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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

▶ Do not enter Social Security numbers on this form as it may be made public By law, the IRS generally cannot redact the information on the form

▶ Information about Form 990 and its instructions is at www.IRS.gov/form990

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 01-01-2013 , 2013, and ending 12-31-2013

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

C Name of organization
BLUE RIDGE HEALTHCARE HOSPITALS INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
2201 SOUTH STERLING STREET

City or town, state or province, country, and ZIP or foreign postal code
MORGANTON, NC 28655

D Employer identification number
56-0529976

E Telephone number
(828) 580-5000

G Gross receipts $ 281,224,550

F Name and address of principal officer
KATHY BAILEY
2201 SOUTH STERLING STREET
MORGANTON,NC 28655

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

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

H(c) Group exemption number ▶

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

J Website: ▶ WWW BLUERIDGEHEALTH ORG

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

L Year of formation 1906

M State of legal domicile NC

Part I Summary

1 Briefly describe the organization's mission or most significant activities
IMPROVING THE HEALTH OF OUR COMMUNITIES BY PROVIDING EXCELLENT AND COMPASSIONATE CARE

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	16
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	14
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	**5**	1,602
6	Total number of volunteers (estimate if necessary)	**6**	110
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	1,480,734
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-60,170

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	547,616	652,879
9	Program service revenue (Part VIII, line 2g)	118,150,196	190,160,898
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	6,621,657	15,756,991
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,687,145	2,588,270
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	128,006,614	209,159,038
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	198,897	159,936
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	54,576,183	81,981,103
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	60,098,424	92,342,250
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	114,873,504	174,483,289
19	Revenue less expenses Subtract line 18 from line 12	13,133,110	34,675,749

Revenue / Expenses

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	288,893,362	322,936,560
21	Total liabilities (Part X, line 26)	104,792,558	106,095,045
22	Net assets or fund balances Subtract line 21 from line 20	184,100,804	216,841,515

Net Assets or Fund Balances

Part II Signature Block

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

Sign Here

****** | 2014-11-12
Signature of officer | Date

ROBERT G FRITTS SENIOR VP FINANCE/CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
JOHN NORMAN				P01506766

Firm's name ▶ CLIFTONLARSONALLEN LLP | Firm's EIN ▶ 41-0746749

Firm's address ▶ 101 NORTH TRYON STREET SUITE 1000
CHARLOTTE, NC 28246 | Phone no (704) 998-5200

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

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III . . . . . ☐

1 Briefly describe the organization's mission

BLUE RIDGE HEALTHCARE HOSPITALS, INC IS COMMITTED TO IMPROVING THE HEALTH OF OUR COMMUNITIES BY PROVIDING EXCELLENT AND COMPASSIONATE CARE

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

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

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

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses $ 15,909,973 including grants of $) (Revenue $ 21,337,088)

BLUE RIDGE HEALTHCARE HOSPITALS PROVIDED 33,332 DAYS OF CARE TO 8,261 PATIENTS ADMITTED BLUE RIDGE HEALTHCARE HOSPITALS HAS 315 BEDS AND OFFERS A BROAD SCOPE OF SERVICES

4b (Code) (Expenses $ 16,946,026 including grants of $) (Revenue $ 38,808,199)

BLUE RIDGE HEALTHCARE HOSPITALS' SURGICAL SERVICES PERFORMED 1,864 INPATIENT SURGERIES AND 5,893 OUTPATIENT SURGERIES ORTHOPEDICS, GENERAL SURGERY, SPINE SURGERY, AND OB/GYN ARE THE MAJOR SURGICAL SPECIALITIES OFFERED

4c (Code) (Expenses $ 5,038,935 including grants of $) (Revenue $ 24,018,204)

EMERGENCY ROOM SAW 61,293 PATIENTS DURING THE YEAR THE ED IS OPEN 24 HOURS A DAY, 7 DAYS A WEEK AND IS ABLE TO TAKE CARE OF ANY TYPE OF EMERGENCY OR PROBLEM

