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

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

4a	(Code	(Expenses \$	113,855,129	including grants of \$	487,922)	(Revenue \$	119,910,007)
	<p>KERSHAWHEALTH OWNS AND OPERATES A 121-BED ACUTE CARE FACILITY, A 96-BED LONG-TERM FACILITY, A HOME HEALTH/HOSPICE AGENCY, A RURAL HEALTH CLINIC, PHYSICIAN CLINICS, AND TWO MEDICAL COMPLEXES FOR THE BENEFIT OF KERSHAW COUNTY, SOUTH CAROLINA AND SURROUNDING COMMUNITIES KERSHAWHEALTH CLOSED ITS HEALTH RESOURCE CENTER IN ORDER TO MORE EFFECTIVELY DEPLOY RESOURCES OUT INTO THE COMMUNITY THE FOCUS OF THESE EFFORTS WILL BE THE LAUNCH OF THE HEALTHY KERSHAW COUNTY INITIATIVE WITH A GOAL OF MAKING THE COUNTY THE HEALTHIEST IN SOUTH CAROLINA THIS IS A COLLABORATIVE EFFORT INVOLVING KERSHAWHEALTH, A BROAD SPECTRUM OF COMMUNITY ORGANIZATIONS, LOCAL GOVERNMENT AND BUSINESSES, THE SOUTH CAROLINA DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL, AND THE ARNOLD SCHOOL OF PUBLIC HEALTH AT THE UNIVERSITY OF SOUTH CAROLINA KERSHAWHEALTH PROVIDED 25,164 DAYS OF CARE INCLUDING 736 NURSERY DAYS OF CARE SAM KARESH LONG-TERM CARE PROVIDED 33,508 DAYS OF CARE HOME HEALTH PROVIDED 19,904 VISITS AND HOSPICE PROVIDED 9,549 DAYS OF CARE KERSHAWHEALTH PROVIDED, AT COST, APPROXIMATELY \$5,257,000 IN CHARITY CARE (NET OF REIMBURSEMENTS) AND INCURRED APPROXIMATELY \$5,846,000 IN BAD DEBT WRITEOFFS AT COST KERSHAWHEALTH GAVE CASH DONATIONS OF OVER \$150,000 AND INCURRED \$232,000 IN PHYSICIAN RECRUITMENT EXPENSE FOR NON-STAFF PHYSICIANS RECRUITED TO KERSHAW COUNTY THE HEALTH RESOURCE CENTER IS CHARGED WITH THE MISSION OF PROVIDING HEALTH EDUCATION AND WELLNESS PROGRAMS AND ACTIVITIES FOR THE RESIDENTS OF KERSHAW COUNTY THE HEALTH RESOURCE CENTER SUSTAINED A DEFICIENCY OF \$ 66,000 IN PROVIDING THE FOLLOWING PROGRAMS IN ACCORDANCE WITH ITS MISSION - SUPPORT GROUPS (HOSTED 39 MEETINGS, ATTENDANCE 310) FOR CARE-GIVERS DIABETES STEPPING STONES (GRIEF SUPPORT) ALZHEIMER'S - CPR/FIRST AID CLASSES (3 CLASSES, ATTENDANCE TOTAL 12)- NUTRITION CLASSES (HOSTED 2 CLASSES, ATTENDANCE TOTAL 15)- HEALTH SCREENINGS (5)- DIABETES EDUCATION (ATTENDANCE TOTAL 88)- SAFE KIDS (CAR SEAT CHECK ATTENDANCE 64, CAR SEATS DISTRIBUTED 14, HELMETS DISTRIBUTED 4, SCHOOL SAFETY DAYS ATTENDANCE 230, COMMUNITY EVENTS ATTENDANCE 1500) - VARIOUS OFFSITE PRESENTATIONS AT LOCAL EVENTS, ORGANIZATIONS, SCHOOLS AND CHURCHES (ATTENDANCE 260)</p>						

[illegible][illegible]

4e	Total program service expenses	113,855,129
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Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		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? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		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)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 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.	173	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	1,244	
2b	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).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	Yes	
3b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
5c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		No
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
7a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		No
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8822?		No
7d	If "Yes," indicate the number of Forms 8822 filed during the year.		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
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?		
9	Sponsoring organizations maintaining donor advised funds.		
9a	Did the organization make any taxable distributions under section 4966?		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter		
10a	Initiation fees and capital contributions included on Part VIII, line 12.		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		
11	Section 501(c)(12) organizations. Enter		
11a	Gross income from members or shareholders.		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
13a	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.		
13b	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.		
13c	Enter the amount of reserves on hand.		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		No
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		

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	9	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	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	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input checked="" type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization DEBRA L JOHNSON 1315 ROBERTS ST CAMDEN, SC (803) 713-6797	

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) SCOTT ZIEMKE CHAIRMAN	1 00	X		X				420	0	0
(2) BOBBY JONES VICE CHAIRMAN	1 00	X		X				420	0	0
(3) TALLULAH HOLMSTROM MD BOARD MEMBER	1 00	X						760	0	0
(4) GEORGE CORBIN BOARD MEMBER	1 00	X						420	0	0
(5) DON WITHAM BOARD MEMBER	1 00	X						420	0	0
(6) PAUL NAPPER BOARD MEMBER	1 00	X						420	0	0
(7) STEVE HOLLIDAY JR BOARD MEMBER	1 00	X						105	0	0
(8) DERIAL L OGBURN BOARD MEMBER	1 00	X						105	0	0
(9) KAREN ECKFORD BOARD MEMBER	1 00	X						105	0	0
(10) DONNIE WEEKS CEO	40 00			X				422,100	0	160,546
(11) MIKE BUNCH EVP - COO/CFO	40 00			X				252,108	0	60,799
(12) GLORIA KEEFE CNO	40 00				X			168,413	0	15,022
(13) ZIAD MATTAR PHYSICIAN	40 00					X		422,305	0	29,661
(14) T BRIGHT WILLIAMSON PHYSICIAN	40 00					X		372,667	0	12,590
(15) SHELLEY L JANSSEN PHYSICIAN	40 00					X		260,952	0	29,330
(16) JULIAN J ABBOTT PHYSICIAN	40 00					X		228,223	0	0
(17) JAMIE B THOMPSON PHYSICIAN	40 00					X		218,032	0	26,511

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	2,347,975	0	334,459

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 44

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	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? <i>If "Yes," complete Schedule J for such individual</i>	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? <i>If "Yes," complete Schedule J for such person</i>	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
CAROLINA CARE PA 215 REDBAY ROAD ELGIN SC 29045	EMERGENCY PROFESSIONAL FEES	2,978,748
CRITICAL HEALTH SYSTEMS OF SC PO BOX 18139 RALEIGH NC 27619	ANESTHESIA PROFESSIONAL FEES	1,872,923
PALMETTO HEALTH 293 GREYSTONE BLVD 2ND FLOOR COLUMBIA SC 29210	LABORATORY MANAGEMENT FEES	1,316,700
SOUTHERN HOSPITALISTS 73 FIRST STREET HOSCHTON GA 30548	HOSPITALIST PROFESSIONAL FEES	619,194
PEDIATRIC ASSOCIATES OF KERSHAW COUNTY 1346 HAILE STREET CAMDEN SC 29020	PEDIATRIC HOSPITALIST PROFESSIONAL FEES	508,200

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 ▶20

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	34,556			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	358,030			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f		392,586			
Program Service Revenue	2a	PATIENT SERVICE REVENUE	Business Code 621110	119,383,123	119,383,123		
	b	EHR INCENTIVE PAYMENT	621110	2,026,884	2,026,884		
	c						
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		121,410,007			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		1,103,035		1,103,035
4		Income from investment of tax-exempt bond proceeds . . .					
5		Royalties					
6a		Gross rents	(i) Real	(ii) Personal			
			178,687				
			8,051				
			170,636				
d		Net rental income or (loss)		170,636		2,735	167,901
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other			
			47,595	29,500			
			237,214	161,821			
			-189,619	-132,321			
d		Net gain or (loss)		-321,940			-321,940
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	CAFETERIA	722210	478,406			478,406	
b	MISCELLANEOUS REVENUES	900099	469,272		60,820	408,452	
c	DISCOUNTS & REBATES	900099	236,880			236,880	
d	All other revenue						
e	Total. Add lines 11a-11d		1,184,558				
12	Total revenue. See Instructions		123,938,882	121,410,007	63,555	2,072,734	

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.	487,922	487,922		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	1,082,164	183,972	898,192	
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.	43,236,214	39,332,999	3,830,775	72,440
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	1,307,021	1,165,420	139,465	2,136
9	Other employee benefits.	6,832,944	6,092,670	729,105	11,169
10	Payroll taxes.	2,985,641	2,662,180	318,581	4,880
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	465,799		465,799	
c	Accounting.	64,850		64,850	
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.	151,546		151,546	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	17,664,436	15,265,668	2,371,368	27,400
12	Advertising and promotion.	415,677	972	304,108	110,597
13	Office expenses.	8,327,933	4,389,955	3,876,495	61,483
14	Information technology.	495	325	170	
15	Royalties.				
16	Occupancy.	1,675,110	1,671,464	3,646	
17	Travel.	144,354	126,540	17,648	166
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.	1,211,842	1,211,842		
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	5,759,557	5,759,557		
23	Insurance.	243,559	86,889	156,670	
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	18,928,804	18,928,804		
b	MEDICAL SUPPLIES	15,267,688	15,267,688		
c	FOOD	1,197,334	1,197,334		
d	MISCELLANEOUS	199,473	22,928	176,545	
e	All other expenses				
25	Total functional expenses. Add lines 1 through 24e.	127,650,363	113,855,129	13,504,963	290,271
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 <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		1,428,415	1	1,291,009
	2	Savings and temporary cash investments		3,808,686	2	2,516,368
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		12,524,178	4	10,523,315
	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		3,105,623	8	3,598,831
	9	Prepaid expenses and deferred charges		1,302,811	9	1,550,887
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a108,703,232			
	b	Less accumulated depreciation	10b62,107,297	49,695,942	10c	46,595,935
	11	Investments—publicly traded securities		35,194,945	11	35,392,851
	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		2,207,929	15	1,994,381
	16	Total assets. Add lines 1 through 15 (must equal line 34)		109,268,529	16	103,463,577
Liabilities	17	Accounts payable and accrued expenses		8,491,286	17	9,612,878
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		20,400,536	20	19,624,823
	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		3,504,197	23	1,937,591
	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		1,385,525	25	1,457,296
	26	Total liabilities. Add lines 17 through 25		33,781,544	26	32,632,588
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		72,684,338	27	68,020,797
	28	Temporarily restricted net assets		2,802,647	28	2,810,192
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		75,486,985	33	70,830,989
	34	Total liabilities and net assets/fund balances		109,268,529	34	103,463,577

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	123,938,882
2	Total expenses (must equal Part IX, column (A), line 25)	2	127,650,363
3	Revenue less expenses Subtract line 2 from line 1	3	-3,711,481
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	75,486,985
5	Net unrealized gains (losses) on investments	5	-944,515
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	0
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	70,830,989

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	2a	No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both <input checked="" type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	2b	Yes
2c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a	No
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b	

SCHEDULE A
(Form 990 or 990EZ)

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 KERSHAWHEALTH	Employer identification number 57-6005963
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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 33¹/₃% 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 33¹/₃% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- e

☐

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

☐

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

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

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

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2012

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 IIIPart 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

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 KERSHAWHEALTH	Employer identification number 57-6005963
---	--

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

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

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

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If “Yes,” describe in Part IV	

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities	▶ \$
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$
4	Did the filing organization file Form 1120-POL for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization’s funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

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

Part II-A

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

- A
- Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)															
c Total lobbying expenditures (add lines 1a and 1b)															
d Other exempt purpose expenditures															
e Total exempt purpose expenditures (add lines 1c and 1d)															
f Lobbying nontaxable amount Enter the amount from the following table in both columns															
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g Grassroots nontaxable amount (enter 25% of line 1f)															
h Subtract line 1g from line 1a If zero or less, enter -0-															
i Subtract line 1f from line 1c If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes	<input type="checkbox"/> No												

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

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

		(a)	(b)	
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		5,312
j	Total. Add lines 1c through 1i.			5,312
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	THE ORGANIZATION IS A MEMBER OF THE AMERICAN HOSPITAL ASSOCIATION AND THE SOUTH CAROLINA HOSPITAL ASSOCIATION. THESE ORGANIZATIONS ENGAGE IN LOBBYING ACTIVITIES ON BEHALF OF THEIR MEMBERSHIP BODIES, AND EACH YEAR, SOME PORTION OF THE DUES PAID TO THESE ORGANIZATIONS IS ATTRIBUTED TO THOSE ENDEAVORS. FOR THE CURRENT YEAR, DUES ATTRIBUTABLE TO LOBBYING FOR THESE ORGANIZATIONS WAS APPROXIMATELY \$5,312.

