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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
The Outer Banks Hospital Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
2100 Stantonsburg Road

City or town, state or country, and ZIP + 4
Greenville, NC 27835

D Employer identification number
56-2112733

E Telephone number
(252) 847-5129

G Gross receipts $ 63,613,289

F Name and address of principal officer
Ronald Sloan
2100 Stantonsburg Road
Greenville, NC 27835

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 theouterbankshospital com

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

L Year of formation 2002

M State of legal domicile NC

Part I Summary

1 Briefly describe the organization's mission or most significant activities
To provide a wide range of quality services to the residents and visitors of the Outer Banks

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**	10
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	9
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	360
6	Total number of volunteers (estimate if necessary)	**6**	52
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	0	0
9	Program service revenue (Part VIII, line 2g)	49,887,752	62,434,669
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	62,754	88,388
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	74,201	1,079,310
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	50,024,707	63,602,367
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	49,500
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)	19,682,933	21,038,717
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)	20,946,321	33,481,470
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	40,629,254	54,569,687
19	Revenue less expenses Subtract line 18 from line 12	9,395,453	9,032,680

Revenue / Expenses

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	60,754,128	59,601,069
21	Total liabilities (Part X, line 26)	6,273,475	7,747,736
22	Net assets or fund balances Subtract line 21 from line 20	54,480,653	51,853,333

Net Assets or Fund Balances

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

****** | 2014-08-13
Signature of officer | Date

David Hughes Secretary/Treasurer
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Wayne Harder				P00294296

Firm's name ▶ MCGLADREY LLP | Firm's EIN ▶ 42-0714325

Firm's address ▶ 1 S WACKER DRIVE STE 800
CHICAGO, IL 60606 | Phone no (312) 634-3400

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

To enhance the quality of life for the people and communities we serve, touch and support

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 $ 36,231,952 including grants of $ 49,500) (Revenue $ 49,086,390)

Outpatient and Emergency Services Provided emergency services to 22,691 patients 24 hours a day for 365 days Provided outpatient diagnostic and therapeutic services to 22,522 patients Performed 1,675 outpatient surgical procedures

4b (Code) (Expenses $ 9,852,953 including grants of $) (Revenue $ 13,348,279)

Inpatient Services Provided inpatient care 24 hours a day for 365 days to 1,405 patients Delivered 371 babies Performed 544 inpatient surgical procedures

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** ▶ 46,084,905

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		No
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	Yes	
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f	Yes	
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**	Yes	
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**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
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**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
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**		No
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**		
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	0		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c			
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	360		
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			No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b			
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			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible 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			
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** 10		
	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** 9		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**		No
6	Did the organization have members or stockholders?	**6**	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	**8a**	Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**		No

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

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	**10a**		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	**10b**		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	**11a**		No
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**		No
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	**12b**		
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**		
13	Did the organization have a written whistleblower policy?	**13**		No
14	Did the organization have a written document retention and destruction policy?	**14**		No
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**		No
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**		

Section C. Disclosure

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

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

☐ 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

▶Todd Warlitner 2100 Stantonsburg Road Greenville, NC (252)847-5129

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) Linda Palombo Chairman	2 00 0 00	X						0	0	0
(2) Ernest Larkin Vice Chairman	2 00 0 00	X						0	0	0
(3) Beulah Charity Ashby Board Director	2 00 0 00	X						0	0	0
(4) Christine Petzing MD Board Director	2 00 0 00	X						0	0	0
(5) Roger Robertson Board Director	2 00 46 00	X						0	400,870	90,819
(6) Terry Wheeler Board Director	2 00 0 00	X						0	0	0
(7) Jody Midgette Board Director	2 00 0 00	X						0	0	0
(8) Arthur Keeney Board Director	2 00 6 00	X						0	0	0
(9) Steve Rodriquez Board Director	2 00 0 00	X						0	0	0
(10) Bob Guanci Board Director	2 00 0 00	X						0	0	0
(11) Todd Warlitner VP, Business Operations	40 00 0 00			X				141,717	0	55,650
(12) Ronald Sloan President, Outer Banks Hospital	40 00 0 00			X				226,561	0	59,818
(13) Judy Bruno VP, Clinical Operations	40 00 0 00			X				138,081	0	48,210
(14) Gary Hunter Anesthesiologist	40 00 0 00					X		404,254	0	40,418
(15) Monte Thompson Director, Pharmacy	40 00 0 00					X		146,345	0	29,131
(16) Mary Moseley Pharmacist	40 00 0 00					X		102,297	0	37,565
(17) Edward Heise Director, Emergency - AMU	40 00 0 00					X		124,391	0	31,976

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) Mary Terrell Parnell Pharmacist	40 00 0 00					X		125,942	0	19,206
1b **Sub-Total**										
c **Total from continuation sheets to Part VII, Section A**										
d **Total (add lines 1b and 1c)**								1,409,588	400,870	412,793

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 ▶ 10

			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
Aviation Anesthesia Association Inc 158 Battlefield Court Manteo NC 27954	CRNA Staffing	312,233
GE Medical Systems PO Box 402076 Atlanta GA 30384	Equipment Service/Repair	291,373
Frank X Biondi PO Box 1464 Nags Head NC 27959	CRNA Staffing	271,016
Shared Hospitals Services Corp 3530 Elmhurst Lane Portsmouth VA 23701	Contract Employees	199,819
Shiftwise PO Box 70870 St Paul MN 55170	Staff Management	185,804

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 ▶ 9

Part VIII Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations . . . 1d				
	e	Government grants (contributions) 1e				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f				
	g	Noncash contributions included in lines 1a-1f $				
	h	**Total.** Add lines 1a-1f . . . . . ▶				
Program Service Revenue		Business Code				
	2a	Outpatient Revenue	622110	48,803,194	48,803,194	
	b	Inpatient Revenue	622110	13,631,475	13,631,475	
	c					
	d					
	e					
	f	All other program service revenue				
	g	**Total.** Add lines 2a–2f . . . . . ▶		62,434,669		
	3	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶		99,310		99,310
	4	Income from investment of tax-exempt bond proceeds . . ▶				
	5	Royalties . . . . . ▶				
		(i) Real / (ii) Personal				
	6a	Gross rents: 191,579				
	b	Less rental expenses: 0				
	c	Rental income or (loss): 191,579				
	d	Net rental income or (loss) . . . . . ▶		191,579		191,579
		(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory				
	b	Less cost or other basis and sales expenses: 10,922				
	c	Gain or (loss): -10,922				
	d	Net gain or (loss) . . . . . ▶		-10,922		-10,922
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	Employee Pharmacy 900099	363,623			363,623
	b	I/C Environmental Services 900099	197,225			197,225
	c	Cafeteria Meals 722210	91,190			91,190
	d	All other revenue	235,693			235,693
	e	**Total.** Add lines 11a–11d . . . . . ▶	887,731			
	12	**Total revenue.** See Instructions . . . . . ▶	63,602,367	62,434,669	0	1,167,698

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	43,500	43,500		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	6,000	6,000		
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	506,359	478,877	27,482	
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	16,543,108	15,645,249	897,859	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	611,588	600,484	11,104	
9 Other employee benefits	2,201,080	2,109,471	91,609	
10 Payroll taxes	1,176,582	1,104,405	72,177	
11 Fees for services (non-employees)				
a Management				
b Legal	16,620		16,620	
c Accounting	41,535		41,535	
d Lobbying	12,000		12,000	
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)	4,404,093	3,498,954	905,139	
12 Advertising and promotion	141,753		141,753	
13 Office expenses	3,568,690	3,568,690		
14 Information technology	11,076	11,076		
15 Royalties . .				
16 Occupancy	921,334	921,334		
17 Travel	257,933	257,933		
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest				
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	2,370,268	2,370,268		
23 Insurance	475,712	475,712		
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 Expense	8,527,084	8,527,084		
b Chargeable Patient Supp	6,432,066	6,432,066		
c Shared Services Expense	6,243,509		6,243,509	
d Recruitment	57,797	33,802	23,995	
e All other expenses				
25 **Total functional expenses.** Add lines 1 through 24e	54,569,687	46,084,905	8,484,782	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			1	
	2	Savings and temporary cash investments		5,001,596	2	3,925,123
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		8,203,952	4	8,954,795
	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		1,028,991	8	1,149,000
	9	Prepaid expenses and deferred charges		175,039	9	204,338
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 43,234,085			
	b	Less accumulated depreciation	10b 24,678,089	18,402,531	10c	18,555,996
	11	Investments—publicly traded securities		25,789,275	11	24,838,770
	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		2,152,744	15	1,973,047
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		60,754,128	16	59,601,069
Liabilities	17	Accounts payable and accrued expenses		4,561,626	17	5,779,072
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities			20	
	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			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		1,711,849	25	1,968,664
	26	**Total liabilities.** Add lines 17 through 25		6,273,475	26	7,747,736
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		54,480,653	27	51,853,333
	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			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		54,480,653	33	51,853,333
	34	Total liabilities and net assets/fund balances		60,754,128	34	59,601,069

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	63,602,367
2	Total expenses (must equal Part IX, column (A), line 25)	2	54,569,687
3	Revenue less expenses Subtract line 2 from line 1	3	9,032,680
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	54,480,653
5	Net unrealized gains (losses) on investments	5	
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	-11,660,000
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	51,853,333

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		

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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
The Outer Banks Hospital Inc

Employer identification number
56-2112733

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
The Outer Banks Hospital Inc	56-2112733

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)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		12,000
j	Total Add lines 1c through 1i			12,000
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
Explanation of Lobbying Activities	Part II-B, Line 1	Dues to NCHA are allocated 25 23% to lobbying

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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
The Outer Banks Hospital Inc

Employer identification number
56-2112733

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		1,694,182		1,694,182
b Buildings		28,168,800	15,546,555	12,622,245
c Leasehold improvements				
d Equipment		13,355,250	9,131,534	4,223,716
e Other		15,853		15,853
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				18,555,996

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
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

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

1 (a) Description of liability	(b) Book value
Federal income taxes	
Due to third party payors	1,683,664
Reserve for professional liability losses	285,000
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	1,968,664

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
Description of Uncertain Tax Positions Under FIN 48	Part X, Line 2	The Outer Banks Hospital, Inc has been determined to qualify as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code The Outer Banks Hospital, Inc has reviewed its tax positions for all open years and has concluded that no material liabilities exist as of September 30, 2013 and 2012 The Outer Banks Hospital files tax returns with the U S federal and State of North Carolina jurisdictions With few exceptions, The Outer Banks Hospital is no longer subject to U S federal examinations by tax authorities for years before 2009

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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
The Outer Banks Hospital Inc

Employer identification number
56-2112733

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 _____ %			
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			1,677,106	0	1,677,106	3 070 %
b Medicaid (from Worksheet 3, column a)			4,848,248	3,967,712	880,536	1 610 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			0	0		
d **Total** Financial Assistance and Means-Tested Government Programs			6,525,354	3,967,712	2,557,642	4 680 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	16	6,965	1,139,404	14,646	1,124,758	2 060 %
f Health professions education (from Worksheet 5)	3	22	47,602	0	47,602	0 090 %
g Subsidized health services (from Worksheet 6)	0	0	0	0		
h Research (from Worksheet 7)	0	0	0	0		
i Cash and in-kind contributions for community benefit (from Worksheet 8)	6	14,736	236,254	0	236,254	0 430 %
j **Total.** Other Benefits	25	21,723	1,423,260	14,646	1,408,614	2 580 %
k **Total.** Add lines 7d and 7j	25	21,723	7,948,614	3,982,358	3,966,256	7 260 %

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	1		11,941	0	11,941	0 020 %
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building	1		16,289	0	16,289	0 030 %
7	Community health improvement advocacy						
8	Workforce development	1		14,135	0	14,135	0 030 %
9	Other						
10	**Total**	3		42,365		42,365	0 080 %

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

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1	Yes		
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	3,243,884		
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	0		
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	16,766,126
6	Enter Medicare allowable costs of care relating to payments on line 5	6	16,274,263
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	491,863
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	1 The Outer Banks Hospital Medical Office Building LLC	Provision of space for providing Health Care	100 000 %	0 %	0 %
2	2 Outer Banks Professional Services LLC	Provision of Primary and Urgent Health Care	100 000 %	0 %	0 %
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

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

	Name, address, and primary website address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	The Outer Banks Hospital Inc 4800 South Croatan Highway Nags Head, NC 27959	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 The Outer Banks Hospital Inc

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**		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**		No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	**8a**		No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	**8b**		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $			

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
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 200 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**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

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?

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, 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 In addition to the Community Benefit Report for TOBH, information regarding this entity is found in the annual report for University Health Systems of Eastern Carolina d/b/a Vidant Health
		Part I, Line 7 Costs were calculated using the estimated cost to charge ratio from The North Carolina Hospital Association's Advocacy Needs Data Initiative which is the standard for reporting community benefits in North Carolina

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) In connection with the Presumptive Eligibility consideration of the Affordable Care Act, The Outer Banks Hospital does not reflect any bad debt in connection with FAP-eligible patients These patients are presumed to be part of the Medicaid population and afforded coverage as such
		Part II The community building activities of The Outer Banks Hospital involve services that are otherwise not provided by other organizations in the patient area

Identifier	ReturnReference	Explanation
		Part III, Line 4 The financial statements of The Outer Banks Hospital are presented on a consolidated basis as part of the consolidated financial statements of Vidant Health, the text of the footnote from page 20 is presented below Patient Accounts ReceivablePatient Accounts Receivable are reported net of estimated allowances for contractual adjustments and allowances for bad debts Estimated allowances for bad debts are approximately $135 1 million and $112 7 million as of September 30, 2013 and 2012, respectively
		Part III, Line 8 The shortfall of Medicare revenue to Medicare was calculated according to the cost to charge ratio Allowable costs of care should be considered community benefit because in the area served by TOBH, there are no other providers available to provide the required services Therefore, the care would become a government obligation and is treated as a community benefit provided by TOBH

Identifier	ReturnReference	Explanation
		Part III, Line 9b Recommended patient accounts will continue to go through the accounts receivable billing cycle as normal When the account reaches the customer service/collections manager, financial counseling supervisor or patient accounts supervisor, based on the information given, a decision will be made whether to proceed with collection or refer the account for approval of charity care The process will occur as follows I Financial counselors will try to locate third party payors If not eligible for any third party coverage (including charities), they may, based upon the financial information received, recommend the patient for charity care II Patient counselors will review for any third party payors and verify employment and assets A charity care application will need to be completed along with tax return, pay stubs, social security award letter and other financial information as may be required III The patient accounts supervisor, financial counseling supervisor or customer service/collections manager, based upon account balance and the information given, will make a decision whether to proceed with collection or refer the patient account for approval for charity care Presumptive eligibility for charity care - there are occasions in which a patient may appear eligible for a charity care discount, but there is no financial assistance information available to support financial aid A Some patients are presumed to be eligible for charity care discounts on the basis of individual life circumstances (e g , homelessness, patients with no income, bankruptcy, deceased patients with no estate or spouse, etc) B Through the assistance of a third party vendor and certain algorithms, in conjuction with our charity policy guidelines, all accounts, prior to outside collection agency referral, will be tested for presumptive charity C The accounts deemed charity will be adjusted and the remaining accounts will be referred to an outside collection agency D Once the agency has had the accounts for six months and has deemed them uncollectible, the accounts with balances of $1,200 or greater will remain with the agency and be kept on the patient's credit file E The accounts returned to the hospital will be placed in a unique financial class and will not be pursued for collections
The Outer Banks Hospital, Inc		Part V, Section B, Line 3 The CHNA document is the culmination of a partnership between the Dare County Department of Public Health (DCDPH) and The Outer Banks Hospital (TOBH) In communities where there is an active Healthy Carolinians coalition, the CHNA partnership also usually includes that entity Healthy Carolinians is "a network of public-private partnerships across North Carolina that shares the common goal of helping all North Carolinians to be healthy " The members of local coalitions are representatives of the agencies and organizations that serve the health and human service needs of the local population, as well as representatives from businesses, communities of faith, schools and civic groups In Dare County, the local Healthy Carolinians coalition is Healthy Carolinians of the Outer Banks (HCOB) The community health assessment, which is both a process and a document, investigates and describes the current health status of the community, what has changed since the last assessment, and what still needs to change to improve the health of the community The process involves the collection and analysis of a large range of data, including demographic, socioeconomic and health statistics, environmental data, and professional and public opinion The document is a summary of all the available evidence and serves as a resource until the next assessment The completed CHNA serves as the basis for prioritizing the community's health needs, and culminates in planning to meet those needs

Identifier	ReturnReference	Explanation
The Outer Banks Hospital, Inc		Part V, Section B, Line 5c The CHNA is available at https //www vidanthealth com/uploadedFiles/UHSEastMain/UHS_East/CHNA_reports/TOBH%20CHNA%202013 pdf
The Outer Banks Hospital, Inc		Part V, Section B, Line 7 Certain community needs may not be fully documented or addressed in the Community Health Needs Assessment These needs are generally those which other organizations share an overlap with The Outer Banks Hospital TOBH is not equipped to handle all needs and has prioritized those that it can fully address

Identifier	ReturnReference	Explanation
The Outer Banks Hospital, Inc		Part V, Section B, Line 14g The full policy is not available on the facility website In lieu of the policy, a concise summary is provided with pertinent details and phone numbers for additional information
		Part VI, Line 2 The organization assesses community need in conjunction with the state affiliated county health departments and other local health care organizations See also Schedule H, Part V, Section B, lines 1-7

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Information is available on the organization's website and at registration for patients In addition, face-to-face financial counseling is available to patients and their families in the central business office
		Part VI, Line 4 See Schedule O, Part III

Identifier	ReturnReference	Explanation
		Part VI, Line 5 See Schedule O, Part III
		Part VI, Line 6 See Schedule O, Part III

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

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
The Outer Banks Hospital Inc

Employer identification number
56-2112733

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

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

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

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
(1) Scholarships	6	6,000			

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 The Outer Banks Hospital has a Community Benefits Grants Review Committee consisting of local representatives to guide the support and grantmaking process Scholarships are provided through the health careers program, with scholarship funds provided directly to the students' institutions

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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
The Outer Banks Hospital Inc

Employer identification number
56-2112733

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**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		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)Roger Robertson Board Director	(i) (ii)	0 362,398	0 36,780	0 1,692	0 70,556	0 20,263	0 491,689	0 0
(2)Todd Warlitner VP, Business Operations	(i) (ii)	132,804 0	8,913 0	0 0	15,235 0	40,415 0	197,367 0	0 0
(3)Ronald Sloan President, Outer Banks Hospital	(i) (ii)	197,438 0	29,123 0	0 0	23,473 0	36,345 0	286,379 0	0 0
(4)Judy Bruno VP, Clinical Operations	(i) (ii)	129,245 0	8,836 0	0 0	14,577 0	33,633 0	186,291 0	0 0
(5)Gary Hunter Anesthesiologist	(i) (ii)	403,754 0	500 0	0 0	0 0	40,418 0	444,672 0	0 0
(6)Monte Thompson Director, Pharmacy	(i) (ii)	145,845 0	500 0	0 0	0 0	29,131 0	175,476 0	0 0
(7)Edward Heise Director, Emergency - AMU	(i) (ii)	123,891 0	500 0	0 0	0 0	31,976 0	156,367 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 3	The Top Management Official is the President who is an employee of TOBH The compensation is determined by the Compensation and Benefits Committee of the Vidant Health Board using comparative data from like organizations and input from consultants This process is performed every two years, the last year being 2012 It will be performed again in fiscal year 2014 Compensation of other officers and key employees is also determined by the Compensation and Benefits Committee of the VH Board using comparative data from like organizations and input from consultants This process is performed every two years, the last year being 2012 It will be performed again in fiscal year 2014 All compensation discussions and actions are documented and approved in the minutes of the Committee
	Part I, Line 4b	The following individual participated in a supplemental non-qualified retirement plan during the year The yearly change of such plan is included in their compensation per Schedule J, Part II, column C - Roger Robertson, $19,716