(Code) (Expenses $ 112,914,185 including grants of $ 159,936) (Revenue $ 106,098,017)

4d Other program services (Describe in Schedule O)

(Expenses $ 112,914,185 including grants of $ 159,936) (Revenue $ 106,098,017)

4e **Total program service expenses** ▶ 150,809,119

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	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI and XII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or other assistance to or for any foreign organization? *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 other assistance to or for foreign individuals? *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 or other assistance to any domestic organization or government on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? *If so, complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**		No
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**		
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V . . . . . ☐

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	1		
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	1,602		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a		Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No" to line 3b, provide an explanation in Schedule O* . . .	3b		Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

Check if Schedule O contains a response or note to any line in this Part VI . . . . . ☑

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	**1a**	16		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O				
b	Enter the number of voting members included in line 1a, above, who are independent	**1b**	14		
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**		Yes	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**			No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**			No
6	Did the organization have members or stockholders?	**6**			No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**			No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**			No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	**8a**		Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**			No

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

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

Section C. Disclosure

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

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

☐ Own website ☐ Another's website ☑ Upon request ☐ Other (explain in Schedule O)

19 Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization

▶ PATRICIA MOLL 2201 SOUTH STERLING STREET
MORGANTON, NC 28655 (828) 580-5000

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

Check if Schedule O contains a response or note to any line 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			

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								3,115,953	438,123	405,792

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 35

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation

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 ▶ 0

Part VIII Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII . . . . . ☐

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . .	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations . . .	1d				
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	652,879			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f . . . . . ▶		652,879			
Program Service Revenue			Business Code				
	2a	PATIENT REVENUE	621400	177,194,182	177,194,182		
	b	INTER-FACILITY REVENUE	621400	9,389,903	9,389,903		
	c	OTHER OPERATING	621400	3,576,813	3,576,813		
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f . . . . . ▶		190,160,898			
	3	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶		2,317,991			2,317,991
	4	Income from investment of tax-exempt bond proceeds . . ▶					
	5	Royalties . . . . . ▶					
			(i) Real / (ii) Personal				
	6a	Gross rents	1,006,926				
	b	Less rental expenses	0				
	c	Rental income or (loss)	1,006,926				
	d	Net rental income or (loss) . . . . . ▶		1,006,926			1,006,926
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	85,504,512				
	b	Less cost or other basis and sales expenses	72,065,512				
	c	Gain or (loss)	13,439,000				
	d	Net gain or (loss) . . . . . ▶		13,439,000			13,439,000
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from fundraising events . . ▶					
	9a	Gross income from gaming activities See Part IV, line 19 . . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from gaming activities . . . ▶					
	10a	Gross sales of inventory, less returns and allowances . a					
	b	Less cost of goods sold . . b					
	c	Net income or (loss) from sales of inventory . . ▶					
		Miscellaneous Revenue	Business Code				
	11a	UNRELATED BUSINESS INCOME	624110	1,480,734		1,480,734	
	b	ALL OTHER REVENUE	900099	100,610	100,610		
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d . . . . . ▶		1,581,344			
	12	**Total revenue.** See Instructions . . . . . ▶		209,159,038	190,261,508	1,480,734	16,763,917

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 or note to any line 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	159,936	159,936		
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	2,229,128		2,229,128	
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	63,910,091	49,604,414	14,305,677	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	1,098,781	1,098,781		
9 Other employee benefits	10,674,578	10,674,578		
10 Payroll taxes	4,068,525	4,068,525		
11 Fees for services (non-employees)				
a Management				
b Legal	319,038		319,038	
c Accounting	141,300		141,300	
d Lobbying	12,673		12,673	
e Professional fundraising services See Part IV, line 17				
f Investment management fees	237,195		237,195	
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	28,039,998	25,795,465	2,244,533	
12 Advertising and promotion				
13 Office expenses	715,786		715,786	
14 Information technology	250,665		250,665	
15 Royalties . .				
16 Occupancy	3,451,682	3,451,682		
17 Travel	400,564	400,564		
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	3,760,068	3,760,068		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	10,801,057	10,801,057		
23 Insurance	2,268,403		2,268,403	
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 SUPPLIES	27,158,543	27,158,543		
b INTERCOMPANY	10,138,434	10,138,434		
c ASSESSMENT	3,425,577	3,425,577		
d				
e All other expenses	1,221,267	271,495	949,772	
25 **Total functional expenses.** Add lines 1 through 24e	174,483,289	150,809,119	23,674,170	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X . . . . . ☐