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
KERSHAWHEALTH

Employer identification number
57-6005963

Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	

Part II

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

1

Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or education)☐ Preservation of an historically important land area☐ Protection of natural habitat☐ Preservation of a certified historic structure☐ Preservation of open space

2

Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶_____

4

Number of states where property subject to conservation easement is located ▶_____

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
1c	
1d	
1e	
1f	

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

2a

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

☐ Yes

☐ No

b

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

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a	Beginning of year balance				
b	Contributions				
c	Net investment earnings, gains, and losses				
d	Grants or scholarships				
e	Other expenditures for facilities and programs				
f	Administrative expenses				
g	End of year balance				

2

Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as

a

Board designated or quasi-endowment

b

Permanent endowment

c

Temporarily restricted endowment

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

3a

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

(i)

unrelated organizations

	Yes	No
3a(i)		
3a(ii)		
3b		

(ii)

related organizations

b

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

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		2,545,876		2,545,876
b Buildings		63,571,070	30,677,975	32,893,095
c Leasehold improvements				
d Equipment		40,041,507	31,429,322	8,612,185
e Other		2,544,779		2,544,779
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				46,595,935

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	103,922,068
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	-944,515
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	8,051
e	Add lines 2a through 2d	2e	-936,464
3	Subtract line 2e from line 1	3	104,858,532
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	151,546
b	Other (Describe in Part XIII)	4b	18,928,804
c	Add lines 4a and 4b	4c	19,080,350
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)	5	123,938,882

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

1	Total expenses and losses per audited financial statements	1	108,578,064
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	8,051
e	Add lines 2a through 2d	2e	8,051
3	Subtract line 2e from line 1	3	108,570,013
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	151,546
b	Other (Describe in Part XIII)	4b	18,928,804
c	Add lines 4a and 4b	4c	19,080,350
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18)	5	127,650,363

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 HOSPITAL IS A POLITICAL SUBDIVISION EXEMPT FROM FEDERAL AND STATE INCOME TAXES UNDER SECTION 115 OF THE INTERNAL REVENUE CODE. THE HOSPITAL IS ALSO EXEMPT UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE FROM FEDERAL INCOME TAXES ON RELATED INCOME PURSUANT TO SECTION 501(A) OF THE CODE. THE HOSPITAL HAS DETERMINED THAT IT DOES NOT HAVE ANY MATERIAL UNRECOGNIZED TAX BENEFITS OR OBLIGATIONS AS OF SEPTEMBER 30, 2013. FISCAL YEARS ENDING ON OR AFTER SEPTEMBER 30, 2010 REMAIN SUBJECT TO EXAMINATION BY FEDERAL AND STATE TAX AUTHORITIES.
PART XI, LINE 2D - OTHER ADJUSTMENTS		RENTAL EXPENSES 8,051
PART XI, LINE 4B - OTHER ADJUSTMENTS		BAD DEBT NET WITH REVENUES 18,928,804
PART XII, LINE 2D - OTHER ADJUSTMENTS		RENTAL EXPENSES 8,051
PART XII, LINE 4B - OTHER ADJUSTMENTS		BAD DEBT NET WITH REVENUES 18,928,804

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
KERSHAWHEALTH

Employer identification number
57-6005963

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ % b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input checked="" type="checkbox"/> 400% <input type="checkbox"/> 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"?	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5a	Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b	Yes	
b	If "Yes," did the organization make it available to the public?	5c		No
	Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.	6a	Yes	
		6b		No

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)			8,922,166	5,964,246	2,957,920	2 720 %
b Medicaid (from Worksheet 3, column a)			14,419,360	12,980,035	1,439,325	1 320 %
c Costs of other means-tested government programs (from Worksheet 3, column b) .						
d Total Financial Assistance and Means-Tested Government Programs .			23,341,526	18,944,281	4,397,245	4 040 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			138,198	26,491	111,707	0 100 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			487,922	250,000	237,922	0 220 %
j Total Other Benefits			626,120	276,491	349,629	0 320 %
k Total. Add lines 7d and 7j .			23,967,646	19,220,772	4,746,874	4 360 %

Part II

Community Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development					
3	Community support					
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building					
7	Community health improvement advocacy					
8	Workforce development		483,020		483,020	0 440 %
9	Other					
10	Total		483,020		483,020	0 440 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

2

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

2

18,928,804

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

9,464,402

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

29,166,952

6

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

6

33,208,913

7

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

7

-4,041,961

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

No

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

Part IV

Management Companies and Joint Ventures

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

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

Part V

Facility Information

Section A. Hospital Facilities

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

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER—24 hours	ER—other	Other (Describe)	Facility reporting group
1	KERSHAWHEALTH 1315 ROBERTS STREET CAMDEN, SC 29020	X	X					X		DISPROPORTIONATE SHARE HOSPITAL	

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)

KERSHAWHEALTH

Name of hospital facility or facility reporting group

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

1

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

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
a <input checked="" type="checkbox"/> Income level			
b <input type="checkbox"/> Asset level			
c <input checked="" type="checkbox"/> Medical indigency			
d <input type="checkbox"/> Insurance status			
e <input type="checkbox"/> Uninsured discount			
f <input type="checkbox"/> Medicaid/Medicare			
g <input type="checkbox"/> State regulation			
h <input type="checkbox"/> 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? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		14	Yes
a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
b <input type="checkbox"/> The policy was attached to billing invoices			
c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
f <input checked="" type="checkbox"/> The policy was available upon request			
g <input checked="" type="checkbox"/> 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	No
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 <input type="checkbox"/> Reporting to credit agency			
b <input type="checkbox"/> Lawsuits			
c <input type="checkbox"/> Liens on residences			
d <input type="checkbox"/> Body attachments			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			
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? If "Yes," check all actions in which the hospital facility or a third party engaged		17	No
a <input type="checkbox"/> Reporting to credit agency			
b <input type="checkbox"/> Lawsuits			
c <input type="checkbox"/> Liens on residences			
d <input type="checkbox"/> Body attachments			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

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

☐

Notified individuals of the financial assistance policy on admission
- b

☐

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

☐

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

☐

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

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

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

20	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year?

10

Name and address	Type of Facility (describe)
1 KERSHAWHEALTH KARESH LONG TERM CARE 1315 ROBERTS STREET CAMDEN, SC 29020	SKILLED NURSING & LONG TERM CARE
2 KERSHAWHEALTH HEALTHCARE PLACE 103 S MAIN STREET BETHUNE, SC 29009	RURAL HEALTH CLINIC
3 KERSHAWHEALTH HOSPICE 124 BATTLESHIP ROAD CAMDEN, SC 29020	HOSPICE CARE
4 KERSHAWHEALTH HOME HEALTH 124 BATTLESHIP ROAD CAMDEN, SC 29020	HOME HEALTH CARE
5 KERSHAWHEALTH PRIMARY CARE AT ELGIN 40 PINNACLE PARKWAY BLDG 100 ELGIN, SC 29045	PHYSICIAN CLINIC
6 KERSHAWHEALTH URGENT CARE AT ELGIN 40 PINNACLE PARKWAY BLDG 100 ELGIN, SC 29045	URGENT CARE
7 KERSHAWHEALTH PULMONOLOGY CLINIC 1102 ROBERTS STREET CAMDEN, SC 29020	PHYSICIAN CLINIC
8 KERSHAWHEALTH INFECTIOUS DISEASE CLINIC 1303 MONUMENT SQUARE CAMDEN, SC 29020	PHYSICIAN CLINIC
9 KERSHAWHEALTH GASTROENTEROLOGY 1303 MONUMENT SQUARE CAMDEN, SC 29020	PHYSICIAN CLINIC
10 KERSHAWHEALTH PRIMARY CARE AT LUGOFF 116 STANDARD WAREHOUSE ROAD LUGOFF, SC 29078	PHYSICIAN CLINIC

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 7 THE ORGANIZATION USED WORKSHEET 2 OF THE 2012 SCHEDULE H INSTRUCTIONS TO COMPUTE A RATIO OF COST TO CHARGES FOR PURPOSES OF THIS LINE
		PART I, L7 COL(F) THE AMOUNT ON FORM 990, PART IX, LINE 25 INCLUDES BAD DEBT EXPENSE OF \$ 18,928,804 THAT HAS BEEN REMOVED FOR PURPOSES OF CALCULATING PERCENT OF TOTAL EXPENSE

Identifier	ReturnReference	Explanation
		PART II KERSHAWHEALTH INCURRED EXPENSE IN 2012 FOR LOAN FORGIVENESS ASSOCIATED WITH PHYSICIANS PREVIOUSLY RECRUITED WHO CONTINUED TO MEET THEIR OBLIGATIONS IN THE MEDICALLY UNDERSERVED SERVICE AREA AS WELL AS EXPENSE ASSOCIATED WITH CONTINUED RECRUITMENT EFFORTS FOR THE MEDICALLY UNDERSERVED SERVICE AREA
		PART III, LINE 4 BAD DEBTS ON PART III, LINE 2 ARE PRESENTED AT GROSS CHARGES PER THE ORGANIZATION'S AUDITED FINANCIAL STATEMENTS THE HOSPITAL PROVIDES SERVICES PRIMARILY TO THE RESIDENTS OF KERSHAW COUNTY, SOUTH CAROLINA AND SURROUNDING COUNTIES WITHOUT COLLATERAL AN ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS IS PROVIDED IN AN AMOUNT EQUAL TO THE ESTIMATED LOSSES TO BE INCURRED IN COLLECTION OF THE RECEIVABLES THE ALLOWANCE IS BASED ON HISTORICAL COLLECTION EXPERIENCES AND A REVIEW OF THE CURRENT STATUS OF THE EXISTING RECEIVABLES THE ORGANIZATION ESTIMATES THAT APPROXIMATELY 50% OF ITS BAD DEBTS MAY BE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE POLICY THERE ARE A NUMBER OF IMPEDIMENTS TO OBTAINING THE NECESSARY DATA TO QUALIFY A PATIENT FOR CHARITY CARE THE HOSPITAL MAKES EVERY EFFORT TO OBTAIN THIS INFORMATION CORRECTLY AND TIMELY, HOWEVER DUE TO THE LIMITATION ON THE AVAILABILITY OF INFORMATION AND THE WILLINGNESS TO PROVIDE IT, IT IS ASSUMED THAT SOME ELIGIBLE PATIENTS ARE CHARGED TO BAD DEBT THE HOSPITAL EXAMINED ITS GROSS CHARGES FOR SELF-PAY PATIENTS FOR WHOM ALL INFORMATION WAS AVAILABLE AND DETERMINED THE PORTION OF CHARGES THAT WERE WRITTEN OFF TO CHARITY CARE

Identifier	ReturnReference	Explanation
		PART III, LINE 8 ALL SHORTFALL SHOULD BE CONSIDERED COMMUNITY BENEFIT AS THE GOVERNMENT SHOULD BEAR THE COST OF A GOVERNMENT PROGRAM, AND DOES NOT, LEAVING HOSPITALS TO BEAR THE UNREIMBURSED COST OF THE PROGRAM
		PART III, LINE 9B THE COLLECTION PROCESS IS SYSTEM-AUTOMATED AND ADJUSTS ACCORDING TO A MATRIX SET UP FOR EACH FINANCIAL CLASS ADJUSTMENTS FOR FINANCIAL ASSISTANCE ARE MADE UPON APPROVAL, AND THE SYSTEM GENERATES STATEMENTS TO THE PATIENT (IF A PATIENT BALANCE REMAINS) AFTER A CERTAIN NUMBER OF DAYS FROM FINAL BILL DATE (I E DATE PATIENT BECOMES LIABLE AFTER ALL OTHER PAYMENTS/ADJUSTMENTS HAVE BEEN MADE)

Identifier	ReturnReference	Explanation
KERSHAWHEALTH		PART V, SECTION B, LINE 3 THE HOSPITAL FACILITY COLLABORATED WITH SEVERAL ORGANIZATIONS THAT ARE LISTED IN DETAIL ON THE CHNA
KERSHAWHEALTH		PART V, SECTION B, LINE 5C NEWSPAPER AND CIVIC ORGANIZATION MEETINGS