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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
The Outer Banks Hospital Inc

Employer identification number
56-2112733

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 6	
	Form 990, Part VI, Section A, line 7a	The members elect the Board of Directors
	Form 990, Part VI, Section A, line 7b	The following actions shall not be taken without unanimous consent of the members possess property, invest funds, additional capital contributions, admit members, merger or dissol ution, amendment, certificate of need litigation, sale of assets, and business of the Corp oration
	Form 990, Part VI, Section B, line 11	The Form 990 is made available to Board Members by posting to a Board Member's website An y Board Member who does not have the ability to access the return in this manner will rece ive a copy via electronic or regular mail The return is also reviewed by the Chief Financ ial Officer, Chief General Counsel and the Chief Audit and Compliance Officer of Universit y Health Systems prior to filing
	Form 990, Part VI, Section B, line 12	All Officers, Board Members and Key Employees are required to complete a yearly comprehens ive conflict of interest questionnaire These responses are reviewed by legal counsel and any potential or actual conflicts are brought to the Board for disposition Board Members are instructed to report any potential conflicts arising during the year for review Board Members are required to recuse themselves from voting on issues in which they are deemed to have a conflict
	Form 990, Part VI, Section B, line 15	The Top Management Official is the President who is an employee of The Outer Banks Hospita l, Inc The compensation is determined by the Compensation and Benefits Committee of the V idant Health Board using comparative data from like organizations and input from consultan ts This process is performed every two years, the last year being 2012 It will be perfor med again in fiscal year 2014 Compensation of other officers and key employees is also de termined by the Compensation and Benefits Committee of the VH Board using comparative data from like organizations and input from consultants This process is performed every two y ears, the last year being 2012 It will be performed again in fiscal year 2014 All compen sation discussions and actions are documented and approved in the minutes of the Committee
	Form 990, Part VI, Section C, line 19	The Organization makes its governing documents, conflict of interest policy, and financial statements available to the public upon request
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 9	Net asset transfers to/from related parties -11,660,000

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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
The Outer Banks Hospital Inc

Employer identification number
56-2112733

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) Outer Banks Professional Svcs LLC 604 Amanda Street Manteo, NC 27954 27-0484506	Family Practice	NC	-998,694	844,397	N/A
(2) Outer Banks Medical Office Building LLC 4810 South Croatan Highway Nags Head, NC 27959 16-1740979	Medical Office Building	NC	-686,094	3,996,520	N/A

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
See Additional Data Table							

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

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

		Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule			
1 During the tax year, did the 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	Yes	
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	Yes	
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	Yes	
q Reimbursement paid by related organization(s) for expenses	1q		No
r Other transfer of cash or property to related organization(s)	1r	Yes	
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
(1) Vidant Medical Center	P	3,577,706	Actual Cash Payment
(2) East Carolina Health Inc	Q	6,996,000	Actual Cash Payment
(3) Vidant Medical Group	J	94,582	Actual Cash Payment
(4) Vidant Medical Group	M	3,202,488	Actual Cash Payment
(5) Vidant Chowan Hospital	P	218,205	Actual Cash Payment

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: 56-2112733
Name: The Outer Banks Hospital Inc

Part VII **Supplemental Information**

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

Identifier	Return Reference	Explanation	

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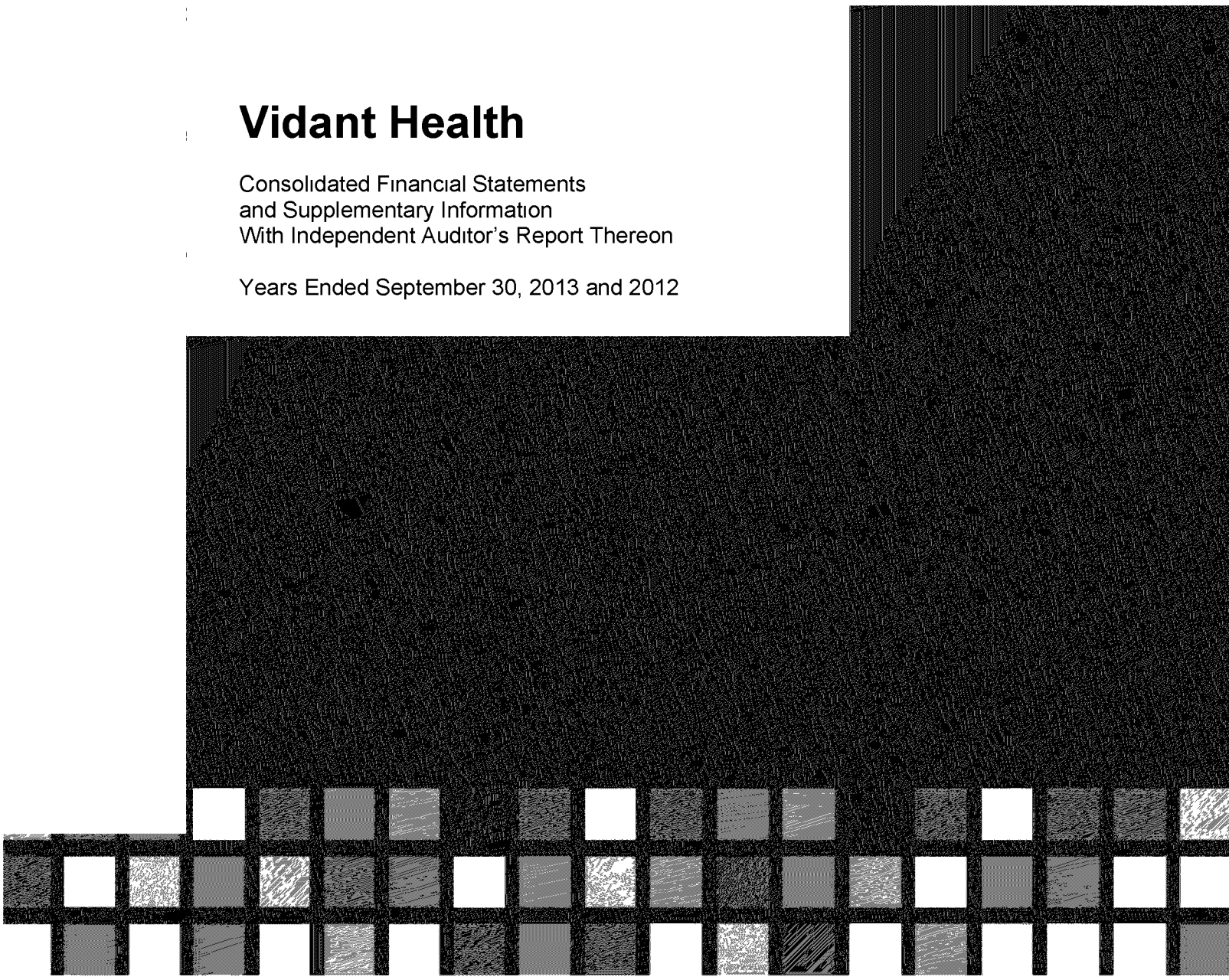
Vidant Health

Consolidated Financial Statements
and Supplementary Information
With Independent Auditor's Report Thereon

Years Ended September 30, 2013 and 2012



McGladrey

Assurance ▪ Tax ▪ Consulting

Contents

McGladrey

Independent Auditor's Report

The Board of Directors
University Health Systems of Eastern Carolina, Inc
d/b/a Vidant Health
Greenville, North Carolina

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the business-type activities of University Health System of Eastern Carolina, Inc d/b/a Vidant Health (Vidant Health) as of and for the year ended September 30, 2013, and the related notes to the consolidated financial statements, which collectively comprise Vidant Health's consolidated financial statements, as listed in the table of contents

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated financial statements are free from material misstatement

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Vidant Health as of September 30, 2013, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

Emphasis of Matter

As discussed in Note 15 to the consolidated financial statements, Vidant Health adopted Governmental Accounting Standards Board ("GASB") Statement No 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and GASB Statement No 65, *Items Previously Reported as Assets and Liabilities*, effective October 1, 2011 Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America for state and local governments require that the management's discussion and analysis and schedule of funding and employer contributions for the defined benefit pension plan and other postemployment benefit plans, as listed in the table of contents, be presented to supplement the consolidated financial statements Such information, although not a part of the consolidated financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic or historical context We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated 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

Other Information

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

The consolidated financial statements of the business-type activities of Vidant Health, as of and for the year ended September 30, 2012, before they were restated for the matter discussed in Note 15 to the consolidated financial statements, were audited by other auditors, whose report dated January 4, 2013, expressed an unmodified opinion on those statements

McGladrey LLP

New Bern, North Carolina
December 19, 2013

Vidant Health

Management's Discussion and Analysis
September 30, 2013 and 2012

Annual Financial Report

The discussion and analysis of the University Health Systems of Eastern Carolina, Inc d/b/a Vidant Health (the "Parent") financial performance provides an overview of the health system's financial activities for the years ended September 30, 2013 and 2012 The Parent, along with its five blended component units (the "Health System" or "Vidant Health") is a nonprofit, tax-exempt corporation Vidant Health consists of the parent corporation and its blended component units Pitt County Memorial Hospital, Inc d/b/a Vidant Medical Center ("VMC"), East Carolina Health, Inc d/b/a Vidant Community Hospitals ("VCOM"), Vidant Medical Group ("VMG"), PCMH Management, Inc d/b/a Vidant Properties ("VP"), and HealthAccess, Inc The financial statements of VMC include the activities of Vidant Medical Center, SurgiCenter Services of Pitt, Inc , and SurgiCenter of Eastern Carolina, LLC d/b/a Vidant SurgiCenter ("VSC") The financial statements of VCOM also include the activities of East Carolina Health-Bertie d/b/a Vidant Bertie Hospital ("VBER"), East Carolina Health-Chowan d/b/a Vidant Chowan Hospital ("VCHO"), East Carolina Health-Heritage, Inc d/b/a Vidant Edgecombe Hospital ("VEDG"), East Carolina Health-Beaufort, Inc d/b/a Vidant Beaufort Hospital ("VBEA"), Duplin General Hospital d/b/a Vidant Duplin Hospital ("VDUP"), East Carolina Health, Inc d/b/a Vidant Roanoke-Chowan Hospital ("VROA"), Pungo District Hospital Corporation d/b/a Vidant Pungo Hospital ("VPUN"), The Outer Banks Hospital, Inc , and Heritage MRI

Vidant Health is a health care delivery system headquartered in Greenville, North Carolina, that provides primarily hospital and other health care–related services to the citizens of eastern North Carolina As of September 30, 2013, Vidant Health has a total of 1,488 licensed beds and is anchored by VMC, a 909-bed teaching and tertiary hospital, which is affiliated with the Brody School of Medicine at East Carolina University VCOM includes eight hospitals with a total of 579 beds, which are located in communities in eastern North Carolina Please read this information in conjunction with Vidant Health's consolidated financial statements, which begin on page 11 The consolidated financial statements also include comprehensive notes that describe the Health System, its history, and significant accounting policies

Financial Highlights

- In 2013 Vidant Health's admissions, patient days, surgeries and outpatient visits decreased by 1 7, 1 2, 1 5 and 2 9 percent, respectively In 2012, Vidant Health's admissions, patient days, surgeries and outpatient visits increased by 9 2, 5 7, 10 1 and 15 2 percent, respectively

- Vidant Health's income from operations for the years ended September 30, 2013 and 2012, was $94 3 million and $112 2 million, respectively Vidant Health's operating margins for 2013 and 2012 were 4 0 percent and 4 8 percent, respectively (the operating margin percentage includes both interest and bad-debt expense as operating expenses)

- Vidant Health's operating cash flow margins (income from operations plus depreciation, amortization and interest expense divided by total revenues with bad-debt expense as operating expense) for the years ended September 30, 2013 and 2012, were 10 6 percent and 11 6 percent, respectively

- Vidant Health's excess of revenues over expenses for the years ended September 30, 2013 and 2012, was $109 6 million and $126 3 million, respectively

- Vidant Health's nonoperating revenues for the years ended September 30, 2013 and 2012, were $25 5 million and $23 8 million, respectively Investment income for the year ended September 30, 2013, was $46 8 million, consisting of dividends and interest income and realized gain on investments of $34 9 million and an unrealized gain on investments of $11 9 million Other included an unrealized gain on the interest rate swap of $13 7 million, losses on equity method investments of $3 8 million, unrestricted contributions received of $3 1 million and other nonoperating expenses of $10 3 million Investment income for the year ended September 30, 2012, was $57 2 million, consisting of dividends and interest income and realized gain on investments of $26 1 million and an unrealized gain on investments of $31 1 million Other included an unrealized loss on the interest rate swap of $2 4 million, losses on equity method investments of $3 5 million, unrestricted contributions received of $15 2 million and other nonoperating expenses of $12 4 million

- Vidant Health's unrestricted cash and internally designated for capital improvements investment balances at September 30, 2013 and 2012, totaled $593 7 million and $542 3 million, respectively, which was an increase of $51 4 million

- During 2013, Vidant Health issued Series 2013 Bonds totaling $213,605,000 that were used to refund portions of the Series 2008 Bonds, primarily to eliminate exposure to variable-rate demand put risk and bank downgrading risk, which could lead to higher interest costs, as well as extend the bank financing commitment periods beyond the previously existing letters of credit expiration dates of 2013 and 2015

Overview of the Financial Statements

Vidant Health presents three basic consolidated financial statements consolidated balance sheets, consolidated statements of revenues, expenses, and changes in net position, and consolidated statements of cash flows The consolidated statements and related notes provide information about the financial activity of Vidant Health

The consolidated balance sheets describe the financial position on September 30, 2013 and 2012, and show the resources (assets) owned by the corporation and the obligations (liabilities) owed to others The consolidated balance sheets include information that reflects the corporation's assets relative to its obligations to bondholders, suppliers, employees and other creditors The excess of assets over liabilities represents Vidant Health's net position

The consolidated statements of revenues, expenses, and changes in net position report the financial results from operations during the fiscal year These statements show how much Vidant Health's net position increased or decreased during the past year as a result of operating and nonoperating activities and other changes

The consolidated statements of cash flows describe the flow of cash into and out of Vidant Health during the fiscal year The statements report cash flows received during the year from operations, management of current assets and liabilities, contributions, investing activities, and other sources The statements also report how cash was used for investment in capital projects and equipment, contributions and transfers, and other uses, as well as related financing activities

Nonfinancial factors would also need to be considered in evaluating the overall financial health of Vidant Health, including, but not limited to, changes in Vidant Health's market share, patient base, the quality of service provided by Vidant Health, as well as local, state, and national economic and regulatory matters and policy changes

Summary Financial Statements of Vidant Health

Financial Position

The Vidant Health condensed consolidated balance sheets at September 30 are presented below

CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

	2013	2012	2011
Current Assets	**$ 525,443**	$ 507,365	$ 465,343
Assets Limited as to Use – Other	**543,445**	496,574	439,767
Assets Limited as to Use – Revenue Bonds	**12,463**	12,463	26,857
Capital Assets, Net of Accumulated Depreciation	**644,982**	634,092	591,925
Other Assets	**34,829**	41,344	43,120
Total Assets	**1,761,162**	1,691,838	1,567,012
Deferred Outflows	**35,601**	37,336	21,309
Total Assets and Deferred Outflows	**$ 1,796,763**	$ 1,729,174	$ 1,588,321
Current Liabilities	**$ 228,028**	$ 242,789	$ 228,017
Long-Term Liabilities	**605,549**	632,226	636,073
Total Liabilities	**833,577**	875,015	864,090
Net Investment in Capital Assets	**157,802**	119,875	78,738
Restricted – Noncontrolling Interests	**36,517**	37,015	37,620
Restricted – Other	**2,841**	8,709	8,648
Unrestricted	**766,026**	688,560	599,225
Total Net Position	**963,186**	854,159	724,231
Total Liabilities and Net Position	**$ 1,796,763**	$ 1,729,174	$ 1,588,321

At September 30, 2013, Vidant Health's consolidated balance sheet includes total assets and deferred outflows of $1,796 8 million and net position of $963 2 million From September 30, 2012 to 2013, and from 2011 to 2012, total assets and deferred outflows increased by $67 6 million and $140 9 million, respectively, while net position increased by $109 0 million and $129 9 million, respectively

Current assets consist primarily of cash used for operations, patient receivables, other receivables, settlements due from third-party payors, inventories and prepaid expenses In fiscal year 2013, current assets were $525 4 million and increased by $18 1 million from 2012 Cash and cash equivalents increased by $3 9 million, patient receivables increased by $21 4 million, other receivables increased by $7 9 million, inventories increased by $1 4 million, prepaid expenses decreased by $0 4 million, third-party settlements decreased by $19 2 million, and the current portion of assets limited as to use – held by trustees increased by $3 0 million The increase in patient accounts receivable is due primarily to some slowdown in payments on Medicare and Medicaid balances as well as increases in some managed care contracts Amounts due from third-party settlements decreased primarily due to delayed timing of receipt of quarterly payments from Medicaid in fiscal year 2012

In fiscal year 2012, current assets were $507 4 million and increased by $42 0 million Cash and cash equivalents decreased by $2 7 million, patient receivables increased by $2 6 million, other receivables increased by $4 4 million, inventories increased by $0 8 million, third-party settlements by increased by $36 2 million, and the current portion of assets limited as to use – held by trustees increased by $0 6 million The decrease in current portion of cash and cash equivalents is due to movement of more of the cash and cash equivalents to long-term

Assets limited as to use, other than held by trustees – revenue bonds, consist primarily of investments in equity securities and bonds that are internally designated for future capital improvements and totaled $543 4 million at September 30, 2013 These funds increased by $46 9 million in 2013 and by $56 8 million in 2012 Vidant Health's cash and investment position in both years increased primarily from strong cash flow provided by operating activities as well as improved returns on investments in 2013

Assets limited as to use, held by trustees – revenue bonds totaled $12 5 million at both September 30, 2013 and 2012 These funds consist of investments that are held in trust to fulfill debt service fund requirements for Vidant Health's Series 2008 C, D and E bonds

Capital assets, net of accumulated depreciation, totaled $645 0 million at September 30, 2013, and increased by $10 9 million in 2013 Capital assets, net of accumulated depreciation, totaled $634 1 million at September 30, 2012, and increased by $36 7 million in 2012 These changes are described below in the discussion of capital assets

Other assets include goodwill and other long-term receivables and totaled $34 8 million at September 30, 2013 Other assets decreased by $6 5 million in 2013, primarily due to losses from investments in various joint ventures Other assets decreased by $1 8 million in 2012, primarily due to losses from investments in various joint ventures

Deferred Outflows include deferred losses on various bond refunding transactions See Notes 7 and 15 of the Consolidated Financial Statements