				(A) Beginning of year		(B) End of year
Assets	1	Cash–non-interest-bearing		2,639,945	1	1,157,616
	2	Savings and temporary cash investments		4,090,909	2	4,110,248
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		29,794,179	4	33,736,023
	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		14,480,037	7	6,361,771
	8	Inventories for sale or use		2,928,023	8	3,056,932
	9	Prepaid expenses and deferred charges		858,964	9	1,054,492
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 303,657,806			
	b	Less accumulated depreciation	10b 181,549,037	116,925,019	10c	122,108,769
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11		19,528,821	12	28,280,359
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	3,860,000
	15	Other assets See Part IV, line 11		97,647,465	15	119,210,350
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		288,893,362	16	322,936,560
Liabilities	17	Accounts payable and accrued expenses		14,088,545	17	17,549,067
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		59,642,710	20	82,480,360
	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		471,728	23	215,170
	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		30,589,575	25	5,850,448
	26	**Total liabilities.** Add lines 17 through 25		104,792,558	26	106,095,045
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		184,061,321	27	216,802,032
	28	Temporarily restricted net assets		39,483	28	39,483
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		184,100,804	33	216,841,515
	34	Total liabilities and net assets/fund balances		288,893,362	34	322,936,560

Part XI Reconcilliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI . . . . . ☐

1	Total revenue (must equal Part VIII, column (A), line 12)	1	209,159,038
2	Total expenses (must equal Part IX, column (A), line 25)	2	174,483,289
3	Revenue less expenses Subtract line 2 from line 1	3	34,675,749
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	184,100,804
5	Net unrealized gains (losses) on investments	5	-1,935,038
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	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	216,841,515

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII . . . . . ☑

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

Additional Data

Software ID:
Software Version:
EIN: 56-0529976
Name: BLUE RIDGE HEALTHCARE HOSPITALS INC

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
J MICHAEL BRIDGES CHAIRMAN	1 00	X						0	0	0
MH MCCRARY VICE CHAIRMAN	1 00	X						0	0	0
SHERROD SALSBURY SECRETARY	1 00	X						0	0	0
JEFF CARSWELL TREASURER	1 00	X						0	0	0
CLAY RICHARDSON MD MEMBER AT LARGE	1 00 50 00	X						0	277,969	52,692
JOHN BRANSTROM BOARD MEMBER	1 00	X						0	0	0
LISA BUFF BOARD MEMBER	1 00	X						0	0	0
S ANDREWS DEEKENS MD BOARD MEMBER	1 00 50 00	X						0	160,154	31,101
DORIS FULLWOOD BOARD MEMBER	1 00	X						0	0	0
ALAN GRIFFIN BOARD MEMBER	1 00	X						0	0	0
PHILIP TATE BOARD MEMBER	1 00	X						0	0	0
ALLEN VANNOPPEN BOARD MEMBER	1 00	X						0	0	0
DR JAMES MCDEAVITT BOARD MEMBER	1 00	X						0	0	0
BRIAN GWYN BOARD MEMBER	1 00	X						0	0	0
FRANK LETHERBY BOARD MEMBER	1 00	X						0	0	0
SPENCER LILLY BOARD MEMBER	1 00	X						0	0	0
KATHY BAILEY PRESIDENT/CEO	1 00 50 00			X				0	0	0
ROBERT G FRITTS SENIOR VP FINANCE/CFO	1 00 50 00			X				0	0	0
LAURA LAMBETH SR VICE-PRES	50 00				X			327,469	0	12,677
JOSEPH MAZZOLA MD CMO/SVP MED AFFAIRS	50 00				X			403,276	0	31,386
THOMAS EURE VP OF ADMIN GEN COUNSEL	50 00				X			231,509	0	30,017
JERYL DAVIS VP COMM & GOV RELATIONS	50 00				X			207,789	0	15,716
DAVID SHIRLEN VP HUMAN RESOURCES	50 00				X			167,784	0	8,020
EDWARD PLYLER CMO - CONTINUING CARE	50 00				X			297,187	0	24,802
JONATHAN MERCER VP OPERATIONS	50 00				X			219,199	0	31,410