Identifier	ReturnReference	Explanation
KERSHAWHEALTH		PART V, SECTION B, LINE 14G SELF PAY INPATIENTS ARE VISITED BY A FINANCIAL COUNSELOR TO DISCUSS ELIGIBILITY FOR GOVERNMENT PROGRAMS OR FINANCIAL ASSISTANCE ALL SELF-PAY PATIENTS ARE CALLED BY AN ADVOCATE TO DISCUSS ELIGIBILITY FOR GOVERNMENT PROGRAMS OR FINANCIAL ASSISTANCE WHEN PATIENTS CALL TO DISCUSS BILLS, THEY ARE INFORMED OF THE POLICY
KERSHAWHEALTH		PART V, SECTION B, LINE 16E REPORTING IS MADE TO THE SOUTH CAROLINA ASSOCIATION OF COUNTIES, WHICH LEVIES SOUTH CAROLINA INCOME TAX REFUNDS

Identifier	ReturnReference	Explanation
KERSHAWHEALTH		PART V, SECTION B, LINE 20D THE HOSPITAL USED FEDERAL POVERTY GUIDELINES TO DETERMINE THE MAXIMUM AMOUNTS CHARGED TO INDIVIDUALS ELIGIBLE FOR FINANCIAL ASSISTANCE
		PART VI, LINE 2 AS PART OF A STATE COLLABORATIVE, THE HOSPITAL PARTICIPATED IN A HEALTH SYSTEM PROFILE PERFORMED BY THE SOUTH CAROLINA RURAL HEALTH RESEARCH CENTER, UNIVERSITY OF SOUTH CAROLINA FOR THE SOUTH CAROLINA HOSPITAL ASSOCIATION THE OBJECTIVE WAS TO IDENTIFY ACCESS TO AND UTILIZATION OF HEALTHCARE FOR THE UNINSURED THE RESULT OF THE PROFILE WAS IMPLEMENTATION OF A PROGRAM CALLED ACCESSHEALTH SC FOR SEVERAL COUNTIES, INCLUDING KERSHAW THE PROGRAM IS FUNDED THROUGH A GRANT FROM THE DUKE ENDOWMENT WITH KERSHAWHEALTH BEING THE PASS-THRU ORGANIZATION FOR KERSHAW COUNTY ACCESSHEALTH'S FOCUS IS TO DEVELOP A COMMUNITY NETWORK OF CARE FOR THE LOW-INCOME, UNINSURED IN THE COUNTY THE HOSPITAL CONDUCTED A COMMUNITY HEALTH NEEDS ASSESSMENT TO IDENTIFY HEALTH NEEDS OF ALL CITIZENS AS OF THE FILING OF THIS RETURN, THE REPORT IS IN DRAFT

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 ALL SELF PAY, URGENT CARE, AND INPATIENT PATIENTS ARE OFFERED A FINANCIAL ASSISTANCE APPLICATION BEFORE DISCHARGE IN ADDITION, ALL INPATIENTS ARE VISITED FACE-TO-FACE BY A REPRESENTATIVE TO DISCUSS FINANCIAL NEEDS AND INFORMATION IS INCLUDED IN THE PATIENT INFORMATION BOOKLET INFORMATION IS GATHERED TO ASSESS QUALIFICATION FOR MEDICAID, A MEDICALLY INDIGENT ASSISTANCE PROGRAM, OR HOSPITAL CHARITY THE INFORMATION IS GIVEN TO A SOCIAL WORKER FOR APPLICATION OF AND DETERMINATION FOR THE APPROPRIATE SOURCE A PHONE BASED TRANSLATION SYSTEM IS AVAILABLE FOR NON-ENGLISH SPEAKING PATIENTS A CONTRACTED AGENCY CALLS ALL SELF PAY PATIENTS TO DISCUSS FINANCIAL ASSISTANCE AND OTHER PROGRAMS ON THE WEBSITE UNDER THE BILLING SECTION IS INFORMATION REGARDING WHO TO CONTACT FOR QUESTIONS ABOUT FINANCIAL ASSISTANCE
		PART VI, LINE 4 THE ORGANIZATION'S SERVICE AREA IS DEFINED AS ELEVEN ZIP CODES SURROUNDING THE HOSPITAL IN CAMDEN, SC, LOCATED IN KERSHAW COUNTY THE POPULATION OF THE COUNTY WAS ESTIMATED AT 62,343 IN 2012 THE COUNTY LAND AREA OF APPROXIMATELY 740 SQUARE MILES WAS THE 23RD LARGEST COUNTY IN POPULATION AMONG THE 46 COUNTIES IN THE STATE OF SOUTH CAROLINA BUT WAS THE SEVENTH FASTEST GROWING ONE, ACCORDING TO THE 2000 CENSUS GEOGRAPHICALLY, THE COUNTY BORDERS RICHLAND COUNTY TO THE WEST, HOME OF THE STATE CAPITAL, COLUMBIA PERCENT OF POPULATION AT OR BELOW POVERTY IN 2011 15.8% ETHNIC DEMOGRAPHICS IN 2011 69.1% WHITE/CAUCASIAN, NON-HISPANIC 25.2% AFRICAN-AMERICAN, NON-HISPANIC 3.9% HISPANIC/LATINO 1.8% OTHER THE UNEMPLOYMENT LEVEL IN DECEMBER 2012 WAS 8.1% VERSUS THE STATE LEVEL OF 8.6% THE AVERAGE INCOME WAS \$ 43,509 VERSUS STATE LEVEL OF \$44,587 KERSHAW COUNTY INCLUDES FOUR MEDICALLY UNDERSERVED AREAS

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 5 A MAJORITY OF THE ORGANIZATION'S GOVERNING BODY IS COMPRISED OF PERSONS WHO RESIDE IN THE ORGANIZATION'S PRIMARY SERVICE AREA AND WHO ARE NEITHER EMPLOYEES NOR INDEPENDENT CONTRACTORS OF THE ORGANIZATION THE HOSPITAL EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN ITS COMMUNITY TO ITS DEPARTMENTS KERSHAWHEALTH USES ALL SURPLUS FUNDS TO PURCHASE NEW AND IMPROVED EQUIPMENT, PROVIDE ADDITIONAL SERVICES, IMPROVE EXISTING SERVICES OR FACILITIES, RECRUIT NEEDED PHYSICIANS TO THE AREA, ALL IN ORDER TO PROVIDE QUALITY HEALTH CARE TO THE RESIDENTS OF KERSHAW AND SURROUNDING COUNTIES SEE PROGRAM SERVICE ACCOMPLISHMENTS FOR ACTIVITIES AT HEALTH RESOURCE CENTER KERSHAWHEALTH CLOSED ITS HEALTH RESOURCE CENTER IN 2011 IN ORDER TO MORE EFFECTIVELY DEPLOY RESOURCES OUT INTO THE COMMUNITY THE FOCUS OF THESE EFFORTS WILL BE THE LAUNCH OF THE HEALTHY KERSHAW COUNTY INITIATIVE WITH A GOAL OF MAKING THE COUNTY THE HEALTHIEST IN SOUTH CAROLINA THIS IS A COLLABORATIVE EFFORT INVOLVING KERSHAWHEALTH, A BROAD SPECTRUM OF COMMUNITY ORGANIZATIONS, LOCAL GOVERNMENT AND BUSINESSES, THE SOUTH CAROLINA DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL, AND THE ARNOLD SCHOOL OF PUBLIC HEALTH AT THE UNIVERSITY OF SOUTH CAROLINA IN ADDITION TO THOSE ACTIVITIES, KERSHAWHEALTH IS ACTIVE IN THE COMMUNITY AND LEADS AND PARTICIPATES IN DISASTER/EMERGENCY EXERCISES WITH OTHER COUNTY AGENCIES WE OFFER PROGRAMS TO COUNTY EMPLOYEES SUCH AS CPR CLASSES INFECTION CONTROL AND DIABETES EDUCATORS PARTICIPATE IN PRESENTATIONS TO COMMUNITY GROUPS AND SCHOOLS WITHIN KERSHAW COUNTY KERSHAWHEALTH ACTIVELY PARTICIPATES IN RECRUITING NEEDED PHYSICIANS TO THIS SERVICE AREA WHICH INCLUDES MEDICALLY UNDERSERVED AREAS WE FINANCIALLY SUPPORT THE COMMUNITY CLINIC OF KERSHAW COUNTY WHICH SERVES INDIGENT PATIENTS WE AND OUR EMPLOYEES SUPPORT THE UNITED WAY THROUGH AN ANNUAL GIVING CAMPAIGN KERSHAWHEALTH OWNS AND OPERATES THE COUNTY AMBULANCE SERVICE WHICH OPERATES AT A SIGNIFICANT DEFICIT KERSHAWHEALTH SUBSIDIZES THE COUNTY 911 DISPATCHER SALARY AND FUNDS A PERSONAL TRAINER FOR THE SCHOOL SYSTEM</p>
		<p>PART VI, LINE 6 THE ORGANIZATION IS NOT A MEMBER OF AN AFFILIATED HEALTH CARE SYSTEM</p>

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	SC

Additional Data

Software ID:
Software Version:
EIN: 57-6005963
Name: KERSHAWHEALTH

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

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year?

10

Name and address	Type of Facility (describe)
KERSHAWHEALTH KARESH LONG TERM CARE 1315 ROBERTS STREET CAMDEN, SC 29020	SKILLED NURSING & LONG TERM CARE
KERSHAWHEALTH HEALTHCARE PLACE 103 S MAIN STREET BETHUNE, SC 29009	SKILLED NURSING & LONG TERM CARE
KERSHAWHEALTH HOSPICE 124 BATTLESHIP ROAD CAMDEN, SC 29020	SKILLED NURSING & LONG TERM CARE
KERSHAWHEALTH HOME HEALTH 124 BATTLESHIP ROAD CAMDEN, SC 29020	SKILLED NURSING & LONG TERM CARE
KERSHAWHEALTH PRIMARY CARE AT ELGIN 40 PINNACLE PARKWAY BLDG 100 ELGIN, SC 29045	SKILLED NURSING & LONG TERM CARE
KERSHAWHEALTH URGENT CARE AT ELGIN 40 PINNACLE PARKWAY BLDG 100 ELGIN, SC 29045	SKILLED NURSING & LONG TERM CARE
KERSHAWHEALTH PULMONOLOGY CLINIC 1102 ROBERTS STREET CAMDEN, SC 29020	SKILLED NURSING & LONG TERM CARE
KERSHAWHEALTH INFECTIOUS DISEASE CLINIC 1303 MONUMENT SQUARE CAMDEN, SC 29020	SKILLED NURSING & LONG TERM CARE
KERSHAWHEALTH GASTROENTEROLOGY 1303 MONUMENT SQUARE CAMDEN, SC 29020	SKILLED NURSING & LONG TERM CARE
KERSHAWHEALTH PRIMARY CARE AT LUGOFF 116 STANDARD WAREHOUSE ROAD LUGOFF, SC 29078	SKILLED NURSING & LONG TERM CARE

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Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
KERSHAWHEALTH

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

DLN: 93493227038004

OMB No 1545-0047

2012

Open to Public
Inspection

Employer identification number
57-6005963

Part I

General Information on Grants and Assistance

- 1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes

☐ No
- 2

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

Part II

Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) COMMUNITY MEDICAL CLINIC OF KERSHAW COUNTY 110 C EAST DEKALB ST CAMDEN,SC 29020	57-1074191	501(C)(3)	90,000				FINANCIAL ASSISTANCE
(2) UNITED WAY OF KERSHAW COUNTY PO BOX 737 632 WEST DEKALB ST CAMDEN,SC 29020	57-0717334	501(C)(3)	10,000				CHARITABLE CONTRIBUTION
(3) KERSHAW COUNTY SCHOOL DISTRICT 1301 DUBOSE COURT CAMDEN,SC 29020	57-6000368	GOV'T	60,000				ATHLETIC TRAINER SALARY
(4) KERSHAW COUNTY 515 WALNUT ST CAMDEN,SC 29020	57-6000368	GOV'T	43,379				911 DISPATCHER SALARY
(5) SANDHILLS MEDICAL FOUNDATION PO BOX 366 MCBEE,SC 29101	57-0672342	501(C)(3)	311,652				GRANT PASSTHROUGH

2

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

5

3

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

0

Part III

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

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

Part IV Supplemental Information.		
Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information		
Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 THE ORGANIZATION WORKS CLOSELY WITH THE ORGANIZATIONS RECEIVING THE FUNDS AND ENSURES THAT THE FUNDS ARE USED IN ACCORDANCE WITH THE OPERATIONS INTENDED IN ADDITION, THE ORGANIZATION INCURS EXPENSES ON BEHALF OF THE HOSPITAL FOUNDATION TO ADVANCE HEALTH CARE IN KERSHAW COUNTY TO PROVIDE FOR FUNDRAISING EFFORTS ON BEHALF OF THE ORGANIZATION

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
KERSHAWHEALTH

Employer identification number

57-6005963

Part I Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items. <div> <input type="checkbox"/> First-class or charter travel <input type="checkbox"/> Housing allowance or residence for personal use </div> <div> <input type="checkbox"/> Travel for companions <input type="checkbox"/> Payments for business use of personal residence </div> <div> <input checked="" type="checkbox"/> Tax indemnification and gross-up payments <input checked="" type="checkbox"/> Health or social club dues or initiation fees </div> <div> <input type="checkbox"/> Discretionary spending account <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef) </div>		
1b	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.	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	Yes	
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III. <div> <input checked="" type="checkbox"/> Compensation committee <input checked="" type="checkbox"/> Written employment contract </div> <div> <input checked="" type="checkbox"/> Independent compensation consultant <input type="checkbox"/> Compensation survey or study </div> <div> <input type="checkbox"/> Form 990 of other organizations <input checked="" type="checkbox"/> Approval by the board or compensation committee </div>		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization:		
4a	Receive a severance payment or change-of-control payment?		No
4b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	Yes	
4c	Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.		No
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:		
5a	The organization?		No
5b	Any related organization? If "Yes," to line 5a or 5b, describe in Part III.		No
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:		
6a	The organization?	Yes	
6b	Any related organization? If "Yes," to line 6a or 6b, describe in Part III.		No
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.		No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III.		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?		