Current liabilities consist primarily of accounts payable, accrued expenses, settlements due to third-party payors, the current portion of reserves established for professional liability losses, and current maturities of long-term debt and lease obligations At September 30, 2013, current liabilities were $228 0 million and decreased by $14 8 million from 2012 Accounts payable decreased by $0 8 million, estimated settlements due to third-party payors decreased by $22 4 million, and accrued expenses increased by $5 4 million, while current reserve for professional liability losses increased by $3 0 million, and current maturities of long-term debt remained consistent with 2012 The decrease in estimated settlements due to third-party payors was due to the final settlement of the fiscal years 2003 and 2004 Medicaid cost reports, as well as the final settlement of the 2007 Medicare cost report

At September 30, 2012, current liabilities were $242 8 million and decreased by $14 8 million from 2011 Accounts payable decreased by $1 0 million, estimated settlements due to third-party payors decreased by $2 6 million, and accrued expenses increased by $15 4 million, while current reserve for professional liability losses increased by $0 6 million, and current maturities of long-term debt increased by $2 4 million The increase in 2012 accrued expenses resulted primarily from increased liabilities for accrued payroll and related taxes

Long-term liabilities consist primarily of long-term debt, obligations under capital leases, reserve for professional liability losses, other liabilities, and noncontrolling interest Long-term liabilities were $605 5 million at September 30, 2013, and decreased by $26 7 million Long-term debt, less current maturities, decreased by $27 3 million, reserves for professional liability losses increased by $3 4 million, and other liabilities decreased by $2 8 million Long-term debt, less current maturities, decreased primarily as a result of gains in the market value of the Vidant Health swap of $13 7 million and payments on principal of $13 7 million

Long-term liabilities were $632 2 million at September 30, 2012, and decreased by $3 8 million Long-term debt, less current maturities, increased by $0 9 million, reserves for professional liability losses decreased by $1 0 million, and other liabilities decreased by $3 7 million Long-term debt, less current maturities, increased primarily as a result of the final draws of the 2011 series tax-exempt revenue bonds increasing debt by $7 5 million, recognition of a deferred premium of $8 7 on the issue of the 2012A Bonds, and by the change in the market value of the Vidant Health swap of $2 4 million, offset by payments on principal of $19 6 million

Changes in Net Position

The Vidant Health condensed consolidated statements of revenues, expenses and changes in net position for the years ended September 30 are presented below

CONDENSED CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(Dollars in Thousands)

	2013	2012	2011
Operating Revenues	**$ 1,601,097**	$ 1,550,811	$ 1,304,298
Operating Expenses			
Salaries and Wages	**661,463**	611,060	510,553
Employee Benefits	**176,264**	166,629	146,666
Supplies and Other	**552,152**	551,622	457,113
Depreciation and Amortization	**90,625**	83,510	75,414
Operating Lease Expense	**26,286**	25,747	23,994
Total Operating Expenses	**1,506,790**	1,438,568	1,213,740
Income From Operations	**94,307**	112,243	90,558
Nonoperating Revenues (Expenses)			
Interest Expense	**(23,926)**	(30,262)	(27,432)
Investment Income (Loss) and Other	**49,466**	54,070	(3,901)
Total Nonoperating Revenues (Expenses), Net	**25,540**	23,808	(31,333)
EXCESS OF REVENUES OVER EXPENSES BEFORE NONCONTROLLING INTEREST	**119,847**	136,051	59,225
Income Applicable to Noncontrolling Interest	**(10,242)**	(9,764)	(9,484)
Excess of Revenues Over Expenses	**109,605**	126,287	49,741
Contributions (to) From Members and Other, Net	**(578)**	4,246	18,805
Increase in Net Position	**109,027**	130,533	68,546
Net Position – Beginning of Year	**854,159**	723,626	655,685
Net Position – End of Year	**$ 963,186**	$ 854,159	$ 724,231

Income from operations for 2013, 2012 and 2011 was $94 3 million, $112 2 million and $90 6 million, respectively The related operating margins for 2013, 2012 and 2011 were 4 0 percent, 4 8 percent and 4 3 percent, respectively The operating margin percentage includes both interest and bad-debt expense as operating expenses

During 2013, operating revenues were $1,601 1 million and increased by 3 2 percent, while operating expenses also increased by 4 7 percent Operating revenues increased during fiscal year 2013, despite a slight reduction in adjusted patient days The Health System was able to sustain revenue growth through the increase in case-mix index, the result of the Health System's strategy of caring for low-acuity patients in local community hospitals, allowing more complex cases to be treated at Vidant Medical Center Additionally, revenue cycle improvements and managed care increases led to increases in operating revenues

During 2013, Vidant Health's inpatient admissions, patient days, surgeries and outpatient visits decreased by 1 7 percent, 1 2 percent, 1 5 percent and 2 9 percent, respectively Salaries and benefits increased by 7 7 percent to $837 7 million due to an increase in full-time-equivalent employees, wage and market adjustments, employee achievement bonuses, fringe benefits and employee health expense Supplies and other expense increased by 0 1 percent to $552 2 million Depreciation and amortization expense increased by 8 5 percent to $90 6 million due to normal capital expenditures and completion of the James and Connie Maynard Children's Hospital at Vidant Medical Center during the year Operating lease expense increased by 2 1 percent to $26 3 million, primarily due to increased rental expense for physician offices acquired during the year

During 2012, operating revenues were $1,550 8 million and increased by 18 9 percent, while operating expenses also increased by 18 5 percent Operating revenues increased from greater patient demand (adjusted patient days) of 12 2 percent, primarily due to growth at VMC and the addition of VBEA in September 2011 and VPUN at the beginning of the fiscal year, net impact of rate increases, new services, revenue cycle improvements, improved Medicare and Medicaid reimbursement, and managed care payment increases Also in 2012, Vidant Health inpatient admissions, patient days, surgeries and outpatient visits increased by 9 2 percent, 5 7 percent, 10 1 percent and 15 2 percent, respectively Salaries and benefits increased by 18 3 percent to $777 7 million due to increases in full-time-equivalent employees, wage and market adjustments, employee achievement bonuses, FICA tax expense and employee health insurance expense Supplies and other expense increased by 20 7 percent to $551 6 million due to increased overall volume Depreciation and amortization expense increased by 10 7 percent to $83 5 million due to normal capital expenditures during the year Operating lease expense increased by 7 3 percent to $25 7 million due to increased rental expense for physician offices acquired during the year

Total nonoperating revenues and expenses were $25 5 million in 2013 as compared to $23 8 million in 2012 Nonoperating activity consists primarily of investment income, interest expense, gain (loss) on interest rate swap, and unrestricted contributions Investment income was a gain of $46 8 million in 2013 and decreased by $10 4 million as compared to 2012 Vidant Health's 2013 investment income of $46 8million consisted of an unrealized gain on investments of $11 9 million and Dividends and Interest Income and Realized Gains on investments of $34 9 million Other income consisted primarily of an unrealized gain on Vidant Health's interest rate swap of $13 7 million offset by $10 3 million of other nonoperating expenses Investment income was significantly lower in 2013 as compared to 2012 due to declining performance in the overall market over the prior fiscal year In 2013 as compared to 2012, unrestricted contributions totaled $3 1 million and decreased by $12 1 million Interest expense on Vidant Health's debt totaled $23 9 million and decreased by $6 3 million as compared to 2012, due primarily to favorable rates on variable long-term debt, capitalization of $1 3 million of interest costs into the James and Connie Maynard Children's Hospital capital project, and a change in accounting for bond issuance costs in 2013 that were previously amortized as a component of interest expense

Total nonoperating revenues and expenses were $23 8 million in 2012 as compared to a deficit of $31 3 million in 2011 Nonoperating activity consists primarily of investment income, interest expense, gain (loss) on interest rate swap, and unrestricted contributions Investment income was a gain of $57 2 million in 2012 and increased by $54 8 million as compared to 2011 Vidant Health's 2012 investment income of $57 2 million consisted of Dividends and Interest Income and Realized Gain on of $31 1 million and a realized gain on investments of $26 1 million Other income consisted primarily of an unrealized loss on Vidant Health's interest rate swap of $2 4 million Investment income was significantly higher in 2012 as compared to 2011 due to improved performance in the overall market over the prior fiscal year In 2012 as compared to 2011, unrestricted contributions totaled $15 2 million and increased by $8 9 million Interest expense on Vidant Health's debt totaled $30 3 million and increased by $2 8 million as compared to 2011, due primarily to the addition of new bonds

Income applicable to noncontrolling interest consists of noncontrolling interest due to Chesapeake General Hospital for their 40 percent ownership in The Outer Banks Hospital, Inc and the noncontrolling interest due to the local physicians for their 45 percent ownership in SurgiCenter of Eastern Carolina d/b/a Vidant SurgiCenter ("VSC") Income applicable to noncontrolling interest totaled $10 2 million and increased by $0 5 million as compared to 2012 Income applicable to noncontrolling interest totaled $9 8 million and increased by $0 3 million as compared to 2011

Cash Flows
The Vidant Health condensed consolidated statements of cash flows for the years ended September 30 are presented below

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	2013	2012	2011
Cash Flows			
Operating Activities	**$ 151,091**	$ 150,089	$ 150,762
Financing Activities	**(128,071)**	(156,554)	(97,060)
Investing Activities	**(19,115)**	3,758	(32,461)
Net Increase (Decrease) in Cash and Cash Equivalents	**3,905**	(2,707)	21,241
Cash and Cash Equivalents – Beginning of Year	**98,785**	101,492	80,251
Cash and Cash Equivalents – End of Year	**$ 102,690**	$ 98,785	$ 101,492

Vidant Health's cash and cash equivalents increased by $3 9 million and decreased $2 7 million in 2013 and 2012, respectively Cash flows from operating activities were $151 1 million in 2013 and $150 1 million in 2012, and increased by $1 0 million in 2013 and decreased by $0 7 million in 2012 Vidant Health's total cash position at September 30, 2013, was $593 7 million, an increase of approximately $51 4 million from September 30, 2012 Days cash on hand, an important metric for Vidant Health's bond ratings, increased from 142 9 days at September 30, 2012, to 150 5 days at September 30, 2013 The increase in cash was largely due to strong fiscal 2013 operations, a favorable investment market, and the delay of approximately $16 million in capital expenditures to fiscal year 2014

Net cash outflows for capital and related financing activities were $128 1 million in 2013 In 2013, cash was used to fund capital asset additions of $91 4 million, to make principal payments on long-term debt of $13 7 million, and to make interest payments of $23 7 million In 2012, cash was used to fund capital asset additions of $110 2 million, to make principal payments on long-term debt of $18 0 million, and to make interest payments of $27 0 million

Net cash flow used by investing activities was $19 1 million in 2013 and investing activities provided $3 8 million in 2012 Vidant Health had a Dividends and Interest Income and Realized Gains on investments of $34 9 million in 2013 and Dividends and Interest Income and Realized Gain on investments of $26 1 million in 2012 Net purchases of securities and investments consumed $34 7 million of cash in 2013 and $12 0 million of cash in 2012 During 2013, Vidant Health distributed $10 7 million of earnings to noncontrolling members in joint ventures and $10 4 million of earnings in 2012

Capital Assets and Long-Term Liability Administration

Capital Assets
At September 30, 2013 and 2012, Vidant Health had $645 0 million and $634 1 million invested in capital assets, respectively A summary of these assets is presented in the notes to the consolidated financial statements During fiscal year 2013, Vidant Health's investment in capital assets of $91 6 million exceeded its net depreciation expense of $90 0 million, representing the majority of the increase in net capital assets of $10 9 million During fiscal year 2013, Vidant Health completed the construction of the James and Connie Maynard Children's Hospital, a total of 78,000 square feet that includes a neonatal intensive care unit, pediatric intensive care unit, special care nursery, pediatric day/medical unit and pediatric immune-suppressed specialty unit The $48 2 million facility was financed by fundraising events as well as a $9 million gift by James and Connie Maynard Of the $91 6 million investment in capital assets, approximately $23 4 million was related to the Children's Hospital for buildings, furniture and equipment Additionally, $22 5 million was invested in information systems throughout the Health System

During fiscal year 2012, Vidant Health's investment in capital assets of $110 2 million exceeded its net depreciation expense of $82 9 million, representing the majority of the increase in net capital assets of $42 2 million During 2012, Vidant Health invested $26 3 million in the continued construction of the new Children's Hospital and $6 8 million in the new Children's Emergency Department, and purchased Tarboro Clinic, P A land and buildings for $3 7 million In addition, Vidant Duplin, Vidant Beaufort and Vidant Pungo collectively spent $8 1 million on information systems and electronic health records infrastructure

In fiscal year 2014, Vidant Health expects to invest approximately $146 6 million in capital investment The Health System expects to spend approximately $25 million as it begins design and construction of the new Vidant Cancer Center, a new patient tower that will house a full array of cancer services to serve our eastern North Carolina community This project, which is estimated to cost approximately $182 million, will be constructed using approximately $40 million in contributions, as well as the proceeds of a new bond issuance to occur in spring 2014 During fiscal year 2014, Vidant Health anticipates spending approximately $31 5 million for information systems, $30 0 million in equipment replacement and additions, and $41 9 million in new buildings and services

Long-Term Liabilities

At September 30, 2013 and 2012, Vidant Health had outstanding long-term liabilities of $605 5 million and $632 2 million, respectively Long-term liabilities consist primarily of Vidant Health's long-term debt and reserves for professional liability losses At September 30, 2013, Vidant Health's long-term debt less current maturities of $14 3 million totaled $548 8 million During 2013, Vidant Health made principal payments on long-term debt of $13 7 million The market value of Vidant Health's LIBOR-based interest rate swap is also included as a component of long-term debt During 2013, the market value of the swap rebounded from the prior year, and the resulting gains posted during 2013 decreased long-term debt by $13 7 million During 2013, Vidant Health issued Series 2013 Bonds that were used to refund portions of the Series 2008 Bonds, primarily to eliminate exposure to variable-rate demand put risk and bank downgrading risk, which could lead to higher interest costs, as well as extend the bank financing commitment periods beyond the previously existing letters of credit expiration dates of 2013 and 2015

At September 30, 2012, Vidant Health's long-term debt less current maturities of $14 3 million totaled $576 1 million During 2012, Vidant Health made principal payments on long-term debt of $18 0 million The market value of Vidant Health's LIBOR-based interest rate swap is also included as a component of long-term debt During 2012, the market value of the swap declined and increased long-term debt by $2 4 million During 2012, Vidant Health drew down the remaining $7 5 million of the Series 2011 Bonds and also issued Series 2012A Bonds that were used to refund portions of the Series 2008 Bonds and the outstanding balance of the 1998A Bonds, primarily to obtain more favorable interest rates to reduce debt service payments

Contacting Financial Management

If you have questions about this report or need additional information, please contact Vidant Health's Chief Financial Officer at Vidant Health, 2100 Stantonsburg Road, P O Box 6028, Greenville, North Carolina 27835-6028

Vidant Health

Consolidated Balance Sheets
September 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and Cash Equivalents	**$ 102,690**	$ 98,785
Accounts Receivable		
Patients, net of estimated uncollectibles	**256,690**	235,274
Other receivables	**44,846**	36,933
Estimated Settlements Due From Third-Party Payors	**61,930**	81,137
Inventories	**37,422**	35,998
Prepaid Expenses	**15,450**	15,857
Assets Limited as to Use – Current	**6,415**	3,381
Total Current Assets	**525,443**	507,365
ASSETS LIMITED AS TO USE		
Internally Designated for Capital Improvements	**490,966**	443,564
Internally Designated for Professional Liability Losses	**30,268**	25,957
Held by Trustees – Revenue Bonds	**12,463**	12,463
Held by Trustees – Other	**22,211**	27,053
Total Assets Limited as to Use	**555,908**	509,037
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	**644,982**	634,092
OTHER ASSETS		
Goodwill	**26,243**	25,822
Other Intangible Assets, Net	**1,658**	2,210
Other Assets	**6,928**	13,312
Total Other Assets	**34,829**	41,344
Total Assets	**1,761,162**	1,691,838
DEFERRED OUTFLOWS	**35,601**	37,336
TOTAL ASSETS AND DEFERRED OUTFLOWS	**$ 1,796,763**	$ 1,729,174

See Notes to Consolidated Financial Statements

	2013	2012
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	**$ 72,051**	$ 72,871
Accrued Expenses	**118,649**	113,230
Estimated Settlements Due to Third-Party Payors	**16,567**	38,979
Current Portion of Professional Liability Losses	**6,415**	3,381
Current Maturities of Long-Term Debt	**14,346**	14,328
Total Current Liabilities	**228,028**	242,789
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Maturities	**548,799**	576,084
Professional Liability Losses, Less Current Portion	**29,941**	26,498
Other Liabilities	**26,809**	29,644
Total Long-Term Liabilities	**605,549**	632,226
Total Liabilities	**833,577**	875,015
NET POSITION		
Net Investment in Capital Assets	**157,802**	119,875
Restricted – Noncontrolling Interests	**36,517**	37,015
Restricted – Other	**2,841**	8,709
Unrestricted	**766,026**	688,560
Total Net Position	**963,186**	854,159
TOTAL LIABILITIES AND NET POSITION	**$ 1,796,763**	$ 1,729,174

Vidant Health

Consolidated Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
OPERATING REVENUES		
Net Patient Service Revenue, Net of Provision for Bad Debts	**$ 1,517,748**	$ 1,491,106
Other Revenue	**83,349**	59,705
Total Operating Revenues	**1,601,097**	1,550,811
OPERATING EXPENSES		
Salaries and Wages	**661,463**	611,060
Employee Benefits	**176,264**	166,629
Supplies and Other	**552,152**	551,622
Depreciation and Amortization	**90,625**	83,510
Operating Lease Expense	**26,286**	25,747
Total Operating Expenses	**1,506,790**	1,438,568
INCOME FROM OPERATIONS	**94,307**	112,243
NONOPERATING REVENUES (EXPENSES)		
Interest Expense	**(23,926)**	(30,262)
Investment Income	**46,818**	57,196
Other	**2,648**	(3,126)
Total Nonoperating Revenues, Net	**25,540**	23,808
EXCESS OF REVENUES OVER EXPENSES BEFORE NONCONTROLLING INTERESTS	**119,847**	136,051
Income Applicable to Noncontrolling Interests	**(10,242)**	(9,764)
EXCESS OF REVENUES OVER EXPENSES	**109,605**	126,287
Contributions (to) From Members and Other, Net	**(578)**	4,246
INCREASE IN NET POSITION	**109,027**	130,533
Net Position – Beginning of Year	**854,159**	723,626
NET POSITION – END OF YEAR	**$ 963,186**	$ 854,159