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
SUSAN BROWN CHIEF NURSE EXEC & VP NURSING	50 00				X			201,558	0	32,670
MAXINE MOLTER VP -- MEDICAL MANAGEMENT	50 00				X			173,357	0	8,122
ANTHONY FRASCA MD PHYSICIAN	50 00					X		291,791	0	34,652
YAW A OWUSU ADDO PHYSICIAN	50 00					X		181,446	0	524
LARRY CARPENTER PHARMACIST	50 00					X		150,265	0	31,352
CHRISTOPHER ALLISON MARKETING DIRECTOR	50 00					X		134,847	0	30,211
RONALD FULMER PHARMACIST	50 00					X		128,476	0	30,440

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**
▶ **Information about Schedule A (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
BLUE RIDGE HEALTHCARE HOSPITALS INC

Employer identification number
56-0529976

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

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

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

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

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

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

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

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

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

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

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

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Non-functionally integrated

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

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

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

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

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

(i) Name of supported organization	**(ii)** EIN	**(iii)** Type of organization (described on lines 1- 9 above or IRC section **(see instructions))**	**(iv)** Is the organization in col **(i)** listed in your governing document?		**(v)** Did you notify the organization in col **(i)** of your support?		**(vi)** Is the organization in col **(i)** organized in the U S ?		**(vii)** Amount of monetary support
			Yes	**No**	**Yes**	**No**	**Yes**	**No**	
Total									

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 6, column (f) divided by line 11, column (f)) **14**

15 Public support percentage for 2012 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2013.** 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—2012.** 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—2013.** 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—2012.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶☐

Part III **Support Schedule for Organizations Described in Section 509(a)(2)**
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 8, column (f) divided by line 13, column (f))	15	
16	Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2013** (line 10c, column (f) divided by line 13, column (f))	17	
18	Investment income percentage from **2012** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2013.** 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—2012.** 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.** 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		
Return Reference	Explanation	

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ Complete if the organization is described below. ▶ Attach to Form 990 or Form 990-EZ.
▶ See separate instructions. ▶ Information about Schedule C (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

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

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

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

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

If the organization answered "Yes" to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35c (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization	Employer identification number
BLUE RIDGE HEALTHCARE HOSPITALS INC	56-0529976

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

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

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period — Calendar year (or fiscal year beginning in)	(a) 2010	(b) 2011	(c) 2012	(d) 2013	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		12,673
j	Total Add lines 1c through 1i			12,673
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

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

Return Reference	Explanation
PART II-B, LINE 1	MEMBERSHIP DUES TO AMERICAN HOSPITAL ASSOCIATION AND NORTH CAROLINA HEALTH CARE FACILITIES ASSOCIATION

Part IV Supplemental Information *(continued)*

Return Reference	Explanation

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions. ▶ Information about Schedule D (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
BLUE RIDGE HEALTHCARE HOSPITALS INC

Employer identification number
56-0529976

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

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

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

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes ☐ No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or education) ☐ Preservation of an historically important land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

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

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

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

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

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶ _____

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

(ii) Assets included in Form 990, Part X ▶ $ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

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

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIII and complete the following table

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

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

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

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

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

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Temporarily restricted endowment ▶

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

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

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

4 Describe in Part XIII the intended uses of the organization's endowment funds

Part VI Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. 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		6,437,511		6,437,511
b Buildings		165,606,391	81,797,906	83,808,485
c Leasehold improvements		1,115,574	110,553	1,005,021
d Equipment		123,132,720	95,968,066	27,164,654
e Other		7,365,610	3,672,512	3,693,098
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				122,108,769