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)DONNIE WEEKS CEO	(i)	337,355	62,745	22,000	146,672	13,874	582,646	0
	(ii)	0	0	0	0	0	0	0
(2)MIKE BUNCH EVP - COO/CFO	(i)	232,315	2,793	17,000	41,395	19,404	312,907	0
	(ii)	0	0	0	0	0	0	0
(3)GLORIA KEEFE CNO	(i)	148,200	13,430	6,783	6,783	8,239	183,435	0
	(ii)	0	0	0	0	0	0	0
(4)ZIAD MATTAR PHYSICIAN	(i)	370,011	36,412	15,882	10,000	19,661	451,966	0
	(ii)	0	0	0	0	0	0	0
(5)T BRIGHT WILLIAMSON PHYSICIAN	(i)	372,667	0	0	0	12,590	385,257	0
	(ii)	0	0	0	0	0	0	0
(6)SHELLEY L JANSSEN PHYSICIAN	(i)	234,998	15,268	10,686	10,000	19,330	290,282	0
	(ii)	0	0	0	0	0	0	0
(7)JULIAN J ABBOTT PHYSICIAN	(i)	228,223	0	0	0	0	228,223	0
	(ii)	0	0	0	0	0	0	0
(8)JAMIE B THOMPSON PHYSICIAN	(i)	168,064	32,968	17,000	9,022	17,489	244,543	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	PART I, LINE 1A	THE ORGANIZATION'S CEO, AS PART OF HIS EMPLOYMENT AGREEMENT, IS PROVIDED A VEHICLE, SOCIAL CLUB DUES FOR BUSINESS PURPOSES, AND A PERSONAL LIFE INSURANCE POLICY, THE VALUE OF WHICH IS ADDED TO HIS REPORTABLE W-2 COMPENSATION.
	PART I, LINE 4B	SOME OFFICERS OF THE ORGANIZATION PARTICIPATE IN A SUPPLEMENTAL NONQUALIFIED EXECUTIVE RETIREMENT PLAN. DEFERRALS TO THIS PLAN FOR THE CURRENT YEAR ARE SCHEDULED TO BE PAID OUT BEGINNING IN 2013. THESE AMOUNTS ARE REPRESENTED IN PART II, COLUMN (C) FOR THE CURRENT YEAR, THE FOLLOWING ALLOCATIONS WERE MADE: DONNIE WEEKS \$ 136,672; MICHAEL BUNCH 31,395.
	PART I, LINE 6	THE COMPENSATION OF SOME OFFICERS OF THE ORGANIZATION IS BASED ON INCENTIVES COMPENSATION FACTORS (ICF) ESTABLISHED JOINTLY BY THE CEO AND THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS. ONE OF THE FACTORS IS THE PROFIT MARGIN OF THE ORGANIZATION. BONUS COMPENSATION UNDER THIS PROGRAM IS COMPUTED AS A PERCENTAGE OF BASE SALARY, AS DEFINED BELOW: CEO 40%, CFO 30%, COO 30%, CNO 20%. PRESENTLY, THE SAME INDIVIDUAL HOLDS BOTH THE CFO AND COO POSITION, AND THE BONUS IS CALCULATED AT 30%.

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
KERSHAWHEALTH

Employer identification number
57-6005963

Part I

Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	KERSHAWHEALTH	57-6005963		05-04-2012	4,462,957	REFUNDING, CAP EXPENDITURE		X		X		X
B	SC JOBS-ECONOMIC DEVELOPMENT AUTHORITY	57-0960018	83703ELM5	07-31-2008	19,141,352	CAPITAL EXPENDITURE		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	1,797,675							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	4,462,957		19,469,661					
4	Gross proceeds in reserve funds	1,855,717		1,855,717					
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	459,000		459,000					
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	2,202,962		17,211,040					
11	Other spent proceeds	1,531,799							
12	Other unspent proceeds	728,195							
13	Year of substantial completion	2013		2010					
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X			X				
15	Were the bonds issued as part of an advance refunding issue?	X			X				
16	Has the final allocation of proceeds been made?		X	X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X		X				
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X				
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0%		0%		%		%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 00000%		0 00000%		%		%	
6	Total of lines 4 and 5	0%		0%		%		%	
7	Does the bond issue meet the private security or payment test?		X		X				
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X				
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?		X		X				

Part IV

Arbitrage

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

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X				
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X		X				
7	Has the organization established written procedures to monitor the requirements of section 148?		X		X				

Part V

Procedures To Undertake Corrective Action

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?								

Part VI

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

Identifier	Return Reference	Explanation
SCHEDULE K, PART II, LINE 11, OTHER SPENT PROCEEDS		THE AMOUNT PRESENT ON LINE 11 FOR BOND (A) REPRESENTS AMOUNT USED TO CURRENTLY REFUND AND ADVANCE REFUND PRIOR BONDS ISSUES DATED AS FOLLOWS BONDS ISSUED 8/25/2006, CURRENT REFUNDING, \$ 640,945 BONDS ISSUED 2/25/2009, ADVANCE REFUNDING, \$ 890,854

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
KERSHAWHEALTH

Employer identification number
57-6005963

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 1	
	FORM 990, PART VI, SECTION A, LINE 7A	MEMBERS OF THE BOARD ARE APPOINTED BY THE KERSHAW COUNTY COUNCIL FOR TERMS OF SIX YEARS AND UNTIL THEIR SUCCESSORS ARE APPOINTED AND QUALIFIED ALL APPOINTEES TO THE BOARD ARE TO BE RESIDENTS OF KERSHAW COUNTY, SOUTH CAROLINA WITH AT LEAST ONE MEMBER FROM EACH OF THE FOUR TOWNSHIPS
	FORM 990, PART VI, SECTION B, LINE 11	THE RETURN WAS PREPARED BY AN INDEPENDENT ACCOUNTANT WITH ASSISTANCE AND OVERSIGHT BY MANAGEMENT THE VP OF FINANCE AND THE CFO/COO THEN PERFORMED AN INITIAL REVIEW OF THE 990 THE RETURN WAS REVIEWED BY THE DESIGNATED MEMBERS OF THE BOARD IN A PRESENTATION BY MANAGEMENT AND A REPRESENTATIVE OF THE ACCOUNTING FIRM PREPARING THE RETURN A DIGITAL COPY OF THE COMPLETED FORM 990 WAS PROVIDED TO EACH VOTING BOARD MEMBER PRIOR TO FILING WITH THE IRS
	FORM 990, PART VI, SECTION B, LINE 12C	THE ORGANIZATION'S CONFLICT OF INTEREST POLICY IS COVERED IN THE CODE OF CONDUCT AND ANNUAL COMPLIANCE EDUCATION IT IS ALSO MADE AVAILABLE ON THE ORGANIZATION'S INTRANET WHICH CAN BE ACCESSED BY ALL EMPLOYEES POTENTIAL CONFLICT DISCLOSURES ARE PRESENTED TO THE BOARD COMPLIANCE COMMITTEE AND THE COMMITTEE DETERMINES WHETHER OR NOT A CONFLICT EXISTS
	FORM 990, PART VI, SECTION B, LINE 15A	THE BOARD OF TRUSTEES FROM TIME TO TIME ENGAGES AN INDEPENDENT CONSULTANT TO PROVIDE COMPENSATION ANALYSIS FOR COMPENSATION LEVELS FOR THE CEO THE EXECUTIVE COMMITTEE OF THE BOARD DETERMINES AND APPROVES THE COMPENSATION FOR THE CEO OF THE ORGANIZATION A MARKET ANALYSIS IS CONDUCTED BY HUMAN RESOURCES FOR ALL OTHER LEADERSHIP EMPLOYEES AND COMPENSATION LEVELS ARE APPROVED BY THE CEO
	FORM 990, PART VI, SECTION C, LINE 18	PHOTOCOPIES OF THE FORM 990 ARE AVAILABLE UPON REQUEST AT THE ORGANIZATION'S ADMINISTRATIVE OFFICE IN ADDITION, RECENT FILINGS OF THE FORM 990 ARE AVAILABLE ONLINE AT WWW.GUIDESTAR.ORG
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS ARE MADE AVAILABLE TO THE PUBLIC UPON REQUEST AT THE ORGANIZATION'S ADMINISTRATIVE OFFICE PLEASE SEE PART VI, LINE 20
OTHER FEES	FORM 990, PART IX, LINE 11G	PURCHASED SERVICES PROGRAM SERVICE EXPENSES 15,265,668 MANAGEMENT AND GENERAL EXPENSES 2,371,368 FUNDRAISING EXPENSES 27,400 TOTAL EXPENSES 17,664,436
	FORM 990, PART XII, LINE 2C	THE PROCESS HAS NOT CHANGED FROM THE PRIOR YEAR

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
KERSHAWHEALTH

Employer identification number
57-6005963

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)					
(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) HOSPITAL AUXILIARY OF KERSHAW COUNTY MEMORIAL HOSPITAL PO BOX 428 CAMDEN, SC 29020 57-0384831	FOUNDATION/ FUNDRAISING	SC	501(C)(3)	IN SUSPENSE	N/A		No

Part III

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

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

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Dividends from related organization(s)

g

Sale of assets to related organization(s)

h

Purchase of assets from related organization(s)

i

Exchange of assets with related organization(s)

j

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

k

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

l

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

m

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

n

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

o

Sharing of paid employees with related organization(s)

p

Reimbursement paid to related organization(s) for expenses

q

Reimbursement paid by related organization(s) for expenses

r

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

s

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

Yes

No

1a

No

1b

No

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

No

1l

No

1m

Yes

1n

No

1o

No

1p

Yes

1q

No

1r

No

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

Schedule R (Form 990) 2012

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

[illegible]

Software ID:
Software Version:
EIN: 57-6005963
Name: KERSHAWHEALTH

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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KERSHAWHEALTH

Financial Statements

September 30, 2013 and 2012

(with Independent
Auditors' Report thereon)

KERSHAWHEALTH

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September 30, 2013 and 2012

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Board of Trustees
KershawHealth
Camden, South Carolina

We have audited the accompanying financial statements of KershawHealth (the “Hospital”), which comprise the statements of net position as of September 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error

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

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 financial statements referred to above present fairly, in all material respects, the financial position of KershawHealth as of September 30, 2013 and 2012, and the changes in their financial position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Required Supplementary Information

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

Dixon Hughes Goodman LLP

January 28, 2014

Management's Discussion and Analysis

Annual Financial Report

The annual financial report of KershawHealth (the "Hospital") provides an overview of the Hospital's financial activities for the fiscal years ended September 30, 2013 and 2012. The financial statements include the independent auditors' report, the required financial statements and accompanying explanatory notes. The required financial statements include Statements of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. Management's discussion and analysis should be read in conjunction with the financial statements and notes.

Amounts presented are rounded to the nearest thousand for this discussion and analysis.

Management Discussion and Analysis

Financial Highlights

- The Hospital's net position decreased approximately \$4,656,000 or 6.2% in 2013 and decreased approximately \$1,531,000 or 2.0% in 2012.
- The Hospital reported an operating loss of approximately \$3,657,000 in 2013 and operating loss of approximately \$1,564,000 in 2012. Operating loss increased approximately \$2,093,000 in 2013 as compared to 2012. Operating income decreased approximately \$4,733,000 in 2012 as compared to 2011. This resulted in operating margins of (3.0%) for 2013 and (1.5%) for 2012.
- Total nonoperating expenses increased by approximately \$958,000 in 2013 as compared to 2012 and total nonoperating expense increased by approximately \$92,000 in 2012 as compared to 2011.
- In 2013 and 2012, the Hospital received capital contributions of approximately \$- and \$73,000, respectively.