See Notes to Consolidated Financial Statements

Vidant Health

Consolidated Statements of Cash Flows
Years Ended September 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Receipts From Payments on Behalf of Patients	**$ 1,485,340**	$ 1,445,751
Receipts From Other Operations	**80,250**	57,651
Payments to Employees for Wages and Benefits	**(832,148)**	(761,167)
Payments to Vendors and Suppliers	**(582,351)**	(592,146)
Net Cash Provided by Operating Activities	**151,091**	150,089
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Asset Additions	**(91,403)**	(110,216)
Proceeds From Issuance of Long-Term Debt	**213,885**	158,926
Principal Payments on Long-Term Debt	**(13,755)**	(17,972)
Refunding of Bonds	**(213,065)**	(150,500)
Intangible Asset Additions	**-**	(305)
Interest Paid Related to Capital Financing Activities	**(23,733)**	(26,973)
Cash From Acquisition of Vidant Pungo	**-**	1,281
Change in Other Assets/Liabilities Impacting Capital and Related Financing Activities, Net	**-**	(10,795)
Net Cash Used in Capital and Related Financing Activities	**(128,071)**	(156,554)
CASH FLOWS (USED IN) PROVIDED BY INVESTING ACTIVITIES		
Purchases of Investment Securities	**(535,228)**	(648,153)
Proceeds From Sales and Maturities of Investments	**500,559**	636,150
Investment Income	**31,456**	26,141
Other Nonoperating Expense, Net	**(7,340)**	2,894
Goodwill	**(421)**	-
Distributions to Noncontrolling Members in Joint Ventures, Net	**(10,740)**	(10,448)
Change in Other Assets	**2,599**	(2,826)
Net Cash (Used in) Provided by Investing Activities	**(19,115)**	3,758
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,905**	(2,707)
Cash and Cash Equivalents – Beginning of Year	**98,785**	101,492
CASH AND CASH EQUIVALENTS – END OF YEAR	**$ 102,690**	$ 98,785

(Continued)

Vidant Health

Consolidated Statements of Cash Flows (Continued)
Years Ended September 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
RECONCILIATION OF INCOME FROM OPERATINGS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income From Operations	**$ 94,307**	$ 112,243
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities Net of Effects of Acquisition of Vidant Pungo		
Depreciation and Amortization	**90,625**	83,510
Provision for Bad Debts	**152,239**	137,715
Loss on Disposal of Capital Assets	**311**	1,112
Changes in Operating Assets and Liabilities		
Accounts receivable	**(181,442)**	(143,707)
Inventories	**(1,424)**	(504)
Prepaid expenses	**407**	322
Estimated settlements due from/to third-party payors	**(3,205)**	(39,363)
Accounts payable	**(9,373)**	(14,269)
Accrued expenses	**5,579**	16,522
Other liabilities	**(3,410)**	(3,166)
Professional liability losses	**6,477**	(326)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 151,091**	$ 150,089

Accounts payable related to capital asset additions totaled $8 6 million and $11 2 million at September 30, 2013 and 2012, respectively

Interest expense includes amortization of deferred loss on refunding and bond discounts and premiums of $1 8 million and $2 3 million at September 30, 2013 and 2012, respectively

See Notes to Consolidated Financial Statements

Note 1. Organization and Blended Component Units

University Health Systems of Eastern Carolina, Inc d/b/a Vidant Health (the "Parent") was incorporated on November 24, 1998, and is a nonprofit, tax-exempt corporation The Parent, along with its subsidiaries (the "Health System" or "Vidant Health") is a health care delivery system providing hospital and other health care–related services to the citizens of eastern North Carolina A number of the Parent's Board of Directors are appointed by the County of Pitt ("Pitt County") (see detailed discussion under the Reporting Entity section below), however, the facilities are not owned by the County of Pitt Vidant Health is not considered to be a component unit of any other governmental organization

Pitt County Memorial Hospital, Inc d/b/a Vidant Medical Center ("VMC" or the "Hospital") is required to pay Pitt County annual payments in lieu of taxes and to partially reimburse Pitt County for its contribution to the North Carolina Medicaid Program The payments in lieu of taxes were approximately $1 8 million for both 2013 and 2012 The Medicaid payment was approximately $0 6 million for both 2013 and 2012 The annual payments are recognized as components of nonoperating expenses in the consolidated statements of revenues, expenses, and changes in net position

Reporting Entity

The consolidated financial statements of the business-type activities of the Health System present the financial position and results of operations of the parent entity and its subsidiaries VMC, East Carolina Health, Inc d/b/a Vidant Community Hospitals ("VCOM"), Vidant Medical Group ("VMG"), PCMH Management, Inc d/b/a Vidant Properties ("VP"), and HealthAccess, Inc The component units are included and blended in the Health System's reporting entity The Parent Corporation's Board of Directors consists of eleven voting members, six of whom must be current or former Pitt County appointees of VMC's Board of Trustees and five of whom must be current or former Board of Governors of the University of North Carolina ("UNC") appointees of the Corporation's Board of Trustees The Vice Chancellor of Health Sciences for East Carolina University also serves ex-officio without voting rights No more than nine current members of VMC's Board of Trustees may serve simultaneously as members of the Parent Corporation's Board of Directors At all times, a majority, or six members, of the Parent Corporation's Board of Directors must be current members of VMC's Board of Trustees Appointments are for terms of three years, and thereafter members may be reappointed for one additional successive term of three years

Vidant Health has determined it has a fiduciary responsibility over two defined benefit pension plans that are provided to the Health System employees The financial statement presentation is of the business-type activities only and excludes the fiduciary fund financial statements for the defined benefit pension plans

The business-type activities of the Health System consist of the following entities

Vidant Medical Center

VMC is a tax-exempt 501(c)(3) corporation formed for the purpose of providing health care services to the citizens of eastern North Carolina VMC is an academic teaching hospital, a regional referral center, and a community general hospital The Hospital consolidates the financial statements of the Hospital and its subsidiaries SurgiCenter Services of Pitt, Inc ("SSOP") and SurgiCenter of Eastern Carolina, LLC d/b/a Vidant SurgiCenter ("VSC") VSC's financial statements are consolidated into Vidant Health with the 45 percent interest purchased by physicians shown as a noncontrolling interest

The Hospital is the primary affiliated teaching hospital for the Brody School of Medicine at East Carolina University ("Brody School of Medicine"), which is physically adjacent to the Hospital The Hospital and the Brody School of Medicine are committed to providing access to quality medical service to all citizens of Pitt County and eastern North Carolina See Note 14

Note 1. Organization and Blended Component Units (Continued)

Vidant Community Hospitals

VCOM is a tax-exempt 501(c)(3) corporation formed in 1996 to enhance the quality and management of nonprofit hospitals and health care system services by the operation of community health systems for the benefit of the residents of eastern North Carolina VCOM consolidates the operations of VCOM and its subsidiaries

- VCOM owns and operates Vidant Roanoke-Chowan Hospital, East Carolina Health – Bertie d/b/a Vidant Bertie Hospital, East Carolina Health – Heritage, Inc d/b/a Vidant Edgecombe Hospital ("VEDG"), and Heritage MRI

- VCOM leases East Carolina Health-Chowan d/b/a Vidant Chowan Hospital (VCHO) from Chowan County At the end of the lease term, ownership of the facilities will pass to VCOM, subject to Chowan County's option to buy back the hospital and related facilities for an amount equal to the then fair market value

- VCOM operates The Outer Banks Hospital, Inc ("TOBH"), which is a joint venture between Vidant Health (60 percent) and Chesapeake General Hospital (40 percent) Chesapeake General Hospital's 40 percent interest is reported as a noncontrolling interest

- VCOM operates Duplin General Hospital d/b/a Vidant Duplin Hospital ("VDUP") through a lease agreement with Duplin County to lease and control VDUP's assets for a 25-year period At the end of the lease term, Vidant Health is entitled to complete title and ownership of VDUP for $1

- Effective September 1, 2011, Vidant Health entered into a lease agreement with Beaufort County to lease and control Beaufort Regional Health System's assets for a 30-year period The initial transaction required an upfront payment by Vidant Health to Beaufort County, which approximated the net present value of future lease payments and other expenses Vidant Health recorded the up-front payment as the consideration for the transaction and allocated that consideration to the assets acquired At the end of the lease term, Vidant Health is entitled to complete title and ownership of East Carolina Health-Beaufort, Inc d/b/a Vidant Beaufort Hospital ("VBEA") for a purchase price of $10 0 million

- Effective October 1, 2011, Vidant Health entered into an Agreement and Plan of Change of Control with Pungo District Hospital Corporation Under this agreement, Vidant Health acquired 100 percent control of Pungo District Hospital ("VPUN") VPUN is a 39-bed acute care hospital and 10 licensed skilled nursing beds located in Bellhaven, North Carolina During 2013, the Health System announced that it will be closing the hospital and skilled nursing facility during fiscal year 2014 and will subsequently construct a multi-specialty outpatient clinic to continue to provide health care services to this area

VCOM recorded the VCHO, VPUN and VBEA agreements as capital leases Under the lease agreements there are no ongoing lease payments required As of September 30, 2013 and 2012, the net book value of the assets under these capital leases is approximately $38 0 million and $39 2 million, respectively

Note 1. Organization and Blended Component Units (Continued)

HealthAccess, Inc.

HealthAccess, Inc ("HealthAccess") is a nonprofit, 501(c)(3) tax-exempt corporation formed in 1993 to establish an outreach program for Vidant Health by offering support services to other health care providers in eastern North Carolina HealthAccess offers home health and hospice services (d/b/a Vidant Home Health & Hospice) and promotes the general health of the community and of the employees of VMC through the operation of a full-service wellness center (d/b/a Vidant Wellness Center)

Vidant Medical Group

VMG provides the capability to lead and manage all aspects of physician organizations VMG provides a variety of physician services through both stand-alone and hospital-based practice settings The establishment of VMG has provided strategic alignment and improved the coordination of care throughout the Health System and associated service areas

Vidant Properties

VP currently owns and operates several office buildings in the Health System's service area The Hospital leases the office buildings for health center office space

The Combined Group

The bonds discussed in Note 7 are collateralized by the accounts of the members of the Obligated Group and Restricted Affiliates ("Combined Group") Each member of the Combined Group has covenanted that it will cause each of its Restricted Affiliates to pay, loan or otherwise transfer to such member of the Obligated Group (i) such amounts as are necessary to make payments due under all master obligations or portions thereof the proceeds of which were loaned or otherwise made available or benefited such Restricted Affiliate and (ii) such other amounts as are necessary to enable such member of the Obligated Group to make payments due under all master obligations As of September 30, 2013, the primary members of the Combined Group were the parent entity and its component units VMC (excluding VSC and SSOP), VCOM (excluding TOBH and Heritage MRI), VP and HealthAccess

Note 2. Significant Accounting Policies

Basis of Presentation

Vidant Health is a governmental health care organization as defined in the American Institute of Certified Public Accountants' (AICPA) *Audit and Accounting Guide, Health Care Entities*, and follows accounting principles generally accepted in the United States of America Vidant Health utilizes enterprise fund accounting for its business-type activities whereby revenues and expenses are recognized on the accrual basis using the economic resources measurement focus Revenues are recognized when earned, and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows These financial statements exclude the Vidant Health fiduciary funds as discussed in Note 1

Principles of Consolidation

The consolidated financial statements of the business-type activities include the accounts of Vidant Health and all of its subsidiaries (together, the Health System) as described in Note 1 All significant intercompany accounts and transactions have been eliminated upon consolidation

Note 2. Significant Accounting Policies (Continued)

Use of Estimates in the Preparation of Financial Statements

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of September 30, 2013 and 2012, and the reported amount of revenues and expenses during the years ended September 30, 2013 and 2012 Actual results could differ from those estimates

Income Taxes

Vidant Health and most of its subsidiaries have been determined to qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code

Vidant Health has reviewed its tax positions for all open years and has concluded that no material liabilities exist as of September 30, 2013 and 2012 Vidant Health files tax returns with the U S federal and State of North Carolina jurisdictions With few exceptions, Vidant Health is no longer subject to U S federal examinations by tax authorities for years before 2009

Patient Accounts Receivable

Patient Accounts Receivable are reported net of estimated allowances for contractual adjustments and allowances for bad debts Estimated allowances for bad debts are approximately $135 1 million and $112 7 million as of September 30, 2013 and 2012, respectively

Net Patient Service Revenue

Net Patient Service Revenue is recorded when services are performed and is recorded 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 and estimated provision for bad debts 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

Investments and Investment Income

Investments in debt and fixed income equity securities are recorded at fair value, and are included in Assets Limited as to Use on the Consolidated Balance Sheet All investment income, including changes in the fair value of instruments, is recognized as Nonoperating Revenue in the Consolidated Statements of Revenues, Expenses, and Changes in Net Position

Assets Limited as to Use include (1) internally designated assets set aside for capital improvements and to fund professional liability losses, over which the Board retains control and may at its discretion subsequently use for other purposes, and (2) assets held by a trustee for capital improvements or debt service and the supplemental executive retirement plan Assets Limited as to Use consist of cash, cash equivalents, and investments

Operating Revenues and Expenses

The Consolidated Statements of Revenues, Expenses, and Changes in Net Position distinguish between operating and nonoperating revenues and expenses Operating revenues result from exchange transactions associated with providing health care services – Vidant Health's principal activity Nonexchange revenues and expenses, including grants, payments to Pitt County and contributions received, are reported as nonoperating revenues and expenses Operating expenses are all expenses incurred to provide health care services, other than financing costs

Note 2. Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of 90 days or less when purchased, that are not included in Assets Limited as to Use

Inventories

Inventories, which consist principally of medical, pharmaceutical and dietary supplies, are stated at the lower of cost (first-in, first-out method) or market

Capital Assets

Capital assets are stated at cost when acquired, or at fair value at date of donation or acquisition, and depreciated by the straight-line method over their estimated useful lives, as follows

Capital Asset Classification	Estimated Useful Lives
Land Improvements	5 – 40 years
Buildings and Building Improvements	5 – 50 years
Equipment	3 – 20 years

Expenditures for repairs and maintenance are charged to expense as incurred The costs of major renewals and betterments are capitalized and depreciated over their estimated useful lives Upon disposition, the asset and related accumulated depreciation accounts are relieved, and any related gain or loss is credited or charged to nonoperating revenues or expenses The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is primarily $1,000 for most asset classifications and for items with useful lives greater than one year Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of the net assets of the business acquired The corporation tests goodwill for impairment on an annual basis, relying on a number of factors including operating results, business plans and future cash flows Recoverability of goodwill is evaluated using a two-step process The first step involves a comparison of the fair value of a reporting unit with its carrying value If the carrying amount of the reporting unit exceeds its fair value, the second step of the process involves a comparison of the fair value and carrying value of the goodwill of that reporting unit If the carrying value of the goodwill of a reporting unit exceeds the fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess No impairment loss was recognized in 2013 or 2012

Deferred Outflows

Deferred Outflows include the deferred losses recognized on various bond refunding transactions that are being amortized over the terms of the refunded bonds See Note 7

Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets Capitalized interest, classified under capital assets, was $10 9 million and $9 6 million at September 30, 2013 and 2012, respectively

Note 2. Significant Accounting Policies (Continued)

Concentration of Credit Risk

Vidant Health provides services primarily to the residents of eastern North Carolina without collateral or other proof of ability to pay Concentrations of credit risk with respect to patient accounts receivable are limited due to the large number of patients served and the formalized agreements with third-party payors Vidant Health has significant Patient Accounts Receivable (approximately 24 6 percent Medicare and 9 0 percent Medicaid in 2013 and 25 6 percent Medicare and 5 5 percent Medicaid in 2012), whose collectability or realizability is dependent upon the performance of certain governmental programs, primarily Medicare and Medicaid Net Patient Service Revenue from Medicaid and Medicare represent approximately 15 8 percent and 33 0 percent, respectively, of total net patient revenues in 2013 A single commercial provider also comprises a significant portion of the net patient revenues, 29 2 percent in 2013 Patients Accounts Receivable from this commercial provider comprise approximately 16 4 percent and 14 6 percent of total Patient Accounts Receivable in 2013 and 2012, respectively

Electronic Health Record Incentive Program

The Electronic Health Record (EHR) Incentive Program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act These acts provided for incentive payments under both the Medicare and Medicaid programs to eligible hospitals and providers that demonstrate meaningful use of certified EHR technology The incentive payments are made based on a statutory formula and are contingent on systems continuing to meet the escalating meaningful use criteria For the first payment year, Vidant Health must attest, subject to an audit, that it met the meaningful use criteria for a continuous 90-day period For the subsequent payment year, Vidant Health must demonstrate meaningful use for the entire year The incentive payments are generally made over a four-year period During 2013, the Health System recorded approximately $12 6 million of EHR revenue in other operating income

Compensated Absences

Vidant Health's employees earn vacation days at varying rates depending upon years of service The maximum amount of vacation that can carry over from one fiscal year to the next will be one year of annual vacation credit for employees with less than 10 years of continuous service and two years accrual for employees with more than 10 years of continuous service

Fair Values of Financial Instruments

The following methods and assumptions were used by management in estimating fair values of financial instruments

Current Assets and Current Liabilities – The carrying amounts reported in the consolidated balance sheets for current assets and current liabilities qualifying as financial instruments approximate their fair values

Assets Limited as to Use – The fair values of Vidant Health's assets limited as to use have been based upon inputs for quoted prices (unadjusted) for identical or similar assets in active markets

Long-Term Debt – The fair values of Vidant Health's long-term debt have been primarily based upon market inputs for quoted prices for similar debt from similar entities The estimated fair value of long-term debt was approximately $550 9 million and $588 4 million at September 30, 2013 and 2012, respectively

Note 2. Significant Accounting Policies (Continued)

Swap Agreements – Vidant Health's interest rate swap agreement is an ineffective hedge Accordingly, its value is recorded on the Consolidated Balance Sheet at its respective fair value and all changes in fair value are reported in the Consolidated Statement of Revenues, Expenses, and Changes in Net Position as part of other Nonoperating Revenues Interest rate swap fair value is determined using pricing models that use observable market inputs, such as interest rates and yield curves

Vidant Health's remaining financial instruments at September 30, 2013, are not significant

Net Position

In accordance with GASB Statement No 63 (see Recently Adopted Accounting Pronouncements section of Note 2), the consolidated financial statements utilize a net position presentation Net position is categorized as net investment in capital assets, restricted or unrestricted

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, goodwill and assets whose use is limited from the issuance of bonds, and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets as well as the deferred outflows that are attributable to those outstanding borrowings *Restricted – Noncontrolling Interests* includes the minority portion of net position interests in various joint ventures that are owned by unconsolidated partners In 2012, the majority of the *Restricted – Other* included contributions from the Roanoke-Chowan Alliance, Inc to VCOM to be used for capital improvements for the benefit of the health services provided in Vidant Roanoke-Chowan Hospital (VROA) The lease agreement was terminated in September 2013, with outright ownership transferred to VROA The unrestricted component of net position is the net amount of assets, deferred outflows of resources, and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position

Community Benefit

Vidant Health furthers its charitable purpose by providing a wide variety of benefits to the community These services and donations account for a measurable portion of the Health System's costs and serve to promote affordable access to care, health education, community development and healthy lifestyles See Note 3

Risk Management

The Health System is exposed to various risks of loss from theft of, damage to, and destruction of assets, malpractice, workers' compensation, employee medical, and other matters for which Vidant Health has self-insured a portion of and purchased commercial insurance coverage for the remaining risk Settled claims have not exceeded the commercial coverage in either of the two preceding years

The cost of medical malpractice losses incurred by Vidant Health is accrued in the period that the services are rendered A provision has been made for claims in process of review and for claims incurred but not received at year-end The amount of this liability is computed using historical claims payment experience and is recognized on a discounted basis Estimates are adjusted based upon changes in experience, and such adjustments are reflected in current operations

Note 2. Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncements

In 2013, Vidant Health adopted GASB Statement No 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34.* The objective of this statement is to improve financial reporting for a governmental financial reporting entity Statements No 14 and No 34 were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements This statement modifies certain requirements for inclusion of component units in the financial reporting entity This statement also clarifies the reporting of equity interests in legally separate organizations