Part VII **Investments—Other Securities.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) INVESTMENTS	28,280,359	F
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶	28,280,359	

Part VIII **Investments—Program Related.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

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

Part IX **Other Assets.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11d See Form 990, Part X, line 15

(a) Description	(b) Book value
(1) OTHER ASSETS	1,215,182
(2) BOARD DESIGNATED FOR SCHOLARSHIPS	129,219
(3) BOARD DESIGNATED AS FUNDED DEPRECIATION	99,199,822
(4) INTERCOMPANY RECEIVABLES	18,666,127
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	119,210,350

Part X **Other Liabilities.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1 (a) Description of liability	(b) Book value
Federal income taxes	
THIRD PARTY SETTLEMENTS	2,899,191
RESERVES	2,951,257
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	5,850,448

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

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return. Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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

Part XIII Supplemental Information

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

Return Reference	Explanation
PART X, LINE 2	THE FILING ORGANIZATION IS A TAX-EXEMPT ORGANIZATION AS DEFINED IN SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE THE FILING ORGANIZATION'S INCOME TAX RETURNS ARE SUBJECT TO REVIEW AND EXAMINATION BY FEDERAL AND STATE AUTHORITIES THE FILING ORGANIZATION IS NOT AWARE OF ANY ACTIVITIES THAT WOULD JEOPARDIZE ITS TAX-EXEMPT STATUS THE FILING ORGANIZATION ADOPTED THE INCOME TAX STANDARD FOR UNCERTAIN TAX POSITIONS THIS STANDARD CLARIFIES THE ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES RECOGNIZED IN AN ORGANIZATION'S FINANCIAL STATEMENTS IN ACCORDANCE WITH THE INCOME TAX STANDARD THIS STANDARD PRESCRIBES RECOGNITION AND MEASUREMENT OF TAX POSITIONS TAKEN OR EXPECTED TO BE TAKEN ON A TAX RETURN THAT ARE NOT CERTAIN TO BE REALIZED THIS STANDARD HAD NO IMPACT ON THE FILING ORGANIZATION'S FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 OR DECEMBER 31, 2012

Part XIII Supplemental Information *(continued)*

Return Reference	Explanation

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990.*

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
BLUE RIDGE HEALTHCARE HOSPITALS INC

Employer identification number
56-0529976

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year			
	☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care	3a	Yes	
	☐ 100% ☐ 150% ☐ 200% ☑ Other 12000 0000000000 %			
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☑ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other ____ %			
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			13,997,706	11,035,655	2,962,051	1 700 %
b Medicaid (from Worksheet 3, column a)			28,906,741	24,644,706	4,262,035	2 440 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			588,814	325,649	263,165	0 150 %
d **Total** Financial Assistance and Means-Tested Government Programs			43,493,261	36,006,010	7,487,251	4 290 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			206,618		206,618	0 120 %
f Health professions education (from Worksheet 5)			1,115,951		1,115,951	0 640 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			125,000		125,000	0 070 %
j **Total.** Other Benefits			1,447,569		1,447,569	0 830 %
k **Total.** Add lines 7d and 7j			44,940,830	36,006,010	8,934,820	5 120 %

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other			422,504		422,504	0 240 %
10 **Total**			422,504		422,504	0 240 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1	Yes		
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	36,725,575		
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	2,355,920		
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	41,117,381
6	Enter Medicare allowable costs of care relating to payments on line 5	6	48,612,828
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-7,495,447
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes		
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	Yes		

Part IV Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1 1 BLUE RIDGE CARDIOLOGY	HEART CATH SVCS	50 000 %	0 %	0 %
2 2 CAROLINAS HEALTHCARE SYSTEM	MANAGEMENT SERVICES	0 %	0 %	0 %
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year? 2