Required Financial Statements

The required financial statements are presented on an "enterprise fund" basis, which is similar to accounting for nongovernmental private enterprises. Entities accounted for on an enterprise basis are primarily financed by charges for services to their users rather than by tax receipts.

The Statement of Net Position is a statement of the investments in resources (assets) and obligations to creditors (liabilities) on the last day of the fiscal year. The net position balance is the value of the Hospital's assets less its liabilities (net position). The Statements of Net Position classifies assets and liabilities as current or noncurrent, and can be used to evaluate the Hospital's liquidity and ability to meet its future financial obligations.

The Statement of Revenues, Expenses, and Changes in Net Position reports the revenue the Hospital generated from providing services to patients and the expenses required to provide services to patients. Enterprise basis financial statements are prepared on an "accrual" basis, which reports revenue when earned and expenses when incurred, as opposed to "cash" basis accounting, which reports income when received and expenses when paid. Enterprise accounting requires that a portion of the cost of capital assets be recorded as depreciation expense. The Statement of Revenues, Expenses, and Changes in Net Position also reports the changes in net position attributable to nonoperating activities and from other transactions.

The Statement of Cash Flows reports cash inflows and outflows from operations, from noncapital financing activities, from capital and related financing activities, and from investing activities, and their effect on the change in cash as reported in the Statement of Net Position

Analysis of Overall Financial Position and Results of Operations

A summary of the Hospital's condensed Statements of Net Position at September 30 is presented below

<i>(in thousands of dollars)</i>	2013	2012	2011
Current assets	\$ 20,848	\$ 23,867	\$ 24,110
Capital assets	46,596	49,696	51,186
Other noncurrent assets	36,020	35,706	35,208
Total assets	<u>\$ 103,464</u>	<u>\$ 109,269</u>	<u>\$ 110,504</u>
Current liabilities	\$ 12,529	\$ 12,375	\$ 11,995
Long-term liabilities	20,104	21,407	21,491
Total liabilities	<u>32,633</u>	<u>33,782</u>	<u>33,486</u>
Net position	<u>70,831</u>	<u>75,487</u>	<u>77,018</u>
Total liabilities and net position	<u>\$ 103,464</u>	<u>\$ 109,269</u>	<u>\$ 110,504</u>

The net position of the Hospital decreased 6.2% and 2.0% in 2013 and 2012, respectively. Total cash, investments and assets limited as to use at September 30, 2013, 2012 and 2011 were \$39.2 million, \$40.4 million and \$38.1 million respectively. Net patient accounts receivable balances were \$10.5 million, \$12.5 million and \$12.6 million, respectively. Net days in accounts receivable were 38 in 2013, 44 in 2012 and 42 in 2011.

A summary of the Hospital's condensed Statements of Revenues, Expenses, and Changes in Net Position at September 30 is presented below

	2013	2012	2011
Operating revenues	\$ 103,709	\$ 105,924	\$ 111,962
Operating expenses	107,366	107,488	108,792
Operating income (loss)	<u>(3,657)</u>	<u>(1,564)</u>	<u>3,170</u>
Nonoperating revenues (expenses)	<u>(999)</u>	<u>(40)</u>	<u>51</u>
Excess (deficit) of revenues over expenses before capital contributions	(4,656)	(1,604)	3,221
Capital contributions	-	73	120
Increase (decrease) in net position	<u>(4,656)</u>	<u>(1,531)</u>	<u>3,341</u>
Net position			
Beginning of year	<u>75,487</u>	<u>77,018</u>	<u>73,677</u>
End of year	<u>\$ 70,831</u>	<u>\$ 75,487</u>	<u>\$ 77,018</u>

Operating revenues decreased 2.1% in 2013 as compared to 2012. Patient volumes as measured by admissions adjusted by outpatient volume increased 3.2% in 2013 as compared to 2012. Patient volumes as measured by patient days adjusted by outpatient volume decreased 0.5% in 2013 as compared to 2012. Length of stay decreased 3.6% from prior year. Volume decreases are mostly attributable to inpatient visits and surgeries. Medicaid Disproportionate Share income decreased \$480,000 in 2013 as compared to 2012. The Hospital recorded additional revenues of approximately \$2.0 million in 2013 due to Medicare & Medicaid Meaningful Use attestations. In 2013, the Hospital experienced a bad debt percentage of 6.3% of gross patient service charges.

Operating revenues decreased 5.4% in 2012 as compared to 2011. Patient volumes as measured by admissions adjusted by outpatient volume decreased 5.9% in 2012 as compared to 2011. Patient volumes as measured by patient days adjusted by outpatient volume increased 0.7% in 2012 as compared to 2011. Length of stay increased 6.8% from prior year. Volume decreases are mostly attributable to inpatient visits and surgeries. Medicaid Disproportionate Share income decreased \$767,000 in 2012 as compared to 2011. The Hospital recorded additional income of approximately \$224,000 in 2012 due to changes in prior year estimates for cost report settlements from Medicare and Medicaid. In 2012, the Hospital experienced a bad debt percentage of 6.0% of gross patient service charges.

Total operating expenses in 2013 decreased 0.1% compared to 2012. Salaries, wages and benefits decreased 1.8% in 2013. Supply expense decreased 11.3% due to lower inpatient volumes and a 10% drop in surgical cases. Other expenses increased 10.7% mainly as a result of purchased services related to the lab initiative. Professional fees increased 15.4%, attributable primarily to a change in the anesthesiologist group and the associated billing/collection procedures.

Total operating expenses in 2012 decreased 1.2% compared to 2011. Salaries, wages and benefits decreased 4.3% in 2012 for several reasons. Through a collaborative initiative with Palmetto Health, our laboratory operations were outsourced, shifting salaries and benefit expense to purchased services. The emergency department physicians were transitioned from salaried and contract employees to Carolina Care, a physician group board certified in emergency medicine. In addition two employed OB/GYN physicians resigned. Supply expense decreased 4.3% due to lower inpatient volumes. Other expenses increased 1.6% mainly as a result of purchased services related to the lab initiative. Professional fees increased 37.8%, attributable mostly to shifting employed emergency physicians to the outside group.

Operating loss increased approximately \$2,093,000 in 2013 as compared to 2012 resulting in an operating loss of approximately \$3,657,000. The Hospital's operating income decreased approximately \$4,733,000 in 2012 as compared to 2011 resulting in an operating loss of approximately \$1,564,000.

Total nonoperating expense increased approximately \$959,000 in 2013 as compared to 2012 and nonoperating expense increased approximately \$92,000 in 2012 as compared to 2011. Investment income decreased approximately \$1,113,000 and \$390,000 in 2013 and 2012, respectively, due to market losses. In 2013, noncapital contributions decreased approximately \$22,000 compared to 2012, and in 2012, noncapital contributions increased approximately \$271,000 compared to 2011.

The Hospital received approximately \$- and \$73,000 in capital contributions in 2013 and 2012, respectively, from the Foundation to fund various projects including cafeteria renovations and a perinatal monitoring system.

A summary of the Hospital's condensed Statements of Cash Flows at September 30 is presented below

<i>(in thousands of dollars)</i>	2013	2012	2011
Cash flows from operating activities	\$ 4.756	\$ 5.999	\$ 6.723
Cash flows used in capital and related financing activities	(6.239)	(5.082)	(6.498)
Cash flows from (used in) investing activities	(340)	(97)	705
Cash flows from noncapital financing activities	393	415	144
Net increase (decrease) in cash	(1.430)	1.235	1.074
Cash and cash equivalents			
Beginning of year	5.237	4.002	2.928
End of year	\$ 3.807	\$ 5.237	\$ 4.002

The Hospital's total cash balance decreased approximately \$1.4 million or 27.3% in 2013. Cash flows provided by operating activities decreased \$1,243,000 as a result of decreased collections due to increased bad debt & charity. Cash flows used by capital and related financing activities increased \$1.2 million. Cash flows used by investing activities increased by \$243,000 due to decreases in investment income.

The Hospital's total cash balance increased approximately \$1.2 million or 30.9% in 2012. Cash flows provided by operating activities decreased \$724,000 as a result of decreased receipts from and on behalf of patients due to decreased volumes. Cash flows used by capital and related financing activities decreased \$1.4 million as a result of issuance of debt. Cash flows used by investing activities increased by \$801,000 due to decreased investment income and additional investments.

Capital Assets and Debt Administration

Capital assets decreased 6.2% to \$46.6 million in 2013 and decreased 2.9% to \$49.7 million in 2012. Total capital expenditures were \$2.5 million in 2013 and \$2.1 million in 2012. Total long-term debt decreased 2.1% in 2013 and increased 1.2% in 2012.

The Hospital continued projects to upgrade the main facility during 2013, including an elevator renovation, a Chiller for Karesh, completed phase II of the piping project & started the Fire Alarm project. Equipment purchases included various IT system related additions/enhancements and a Digital Mobile C-Arm. The Hospital has budgeted approximately \$6.0 million in capital expenditures for 2014.

Budgets

Unlike other government facilities, budgets for entities accounted for on the enterprise basis are not legally binding documents. The budget for an enterprise fund is a guide for management and the Board in evaluating the success of the institution in meeting its financial goals.

Future Challenges

The Hospital experienced a 7.3% decrease in admissions in 2013 compared to 2012, while average length of stay decreased 3.6%. Observation Patients increased 11.4% as compared to 2012. Surgeries decreased 9.6% from prior year while Emergency Department visits increased 7.9% compared to prior year.

KershawHealth will face the same challenges in 2014 related to volumes and pressures on reimbursement from all payors. The Hospital's initiatives include continued collaboration with other providers and physician recruitment and alignment, a new group purchasing organization, and Medicare & Medicaid Meaningful Use Attestations. KershawHealth will continue to enhance our Employed Physician Network as opportunities arise. KershawHealth will continue to focus on quality, revenue enhancement projects and cost reduction initiatives to ensure we are able to continue our mission to improve the health and well-being of the residents of Kershaw County and the surrounding communities.

Contacting the Hospital's Financial Management

If you have any questions about this report or need additional financial information, contact the Hospital's Chief Financial Officer at KershawHealth, 1315 Roberts Street, Camden, South Carolina 29020.

KERSHAWHEALTH

Statements of Net Position

September 30, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 3,807,377	\$ 5,237,101
Patient accounts receivable, net of allowance for uncollectible accounts of approximately \$7,975,000 in 2013 and \$7,059,000 in 2012	10,523,315	12,524,178
Other receivables, net	308,976	885,385
Inventories of drugs and supplies	3,598,831	3,105,623
Prepaid expenses	1,550,887	1,302,811
Net other post-retirement benefit asset	499,639	469,617
Estimated third-party payor settlements	559,030	341,953
Total current assets	<u>20,848,055</u>	<u>23,866,668</u>
Assets limited as to use		
By board for acquisition of capital assets	21,988,274	21,975,318
Donor restricted for operating purposes	422,539	399,363
Held by trustee for deferred compensation plan	572,071	347,237
Restricted for debt service requirements	1,790,582	1,806,047
Held by trustee for workers' compensation fund	250,000	250,000
Total assets limited as to use	<u>25,023,466</u>	<u>24,777,965</u>
Nondepreciable capital assets	5,061,988	4,787,000
Capital assets, net	41,533,947	44,908,942
Investments	10,369,385	10,416,980
Other receivables, net	135,447	-
Deferred financing costs	491,289	510,974
Total assets	<u>\$ 103,463,577</u>	<u>\$ 109,268,529</u>

KERSHAWHEALTH

Statements of Net Position (continued)

September 30, 2013 and 2012

<u>Liabilities and Net Position</u>	<u>2013</u>	<u>2012</u>
Current liabilities		
Current portion of long-term debt	\$ 426,587	\$ 790,772
Current portion of capital lease obligations	1,032,411	1,706,963
Accounts payable	1,788,461	816,784
Accrued salaries, wages, and taxes withheld	5,609,371	4,635,839
Accrued expenses	2,215,046	3,038,663
Estimated third-party payor settlements	1,069,982	1,210,430
Net pension obligation	387,314	175,095
Total current liabilities	<u>12,529,172</u>	<u>12,374,546</u>
Long-term debt, excluding current portion	19,198,236	19,609,764
Capital lease obligations, excluding current portion	<u>905,180</u>	<u>1,797,234</u>
Total liabilities	<u>32,632,588</u>	<u>33,781,544</u>
Net position		
Invested in capital assets, net of related debt	25,033,521	25,791,209
Restricted		
Expendable for specific operating activities	422,539	399,363
Expendable for deferred compensation plan	572,071	347,237
Expendable for workers' compensation fund	250,000	250,000
Expendable for debt service	1,790,582	1,806,047
Unrestricted	<u>42,762,276</u>	<u>46,893,129</u>
Total net position	<u>70,830,989</u>	<u>75,486,985</u>
Total liabilities and net position	<u>\$ 103,463,577</u>	<u>\$ 109,268,529</u>