In 2013, Vidant Health adopted GASB Statement No 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements The requirements in this statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source This statement had no significant impact on the consolidated financial statements

In 2013, Vidant Health 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 The adoption of this statement had no significant impact, except that "net assets" was effectively renamed "net position" in the basic financial statements of the Health System

In 2013, the Health System early adopted GASB Statement No 65*, Items Previously Reported as Assets and Liabilities.* This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities This statement also provides other financial reporting guidance related to the impact of the financial statement elements, deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations See Note 15

Future Accounting and Reporting Pronouncements

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

Note 2. Significant Accounting Policies (Continued)

In 2013, the GASB issued Statement No 69, *Government Combinations and Disposals of Government Operations.* This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations As used in this statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations This statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions This statement will be effective for Vidant Health's fiscal year ending September 30, 2015 Management has not evaluated the impact of adopting this statement, but it could be significant to the Consolidated Balance Sheets

Reclassifications

Certain amounts in the 2012 consolidated financial statements have been reclassified to conform to the 2013 presentation for comparative purposes, with no effect on previously reported excess of revenues over expenses or changes in net position, other than those discussed in Note 15

Note 3. Charity Care and Community Benefits

Charity Care

Vidant Health provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates Key elements used to determine eligibility include household income, real property and other assets Vidant Health does not pursue collection of amounts determined to qualify as charity care, therefore, they are not reported as revenue

Vidant Health maintains records to identify and monitor the level of charity care it provides These records include the amount of charges forgone for services and supplies furnished under its charity care policy and the estimated cost of these services and supplies Vidant Health has a presumptive charity program, which recognizes that there is a segment of the population that should fall within the guidelines of its charity programs, yet do not qualify due to failure to apply or failure to provide income documentation Vidant Health's presumptive charity program seeks to identify and provide financial relief for those patients who would have qualified had their economic situation been known and documented Vidant Health also contracts with an independent third party, which provides assistance in determining which patients qualify for presumptive charity

Vidant Health has estimated its direct and indirect costs of providing charity care under its charity care policy In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the per-diem rate from the most recently filed cost report to the Health System's gross bill rate The cost-to-charge ratio is applied to the charity care charges foregone to calculate the estimated direct and indirect cost of providing charity care The charges foregone furnished under Vidant Health's charity care policy aggregated approximately $139 2 million and $137 6 million for the years ended September 30, 2013 and 2012, respectively Using the methodology noted above, Vidant Health has estimated the costs associated with amounts foregone for patient service revenues of $47 4 million and $47 2 million for the years ended September 30, 2013 and 2012, respectively Vidant Health did not receive any funds to subsidize the costs of providing charity care under its charity care policy for the years ended September 30, 2013 and 2012

Note 3. Charity Care and Community Benefits (Continued)

Community Benefits

In addition to providing financial assistance to uninsured patients and in furtherance of its mission, the Health System provides a broad range of benefits and services, including medical education and research opportunities, to the community spanning the geographic region within which Vidant Health operates These community benefits can be measured and categorized as follows

- Cost of care extended to uninsured and underinsured patients who do not qualify for financial assistance, estimated using applicable cost-to-charge ratios
- Unpaid Cost of Medicare and Medicaid Services – Represents the net unreimbursed cost, estimated using the applicable cost-to-charge ratios, of services provided to patients who qualify for federal and/or state government healthcare benefits
- Community Benefit Programs – Includes the unreimbursed cost of various medical education programs, and costs of various research programs, nonbilled medical services, in-kind donations, and other services that meet a community need but do not pay for themselves and would not be provided if based solely on financial considerations alone

Note 4. Net Patient Service Revenue

Vidant Health has agreements with third-party payors that provide for payments at amounts different from its established rates A summary of these arrangements follows

Medicare

VMC, VMG, HealthAccess and VCOM's inpatient acute care, rehab, psych and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors and cover payment for both operating and capital costs Direct medical education costs related to Medicare beneficiaries are paid on the basis of reasonable costs VMC and VCOM are reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by VMC and VCOM and audits thereof by the Medicare fiscal intermediary Vidant Bertie Hospital (VBER), VCHO, Vidant Pungo Hospital (VPUN) and The Outer Banks Hospital (the "Critical Access Hospitals") have received critical access status, which provides for cost-based reimbursement from the Medicare program VMC and VCOM's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization VMC's Medicare cost reports have been audited by the Medicare fiscal intermediary through 2008 VCOM's Medicare cost reports have been audited by the Medicare fiscal intermediary through at least 2007

Medicaid

VMC's Medicaid reimbursement is based on the cost for inpatient and outpatient services VMC is reimbursed at a tentative rate, with final settlement determined after submission of annual cost reports by VMC and audits thereof by the Medicaid fiscal intermediary VMC's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through 2005

Note 4. Net Patient Service Revenue (Continued)

VMG, HealthAccess and VCOM's Medicaid reimbursement is based on a payment per discharge system, with case-mix adjustments based on DRGs (Diagnosis Related Groups) similar to those used in the Medicare program Outpatient services are paid at 80 percent of cost based on the filing of Medicaid Cost Reports The Critical Access Hospitals receive cost-based Medicaid reimbursement VCOM's Medicaid cost reports have been audited through 2009

Vidant Health has historically participated in the voluntary North Carolina Medicaid Reimbursement Initiative Program (the "MRI Program"), The MRI Program allowed the Hospital to receive additional annual Medicaid funding for its disproportionate share costs Vidant Health recognizes the revenues related to the MRI Program as net patient service revenue In March 2012, the Center for Medicare & Medicaid Services ("CMS") approved a new disproportionate share plan for North Carolina The Gap Assessment Program Plan (the "GAP Plan") covers all non-state government hospitals and private hospitals in North Carolina, except for the UNC Health Care System affiliated hospitals and is essentially a supplemental upper payment limit plan to the existing MRI Program

Under the provisions of the GAP Plan, Vidant Health is assessed an inter-governmental transfer ("IGT Payment") by Medicaid, in return Medicaid makes an upper payment limit ("UPL Plan") payment to Vidant Health When both amounts are reasonably estimable and probable of payment, Vidant Health recognizes the revenues related to the UPL Plan as net patient service revenue The IGT Payment is recorded as an operating expense and classified in supplies and other

The GAP Plan was approved in March 2012, however, the provisions were retroactively effective to January 1, 2011 Thus, Vidant Health has recognized approximately nine months of revenue in 2012 that related to the 2011 fiscal year The following table summarizes the revenue recognized by Vidant Health related to these plans for the years ended September 30, 2013 and 2012 (dollars in thousands)

	2013	2012
GAP Plan Year – 2013		
IGT Payment	**$ (5,798)**	$ -
UPL Received	**36,457**	-
	30,659	-
GAP Plan Year – 2012		
IGT Payment	**-**	(6,126)
UPL Received	**-**	39,796
	-	33,670
GAP Plan Year – 2011		
IGT Payment	**-**	(2,762)
UPL Received	**-**	28,713
	-	25,951
MRI Program Revenue	**26,473**	27,076
	$ 57,132	$ 86,697

Note 4. Net Patient Service Revenue (Continued)

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

The 2013 net patient service revenue increased approximately $6 1 million due to changes in estimates primarily related to settlements of prior-year cost reports and changes in estimated allowances The 2012 net patient service revenue increased approximately $40 9 million due to changes in estimates related to settlements of prior-year cost reports, nine months of settlements for the GAP Plan related to the prior year, and the Medicare Rural Floor Appeal settlement

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 participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse Recently, government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse statutes and/or 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

Net patient service revenue for the years ended September 30 is comprised of the following (dollars in thousands)

	2013	2012
Charges at Established Rates	**$ 4,057,733**	$ 3,798,228
Deductions		
Medicare Adjustments	**1,280,054**	1,164,915
Medicaid Adjustments	**490,761**	424,067
Other Contractual Adjustments	**477,691**	442,808
Provision for Bad Debts	**152,239**	137,715
Charges Forgone for Charity Care	**139,240**	137,617
Net Patient Service Revenue	**$ 1,517,748**	$ 1,491,106

Note 5. Deposits and Investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, Vidant Health's deposits may not be returned Vidant Health does not have a deposit policy for custodial credit risk As of September 30, 2013, $110 1 million of Vidant Health's bank balance of $119 1 million was exposed to custodial credit risk, as it exceeded the FDIC insurance limit

Investments and Assets Limited as to Use

Following is a summary of the fair value of Vidant Health's investments, including those classified as assets limited as to use at September 30, 2013 and 2012 These investments are uninsured and unregistered, for which securities are held by the broker or dealer, or by its trust department or agent, but not in Vidant Health's name (dollars in thousands)

	2013	2012
Investments Classified as Assets Limited as to Use		
Corporate Debt and Commercial Paper	**$ 77,060**	$ 85,620
U S Treasury Securities	**23,220**	23,150
U S Government Backed Securities	**10,545**	18,178
Fixed Income Mutual Funds	**153,789**	139,634
Equities	**123,509**	101,084
Equity Mutual Funds	**116,579**	96,299
	504,702	463,965
Cash Equivalents	**56,540**	47,236
Accrued Interest Receivable	**1,081**	1,217
	562,323	512,418
Less Amounts Classified as Current	**6,415**	3,381
	$ 555,908	$ 509,037

Investments include bond proceeds of $12 5 million at both September 30, 2013 and 2012, which are restricted for debt service reserve funds

A summary of investment income for the years ended September 30, 2013 and 2012, follows (dollars in thousands)

	2013	2012
Dividends and Interest Income	**$ 11,464**	$ 11,053
Net Realized Gains	**23,442**	15,088
Net Unrealized Gains	**11,912**	31,055
	$ 46,818	$ 57,196

Note 5. Deposits and Investments (Continued)

As of September 30, 2013, scheduled maturities of investments classified as limited as to use are as follows (dollars in thousands)

		Investment Maturities (in Years)			
Investment Type	Market Value	Less Than 1	1 – 5	6 – 10	More Than 10
Corporate Debt and Commercial Paper	$ 77,060	$ 3,806	$ 39,776	$ 24,062	$ 9,416
U S Treasury Securities	23,220	-	8,320	8,122	6,778
U S Government Backed Securities	10,545	1,130	6,694	1,491	1,230
	110,825	$ 4,936	$ 54,790	$ 33,675	$ 17,424
Cash Equivalents and Accrued Interest Receivable	57,621				
Fixed Income Mutual Funds	153,789				
Equities	123,509				
Equity Mutual Funds	116,579				
	$ 562,323				

As of September 30, 2012, scheduled maturities of investments classified as limited as to use are as follows (dollars in thousands)

	Investment Maturities (in Years)				
Investment Type	Market Value	Less Than 1	1 – 5	6 – 10	More Than 10
Corporate Debt and Commercial Paper	$ 85,620	$ 6,503	$ 55,627	$ 13,279	$ 10,211
U S Treasury Securities	23,150	925	7,900	6,566	7,759
U S Government Backed Securities	18,178	2,598	14,107	1,023	450
	126,948	$ 10,026	$ 77,634	$ 20,868	$ 18,420
Cash Equivalents and Accrued Interest Receivable	48,453				
Fixed Income Mutual Funds	139,634				
Equities	101,084				
Equity Mutual Funds	96,299				
	$ 512,418				

Note 5. Deposits and Investments (Continued)

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, Vidant Health's investment policy requires that no less than 35 percent of the portfolio be invested in fixed income assets

Vidant Health holds investments in a variety of investment funds In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect Vidant Health's investments and the amounts reported in the consolidated statements of revenues, expenses, and changes in net position

Credit Risk

With respect to fixed income investments, credit risk is the risk that an insurer or other counterparty to an investment will not fulfill their obligations as required by the fixed income security Vidant Health's investments policy requires that the overall average credit quality of the core plus fixed income portfolios be invested in high-yield securities rated B or higher by Moody's or S&P, or if unrated, are of comparable quality are limited to 10 percent of the total allocation, and the total allocation for securities denominated in foreign currencies is limited to 30 percent Vidant Health's investments classified as assets limited as to use, based on fair value as of September 30, 2013, and organized by investment type to provide an indication of the level of investment and deposit risks assumed as required by GASB Statement No 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*, are as follows (dollars in thousands)

		Quality Ratings						
Investment Type	Total	AAA	AA	A	BBB	BB	B	Unrated
Corporate Debt and Commercial Paper	$ 77,060	$ 16,380	$ 22,392	$ 29,042	$ 6,565	$ 26	$ 27	$ 2,628
U S Treasury Securities	23,220	-	-	-	-	-	-	23,220
U S Government Backed Securities	10,545	-	-	-	-	-	-	10,545
	$ 110,825	$ 16,380	$ 22,392	$ 29,042	$ 6,565	$ 26	$ 27	$ 36,393
Cash Equivalents and Accrued Interest Receivable	$ 57,621							
Fixed Income Mutual Funds	153,789							
Equities	123,509							
Equity Mutual Funds	116,579							
Total Assets Limited as to Use	$ 562,323							

Concentration of Credit Risk

Credit concentration risk results from not adequately diversifying investments To limit the concentration of credit risk, Vidant Health requires that its investments be held in a diversified portfolio that has the following maximum allocation guidelines Long-Term Investment Fund – Fixed Income 55 percent, Equity 55 percent, Total Cash Reserve and Investment Fund – Fixed Income 65 percent, Equity 45 percent Vidant Health's policy requirements that help minimize credit risk are that no one company can comprise more than 7 percent of the total money invested by any individual fund manager for equity investments, and no more than 5 percent of the total fixed income assets shall be committed to the securities of any one issuer Also, investments in high-yield securities rated (those that are not rated B or higher by Moody's or S&P, or if unrated, of comparable quality) are limited to 10 percent of the total allocation, and the total allocation for securities denominated in foreign currencies is limited to 30 percent

Note 6. Capital Assets

Capital asset additions, retirements and balances for the years ended September 30 are as follows (dollars in thousands)

	September 30, 2012	Additions/ Transfers	Reductions/ Transfers	September 30, 2013
Historical Cost				
Land	$ 46,652	$ 554	$ -	$ 47,206
Land Improvements	17,826	49	-	17,875
Buildings	677,655	78,108	(621)	755,142
Equipment	650,415	69,208	(9,261)	710,362
Total at Historical Cost	1,392,548	147,919	(9,882)	1,530,585
Less Accumulated Depreciation				
Land Improvements	18,279	1,663	(1)	19,941
Buildings	342,078	30,630	(548)	372,160
Equipment	442,973	58,160	(6,865)	494,268
Total Accumulated Depreciation	803,330	90,453	(7,414)	886,369
	589,218	57,466	(2,468)	644,216
Construction in Progress	44,874	27,353	(71,461)	766
Capital Assets, Net	$ 634,092	$ 84,819	$ (73,929)	$ 644,982

	September 30, 2011	Additions/ Transfers	Reductions/ Transfers	September 30, 2012
Historical Cost				
Land	$ 45,342	$ 1,420	$ (110)	$ 46,652
Land Improvements	17,561	266	(1)	17,826
Buildings	658,004	22,988	(3,337)	677,655
Equipment	585,665	84,493	(19,743)	650,415
Total at Historical Cost	1,306,572	109,167	(23,191)	1,392,548
Less Accumulated Depreciation				
Land Improvements	16,800	1,518	(39)	18,279
Buildings	307,777	36,728	(2,427)	342,078
Equipment	398,370	44,701	(98)	442,973
Total Accumulated Depreciation	722,947	82,947	(2,564)	803,330
	583,625	26,220	(20,627)	589,218
Construction in Progress	8,300	46,877	(10,303)	44,874
Capital Assets, Net	$ 591,925	$ 73,097	$ (30,930)	$ 634,092

Depreciation expense for the years ended September 30, 2013 and 2012, was approximately $90 0 million and $82 9 million, respectively

Note 7. Long-Term Debt and Other Noncurrent Liabilities

A summary of long-term debt and other noncurrent liabilities at September 30 is as follows (dollars in thousands)

	September 30, 2012	Additions	Reductions	September 30, 2013	Current Portion
Bonds and Notes Payable					
Revenue Bonds	$ 49,040	$ -	$ (995)	$ 48,045	$ 1,030
Revenue Refunding Bonds	494,065	213,605	(225,040)	482,630	12,430
Notes Payable	7,102	280	(785)	6,597	886
	550,207	213,885	(226,820)	537,272	14,346
Interest Rate Swap Agreement	37,397	-	(13,694)	23,703	-
Net Unamortized Discount/Premium	2,234	-	(64)	2,170	-
Total Long-Term Debt	589,838	213,885	(240,578)	563,145	14,346
Other Noncurrent Liabilities					
Reserve for Professional Liability Losses	29,879	14,152	(7,675)	36,356	6,415
Other Liabilities	30,218	2,171	(5,580)	26,809	-
Total Other Noncurrent Liabilities	60,097	16,323	(13,255)	63,165	6,415
Total Long-Term Debt and Other Noncurrent Liabilities	$ 649,935	$ 230,208	$ (253,833)	$ 626,310	$ 20,761

	September 30, 2011	Additions	Reductions	September 30, 2012	Current Portion
Bonds and Notes Payable					
Revenue Bonds	$ 52,895	$ 7,460	$ (11,315)	$ 49,040	$ 995
Revenue Refunding Bonds	500,075	150,500	(156,510)	494,065	11,975
Notes Payable and Other	6,563	1,186	(647)	7,102	1,358
	559,533	159,146	(168,472)	550,207	14,328
Interest Rate Swap Agreement	34,972	2,425	-	37,397	-
Net Unamortized Discount/Premium	(7,332)	9,566	-	2,234	-
Total Long-Term Debt	587,173	171,137	(168,472)	589,838	14,328
Other Noncurrent Liabilities					
Reserve for Professional Liability Losses	30,205	4,956	(5,282)	29,879	3,381
Other Liabilities	31,499	-	(1,281)	30,218	-
Total Other Noncurrent Liabilities	61,704	4,956	(6,563)	60,097	3,381
Total Long-Term Debt and Other Noncurrent Liabilities	$ 648,877	$ 176,093	$ (175,035)	$ 649,935	$ 17,709

Note 7. Long-Term Debt and Other Noncurrent Liabilities (Continued)

Long-term debt at September 30 consists of the following (dollars in thousands)

	2013	2012
Health Care Facilities Revenue Refunding Bonds – Series 2013 A & B, maturing incrementally through December 1, 2036, principal payable annually December 1, interest payable monthly, based on variable weekly interest rates	**$ 213,605**	$ -
Health Care Facilities Revenue Bonds – Series 2008A-1, A-2, B-1 and B-2, maturing incrementally through December 1, 2036, principal payable annually December 1, interest payable monthly on the first Wednesday of the month based on variable weekly interest rates	**-**	222,510
Health Care Facilities Revenue Bonds – Series 2008C, D, E-1 and E-2, maturing incrementally through December 1, 2033, principal payable annually December 1, interest payable semiannually June 1 and December 1 at 3 5 percent to 6 75 percent	**121,260**	122,455
Health Care Facilities Revenue Bonds – Series 2011, maturing incrementally through 2041, principal payable annually December 1, interest payable monthly based on variable interest rates	**48,045**	49,040
Health Care Facilities Revenue Bonds – Series 2012A, maturing incrementally through June 1, 2036, principal payable annually June 1, interest payable semiannually June 1 and December 1, at fixed rates from 2 percent to 5 percent	**147,765**	149,100
Notes Payable	**6,597**	7,102
	537,272	550,207
Plus (Less)		
Interest Rate Swap Agreement	**23,703**	37,397
Net Unamortized Discount/Premium	**2,170**	2,234
Current Maturities of Long-Term Debt	**(14,346)**	(14,328)
Other	**-**	574
	$ 548,799	$ 576,084

