using the cost method and had a carrying amount of $469 as of September 30, 2013 and is reflected within other assets in the balance sheet. Information about the availability of separate financial statements of the above-mentioned organizations may be obtained from the Health System's office of financial services.

(13) Regulatory Investigation

During 2004, the Health System was advised that it was the subject of an investigation by the Office of the Inspector General of the Department of Health and Human Services (OIG) related to billing practices associated with Emergency Medical Services and LifeLink services. On July 24, 2009, the Health System reached an agreement with the OIG to resolve the investigation by paying the government approximately $1,500 and entering into a five-year corporate integrity agreement that requires the Health System to maintain a formal compliance program for the term of the agreement. As of September 30, 2013, management believes it is in compliance with this corporate integrity agreement.

(14) Subsequent Events

Hoke Healthcare, LLC (HHC), is constructing and equipping a 41-bed acute care hospital in Raeford, Hoke County, North Carolina to be known as "Hoke Community Medical Center" (the Project). The United States Department of Agriculture – Rural Development (the USDA) will provide permanent financing for the Project through its Community Facilities Direct Loan and Guaranteed Loan Programs. The terms and conditions of the USDA programs require Hoke Healthcare LLC to obtain interim construction financing for the Project.

On October 31, 2013, Hoke Healthcare, LLC closed on its interim construction financing which consists of the following components:

- A construction loan in the principal amount of up to $30,000 (the Construction Loan) from Fifth Third Bank (Fifth Third),

(Continued)

- Taxable Bonds, Series 2013A in the principal amount of $24,579 (the Series 2013A Bonds) to Fifth Third. While Fifth Third holds the Series 2013A Bonds, they are bearing interest at a variable rate. Simultaneous with the issuance of the USDA Guarantee, the Series 2013A Bonds will be remarketed at a fixed rate of interest to their final maturity date, which is October 1, 2043, and
- Taxable Bonds, Series 2013B in the principal amount of $2,732 (the Series 2013B Bonds) to Branch Banking and Trust Company (BB&T).

Upon completion of construction, Hoke Healthcare LLC expects the USDA to:

- Execute and deliver a guarantee (the USDA Guarantee) of the Series 2013A Bonds. The USDA Guarantee will constitute an obligation supported by the full faith and credit of the United States of America,
- Refinance the Construction Loan with the Direct Loan.

The sole member of Hoke Healthcare LLC is Cumberland County Hospital System, Inc. (d/b/a Cape Fear Valley Health System). During the construction of the Project, and until the issuance of the USDA Guarantee and closing of the Direct Loan, the Health System will guaranty payment of the interim construction financing.

REQUIRED SUPPLEMENTARY INFORMATION

CUMBERLAND COUNTY HOSPITAL SYSTEM, INC.
(d/b/a Cape Fear Valley Health System)

Required Supplementary Information

Schedule of Plan Funding Progress
(Unaudited)

September 30, 2008 through September 30, 2013

(In thousands)

Actuarial valuation date	Fiscal plan year ending	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll (b-a)/(c)
January 1, 2008	September 30, 2008	$ 105,141	91,893	(13,248)	114 4%	$ 122,921	(10 8)%
January 1, 2009	September 30, 2009	94,201	99,371	5,170	94 8	136,620	3 8
January 1, 2010	September 30, 2010	95,085	110,968	15,883	85 7	144,164	11 0
January 1, 2011	September 30, 2011	94,126	124,838	30,712	75 4	144,737	21 2
January 1, 2012	September 30, 2012	105,533	144,619	39,086	73 0	145 384	26.9
January 1, 2013	September 30, 2013	118,606	144,619	26,013	82.0	145,472	17.9

See accompanying independent auditors' report.

CUMBERLAND COUNTY HOSPITAL SYSTEM, INC.
(d/b/a Cape Fear Valley Health System)

Required Supplementary Information

Historical Summary of Actual and Required
Pension Contributions (Unaudited)

September 30, 2008 through September 30, 2013

(In thousands)

Fiscal plan year ending	Employer contributions		
	Annual required contributions	Actual contributions	Percentage contributed
September 30, 2008	$ 7,814	7,814	100%
September 30, 2009	4,240	4,240	100
September 30, 2010	6,252	6,252	100
September 30, 2011	7,963	7,963	100
September 30, 2012	9,684	9,684	100
September 30, 2013	10,131	10,131	100

See accompanying independent auditors' report.

COMBINING INFORMATION AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2013

CUMBERLAND COUNTY HOSPITAL SYSTEM, INC.
(d/b/a Cape Fear Valley Health System)

Combining Schedule of Assets, Deferred Outflows, Liabilities and Net Position

September 30, 2013

(In thousands)