The accompanying notes are an integral part of these financials statements

KERSHAWHEALTH

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues		
Net patient service revenue, net of provisions for bad debts of approximately \$18,929,000 in 2013 and \$17,645,000 in 2012	\$ 100,454,319	\$ 104,684,901
Other operating revenue	<u>3,254,455</u>	<u>1,238,863</u>
Total operating revenues	<u>103,708,774</u>	<u>105,923,764</u>
Operating expenses		
Professional care of patients	67,826,855	68,751,774
General and administrative	26,085,244	25,358,651
Dietary	2,120,261	2,073,177
Household and plant operations	5,574,305	5,583,921
Depreciation and amortization	<u>5,759,557</u>	<u>5,720,050</u>
Total operating expenses	<u>107,366,222</u>	<u>107,487,573</u>
Operating loss	<u>(3,657,448)</u>	<u>(1,563,809)</u>
Nonoperating revenues (expenses)		
Net investment income (loss)	(179,292)	933,307
Loss on investment in joint venture	-	(106,616)
Interest expense	(1,211,842)	(1,281,523)
Noncapital grants and contributions	<u>392,586</u>	<u>414,766</u>
Total nonoperating expenses	<u>(998,548)</u>	<u>(40,066)</u>
Deficit of revenues over expenses before capital grants and contributions	(4,655,996)	(1,603,875)
Capital grants and contributions	<u>-</u>	<u>73,277</u>
Decrease in net position	(4,655,996)	(1,530,598)
Net position, beginning of year	<u>75,486,985</u>	<u>77,017,583</u>
Net position, end of year	<u>\$ 70,830,989</u>	<u>\$ 75,486,985</u>

The accompanying notes are an integral part of these financial statements

KERSHAWHEALTH

Statements of Cash Flows

For the Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 102,097,657	\$ 105,844,000
Payments to suppliers and contractors	(46,910,032)	(44,769,573)
Payments to employees for services	(54,275,843)	(56,464,077)
Other receipts from operations, net	3,844,286	1,388,492
Net cash provided by operating activities	<u>4,756,068</u>	<u>5,998,842</u>
Cash flows from noncapital financing activities		
Noncapital grants and contributions	<u>392,586</u>	<u>414,766</u>
Cash flows from capital and related financing activities		
Capital grants and contributions	-	73,277
Proceeds from issuance of long-term debt	-	446,439
Proceeds from issuance of capital lease obligations	-	1,531,799
Principal paid on long-term debt	(790,772)	(700,000)
Principal paid on capital lease obligations	(1,706,458)	(3,075,440)
Interest paid on long-term debt and capital lease obligations	(1,202,617)	(1,286,545)
Purchase of capital assets	(2,539,129)	(2,071,299)
Net cash used by capital and related financing activities	<u>(6,238,976)</u>	<u>(5,081,769)</u>
Cash flows from investing activities		
Net investment income	(170,996)	913,986
Proceeds from sale of capital assets	29,500	88,864
Net sale (purchase) of investments	47,595	(256,669)
Net change in assets limited as to use	(245,501)	(843,002)
Net cash used by investing activities	<u>(339,402)</u>	<u>(96,821)</u>
Net increase (decrease) in cash and cash equivalents	(1,429,724)	1,235,018
Cash and cash equivalents, beginning of year	<u>5,237,101</u>	<u>4,002,083</u>
Cash and cash equivalents, end of year	<u>\$ 3,807,377</u>	<u>\$ 5,237,101</u>

KERSHAWHEALTH

Statements of Cash Flows (continued)

For the Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (3,657,448)	\$ (1,563,809)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Loss on sale of capital assets	157,165	24,736
Depreciation and amortization	5,759,557	5,720,050
Provision for bad debts	18,928,804	17,644,852
Change in net operating assets and liabilities		
Patient accounts receivable, net	(16,927,941)	(17,572,223)
Other receivables, net	432,666	124,893
Inventories of drugs and supplies and prepaid expenses	(741,284)	770,346
Estimated third-party payor settlements	(357,525)	1,086,470
Accounts payable	971,677	(581,481)
Accrued liabilities	8,200	290,278
Change in net pension obligation	212,219	106,953
Change in other post-retirement benefit asset	<u>(30,022)</u>	<u>(52,223)</u>
Net cash provided by operating activities	\$ <u><u>4,756,068</u></u>	\$ <u><u>5,998,842</u></u>
Supplemental disclosure of noncash capital and financing activity		
Capital assets included in accrued expenses	\$ <u><u>147,549</u></u>	\$ <u><u>185,598</u></u>
Capital assets acquired through capital lease obligations	\$ <u><u>139,852</u></u>	\$ <u><u>2,063,110</u></u>

The accompanying notes are an integral part of these financial statements

KERSHAWHEALTH

Notes to Financial Statements

September 30, 2013 and 2012

1 **Summary of Reporting Entity and Significant Accounting Policies**

Reporting Entity - Kershaw County Medical Center was established under the laws of the State of South Carolina in 1954 and is a political subdivision. In May 2009, the Kershaw County Medical Center changed its name to KershawHealth (the "Hospital"). The Hospital is a not-for-profit healthcare facility which owns and operates a 121-bed acute care facility, a 96-bed long-term care facility, a sleep center, rural health clinic, physician clinics, home health/hospice agency, and several specialty physician offices including pulmonology and gastroenterology. In addition, the Hospital owns and operates an outpatient diagnostic center as well as the ambulance service for Kershaw County. The Hospital is governed by KershawHealth's board of trustees who are appointed by the Kershaw County Council located in Camden, South Carolina.

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

Enterprise Fund Accounting - Enterprise fund accounting is used to account for the Hospital's ongoing activities. The proprietary fund method of accounting is used for the enterprise funds whereby revenue and expenses are recognized on the accrual basis.

Accounting Standards - Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Hospital will only recognize GASB statements as authoritative guidance. Financial Accounting Standards Board ("FASB") statements, including those issued after November 30, 1989 and AICPA pronouncements will no longer be authoritative and may be used as non-authoritative guidance.

During the year ended September 30, 2013, the Hospital implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance related to deferred inflows of resources, deferred outflows of resources, and net position, which are elements of the statements of financial position as defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*. The Hospital has identified net position as the residual of all other elements presented on the statements of net position (previously known as net assets).

Cash and Cash Equivalents - The Hospital considers all demand deposits and short-term certificates of deposit purchased with an original maturity of three months or less to be cash equivalents

At various times throughout the year, the Hospital maintains deposits at financial institutions in excess of amounts covered by the Federal Deposit Insurance Corporation ("FDIC") limits, however all bank balances are collateralized by U S Government securities in accordance with the Hospital's investment policy

Patient Accounts Receivable - The Hospital provides services primarily to the residents of Kershaw County, South Carolina and surrounding counties without collateral. An allowance for uncollectible accounts is provided in an amount equal to the estimated losses to be incurred in collection of the receivables. The allowance is based on historical collection experiences and a review of the current status of the existing receivables.

Inventories of Drugs and Supplies - Inventories consist of pharmaceutical drugs and medical supplies, and other supplies which are stated at average cost.

Assets Limited as to Use - Assets limited as to use represent funds restricted by the board for acquisition of capital assets, over which the board retains control and may at its discretion subsequently use for other purposes. Assets limited as to use also include funds restricted by donors for operating purposes, restricted for the deferred compensation plan, restricted for the workers' compensation fund, and restricted for debt service requirements.

Investments in Debt and Equity Securities - Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenues and expenses when earned.

Capital Assets - Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. Assets under capital leases are stated at the present value of future minimum lease payments at the inception of the lease. Depreciation is provided on a straight-line basis over the useful lives of the assets. Assets recorded under capital leases are amortized on a straight-line basis over the shorter of the lease term or estimated useful lives of the assets. Additions and improvements are capitalized and depreciated over the estimated remaining lives of the related assets. Repairs and maintenance are expensed as incurred.

Investment in Joint Venture – Beginning in fiscal year 2007, the Hospital was in negotiations related to a joint venture with physician groups. The amounts invested represented preliminary consulting and architect fees related to the joint venture. During the year ended September 30, 2012, the joint venture was written off and the resulting loss is included as a nonoperating expense on the statement of revenues, expenses, and changes in net position.

Deferred Financing Costs - Financing costs incurred in connection with the issuance of long-term debt are deferred and amortized over the life of the bonds. Accumulated amortization was approximately \$102,000 and \$121,000 at September 30, 2013 and 2012, respectively.

Net Position - Net position of the Hospital is classified in three components. Net position invested in capital assets, net of related debt consists of capital assets (restricted and unrestricted), net of accumulated depreciation reduced by the outstanding borrowings attributable to the acquisition, construction, or improvement of these assets. Restricted net position is noncapital assets that must be used for a particular purpose, as specified by grantors or contributors external to the Hospital. Unrestricted net position is remaining net position that does not meet the definition of invested in capital, net of related debt or restricted.

Operating Revenues and Expenses - The Hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Nonexchange revenues, including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions - From time to time, the Hospital receives grants and contributions from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Net Patient Service Revenue - Net patient service revenue is recorded at 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. Third-party contractual revenue adjustments are recorded on an estimated basis in the period the related services are rendered. Such amounts are subject to audit by governmental agencies. Adjustments, if any, are included in contractual revenue adjustments in the year of determination. In compliance with GASB 34, net patient service revenues have been reduced by the amount of bad debt expense incurred by the Hospital.

Charity Care - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than their established rates. The Hospital does not pursue collection of amounts determined to qualify as charity care so they are not reported as net patient service revenue. The amounts of direct and indirect costs incurred for services and supplies furnished under the Hospital's charity care policy totaled approximately \$6,751,000 and \$6,001,000 for the years ended September 30, 2013 and 2012, respectively, and is based on a ratio of the Hospital's operating expenses, less bad debt and less other expenses not related to healthcare, to its gross charges and other revenues.

Physician Contracts - The Hospital extends loans to physicians as a method of recruiting. If the physician complies with the provisions of the contract, the loan and accrued interest is forgiven by the Hospital. The loans are amortized using the straight-line method over the life of the contract, and are included in other receivables on the Statements of Net Position. Physician loans outstanding totaled approximately \$- and \$550,000 at September 30, 2013 and 2012, respectively.

Income Taxes - The Hospital is a political subdivision exempt from federal and state income taxes under Section 115 of the Internal Revenue Code. The Hospital is also exempt under Section 501(c)(3) of the Internal Revenue Code from federal income taxes on related income pursuant to Section 501(a) of the Code. The Hospital has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2013. Fiscal years ending on or after September 30, 2010 remain subject to examination by federal and state tax authorities.

Risk Management - The Hospital is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, medical malpractice claims and judgments, and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. The Hospital is self-insured for amounts up to a specified level for health and medical coverage for its employees. The estimated liability is the total estimated amount to be paid for all known claims or incidents and a reserve for incurred but not reported claims. The Hospital purchases professional and general liability insurance to cover medical malpractice claims. Claims under such coverage are covered based on the date of occurrence.

Reclassification – Certain amounts included in the 2012 operating expenses were reclassified. This reclassification resulted in no change to the total operating expenses presented in 2012.

2 **Deposits and Investments**

The Hospital's investments generally are reported at fair value, as discussed in Note 1, and are included in assets limited as to use and investments on the Statements of Net Position. At September 30, 2013 and 2012, the Hospital had the following investments and maturities, all of which, except for investments in U.S. government obligations and U.S. government agencies, were held in the Hospital's name by a custodial bank that is an agent of the Hospital.