Note 7. Long-Term Debt and Other Noncurrent Liabilities (Continued)

Bonds Payable

Series 2013 Bonds
In August 2013, Vidant Health issued Series 2013A and 2013B tax-exempt revenue bonds (the "Series 2013 Bonds") Proceeds of the Series 2013 Bonds were used to refund the outstanding balance of the Series 2008A and 2008B Bonds The Series 2013A Bonds are serial bonds with a variable rate equal to 69 percent of one-month LIBOR plus 1 09 percent (0 88 percent at September 30, 2013) The Series 2013B Bonds are serial bonds with a variable rate equal to 67 percent of one-month LIBOR plus 0 75 percent (0 88 percent at September 30, 2013) Interest payments on the Series 2013 Bonds are due monthly, and principal payments are due annually each December 1, beginning December 1, 2013 The 2008A and 2008B Bonds were redeemed in August 2013 from the proceeds of the issuance of the Series 2013 Bonds at par value

Series 2012 Bonds
In May 2012, Vidant Health issued Series 2012A tax-exempt revenue bonds (the "Series 2012A Bonds") Proceeds of the Series 2012A Bonds were used to refund the outstanding balance of the Series 1998A Bonds, $71 5 million of the Series 2008C Bonds, $21 8 million of the Series 2008E-1 Bonds, and $54 2 million of the Series 2008E-2 Bonds

The refunded bonds were redeemed in May 2012 from the proceeds of the issuance of the Series 2012A Bonds, resulting in a loss of $18 3 million that is amortized over the life of the Series 2012A Bonds The unamortized balance of the deferred loss was $17 2 million at September 30, 2013 The deferred loss is presented as a deferred outflow on the Consolidated Balance Sheet

To accomplish the refunding of the 2008C, 2008E-1 and 2008E-2 Bonds (the "Refunded 2008 Bonds"), a portion of the proceeds of the bonds was deposited with U S Bank National Association, as Escrow Agent, in trust pursuant to the terms and conditions of an Escrow Deposit Agreement dated May 1, 2012 At September 30, 2013, the outstanding balance of the refunded 2008C Bonds held in escrow was $71 5 million and the outstanding balance of the refunded 2008E Bonds held in escrow was $75 9 million

Series 2011 Bonds
Effective June 23, 2011, Vidant Health issued $50 0 million of Series 2011 tax-exempt revenue bonds (the "Series 2011 Bonds") Approximately $26 0 million of the proceeds of the Series 2011 Bonds were used to prepay the lease agreement for Vidant Beaufort Hospital The remaining proceeds were used for normal capital expenditures

The Series 2011 Bonds bear interest at a variable rate equal to 65 1 percent of one-month LIBOR plus 0 88225 percent (1 00 percent at September 30, 2013)

Series 2008 Bonds
In December 2008, Vidant Health issued Series 2008A-E tax-exempt revenue bonds (the "Series 2008 Bonds") Proceeds of the Series 2008A and 2008B Bonds (the "VRDB Bonds") were used to refund all of the outstanding Series 2006A and 2006B Bonds and $11 0 million of the Series 2006D Bonds Proceeds of the Series 2008C, 2008D and 2008E Bonds were used to refund all of the outstanding Series 2006C Bonds and the balance of the outstanding Series 2006D Bonds that were not refunded by the Series 2008B Bonds

Note 7. Long-Term Debt and Other Noncurrent Liabilities (Continued)

The Series 2006 Bonds were redeemed in December 2008 from the proceeds of the issuance of the Series 2008 Bonds, resulting in a loss of $23 1 million that is amortized over the life of the Series 2008 Bonds The unamortized balance of the deferred loss was $18 4 million and $19 4 million at September 30, 2013 and 2012, respectively The deferred loss is presented as a deferred outflow on the Consolidated Balance Sheet

A portion of the Series 1998A and all of the Series 1998B Bonds were redeemed in February 2006, resulting in a loss of $19 9 million that was recognized and is amortized over the life of the Refunded 2006 Series, and subsequently the Series 2008 Bonds The outstanding balance of the defeased 1995 Revenue Bonds was $59 6 million and $65 2 million at September 30, 2013 and 2012, respectively

The Combined Group is required to comply with certain restrictive covenants relating to its bonds payable, the most restrictive of which requires the maintenance of a minimum debt service coverage ratio of 1 40 The bonds are collateralized by the accounts receivable of Vidant Health

Notes Payable

Notes payable at September 30, 2013 and 2012, were $6 6 million and $7 1 million, respectively The various notes payable bear interest between 4 0 percent and 6 0 percent, and principal amounts are due through fiscal year 2022 The notes payable are collateralized by certain capital assets

Swap Agreement

On October 5, 2005, Vidant Health entered into a forward starting floating to fixed interest rate swap agreement with an effective date of February 16, 2006, and a termination date of December 1, 2028, (the "Swap Agreement"), for the purpose of hedging the variable interest rate on the 2006 Refunding Bonds

The agreement by the counterparty to pay certain amounts to Vidant Health pursuant to the Swap Agreement did not alter or affect Vidant Health's obligation to pay the principal of, interest on, or the redemption price of any of the 2006 Refunding Bonds Therefore, the Swap Agreement remained in effect upon the refunding of the 2006 Refunding Bonds The Swap Agreement was being used to hedge the variable interest on the bonds that were subject to put risk, those bonds were refunded with the Series 2013 Bonds The principal amount and repayment terms of the VRDB Bonds did not change significantly from the 2006 Refunding Bonds The notional amount of the Swap Agreement at September 30, 2013 and 2012, was $202 1 million and $211 2 million, respectively

In order to secure Vidant Health's payment obligations under the Swap Agreement, Vidant Health issued Master Obligation, Series 2006A and 2006B (Derivative Agreement) (the "Series Derivative Agreement Master Obligation") to the counterparty The Series Derivative Agreement Master Obligation was issued under the Master Indenture and Supplemental Master Trust Indenture No 8, dated February 1, 2006, between Vidant Health and the Master Trustee

Effective June 14, 2012, the interest rate swap was novated from Citibank N A to Wells Fargo Bank N A with largely the same terms and conditions of the Series 2006A and 2006B Derivative Agreement The exception to those terms and conditions was the collateral posting requirement, if the estimated fair value of the swap liability is in excess of $30 0 million, Wells Fargo Bank N A will require Vidant Health to post collateral No collateral was posted on September 30, 2013, for the interest rate swap

Note 7. Long-Term Debt and Other Noncurrent Liabilities (Continued)

The estimated fair value of the swap as of September 30, 2013 and 2012, was a liability of $23 7 million and $37 4 million, respectively, and has been included in long-term debt in the consolidated balance sheets The change in fair value was a gain of $13 7 million and a loss of $2 4 million as of September 30, 2013 and 2012, respectively, and is included in other nonoperating revenues (expenses) in the Consolidated Statements of Revenues, Expenses, and Changes in Net Position, as the swap is considered ineffective under the accounting standards

Basis Risk

Vidant Health is exposed to basis risk on its interest rate swap Basis risk is the difference between the interest rates on the underlying bonds and a per annum rate of 62 percent of one-month LIBOR plus 0 30 percent Vidant Health pays a fixed rate of 3 452 percent per annum, in each case on a notional amount equal to the original principal amount of the 2006 Refunding Bonds Settlements are made on the first Wednesday of each month

Collateral, if required, is included in investments as Assets Limited as to Use, Held by Trustee – Other in the accompanying consolidated balance sheets

Scheduled future debt service requirements of long-term debt, for years subsequent to September 30, 2013, are as follows, assuming current interest rates into the future (dollars in thousands)

	Series 2008 Bonds	Series 2011 Bonds	Series 2012 Bonds	Series 2013 Bonds	Other	Total Principal	Interest Payments	Interest Rate Swap, Net	Total Debt Service
2014	$ 1,260	$ 1,030	$ 1,365	$ 9,805	$ 886	$ 14,346	$ 16,913	$ 5,852	$ 37,111
2015	285	1,065	2,415	10,160	859	14,784	16,671	5,553	37,008
2016	-	1,100	2,750	10,315	877	15,042	16,438	5,245	36,725
2017	-	1,140	2,940	10,915	799	15,794	16,178	4,924	36,896
2018	-	1,180	3,065	11,305	666	16,216	15,910	4,590	36,716
2019 – 2023	-	6,580	18,720	62,915	2,510	90,725	75,223	17,502	183,450
2024 – 2028	5,010	7,835	26,415	75,415	-	114,675	66,210	7,111	187,996
2029 – 2033	90,705	9,335	26,900	18,990	-	145,930	44,940	-	190,870
2034 – 2038	24,000	11,115	63,195	3,785	-	102,095	9,003	-	111,098
2039 – 2041	-	7,665	-	-	-	7,665	155	-	7,820
	$ 121,260	$ 48,045	$ 147,765	$ 213,605	$ 6,597	$ 537,272	$ 277,641	$ 50,777	$ 865,690

Note 8. Operating Leases

The following schedule discloses future noncancelable operating lease payments with initial or remaining terms of one year or more at September 30, 2013 (dollars in thousands)

2014	$ 11,731
2015	6,752
2016	4,332
2017	2,696
2018	1,765
Thereafter	2,608
	$ 29,884

Note 9. Commitments and Contingencies

Medical Malpractice Costs

Vidant Health, excluding TOBH, is self-insured for general and professional liability claims up to certain limits for each event and in the annual aggregate, on a claims-made basis Vidant Health also has excess coverage policies, which are limited to a maximum of the respective policy limits

The provision for estimated medical malpractice claims include estimates of the ultimate costs for reported claims and claims incurred but not reported Liabilities for self-insured general and professional liability risks, for both asserted and unasserted claims, are based on actuarially projected estimates of their value based on historical loss payment patterns, discounted at a rate of 4 percent for 2013 and 2012 The medical malpractice expense is allocated from Vidant Health to each corporation based on their estimated risk exposures The overall medical malpractice liability is recorded on the Consolidated Balance Sheet of Vidant Health The Board of Vidant Health, has designated assets in the amount of the medical malpractice liability to fund the future liability on the Consolidated Balance Sheet

Vidant Health's Board of Directors has designated a fund for the payment of professional liability claims An actuary has been retained to assist Vidant Health in determining amounts to be deposited into the fund

TOBH is insured under a claims-made policy for general and professional liability claims that covers annual malpractice costs with coverage up to certain limits for each event and in the annual aggregate, with a $10,000 deductible The excess coverage policy is limited to a maximum of the policy limit

Workers' Compensation

Vidant Health, excluding TOBH, VBEA and VPUN, is self-insured for workers' compensation with an occurrence retention of $750,000 each occurrence An excess workers' compensation policy, with statutory limits for each employee accident or disease, covers claims above the self-insured retention In addition, the excess workers' compensation policy provides employer's liability coverage with limits of $1 0 million per occurrence and annual aggregate There are three other excess liability policies that provide an annual aggregate limit for employer's liability above the excess workers' compensation policy The current portion of the liability is included in accrued expenses, and the long-term portion is included in other long-term liabilities

TOBH has workers' compensation coverage that provides statutory limits for employee accidents and disease with no deductible In addition, the policy provides employer's liability coverage with limits of $1 0 million There is a separate excess liability policy that provides an annual aggregate limit for employer's liability above this policy VBEA and VPUN each have workers' compensation coverage that provides statutory limits for employee accidents and disease with no deductible In addition, their policies provide employer's liability coverage with limits of $1 0 million The three Vidant Health excess liability policies also provide an annual aggregate limit for employer's liability above the excess workers' compensation policy The current portion of the liability is included in accrued expenses, and the long-term portion is included in other long-term liabilities

Medical Coverage

Vidant Health is self-insured for employee medical and dental coverage with an excess coverage (stop loss) policy that covers annual medical costs in excess of $0 2 million on a claims-made basis Annual costs were approximately $78 9 million and $74 5 million for the years ended September 30, 2013 and 2012, respectively The medical insurance expense is allocated from VMC based on average cost per participant of the overall plan for Vidant Health to each corporation based on the corporation's number of participants The overall medical coverage liability is recorded on the balance sheet of VMC in accrued expenses

Note 9. Commitments and Contingencies (Continued)

Regulatory Matters

Laws and regulations concerning government programs, including Medicare, Medicaid and various research grant programs, are complex and subject to varying interpretation As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term As a result of nationwide investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs Vidant Health expects that the level of review and audit to which it and other health care providers are subject will increase There can be no assurance that regulatory authorities will not challenge Vidant Health's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon Vidant Health

Management believes that Vidant Health is in compliance with fraud and abuse as well as other applicable government laws and regulations Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time Management is monitoring compliance through its Corporate Compliance Program

The Centers for Medicare & Medicaid Services (CMS) implemented a project using recovery auditors as part of CMS' further efforts to assure accurate payments The project uses the recovery auditors to search for potentially inaccurate Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts Once a recovery auditor identifies a claim believed to be inaccurate, the recovery auditor makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment

In March 2010, President Obama signed the Patient Protection and Affordable Care Act (PPACA) into law PPACA will result in sweeping changes across the health care industry, including how care is provided and paid A primary goal of this comprehensive reform legislation is to extend health coverage to approximately 32 million uninsured legal U S residents through a combination of public program expansion and private sector health insurance reforms To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs Given that the final regulations and interpretive guidelines have yet to be published, Vidant Health is unable to fully predict the impact of PPACA on its operations and financial results Vidant Health's management expects that in the coming years, patients that were previously uninsured and unable to pay for care will have basic insurance coverage, and amounts for reimbursement for services from both public and private payors will be reduced and made conditional on various quality measures Management of Vidant Health is studying and evaluating the anticipated impacts and developing strategies needed to prepare for implementation, and is preparing to work cooperatively with other constituents to optimize available reimbursement

Litigation

Vidant Health is party to a number of pending or threatened lawsuits arising out of, or incidental to, the ordinary course of business for which it carries professional and general liability coverage and other insurance coverages In the opinion of management, upon consultation with legal counsel, all of the pending or threatened lawsuits that are determined to result in a probable loss to Vidant Health have been properly recorded within the consolidated financial statements

Note 10. Defined Contribution Retirement Plan

Vidant Health sponsors a defined contribution retirement plan, with a matching component of 50 percent of the employee's contribution, up to 5 percent of their salary, for employees who have met the eligibility requirements of the plan During fiscal years 2013 and 2012, Vidant Health contributed approximately $9 7 million and $8 3 million, respectively, to the plan

Note 11. Defined Benefit Pension Plans

Vidant Health maintains a noncontributory defined benefit pension plan (the "Plan") covering substantially all of Vidant Health's employees with greater than one year of service Plan participants become 50 percent vested after five years of service and continue vesting on a graduated scale until completing 10 years of service, at which time full vesting occurs The Plan is funded annually by Vidant Health and its affiliates in an amount equal to the actuarially determined contribution (pension cost) The Plan is considered a governmental entity under Section 401(a) of the Internal Revenue Code of 1954 As such, accounting and reporting for the Plan is governed by the Governmental Accounting Standards Board Statement No 27, *Accounting for Pensions by State and Local Governmental Employees* The Plan year is January 1 to December 31 The Plan covers all employees hired prior to January 1, 2010 Employees hired after this date are eligible to participate in an enhanced defined contribution plan

Effective October 1, 2010, Vidant Health assumed sponsorship of and full financial responsibility for the VDUP defined benefit pension plan (VDUP Plan) Effective September 30, 2010, the VDUP Plan was amended to freeze the VDUP Plan No participant shall accrue any additional benefits, and each participant's accrued benefit shall be determined based on their average annual compensation and number of years of service at September 30, 2010 VDUP made an additional $2 4 million contribution on September 27, 2010, to the VDUP Plan in connection with this amendment to fund any unfunded amounts at that time

The annual required contribution was computed as part of an actuarial valuation performed as of January 1, 2013, using the projected unit credit method Significant actuarial assumptions used in the actuarial valuation of both the Vidant Health and the VDUP plans include the following

Rate of Return on Plan Assets	8 0%
Mortality	RP-2000 Mortality Table
Projected Salary Increases	4 0%
Inflation Rate	3 0%

The actuarial value of plan assets was determined by adjusting the market value of plan assets to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return) during each of the last five years at a rate of 8 percent per year for both Vidant Health and VDUP

The annual pension cost, net pension obligation, and three-year trend information of the Vidant Health and VDUP plans were as follows at January 1, 2013, 2012 and 2011

	2013	2012	2011
Annual Required Contribution (Pension Cost)	**$ 25,547**	$ 23,397	$ 19,389
Annual Contributions Made	**25,547**	23,397	19,389
Net Pension Obligation	**$ -**	$ -	$ -

Note 11. Defined Benefit Pension Plans (Continued)

Three-Year Trend Information	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2013	**$ 25,547**	**100%**	**$ -**
2012	23,397	100%	-
2011	19,389	100%	-

As of January 1, 2013, the most recent actuarial date, the Vidant Health and VDUP plans were 79 percent funded The actuarial accrued liability for benefits was $486 6 million, and the actuarial value of assets was $382 5 million, resulting in an unfunded actuarial accrued liability (AAL) of $104 1 million The unfunded AAL is not recorded on Vidant Health's Consolidated Balance Sheet in accordance with current generally accepted accounting standards The covered payroll (annual payroll of employees covered by the Plan) was $374 8 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 27 8 percent

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

Vidant Health has also established a noncontributory, nonvesting supplemental executive retirement plan For each of the years ended September 30, 2013 and 2012, Vidant Health recognized expense of approximately $2 2 million The plan had a net pension obligation of approximately $16 2 million and $14 7 million at September 30, 2013 and 2012, respectively, and had funds on deposit of approximately $16 1 million and $14 7 million at September 30, 2013 and 2012, respectively, in relation to this plan The liability associated with this plan is recorded in Other Long-Term Liabilities, and the assets associated with this plan are recorded in Assets Limited as to Use, Held by Trustee – Other Effective January 1, 2010, Vidant Health froze the plan to new entrants On November 20, 2012, the Vidant Health Board of Directors froze plan benefits of existing participants beginning January 1, 2013, which was replaced by a cash balance plan

Note 12. Other Postemployment Benefits ("OPEB")

Vidant Health follows the provisions of Governmental Accounting Standards Board Statement No 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("GASB 45") This statement established standards for measurement, recognition and display of OPEB expenses/expenditures and related assets/(liabilities), note disclosures and required supplementary information

Plan Description

Vidant Health sponsors a Postretirement Healthcare Benefit Program (referred to as "retiree medical plan") for all employees hired before July 1, 2008, that satisfies the criteria for receiving retirement benefits under the plan The retiree medical plan includes eligible retirees, spouses and spouse survivors All eligible members pay a portion of the expense Effective July 1, 2008, Vidant Health froze the plan to new entrants

Note 12. Other Postemployment Benefits ("OPEB") (Continued)

Membership of the retiree medical plan consisted of the following at October 1, 2012 and 2011, the dates of the latest actuarial valuations

	2012	2011
Retirees Eligible for Benefits (includes eligible spouses)	76	126
Active Plan Members (includes eligible spouses)	5,099	5,627
Total	5,175	5,753

Funding Policy

Vidant Health has chosen to fund the retiree medical plan on a pay as you go basis