	Obligated Group	Nonobligated Group					Nonobligated Group	
Assets and Deferred Outflows of Resources	Cape Fear Valley Medical Center	Cape Fear Insurance Ltd	Hoke Health Services LLC	Bladen Healthcare LLC	Eliminations	Subtotal	Cape Fear Valley Health Foundation	Total Reporting Entity
Current assets								
Cash and cash equivalents	$ 63,411	225	371	619	—	64,626	224	64,850
Short-term investments	20,554	—	—	—	—	20,554	4,777	25,331
Patient accounts receivable – net	95,631	—	593	7,429	—	103,653	—	103,653
Other accounts receivable	24,138	566	11	551	(3,750)	21,516	521	22,037
Assets limited as to use – cash and investments – current portion								
Restricted for debt service	10,335	—	—	—	—	10,335	—	10,335
Designated for self-insurance	—	13,350	—	—	—	13,350	—	13,350
Inventories	8,814	—	156	306	—	9,276	—	9,276
Prepaid expenses	5,875	—	—	141	—	6,016	—	6,016
Total current assets	228,758	14,141	1,131	9,046	(3,750)	249,326	5,522	254,848
Capital assets – net	293,222	—	48,751	12,133	—	354,106	3	354,109
Other noncurrent assets								
Assets limited as to use – cash and investments								
Designated for capital improvements	94,367	—	—	—	—	94,367	—	94,367
Designated for self-insurance	10,838	19,073	—	—	—	29,911	—	29,911
Total assets limited as to use	105,205	19,073	—	—	—	124,278	—	124,278
Investments	171,949	—	—	—	—	171,949	—	171,949
Other assets	5,735	—	—	—	—	5,735	—	5,735
Total other noncurrent assets	282,889	19,073	—	—	—	301,962	—	301,962
Total assets	804,869	33,214	49,882	21,179	(3,750)	905,394	5,525	910,919
Deferred outflows of resources – fair value of hedging derivatives	30,355	—	—	—	—	30,355	—	30,355
Total assets and deferred outflows of resources	$ 835,224	33,214	49,882	21,179	(3,750)	935,749	5,525	941,274
Liabilities and Net Position								
Current liabilities								
Accounts payable	$ 31,020	32	280	1,063	—	32,395	22	32,417
Salaries and benefits payable	25,840	—	108	1,617	—	27,565	—	27,565
Other liabilities and accruals	11,692	10,650	3,213	2,084	(3,750)	23,889	—	23,889
Estimated third-party payor settlements	53,506	—	—	2,632	—	56,138	—	56,138
Current maturities of long-term debt	7,800	—	495	—	—	8,295	—	8,295
Total current liabilities	129,858	10,682	4,096	7,396	(3,750)	148,282	22	148,304
Long-term debt – less current maturities	254,068	—	37,954	—	—	292,022	—	292,022
Interest rate swap liability	30,355	—	—	—	—	30,355	—	30,355
Other liabilities	10,366	15,824	—	—	4,457	30,647	—	30,647
Total liabilities	424,647	26,506	42,050	7,396	707	501,306	22	501,328
Net position								
Net investment in capital assets	33,831	—	10,302	12,133	—	56,266	3	56,269
Restricted for debt service	7,800	—	—	—	—	7,800	2,770	10,570
Unrestricted	368,946	6,708	(2,470)	1,650	(4,457)	370,377	2,730	373,107
Total net position	410,577	6,708	7,832	13,783	(4,457)	434,443	5,503	439,946
Total liabilities and net position	$ 835,224	33,214	49,882	21,179	(3,750)	935,749	5,525	941,274

See accompanying independent auditors' report

CUMBERLAND COUNTY HOSPITAL SYSTEM, INC.

Combining Schedule of Revenues Expenses and Changes in Net Position

Year ended September 30, 2013

	Obligated Group	Nonobligated Group					Nonobligated Group	
	Cape Fear Valley Medical Center	Cape Fear Insurance Ltd.	Hoke Health Services LLC	Bladen Healthcare LLC	Eliminations	Subtotal	Cape Fear Valley Health Foundation	Total Reporting Entity
Revenues								
Net patient service revenue	$ 630,950	—	665	32,457	—	664,072	—	664,072
Other revenues	25,153	13 474	170	293	(12,150)	26,940	1,172	28 112
Total revenues	656,103	13,474	835	32,750	(12 150)	691,012	1,172	692,184
Operating expenses								
Salaries	308 514	—	1,525	16 959	—	326,998	—	326.998
Fringe benefits	70,040	—	133	5,044	—	75 217	—	75.217
Medical supplies	98,585	—	241	2,252	—	101,078	—	101,078
Professional fees	27,745	—	24	3,208	—	30,977	—	30,977
Purchased services	35,019	—	148	1,049	—	36,216	—	36,216
Other expenses	65,672	7,693	501	2,743	(7,693)	68,916	1,054	69 970
Depreciation and amortization	29 070	—	577	1.040	—	30,687	2	30,689
Interest expense	10,467	—	639	20	—	11 126		11,126
Total operating expenses	645,112	7,693	3,788	32,315	(7 693)	681,215	1,056	682,271
Operating income (loss)	10,991	5 781	(2,953)	435	(4,457)	9,797	116	9 913
Nonoperating income								
Net investment income	19,424	276	—	2	—	19,702	481	20 183
Other nonoperating income	77	—	—	—	—	77	—	77
Total nonoperating income	19,501	276	—	2	—	19,779	481	20,260
Excess of revenues over (under) expenses	30,492	6 057	(2,953)	437	(4,457)	29,576	597	30,173
Capital contributions and transfers to affiliates	(10 818)	—	10,818	—	—	—	—	—
Increase in net position	19,674	6,057	7,865	437	(4,457)	29,576	597	30,173
Net position								
Beginning of the year	390 903	651	(33)	13,346	—	404,867	4,906	409 773
End of the year	$ 410,577	6,708	7,832	13,783	(4,457)	434,443	5,503	439 946

See accompanying independent auditors' report