<u>September 30, 2013</u>	<u>Carrying Amount</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More Than 10</u>
<u>Investment type</u>					
Cash equivalents	\$ 628,700	\$ 628,700	\$ -	\$ -	\$ -
U.S. corporate bonds	62,755	-	-	-	62,755
U.S. government obligations	11,003,507	40,961	6,456,070	4,406,054	100,422
U.S. government agencies	22,433,034	3,019,758	5,225,883	1,502,428	12,684,965
Money market fund	842,316	842,316	-	-	-
Total	<u>\$ 34,970,312</u>	<u>\$ 4,531,735</u>	<u>\$ 11,681,953</u>	<u>\$ 5,908,482</u>	<u>\$ 12,848,142</u>

<u>September 30, 2012</u>	<u>Carrying Amount</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More Than 10</u>
<u>Investment type</u>					
Cash equivalents	\$ 311,333	\$ 311,333	\$ -	\$ -	\$ -
U.S. corporate bonds	75,149	-	-	-	75,149
U.S. government obligations	7,831,575	-	4,481,417	3,350,158	-
U.S. government agencies	25,642,374	909,306	8,672,259	1,056,147	15,004,662
Money market fund	935,151	935,151	-	-	-
Total	<u>\$ 34,795,582</u>	<u>\$ 2,155,790</u>	<u>\$ 13,153,676</u>	<u>\$ 4,406,305</u>	<u>\$ 15,079,811</u>

Interest Rate Risk - The Hospital minimizes its interest rate risk by investing in certificates of deposit with maturities of less than one year and by investing in fixed income securities.

Credit Risk - The Hospital's investment policy requires that investments be made only in certificates of deposit, short-term money market funds, fixed income securities, and U S Government securities and that all bank balances be collateralized by U S Government Securities. Credit risk ratings are not required for U S Government Obligations or those obligations explicitly guaranteed by the U S Government. As of September 30, 2013 and 2012, the Hospital's investments in U S Government Agencies were rated AAA by Moody's Investors Service. The investments in U S Government Agencies were rated AA+ by Standard & Poor's.

Concentration of Credit Risk - The Hospital places no limit on the amount it may invest in any one issuer. The Hospital held less than 5% of the carrying amount of investments in any one issuer as of September 30, 2013 and 2012.

The carrying amount of deposits, investments, and assets limited as to use are included in the Hospital's Statements of Net Position as follows:

	<u>2013</u>	<u>2012</u>
Carrying amount		
Deposits	\$ 4,229,916	\$ 5,636,464
Investments	<u>34,970,312</u>	<u>34,795,582</u>
Total	<u>\$ 39,200,228</u>	<u>\$ 40,432,046</u>
Included in the following Statements of		
Net Position captions		
Cash and cash equivalents	\$ 3,807,377	\$ 5,237,101
Investments	10,369,385	10,416,980
Assets limited as to use	<u>25,023,466</u>	<u>24,777,965</u>
	<u>\$ 39,200,228</u>	<u>\$ 40,432,046</u>

Net investment income for assets limited as to use and other investments are comprised of the following for the years ended September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest income	\$ 951,489	\$ 992,333
Net, realized losses on investments	(189,619)	(171,471)
Net, unrealized gains (losses) on investments	(944,515)	142,217
Rental income (loss)	<u>3,353</u>	<u>(29,772)</u>
Net investment income (loss)	<u>\$ (179,292)</u>	<u>\$ 933,307</u>

3 Accounts Receivable and Payable

The mix of receivables from patients and third-party payors at September 30 is as follows

	<u>2013</u>	<u>2012</u>
Receivable from patients	\$ 9,540,362	\$ 9,222,586
Receivable from third-party payors and others	3,506,355	4,102,959
Receivable from Medicare	3,917,864	4,096,989
Receivable from Medicaid	<u>1,533,316</u>	<u>2,161,137</u>
Total patient accounts receivable	18,497,897	19,583,671
Less allowance for uncollectible accounts	<u>(7,974,582)</u>	<u>(7,059,493)</u>
	<u>\$ 10,523,315</u>	<u>\$ 12,524,178</u>

Accounts payable and accrued expenses reported by the Hospital consist of the following amounts at September 30

	<u>2013</u>	<u>2012</u>
Accounts payable	\$ <u>1,788,461</u>	\$ <u>816,784</u>
Payable to employees (including payroll taxes)	\$ <u>5,609,371</u>	\$ <u>4,635,839</u>
Accrued interest payable	\$ 49,888	\$ 55,722
Accrued health insurance expense	966,858	1,033,143
Other	<u>1,198,300</u>	<u>1,949,798</u>
Accrued expenses	<u>\$ 2,215,046</u>	<u>\$ 3,038,663</u>

4 **Capital Assets**

Capital asset additions, retirements, transfers and balances for the years ended September 30, 2013 and 2012 were as follows

	Balance September 30, <u>2012</u>	Additions	Retirements & Transfers	Balance September 30, <u>2013</u>
Land	\$ 2,545,876	\$ -	\$ -	\$ 2,545,876
Land improvements	1,228,329	-	-	1,228,329
Buildings and fixed equipment	60,991,445	487,243	864,053	62,342,741
Major movable equipment	<u>44,511,482</u>	<u>434,044</u>	<u>(4,875,352)</u>	<u>40,070,174</u>
Totals at historical cost	<u>109,277,132</u>	<u>921,287</u>	<u>(4,011,299)</u>	<u>106,187,120</u>
Less accumulated depreciation				
Land improvements	(893,890)	(44,956)	-	(938,846)
Buildings and fixed equipment	(28,583,415)	(1,901,958)	746,244	(29,739,129)
Major movable equipment	<u>(32,345,009)</u>	<u>(3,792,958)</u>	<u>4,708,645</u>	<u>(31,429,322)</u>
Total accumulated depreciation	<u>(61,822,314)</u>	<u>(5,739,872)</u>	<u>5,454,889</u>	<u>(62,107,297)</u>
Construction in progress	<u>2,241,124</u>	<u>1,905,243</u>	<u>(1,630,255)</u>	<u>2,516,112</u>
Capital assets, net	<u>\$ 49,695,942</u>	<u>\$ (2,913,342)</u>	<u>\$ (186,665)</u>	<u>\$ 46,595,935</u>
	Balance September 30, <u>2011</u>	Additions	Retirements & Transfers	Balance September 30, <u>2012</u>
Land	\$ 2,545,876	\$ -	\$ -	\$ 2,545,876
Land improvements	1,228,329	-	-	1,228,329
Buildings and fixed equipment	60,059,675	43,026	888,744	60,991,445
Major movable equipment	<u>44,757,598</u>	<u>1,154,035</u>	<u>(1,400,151)</u>	<u>44,511,482</u>
Totals at historical cost	<u>108,591,478</u>	<u>1,197,061</u>	<u>(511,407)</u>	<u>109,277,132</u>
Less accumulated depreciation				
Land improvements	(858,633)	(35,257)	-	(893,890)
Buildings and fixed equipment	(26,731,188)	(1,852,695)	468	(28,583,415)
Major movable equipment	<u>(32,047,304)</u>	<u>(3,808,470)</u>	<u>3,510,765</u>	<u>(32,345,009)</u>
Total accumulated depreciation	<u>(59,637,125)</u>	<u>(5,696,422)</u>	<u>3,511,233</u>	<u>(61,822,314)</u>
Construction in progress	<u>2,231,604</u>	<u>3,122,946</u>	<u>(3,113,426)</u>	<u>2,241,124</u>
Capital assets, net	<u>\$ 51,185,957</u>	<u>\$ (1,376,415)</u>	<u>\$ (113,600)</u>	<u>\$ 49,695,942</u>

5 Long-Term Debt and Capital Lease Obligations

A schedule of changes in the Hospital's long-term debt and capital lease obligations for 2013 and 2012 follows

	<u>September 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2013</u>	<u>Current Portion</u>
Revenue bonds	\$ 20,345,000	\$ -	\$ (750,000)	\$ 19,595,000	\$ 385,000
Loan payable	446,439	-	(40,772)	405,667	41,587
Capital lease obligations	<u>3,504,197</u>	<u>139,852</u>	<u>(1,706,458)</u>	<u>1,937,591</u>	<u>1,032,411</u>
	24,295,636	139,852	(2,497,230)	21,938,258	1,458,998
Less unamortized discount and deferred loss on refinancing	<u>(390,903)</u>	<u>-</u>	<u>15,059</u>	<u>(375,844)</u>	<u>-</u>
Total long-term debt and capital lease obligations	<u>\$ 23,904,733</u>	<u>\$ 139,852</u>	<u>\$ (2,482,171)</u>	<u>\$ 21,562,414</u>	<u>\$ 1,458,998</u>

	<u>September 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2012</u>	<u>Current Portion</u>
Revenue bonds	\$ 21,045,000	\$ -	\$ (700,000)	\$ 20,345,000	\$ 750,000
Loan Payable	-	446,439	-	446,439	40,772
Capital lease obligations	<u>2,984,728</u>	<u>3,594,909</u>	<u>(3,075,440)</u>	<u>3,504,197</u>	<u>1,706,963</u>
	24,029,728	4,041,348	(3,775,440)	24,295,636	2,497,735
Less unamortized discount and deferred loss on refinancing	<u>(405,962)</u>	<u>-</u>	<u>15,059</u>	<u>(390,903)</u>	<u>-</u>
Total long-term debt and capital lease obligations	<u>\$ 23,623,766</u>	<u>\$ 4,041,348</u>	<u>\$ (3,760,381)</u>	<u>\$ 23,904,733</u>	<u>\$ 2,497,735</u>

The terms and due dates of the Hospital's long-term debt and capital lease obligations at September 30, 2013 and 2012, are as follows

- \$6,000,000 of Hospital Revenue bonds, the "Series 2002 Bonds" issued September 2002, secured by the Hospital's capital assets, principal payable in annual installments, and interest at a stated interest rate of 3.33%, payable semi-annually through September 2013. The bond proceeds were used to defray the cost of renovating and equipping the existing facilities, the acquisition of a new computer system and other equipment, and to pay certain expenses associated with the Series 2002 Bonds. The Series 2002 Bonds were paid in full as of September 30, 2013.
- \$19,595,000 of Hospital Revenue bonds, the "Series 2008 Bonds" issued in July 2008, secured by the Hospital's capital assets, interest payable semi-annually at fixed rates ranging from 5% to 6% through 2038, principal payable in annual installments beginning in 2014 through 2038. The bonds are being used to defray the cost of construction and equipping new facilities, to pay certain expenses associated with the Series 2008 Bonds, acquisition of certain land for expansion, other capital improvements, and renovations to and equipping of existing facilities.

- The Hospital obtained a loan from the South Carolina Energy Office for \$446,439 in August 2011. The loan is secured by unrestricted investments equal to the outstanding loan balance. Principal and interest of 2.00% is payable in annual installments beginning in 2013 through 2022. The loan was used to defray costs of equipment to upgrade the Hospital's facilities.
- Capital lease obligation, payable in annual installments of \$666,454, including principal and interest of 3.98% through September 1, 2013, collateralized by equipment, was entered into with a bank for the purchase of certain equipment. This capital lease obligation was refinanced in August 2012.
- Capital lease obligation, payable in annual installments of \$479,259, including principal and interest of 2.91% through March 1, 2014, collateralized by equipment, was entered into with a bank for the purchase of certain equipment. This capital lease obligation was refinanced in May 2012.
- Capital lease obligation, payable in monthly installments of \$3,893, including principal and interest of 5.85%, was paid in full as of September 30, 2013.
- Capital lease obligation, payable in monthly installments of \$51,099, including principal and interest of 1.49% through June 2017, collateralized by equipment, was entered into with a bank for the purchase of certain equipment.
- Capital lease obligation, payable in semiannual installments ranging from \$439,991 to \$647,038, including principal and interest of 1.13% through March 2014, collateralized by the leased equipment, was entered into with a bank to refinance two capital leases.

Certain financial covenants are contained in the documents of the Series 2008 Bonds, including a covenant which provides that the Hospital produce a Historical Long-Term Debt Service Coverage Ratio, as defined in the Master Trust Indenture dated July 1, 2008 (the "MTI"), at least equal to 1.20 for each fiscal year. For the year ended September 30, 2013, the Hospital did not produce a Historical Long-Term Debt Service Coverage Ratio of at least 1.20. The fact that the Hospital did not produce a Historical Long-Term Debt Service Coverage Ratio of at least 1.20, however, did not constitute an event of default as defined in the MTI. Pursuant to the MTI, the Hospital shall employ an independent consultant to make recommendations in order to increase the Historical Debt Service Coverage Ratio to at least 1.20 and shall provide a copy of the independent consultant's report within 240 days of the year ended September 30, 2013.