The annual required contribution has not been expressed as a percentage of covered payroll, since benefits provided are not payroll-related Vidant Health has outsourced the processing of their health claims for the retiree medical plan through a third-party administrator

Summary of Significant Accounting Policies

Postemployment expenditures are made from Vidant Health's operating assets No funds are set aside to pay benefits or administration costs These expenditures are paid as they come due

Annual OPEB Cost and Net OPEB Obligation

Vidant Health's annual OPEB cost (expense) is calculated based on the annual required contribution of employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45 The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years

The following table shows the components of Vidant Health's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in Vidant Health's net OPEB obligation for the health care benefits for the years ended September 30, 2013 and 2012

	2013	2012
Annual Required Contribution	**$ 1,448**	$ 1,195
Interest on Net OPEB Obligation	**117**	175
Adjustment to Annual Required Contribution	**(120)**	(180)
Annual OPEB Cost	**1,445**	1,190
Contributions Made by Employer	**(1,213)**	(1,912)
Increase (Decrease) in Net OPEB Obligation	**232**	(722)
Net OPEB Obligation, Beginning of Year	**1,464**	2,186
Net OPEB Obligation, End of Year	**$ 1,696**	$ 1,464

Note 12. Other Postemployment Benefits ("OPEB") (Continued)

The Vidant Health annual OPEB cost, the percentage of annual OPEB cost contributed to the plan or paid as a benefit, and the net OPEB obligation were as follows (dollars in thousands)

	Annual OPEB Cost	Annual % of OPEB Cost Contributed	Net OPEB Obligation
2013	**$ 1,445**	**83.9%**	**$ 1,696**
2012	1,190	156 4%	1,464
2011	1,406	132 5%	2,186

Funded Status and Funding Progress

As of October 1, 2012, the most recent actuarial valuation date, the plan was not funded The AAL for benefits and, thus, the unfunded actuarial accrued liability ("UAAL") was $12,210,323 The amortization of this amount over 30 years is $1,004,270 per year The normal cost for 2013 is $443,535 The AAL is not recorded on Vidant Health's Consolidated Balance Sheet in accordance with current generally accepted accounting standards

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future Examples include assumptions about future employment, mortality, and health care trends Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members at that point

In the October 1, 2012 and 2011, actuarial valuation, the projected unit credit actuarial cost method was used The actuarial assumptions included an 8 0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the plan sponsor's general assets as of October 1, 2012 and 2011, and an annual medical cost trend increase of 8 0 percent to 5 0 percent annually Both rates included a 3 0 percent inflation assumption The UAAL is being amortized as a level dollar amount on an open basis over a 30-year period

The schedule of funding progress, presented as Required Supplementary Information following the Notes to the Consolidated Financial Statements, presents multiyear trend information about whether the actuarial value of retiree medical plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits

Note 13. Other Nonoperating Revenues and Expenses

Other nonoperating revenues and expenses on the Consolidated Statements of Revenues, Expenses, and Changes in Net Position are composed of the following at September 30, 2013 and 2012 (dollars in thousands)

	2013	2012
Mark to Market Gain (Loss) on Interest Rate Swap	$ 13,694	$ (2,425)
Foundation Expenses	(2,210)	(1,706)
Payments to Pitt County		
Payment in Lieu of Taxes	(1,798)	(1,768)
Medicaid Funding	(610)	(599)
Investment Expense	(1,350)	(1,243)
Contributions Made	(4,368)	(7,037)
Unrestricted Contributions Received	3,075	15,186
Loss on Equity Method Investments	(3,785)	(3,534)
	$ 2,648	$ (3,126)

Note 14. Related Parties

East Carolina University

The Hospital is the primary affiliated teaching hospital for the Brody School of Medicine through a formal agreement originally executed on December 17, 1975, and most recently renewed on August 8, 2013, for an additional 20-year period The Brody School of Medicine reimburses the Hospital for costs associated with the utilization of Hospital facilities The Hospital reimburses the Brody School of Medicine for any third-party reimbursement resulting from any of the school's costs being included in the Hospital's Medicare cost-reimbursement reports

The Hospital has recorded receivables of approximately $0 9 million and $0 5 million and payables of approximately $5 6 million and $5 2 million as of September 30, 2013 and 2012, respectively, with the Brody School of Medicine, which are settled in the normal course of business

Operating Expenses recognized related to services received from East Carolina University (ECU) were $63 9 million and $56 0 million as of September 30, 2013 and 2012, respectively Other Revenues earned from services provided to ECU were $9 4 million and $6 3 million as of September 30, 2013 and 2012, respectively

Vidant Health Foundation

University Health Systems of Eastern Carolina Foundation d/b/a Vidant Health Foundation (the "Foundation") was organized to receive gifts, donations, income and funds for the promotion of health and wellness to the general public and community in eastern North Carolina and all areas served by Vidant Health The Foundation provides these services directly to the Development Councils for VBER, VEDG and TOBH VMC provides management services, supplies and labor to the Foundation VCOM hospitals also provide some administrative services The Foundation is not required to reimburse VMC or the VCOM hospitals for the cost of these expenses At September 30, 2013 and 2012, the Foundation's assets were approximately $0 4 million and $1 5 million, respectively There were no liabilities for each year No assets were restricted for use for the benefit of VCOM hospitals at September 30, 2013 and 2012 The Foundation had a decrease in net assets of approximately $1 0 million and an increase of approximately $0 4 million for the years ended September 30, 2013 and 2012, respectively

Note 14. Related Parties (Continued)

Vidant Medical Center Foundation

VMC provides management services, supplies and labor to Pitt County Memorial Hospital Foundation d/b/a Vidant Medical Center Foundation ("VMCF") VMCF is not required to reimburse the Hospital for the cost of these expenses VMCF was organized to receive gifts, donations, income and funds for the advancement of medicine and medical facilities in eastern North Carolina At September 30, 2013 and 2012, VMCF's assets were approximately $26 4 million and $25 0 million, respectively, and liabilities were approximately $16 5 million and $16 6 million, respectively The assets that were restricted for use for the benefit of Vidant Health were $14 1 million and $14 7 million at September 30, 2013 and 2012, respectively VMCF had an increase in net assets of approximately $1 3 million and a decrease in net assets of approximately $1 6 million for the years ended September 30, 2013 and 2012, respectively

Note 15. Restatement (Adoption of New Accounting Standard) and Reclassifications

As discussed in Note 2, Vidant Health adopted GASB Statements No 63 and No 65 in 2013

The Net Position as of October 1, 2011, has been decreased by $7 7 million for the effect of retroactive application of the new standard related to the previously capitalized bond issuance costs, which are now expensed when incurred after the adoption of GASB Statement No 65 The impact to the 2012 Consolidated Statement of Revenues, Expenses, and Changes in Net Position was a decrease in Interest Expense and an increase in Excess of Revenues Over Expenses for of $1 5 million, due to the reversal of the amortization expense for debt issuance costs which were previously recognized

In 2013, Vidant Health reclassified the Noncontrolling Interests in VSC and TOBH from Long-Term Liabilities to Net Position

	2012
Net Position – Beginning of Year, Before Restatement and Reclassification	$ 694,310
Reclassification of Noncontrolling Interest From Long-Term Liabilities	37,015
Net Position – Beginning of Year, Before Restatement	731,325
Cumulative Effect of Change in Accounting Principle	(7,699)
Net Position – Beginning of Year, Restated	$ 723,626

Note 16. Condensed Financial Information

Following is the condensed balance sheet as of September 30, 2013, and the related condensed statements of revenues, expenses, and changes in net position, and cash flows for the material subsidiaries of Vidant Health for the year ended September 30, 2013 (dollars in thousands)

				Total Vidant Health	
	VMC	**VCOM**	**Eliminations**	**2013**	2012
Current Assets	**$ 310,921**	**$ 157,160**	**$ 57,362**	**$ 525,443**	$ 507,365
Assets Limited as to Use – Other	**319,110**	**25,705**	**198,630**	**543,445**	496,574
Assets Limited as to Use – Revenue Bonds	**10,366**	**2,084**	**13**	**12,463**	12,463
Capital Assets, Net of Accumulated Depreciation	**422,999**	**152,390**	**69,593**	**644,982**	634,092
Other Assets	**9,067**	**24,215**	**1,547**	**34,829**	41,344
Total Assets	**1,072,463**	**361,554**	**327,145**	**1,761,162**	1,691,838
Deferred Outflows	**28,568**	**7,033**	**-**	**35,601**	37,336
Total Assets and Deferred Outflows	**$ 1,101,031**	**$ 368,587**	**$ 327,145**	**$ 1,796,763**	$ 1,729,174
Current Liabilities	**$ 122,948**	**$ 52,240**	**$ 52,840**	**$ 228,028**	$ 242,789
Long-Term Liabilities	**426,770**	**118,547**	**60,232**	**605,549**	632,226
Total Liabilities	**549,718**	**170,787**	**113,072**	**833,577**	875,015
Net Investment in Capital Assets	**58,940**	**65,460**	**33,402**	**157,802**	119,875
Restricted – Noncontrolling Interests	**15,778**	**20,739**	**-**	**36,517**	37,015
Restricted – Other	**-**	**2,841**	**-**	**2,841**	8,709
Unrestricted	**476,595**	**108,760**	**180,671**	**766,026**	688,560
Total Net Position	**551,313**	**197,800**	**214,073**	**963,186**	854,159
Total Liabilities and Net Position	**$ 1,101,031**	**$ 368,587**	**$ 327,145**	**$ 1,796,763**	$ 1,729,174

Note 16. Condensed Financial Information (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Position, With Comparative Totals

	VMC	VCOM	Eliminations and Other	2013	2012
Operating Revenues	$ 1,105,657	$ 377,545	$ 117,895	$ 1,601,097	$ 1,550,811
Operating Expenses					
Salaries and Wages	365,045	138,607	157,811	661,463	611,060
Employee Benefits	112,904	37,591	25,769	176,264	166,629
Supplies and Other	437,777	154,128	(39,753)	552,152	551,622
Depreciation and Amortization	57,301	18,496	14,828	90,625	83,510
Operating Lease Expense	17,846	6,502	1,938	26,286	25,747
Total Operating Expenses	990,873	355,324	160,593	1,506,790	1,438,568
Income (Loss) From Operations	114,784	22,221	(42,698)	94,307	112,243
Nonoperating Revenues (Expenses)					
Interest Expense	(13,679)	(3,939)	(6,308)	(23,926)	(30,262)
Investment Income and Other	6,081	1,302	42,083	49,466	54,070
Total Nonoperating Revenues (Expenses), Net	(7,598)	(2,637)	35,775	25,540	23,808
Excess (Deficit) of Revenues Over Expenses Before Noncontrolling Interest	107,186	19,584	(6,923)	119,847	136,051
Income Applicable to Noncontrolling Interest	(6,638)	(3,604)	-	(10,242)	(9,764)
Excess (Deficit) of Revenues Over Expenses	100,548	15,980	(6,923)	109,605	126,287
Contributions (to) From Members and Other, Net	-	-	(578)	(578)	4,246
Increase in Net Position	$ 100,548	$ 15,980	$ (7,501)	$ 109,027	$ 130,533

Condensed Statement of Cash Flows, With Comparative Totals

				Total Vidant Health	
	VMC	VCOM	Eliminations and Other	2013	2012
Cash Flows					
Operating Activities	$ 154,034	$ 31,211	$ (34,154)	$ 151,091	$ 150,089
Capital and Related Financing Activities	(62,066)	(34,487)	(31,518)	(128,071)	(156,554)
Investing Activities	(88,608)	11,722	57,771	(19,115)	3,758
Net Increase (Decrease) in Cash and Cash Equivalents	3,360	8,446	(7,901)	3,905	(2,707)
Cash and Cash Equivalents – Beginning of Year	17,319	58,985	22,481	98,785	101,492
Cash and Cash Equivalents – End of Year	$ 20,679	$ 67,431	$ 14,580	$ 102,690	$ 98,785

Vidant Health

Consolidating Balance Sheet
September 30, 2013
(Dollars in Thousands)

	Consolidated	Eliminations	Vidant Health	Vidant Medical Center	Vidant Community Hospitals	Vidant Medical Group	Vidant Properties	HealthAccess, Inc
ASSETS AND DEFERRED OUTFLOWS								
CURRENT ASSETS								
Cash and Cash Equivalents	$ 102,690	$ -	$ 7,961	$ 20,679	$ 67,431	$ 3,866	$ 1,688	$ 1,065
Accounts Receivable – Patients, Net	256,690	-	-	180,706	57,481	16,026	-	2,477
Other Receivables	44,846	(23,730)	27,793	24,688	10,224	5,579	43	249
Estimated Settlements Due From Third-Party Payors	61,930	-	-	57,437	4,493	-	-	-
Inventories	37,422	-	1,384	23,878	11,300	769	-	91
Prepaid Expenses	15,450	-	4,320	3,533	6,231	1,272	18	76
Assets Limited as to Use – Current	6,415	-	6,415	-	-	-	-	-
Total Current Assets	525,443	(23,730)	47,873	310,921	157,160	27,512	1,749	3,958
ASSETS LIMITED AS TO USE								
Internally Designated for Capital Improvements	490,966	-	159,397	302,871	25,159	-	2,327	1,212
Internally Designated for Professional Liability Losses	30,268	-	30,268	-	-	-	-	-
Held by Trustees – Revenue Bonds	12,463	(12,450)	12,463	10,366	2,084	-	-	-
Held by Trustees – Other	22,211	(180)	5,606	16,239	546	-	-	-
Total Assets Limited as to Use	555,908	(12,630)	207,734	329,476	27,789	-	2,327	1,212
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	644,982	-	34,495	422,999	152,390	7,696	21,918	5,484
OTHER ASSETS								
Due From Affiliates	-	(464,871)	464,871	-	-	-	-	-
Goodwill	26,243	-	-	3,414	22,829	-	-	-
Other Intangible Assets, Net	1,658	-	305	1,342	-	11	-	-
Other Assets	6,928	-	547	4,311	1,386	-	-	684
Total Other Assets	34,829	(464,871)	465,723	9,067	24,215	11	-	684
DEFERRED OUTFLOWS	35,601	(35,602)	35,602	28,568	7,033	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 1,796,763	$ (536,833)	$ 791,427	$ 1,101,031	$ 368,587	$ 35,219	$ 25,994	$ 11,338

(Continued)

Vidant Health

Consolidating Balance Sheet (Continued)
September 30, 2013
(Dollars in Thousands)

	Consolidated	Eliminations	Vidant Health	Vidant Medical Center	Vidant Community Hospitals	Vidant Medical Group	Vidant Properties	HealthAccess, Inc
LIABILITIES AND NET POSITION								
CURRENT LIABILITIES								
Accounts Payable	$ 72,051	$ (15,655)	$ 20,376	$ 40,823	$ 19,774	$ 4,597	$ 1,214	$ 922
Accrued Expenses	118,649	(373)	15,328	69,756	19,760	12,773	28	1,377
Estimated Settlements Due to Third-Party Payors	16,567	-	-	6,031	10,536	-	-	-
Current Portion of Professional Liability Losses	6,415	-	6,415	-	-	-	-	-
Current Maturities of Long-Term Debt	14,346	-	13,460	-	691	-	195	-
Current Portion of Due to Affiliates	-	(7,817)	-	6,338	1,479	-	-	-
Total Current Liabilities	228,028	(23,845)	55,579	122,948	52,240	17,370	1,437	2,299
LONG-TERM LIABILITIES								
Long-Term Debt, Less Current Maturities	548,799	-	543,087	-	5,129	-	583	-
Due to Affiliates, Less Current Maturities	-	(512,988)	-	401,411	111,577	-	-	-
Professional Liability Losses, Less Current Portion	29,941	-	24,285	-	592	5,064	-	-
Other Liabilities	26,809	-	-	25,359	1,249	201	-	-
Total Liabilities	833,577	(536,833)	622,951	549,718	170,787	22,635	2,020	2,299
NET POSITION								
Net Investment in Capital Assets	157,802	472,753	(473,682)	58,940	65,460	7,707	21,140	5,484
Restricted – Noncontrolling Interests	36,517	-	-	15,778	20,739	-	-	-
Restricted – Other	2,841	-	-	-	2,841	-	-	-
Unrestricted	766,026	(472,753)	642,158	476,595	108,760	4,877	2,834	3,555
Total Net Position	963,186	-	168,476	551,313	197,800	12,584	23,974	9,039
TOTAL LIABILITIES AND NET POSITION	$ 1,796,763	$ (536,833)	$ 791,427	$ 1,101,031	$ 368,587	$ 35,219	$ 25,994	$ 11,338

Vidant Health

Consolidating Statement of Revenues and Expenses
Year Ended September 30, 2013
(Dollars in Thousands)

	Consolidated	Eliminations	Vidant Health	Vidant Medical Center	Vidant Community Hospitals	Vidant Medical Group	Vidant Properties	HealthAccess, Inc
OPERATING REVENUES								
Net Patient Service Revenue, Net of Provision for Bad Debts	$ 1,517,748	$ -	$ -	$ 1,065,115	$ 360,556	$ 80,748	$ -	$ 11,329
Other Revenue	83,349	(150,397)	120,903	40,542	16,989	46,637	4,457	4,218
Total Operating Revenues	1,601,097	(150,397)	120,903	1,105,657	377,545	127,385	4,457	15,547
OPERATING EXPENSES								
Salaries and Wages	661,463	-	56,173	365,045	138,607	93,062	-	8,576
Employee Benefits	176,264	(1,197)	11,025	112,904	37,591	13,347	-	2,594
Supplies and Other	552,152	(144,209)	48,228	437,777	154,128	49,219	1,750	5,259
Depreciation and Amortization	90,625	-	10,744	57,301	18,496	1,545	1,772	767
Operating Lease Expense	26,286	(4,991)	2,139	17,846	6,502	4,579	1	210
Total Operating Expenses	1,506,790	(150,397)	128,309	990,873	355,324	161,752	3,523	17,406
INCOME (LOSS) FROM OPERATIONS	94,307	-	(7,406)	114,784	22,221	(34,367)	934	(1,859)
NONOPERATING REVENUES (EXPENSES)								
Interest Expense	(23,926)	18,531	(24,805)	(13,679)	(3,939)	-	(34)	-
Investment Income	46,818	-	32,334	12,986	1,312	16	106	64
Other	2,648	(18,531)	27,615	(6,905)	(10)	-	-	479
Total Nonoperating Revenues (Expenses), Net	25,540	-	35,144	(7,598)	(2,637)	16	72	543
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE NONCONTROLLING INTEREST	119,847	-	27,738	107,186	19,584	(34,351)	1,006	(1,316)
Income Applicable to Non-Controlling Interest	(10,242)	-	-	(6,638)	(3,604)	-	-	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	$ 109,605	$ -	$ 27,738	$ 100,548	$ 15,980	$ (34,351)	$ 1,006	$ (1,316)

Vidant Medical Center

Consolidating Balance Sheet
September 30, 2013
(Dollars in Thousands)

	Consolidated	Eliminations	Vidant Medical Center	SurgiCenter Services of Pitt, Inc	Vidant SurgiCenter
ASSETS AND DEFERRED OUTFLOWS					
CURRENT ASSETS					
Cash and Cash Equivalents	$ 20,679	$ -	$ 17,580	$ 2,001	$ 1,098
Accounts Receivable – Patients, Net	180,706	-	175,829	-	4,877
Other Receivables	24,688	(595)	25,158	8	117
Estimated Settlements Due From Third-Party Payors	57,437	-	57,437	-	-
Inventories	23,878	-	23,164	-	714
Prepaid Expenses	3,533	-	3,435	5	93
Total Current Assets	310,921	(595)	302,603	2,014	6,899
ASSETS LIMITED AS TO USE					
Internally Designated for Capital Improvements	302,871	-	302,871	-	-
Held by Trustees – Revenue Bonds	10,366	-	10,366	-	-
Held by Trustees – Other	16,239	-	16,239	-	-
Total Assets Limited as to Use	329,476	-	329,476	-	-
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	422,999	-	411,101	8,260	3,638
OTHER ASSETS					
Goodwill	3,414	(29,053)	2,926	-	29,541
Other Intangible Assets, Net	1,342	-	1,342	-	-
Other Assets	4,311	(19,102)	23,413	-	-
Total Other Assets	9,067	(48,155)	27,681	-	29,541
Total Assets	1,072,463	(48,750)	1,070,861	10,274	40,078
DEFERRED OUTFLOWS	28,568	-	28,568	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 1,101,031	$ (48,750)	$ 1,099,429	$ 10,274	$ 40,078

(Continued)

Vidant Medical Center

Consolidating Balance Sheet (Continued)
September 30, 2013
(Dollars in Thousands)

	Consolidated	Eliminations	Vidant Medical Center	SurgiCenter Services of Pitt, Inc	Vidant SurgiCenter
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accounts Payable	$ 40,823	$ (595)	$ 38,851	$ 20	$ 2,547
Accrued Expenses	69,756	-	69,495	-	261
Estimated Settlements Due to Third-Party Payors	6,031	-	6,031	-	-
Current Maturity of Due to Affiliates	6,338	-	6,338	-	-
Total Current Liabilities	122,948	(595)	120,715	20	2,808
Due to Affiliates, Less Current Maturities	401,411	-	401,411	-	-
Other Liabilities	25,359	(29,053)	25,359	29,053	-
Total Liabilities	549,718	(29,648)	547,485	29,073	2,808
NET POSITION					
Net Investment in Capital Assets	58,940	(29,053)	46,554	8,260	33,179
Restricted – Noncontrolling Interests	15,778	15,778	-	-	-
Unrestricted	476,595	(5,827)	505,390	(27,059)	4,091
Total Net Position	551,313	(19,102)	551,944	(18,799)	37,270
TOTAL LIABILITIES AND NET POSITION	$ 1,101,031	$ (48,750)	$ 1,099,429	$ 10,274	$ 40,078

Vidant Medical Center

Consolidating Statement of Revenues and Expenses
Year Ended September 30, 2013
(Dollars in Thousands)

	Consolidated	Eliminations	Vidant Medical Center	SurgiCenter Services of Pitt, Inc	Vidant SurgiCenter
OPERATING REVENUES					
Net Patient Service Revenue, Net of Provision for Bad Debts	$ 1,065,115	$ -	$ 1,031,728	$ -	$ 33,387
Other Revenue	40,542	(7,825)	47,184	1,077	106
Total Operating Revenues	1,105,657	(7,825)	1,078,912	1,077	33,493
OPERATING EXPENSES					
Salaries and Wages	365,045	-	365,045	-	-
Employee Benefits	112,904	-	112,904	-	-
Supplies and Other	437,777	(6,748)	427,718	95	16,712
Depreciation and Amortization	57,301	-	55,868	462	971
Operating Lease Expense	17,846	(1,077)	17,835	1	1,087
Total Operating Expenses	990,873	(7,825)	979,370	558	18,770
INCOME FROM OPERATIONS	114,784	-	99,542	519	14,723
NONOPERATING REVENUES (EXPENSES)					
Interest Expense	(13,679)	-	(13,679)	-	-
Investment Income	12,986	-	12,951	10	25
Other	(6,905)	-	(6,907)	-	2
Total Nonoperating Revenues (Expenses), Net	(7,598)	-	(7,635)	10	27
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE NONCONTROLLING INTEREST	107,186	-	91,907	529	14,750
Income Applicable to Noncontrolling Interest	(6,638)	(6,638)	-	-	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	$ 100,548	$ (6,638)	$ 91,907	$ 529	$ 14,750

Vidant Community Hospitals

Consolidating Balance Sheet
September 30, 2013
(Dollars in Thousands)

	Consolidated	Eliminations	Vidant Community Hospitals	The Outer Banks Hospital	Vidant Roanoke-Chowan Hospital	Vidant Bertie Hospital	Vidant Edgecombe Hospital	Heritage MRI	Vidant Chowan Hospital	Vidant Duplin Hospital	Vidant Beaufort Hospital	Vidant Pungo Hospital
ASSETS AND DEFERRED OUTFLOWS												
CURRENT ASSETS												
Cash	$ 67,431	$ -	$ 29,948	$ 3,925	$ 5,328	$ 5,197	$ 2,954	$ -	$ 4,064	$ 9,969	$ 4,433	$ 1,613
Accounts Receivable, Patients, Net	57,481	-	-	8,955	11,212	2,740	10,776	-	8,242	5,011	8,874	1,671
Other Receivables	10,224	(2,254)	1,071	549	876	162	2,438	758	714	873	4,898	139
Estimated Settlements Due From Third-Party Payors	4,493	-	-	1,425	(263)	(88)	1,536	-	(1,064)	1,355	1,235	357
Inventories	11,300	-	-	1,149	2,043	441	2,011	-	1,499	1,090	2,677	390
Prepaid Expenses	6,231	-	-	204	161	45	151	-	148	4,686	712	124
Total Current Assets	157,160	(2,254)	31,019	16,207	19,357	8,497	19,866	758	13,603	22,984	22,829	4,294
ASSETS LIMITED AS TO USE												
Internally Designated for Capital Improvements	25,159	-	94	24,839	-	-	-	-	216	-	-	10
Held by Trustees – Revenue Bonds	2,084	-	-	-	257	-	1,716	-	111	-	-	-
Held by Trustees – Other	546	-	-	-	6	-	37	-	1	-	502	-
Total Assets Limited as to Use	27,789	-	94	24,839	263	-	1,753	-	328	-	502	10
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	152,390	-	35	18,556	25,688	5,907	29,510	-	18,755	17,754	29,674	6,511
OTHER ASSETS												
Goodwill	22,829	-	-	-	14	-	22,395	-	-	420	-	-
Other Assets	1,386	-	-	-	-	-	-	-	-	-	1,386	-
Total Other Assets	24,215	-	-	-	14	-	22,395	-	-	420	1,386	-
DEFERRED OUTFLOWS	7,033	-	-	-	1,170	-	5,679	-	184	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 368,587	$ (2,254)	$ 31,148	$ 59,602	$ 46,492	$ 14,404	$ 79,203	$ 758	$ 32,870	$ 41,158	$ 54,391	$ 10,815

(Continued)

Vidant Community Hospitals

Consolidating Balance Sheet (Continued)
September 30, 2013
(Dollars in Thousands)

	Consolidated	Eliminations	Vidant Community Hospitals	The Outer Banks Hospital	Vidant Roanoke-Chowan Hospital	Vidant Bertie Hospital	Vidant Edgecombe Hospital	Heritage MRI	Vidant Chowan Hospital	Vidant Duplin Hospital	Vidant Beaufort Hospital	Vidant Pungo Hospital
LIABILITIES AND NET POSITION												
CURRENT LIABILITIES												
Accounts Payable	$ 19,774	$ (2,254)	$ 182	$ 2,397	$ 4,121	$ 865	$ 4,626	$ 764	$ 2,002	$ 4,324	$ 2,323	$ 424
Accrued Expenses	19,760	-	348	3,383	3,603	939	2,693	-	2,277	1,807	3,919	791
Estimated Settlements Due to Third-Party Payors	10,536	-	-	1,684	1,907	192	2,687	-	1,555	1,152	881	478
Current Maturities of Long-Term Debt	691	-	-	-	-	534	-	-	-	117	-	40
Current Portion of Due to Affiliates	1,479	-	-	-	173	2	1,132	-	69	-	103	-
Total Current Liabilities	52,240	(2,254)	530	7,464	9,804	2,532	11,138	764	5,903	7,400	7,226	1,733
LONG-TERM LIABILITIES												
Long-Term Debt, Less Current Maturities	5,129	-	-	-	-	4,966	-	-	-	163	-	-
Due to Affiliates, Less Current Maturities	111,577	-	-	-	11,427	353	70,970	-	5,035	-	23,792	-
Professional Liabilities Losses, Net of Current Portion	592	-	-	285	-	-	-	-	-	175	132	-
Other Liabilities	1,249	-	-	-	384	122	292	-	193	254	4	-
Total Liabilities	170,787	(2,254)	530	7,749	21,615	7,973	82,400	764	11,131	7,992	31,154	1,733
NET POSITION												
Net Investment in Capital Assets	65,460	-	35	18,556	15,529	52	(12,802)	-	13,946	17,894	5,779	6,471
Restricted – Non-Controlling Interests	20,739	20,739	-	-	-	-	-	-	-	-	-	-
Restricted – Other	2,841	-	-	-	2,836	5	-	-	-	-	-	-
Unrestricted	108,760	(20,739)	30,583	33,297	6,512	6,374	9,605	(6)	7,793	15,272	17,458	2,611
Total Net Position	197,800	-	30,618	51,853	24,877	6,431	(3,197)	(6)	21,739	33,166	23,237	9,082
TOTAL LIABILITIES AND NET POSITION	$ 368,587	$ (2,254)	$ 31,148	$ 59,602	$ 46,492	$ 14,404	$ 79,203	$ 758	$ 32,870	$ 41,158	$ 54,391	$ 10,815

Vidant Community Hospitals

Consolidating Statement of Revenues and Expenses
Year Ended September 30, 2013
(Dollars in Thousands)

	Consolidated	Eliminations	Vidant Community Hospitals	The Outer Banks Hospital	Vidant Roanoke-Chowan Hospital	Vidant Bertie Hospital	Vidant Edgecombe Hospital	Heritage MRI	Vidant Chowan Hospital	Vidant Duplin Hospital	Vidant Beaufort Hospital	Vidant Pungo Hospital
OPERATING REVENUES												
Net Patient Service Revenue, Net of Provision for Bad Debts	$ 360,556	$ -	$ -	$ 53,458	$ 62,354	$ 16,445	$ 70,755	$ -	$ 45,836	$ 40,482	$ 60,804	$ 10,422
Other Revenue	16,989	(2,988)	5	1,529	5,016	818	4,743	260	3,863	1,500	1,788	455
Total Operating Revenues	377,545	(2,988)	5	54,987	67,370	17,263	75,498	260	49,699	41,982	62,592	10,877
OPERATING EXPENSES												
Salaries and Wages	138,607	-	-	17,050	27,338	7,364	24,712	-	17,628	17,441	22,003	5,071
Employee Benefits	37,591	-	-	3,989	8,124	1,434	7,239	-	4,886	4,402	6,012	1,505
Supplies and Other	154,128	(2,728)	340	21,478	29,001	6,665	32,120	12	16,410	16,024	30,457	4,349
Depreciation and Amortization	18,496	-	6	2,370	3,106	870	3,282	-	2,458	2,372	3,117	915
Operating Lease Expense	6,502	(260)	-	1,111	1,633	358	1,155	274	1,036	710	367	118
Total Operating Expenses	355,324	(2,988)	346	45,998	69,202	16,691	68,508	286	42,418	40,949	61,956	11,958
INCOME (LOSS) FROM OPERATIONS	22,221	-	(341)	8,989	(1,832)	572	6,990	(26)	7,281	1,033	636	(1,081)
NONOPERATING REVENUES (EXPENSES)												
Interest Expense	(3,939)	-	-	-	(451)	(326)	(2,734)	-	(157)	(7)	(259)	(5)
Investment Income	1,312	-	1,032	99	55	10	33	-	27	24	25	7
Other	(10)	-	-	(55)	46	1	(28)	-	(117)	291	(141)	(7)
Total Nonoperating Revenues (Expenses), Net	(2,637)	-	1,032	44	(350)	(315)	(2,729)	-	(247)	308	(375)	(5)
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE NONCONTROLLING INTEREST	19,584	-	691	9,033	(2,182)	257	4,261	(26)	7,034	1,341	261	(1,086)
Income Applicable to Noncontrolling Interest	(3,604)	(3,604)	-	-	-	-	-	-	-	-	-	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	$ 15,980	$ (3,604)	$ 691	$ 9,033	$ (2,182)	$ 257	$ 4,261	$ (26)	$ 7,034	$ 1,341	$ 261	$ (1,086)

Vidant Health

Pro Forma Consolidating Balance Sheet – Assets and Deferred Outflows
September 30, 2013
(Dollars in Thousands)

	Consolidated 2013	Eliminations	Combined Group	Unrestricted Affiliates
ASSETS AND DEFERRED OUTFLOWS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 102,690	$ -	$ 91,799	$ 10,891
Accounts Receivable – Patients, Net of Estimated Uncollectibles	256,690	-	226,831	29,859
Other Receivables	44,846	(4,856)	42,691	7,011
Estimated Settlements Due From Third-Party Payors	61,930	-	60,505	1,425
Due From Roanoke-Chowan Alliance	-	-	-	-
Inventories	37,422	-	34,790	2,632
Prepaid Expenses	15,450	-	13,876	1,574
Current Portion Due From Affiliates	-	-	-	-
Assets Limited as to Use – Held by Trustees	6,415	-	6,415	-
Total Current Assets	525,443	(4,856)	476,907	53,392
ASSETS LIMITED AS TO USE				
Internally Designated for Capital Improvements	490,966	-	466,127	24,839
Internally Designated for Professional Liability Losses	30,268	-	30,269	(1)
Held by Trustees – Revenue Bonds	12,463	-	12,463	-
Held by Trustees – Other	22,211	-	22,210	1
Total Assets Limited as to Use	555,908	-	531,069	24,839
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	644,982	-	606,832	38,150
OTHER ASSETS				
Goodwill	26,243	(29,053)	25,755	29,541
Intangible Assets, Net	1,658	-	1,648	10
Other Assets	6,928	-	6,928	-
Total Other Assets	34,829	(29,053)	34,331	29,551
DEFERRED OUTFLOWS	35,601	-	35,601	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 1,796,763	$ (33,909)	$ 1,684,740	$ 145,932

Vidant Health

Pro Forma Consolidating Balance Sheet – Liabilities and Net Position
September 30, 2013
(Dollars in Thousands)

	Consolidated 2013	Eliminations	Combined Group	Unrestricted Affiliates
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts Payable	$ 72,051	$ (4,856)	$ 66,584	$ 10,323
Accrued Expenses	118,649	-	102,232	16,417
Estimated Settlements Due to Third-Party Payors	16,567	-	14,882	1,685
Current Reserve for Professional Liability Losses	6,415	-	6,415	-
Current Maturities of Long-Term Debt	14,346	-	14,345	1
Total Current Liabilities	228,028	(4,856)	204,458	28,426
LONG-TERM LIABILITIES				
Long-Term Debt, Less Current Maturities	548,799	-	548,799	-
Reserve for Professional Liability Losses	29,941	-	24,591	5,350
Other Liabilities	26,809	(29,053)	26,608	29,254
Total Long-Term Liabilities	605,549	(29,053)	599,998	34,604
Total Liabilities	833,577	(33,909)	804,456	63,030
NET POSITION				
Net Investment in Capital Assets	157,802	(29,053)	119,153	67,702
Restricted – Noncontrolling Interests	36,517	36,517	-	-
Restricted – Other	2,841	-	2,841	-
Unrestricted	766,026	(7,464)	758,290	15,200
Total Net Position	963,186	-	880,284	82,902
TOTAL LIABILITIES AND NET POSITION	$ 1,796,763	$ (33,909)	$ 1,684,740	$ 145,932

Vidant Health

Pro Forma Consolidating Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2013
(Dollars in Thousands)

	Consolidated 2013	Eliminations	Combined Group	Unrestricted Affiliates
OPERATING REVENUES				
Net Patient Service Revenue	$ 1,517,748	$ -	$ 1,350,155	$ 167,593
Other Revenue	83,349	(30,379)	64,119	49,609
Total Revenues	1,601,097	(30,379)	1,414,274	217,202
OPERATING EXPENSES				
Salaries and Wages	661,463	-	551,351	110,112
Employee Benefits	176,264	(2)	158,930	17,336
Supplies and Other	552,152	(27,573)	492,209	87,516
Depreciation and Amortization	90,625	-	85,277	5,348
Operating Lease Expense	26,286	(2,804)	22,038	7,052
Total Expenses	1,506,790	(30,379)	1,309,805	227,364
INCOME FROM OPERATIONS	94,307	-	104,469	(10,162)
NONOPERATING REVENUES (EXPENSES)				
Interest Expense	(23,926)	-	(23,926)	-
Investment Income (Loss)	46,818	-	46,668	150
Other	2,648	-	2,701	(53)
Total Nonoperating Revenues (Expenses)	25,540	-	25,443	97
EXCESS OF REVENUES OVER EXPENSES	$ 119,847	$ -	$ 129,912	$ (10,065)

Vidant Health

Required Supplementary Information
Schedule of Plan Funding Progress
(Unaudited)
September 30, 2013

Defined Benefit Pension Plans (dollars in thousands):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b) (AAL)	Unfunded Actuarial Accrued Liability (Asset) (a-b) (UAAL)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll ((b-a) / c)
Vidant Health						
For the plan year beginning January 1						
2013*	**$ 382,507**	**$ 486,599**	**$ 104,092**	**78.6%**	**$ 374,747**	**27.8%**
2012*	360,118	443,483	83,365	81 2%	390,008	21 4%
2011	345,920	395,581	49,661	87 4%	399,812	12 4%
2010	328,755	361,372	32,617	91 0%	369,569	8 8%
2009	256,248	331,424	75,176	77 3%	341,777	22 0%
2008	300,603	312,572	11,969	96 2%	303,579	3 9%
2007	262,161	274,426	12,265	95 5%	282,309	4 3%
Vidant Duplin Hospital						
2011*	11,534	8,871	(2,663)	130 0%	-	0 0%

*Included going forward in the Vidant Health plan beginning in fiscal year 2012

Analysis of the dollar amounts of net assets available for plan benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides an indication of the Vidant Health and VDUP plans' funding status on a going-concern basis Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker Generally, the greater this percentage, the stronger the pension plan Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of Vidant Health's and VDUP's progress made in accumulating sufficient assets to pay benefits when due Generally, the smaller this percentage is, the stronger the plan

Other Postemployment Benefits (OPEB) (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
10/01/2012	$ -	$ 12,210	$ 12,210	0 0%	$ 637,049	1 9%
10/01/2011	-	10,460	10,460	0 0%	587,669	1 8%
10/01/2010	-	14,944	14,944	0 0%	490,664	3 0%

Vidant Health

Required Supplementary Information
Historical Summary of Required and Actual Contributions
(Unaudited)
September 30, 2013

Defined Benefit Pension Plans (dollars in thousands):

	Employer Contributions		
Plan Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
2013	**$ 25,547**	**$ 25,547**	**100.0%**
2012	23,397	23,397	100 0%
2011	19,389	19,389	100 0%

Other Postemployment Benefits (OPEB) (dollars in thousands):

	Employer Contributions		
Plan Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
2013	**$ 1,448**	**$ 1,213**	**83.8%**
2012	1,195	1,912	160 0%
2011	1,412	1,862	131 9%