The aggregate debt service payments due on long-term debt and capital lease obligations for the years subsequent to September 30, 2013, and until maturity are as follows

<u>Year Ending September 30:</u>	<u>Long-Term Debt</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 426,587	\$ 1,132,713	\$ 1,032,411	\$ 20,848
2015	447,419	1,112,632	603,747	9,376
2016	468,267	1,091,533	301,433	1,296
2017	494,133	1,069,418	-	-
2018	515,015	1,046,035	-	-
2019 - 2023	2,934,246	4,826,332	-	-
2024 - 2028	3,585,000	3,975,438	-	-
2029 - 2033	4,760,000	2,800,800	-	-
2034 - 2038	<u>6,370,000</u>	<u>1,190,700</u>	<u>-</u>	<u>-</u>
Total	\$ <u>20,000,667</u>	\$ <u>18,245,601</u>	\$ <u>1,937,591</u>	\$ <u>31,520</u>

6 Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge based on a Diagnosis Related Group ("DRG") system. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed under a prospective payment system called the Ambulatory Payment Classification System ("APCs"). Other services are paid on a fee schedule. The Hospital's classification of patients under the Medicare program and appropriateness of their admission are subject to review by an independent peer review organization. The Hospital's Medicare cost reports have been final settled by the Medicare fiscal intermediary through September 30, 2009. The fiscal intermediary has the option to reopen the cost reports that are final settled for up to three years from the date they are final settled.

Medicaid - Inpatient services rendered to Medicaid program beneficiaries are reimbursed using a payment per discharge system with case-mix adjustments based on a Diagnosis Related Group ("DRG") system. Outpatient Medicaid services are reimbursed at a certain percentage of allowable costs. The Hospital is reimbursed at these interim rates through remittance advices upon billing of patient accounts. Because these interim rates are based on retrospective rates, tentative settlements are determined after submission of the Hospital's annual Medicaid cost report. Some providers, including the Hospital, qualify for additional reimbursement from the state for serving a disproportionate share of the state's indigent population (Medicaid Disproportionate Share). The Hospital's Medicaid cost reports are subject to audit by the Medicaid program. The Hospital's Medicaid cost reports have been final settled for fiscal years 2006 and 2010. Medicaid cost reports for September 30, 2007 through September 30, 2009 and any Medicaid cost report subsequent to September 30, 2010 have not been settled.

Revenue from Medicare and Medicaid programs accounted for approximately 46% and 16%, respectively, of the Hospital's net patient service revenue for the year ended September 30, 2013, and 44% and 18%, respectively, of the Hospital's net patient service revenue for the year ended September 30, 2012. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2013 net patient service revenue decreased by approximately \$434,000 and the 2012 net patient service revenue increased by approximately \$224,000 due to changes in the allowances previously estimated for tentative cost report settlements.

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

The Hospital qualified for disproportionate share payments from the South Carolina Medicaid Program through September 30, 2013. The Hospital received quarterly lump-sum payments totaling approximately \$2,958,000 and \$3,438,000 in 2013 and 2012, respectively. These amounts are reflected as a reduction of Medicaid contractual adjustments.

The Hospital recognizes revenue for incentives earned under the HITECH Meaningful Use Electronic Health Records ("EHR") Medicare program in the period in which it is reasonably assured that it will comply with the applicable EHR meaningful use requirements. Incentive revenues are recognized ratably over the applicable meaningful use demonstration period. Incentive payments received under the Medicare program include a discharge-related portion, which is calculated by Centers for Medicare & Medicaid Services ("CMS") based on the Hospital's most recently filed cost report. Such amounts are subject to adjustment at the time of settling the 12-month cost report for the Hospital's fiscal year that begins after the beginning of the payment year. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The EHR funding received is subject to CMS audit. The results of that audit and settlement could result in a potential payback in future periods.

The Hospital achieved compliance with the Year 1 meaningful use requirements under the Medicare program during fiscal year 2013 and, accordingly, recognized other operating revenues of approximately \$1,724,000 in the accompanying statement of revenues, expenses, and changes in net position for the year ended September 30, 2013. The Hospital achieved compliance with the Year 1 meaningful use requirements under the Medicaid program during fiscal year 2013 and, accordingly, recognized other operating revenues of approximately \$527,000 in the accompanying statement of revenues, expenses, and changes in net position for the year ended September 30, 2013.

The Hospital's physician practices achieved compliance with the Year 1 meaningful use requirements under the Medicare program during fiscal year 2012 and, accordingly, recognized other operating revenue of \$90,000 in the accompanying statement of revenues, expenses, and changes in net position for the year ended September 30, 2012

Contractual adjustments related to Medicare and Medicaid programs and other adjustments were deducted from gross patient charges to arrive at net patient service revenue as follows

	<u>2013</u>	<u>2012</u>
Gross patient service charges at established rates, net of charity care	\$ 298,263,822	\$ 295,734,985
Deductions		
Contractual adjustments	(178,880,699)	(173,405,232)
Provision for bad debts	<u>(18,928,804)</u>	<u>(17,644,852)</u>
	<u>(197,809,503)</u>	<u>(191,050,084)</u>
Net patient service revenue	\$ <u>100,454,319</u>	\$ <u>104,684,901</u>

7 Benefit Plans

The Hospital has a single employer, noncontributory defined benefit pension plan (the "Plan") covering substantially all employees that was frozen as of January 31, 2007. The plan provides benefits based on years of credited service and compensation as defined in the Plan document. The Hospital has the authority to amend the Plan. The Plan issues a financial report and it may be obtained by writing to KershawHealth, 1315 Roberts Street, Camden, South Carolina 29020.

The Plan operates under a calendar year with actuarial valuations determined at the beginning of the Plan year.

For the January 1, 2013 and 2012 valuations, the annual payroll for the active participants totaled \$17,624,656 and \$19,823,116, respectively. Total Hospital payroll was approximately \$44,317,000 and \$45,150,000 for 2013 and 2012, respectively. Plan participants become one-hundred percent vested in benefits after completing five years of service.

Participants in the Plan consisted of the following at January 1 (unaudited)

	<u>2013</u>	<u>2012</u>
Active	339	384
Inactive	189	177
Other	<u>195</u>	<u>167</u>
	<u>723</u>	<u>728</u>

The following are the significant actuarial assumptions used to measure the pension benefit obligation and contribution requirement

- a The annual required contribution was determined as part of the actuarially determined liability using the Projected Unit Credit method,
- b Mortality is based on the 1994 Uninsured Pensioners Mortality Table,
- c The rate of return assumed for expected long-term return on plan assets was 8% for 2013 and 2012,
- d The rate of retirement is 100% at normal retirement age including estimates starting at age 55

The above assumptions plus the assumption of annual inflation increases of 3.5% and turnover assumptions (which vary by attained age) were used to compute the actuarial accrued liability at January 1, 2013 and 2012

The Hospital's annual pension cost and net pension obligation for the years ended September 30 were as follows

	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 209,503	\$ 105,896
Interest on net pension cost	14,008	5,451
Adjustment to annual required contribution	<u>(11,292)</u>	<u>(4,394)</u>
Increase in net pension obligation	212,219	106,953
Net pension obligation		
Beginning of year	<u>175,095</u>	<u>68,142</u>
End of year	<u><u>\$ 387,314</u></u>	<u><u>\$ 175,095</u></u>

Three year trend information

<u>Fiscal Year Ending December 31</u>	<u>Annual Pension Cost ("APC")</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Liability</u>
2011	\$ 4,672	-%	\$ (68,142)
2012	\$ 106,953	-%	\$ (175,095)
2013	\$ 212,219	-%	\$ (387,314)

The three-year historical trend information showing the Hospital's progress in accumulating sufficient assets to pay benefits when due is presented below

	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability ("AAL")</u>	<u>Funded Ratio</u>	<u>Excess (Deficit) of Assets over AAL</u>	<u>Annual Covered Payroll</u>	<u>Excess (Deficit) as a Percent of Covered Payroll</u>
2011	\$ 23,024,320	\$ 23,077,258	99.77%	\$ (52,938)	\$ 20,338,033	(0.26%)
2012	\$ 22,218,435	\$ 23,738,859	93.60%	\$ (1,520,424)	\$ 19,823,116	(7.67%)
2013	\$ 21,493,174	\$ 24,501,174	87.72%	\$ (3,008,000)	\$ 17,624,656	(17.07%)

The Hospital also has a retirement savings plan under Section 403(b) of the Internal Revenue Code. Employees are eligible to participate on their first date of employment. Employees are allowed to defer up to 50% of their salary, subject to IRS limitations, and the Hospital will match 100% of employees' contributions on the first 4% deferred. The Hospital contributed approximately \$1,030,000 and \$1,080,000 to the retirement savings plan for each of the years ended September 30, 2013 and 2012, respectively.

The Hospital also has an executive deferred compensation plan for certain executives. The cumulative amount owed to these executives is approximately \$635,000 and \$409,000 as of September 30, 2013 and 2012, respectively. These amounts are included in accrued salaries, wages, and taxes withheld on the Statements of Net Position. Approximately \$572,000 and \$347,000 is included in assets limited as to use held by trustee for deferred compensation plan on the Statements of Net Position as of September 30, 2013 and 2012, respectively. The remaining contribution amount was funded by December 31, 2013.

8 **Other Postemployment Benefit ("OPEB")**

Plan Description

The Hospital offers certain postretirement benefits to employees and their spouses including medical benefits until age 65, for all employees who are at least age 55 and have 10 years of service with the Hospital. The plan was closed to new retirees effective June 30, 2009.

As of October 1, 2012, the date of the latest actuarial valuation, there were 17 total members of the OPEB that consisted of 12 retired employees and 5 retired employees with spousal coverage.

Funding Policy – The Hospital has chosen to fund the healthcare benefits on a pay as you go basis.

Annual OPEB Cost and Net OPEB Obligation – The Hospital’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (“ARC”), an amount actuarially determined in accordance with the parameters of GASB Statement No 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The Hospital’s annual OPEB cost for the year, the amount actually contributed to the OPEB, and changes in the Hospital’s net OPEB asset for the healthcare benefits and retiree salaries were as follows:

	<u>2013</u>	<u>2012</u>
Annual required contribution (“ARC”)		
for medical benefits	\$ (24,794)	\$ (34,475)
Net OPEB obligation adjustment	(37,683)	(33,493)
Interest on net OPEB asset	<u>23,481</u>	<u>20,870</u>
Annual OPEB costs	(38,996)	(47,098)
Contributions made	<u>69,018</u>	<u>99,321</u>
Increase in net OPEB asset	30,022	52,223
Net OPEB asset, beginning of year	<u>469,617</u>	<u>417,394</u>
Net OPEB asset, end of year	<u>\$ 499,639</u>	<u>\$ 469,617</u>

The Hospital’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2013 were as follows:

<u>Fiscal Year Ended</u>	<u>ARC</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Asset</u>
September 30, 2013	\$ 24,794	278.4%	\$ 499,639
September 30, 2012	\$ 34,475	288.1%	\$ 469,617
September 30, 2011	\$ 45,616	470.5%	\$ 417,394

Funded Status and Funding Progress – As of October 1, 2012, the most recent actuarial valuation date, the OPEB was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (“UAAL”) was \$308,988. Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the OPEB 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 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 costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the October 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions for 2013 included a 5.0% discount rate and an annual medical cost trend of 10.0%.

9 **Operating Leases**

The Hospital leases medical and business equipment under operating leases that expire at various dates through 2016. Total rent expense in 2013 and 2012 for all operating leases was approximately \$542,000 and \$711,000, respectively.

The following is a schedule by year of future remaining lease payments under operating leases at September 30, 2013, that have initial remaining lease terms in excess of one year:

2014	\$ 167,858
2015	76,505
2016	<u>54,198</u>
	<u>\$ 298,561</u>

10 **Insurance Programs**

The Hospital purchases professional medical liability insurance from the State of South Carolina Insurance Reserve Fund, which offers such insurance for certain health care providers and their employees on an occurrence basis.

The laws of the state limit the amount that can be recovered from certain governmental medical facilities, including the Hospital, to damages for medical services rendered by the facility or the facility's employees to \$300,000 from the facility and \$1,200,000 for physicians employed by the facility. The limits of coverage under the insurance are \$300,000 per individual and an aggregate of \$600,000 per occurrence. Management believes that any pending or unasserted claims are covered by insurance.

The Hospital is self-insured for workers' compensation and employee health care, with stop loss insurance for employee health claims over \$100,000. The Hospital pays a \$25,000 per claim deductible for workers' compensation claims, and is fully covered for any claim over the deductible up to \$1,000,000 per accident.

11 Litigation

There is no litigation pending, or to the knowledge of management of the Hospital threatened, which if decided adversely to the Hospital would have a material effect on the business operations, financial position or properties of the Hospital. Furthermore, there is no litigation pending, or to management's knowledge threatened, involving professional liability claims in which the amount sought by the plaintiff exceeds applicable professional liability or excess insurance policy coverage limits.

12 Industry Regulation

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

13 Commitments

The Hospital has signed various contracts totaling approximately \$1,088,000 related to various construction projects at the Hospital. As of September 30, 2013, the Hospital has paid approximately \$995,000. The various projects are expected to be completed in fiscal year 2014.

14 Subsequent Events

Subsequent events have been evaluated through January 28, 2014, which is the date the financial statements were available to be issued.