Name, address, primary website address, and state license number

	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
See Additional Data Table										

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group CMC - BR MORGANTON

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A) 1

			Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)				
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 2013			
3	In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		No
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website (list url) WWW.BLUERIDGEHEALTH.ORG			
b	☐ Other website (list url)			
c	☑ Available upon request from the hospital facility			
d	☐ 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 as of the end of the tax year)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☑ Participation in the development of a community-wide plan			
d	☑ Participation in the execution of a community-wide plan			
e	☑ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**		No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	**8a**		No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	**8b**		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $			

Part V Facility Information *(continued)*

			Yes	No
Financial Assistance Policy				
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 120 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11	Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 250 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12	Explained the basis for calculating amounts charged to patients?	**12**	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	☑ Income level			
b	☑ Asset level			
c	☑ Medical indigency			
d	☑ Insurance status			
e	☑ Uninsured discount			
f	☐ Medicaid/Medicare			
g	☐ State regulation			
h	☐ Residency			
i	☐ Other (describe in Part VI)			
13	Explained the method for applying for financial assistance?	**13**	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	☑ The policy was posted on the hospital facility's website			
b	☐ The policy was attached to billing invoices			
c	☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	☐ The policy was posted in the hospital facility's admissions offices			
e	☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f	☑ The policy was available upon request			
g	☑ Other (describe in Part VI)			
Billing and Collections				
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Section C)			
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 individual's eligibility under the facility's FAP?	**17**		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Section C)			

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 individuals regarding the individuals' bills
- **d** ☑ Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- **e** ☑ Other (describe in Section C)

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group CMC-BR VALDESE

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A) 2

			Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)				
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 2013			
3	In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		No
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website (list url) WWW.BLUERIDGEHEALTH.ORG			
b	☐ Other website (list url)			
c	☑ Available upon request from the hospital facility			
d	☐ 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 as of the end of the tax year)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☑ Participation in the development of a community-wide plan			
d	☑ Participation in the execution of a community-wide plan			
e	☑ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**		No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	**8a**		No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	**8b**		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $			

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 120 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 250 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☑ Asset level			
c ☑ Medical indigency			
d ☑ Insurance status			
e ☑ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Residency			
i ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☑ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☑ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			
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 individual's eligibility under the facility's FAP?	**17**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			

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 individuals regarding the individuals' bills
- **d** ☑ Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- **e** ☑ Other (describe in Section C)

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
CMC - BR MORGANTON	PART V, SECTION B, LINE 3 BRHC CONDUCTED A SURVEY WHICH WAS DISTRIBUTED TO PATIENTS AND THE GENERAL PUBLIC VIA THE LOCAL HEALTH DEPARTMENT, FESTIVALS, MAILINGS, ETC
CMC-BR VALDESE	PART V, SECTION B, LINE 3 BRHC CONDUCTED A SURVEY WHICH WAS DISTRIBUTED TO PATIENTS AND THE GENERAL PUBLIC VIA THE LOCAL HEALTH DEPARTMENT, FESTIVALS, MAILINGS, ETC
CMC - BR MORGANTON	PART V, SECTION B, LINE 7 THE SURVEY EMPLOYED IN BRHC HOSPITAL'S CHNA PROCESS PRESENTED RESPONDENTS WITH A LIST OF 20 DISEASES AND HEALTH CONDITIONS FROM THIS LIST, THEY WERE ASKED TO SELECT WHICH ONES THEY CONSIDERED TO BE THE TOP FIVE IN BURKE COUNTY THERE WAS A SIGNIFICANT GAP BETWEEN THE FIFTH MOST SELECTED ITEM AND THOSE FOLLOWING BASED ON THE PERCENTAGE OF RESPONDENTS WHO CHOSE DRUG ABUSE, CANCER, MENTAL HEALTH AND HEART DISEASE AMONG THE TOP FIVE, THESE ARE PROBLEMS THAT NEED ATTENTION OBESITY/DIABETES WAS THE TOP CHOICE AND WILL BE THE CENTRAL FOCUS OF COMMUNITY HEALTH IMPROVEMENT BY BRHC HOSPITALS FOR THE NEXT THREE YEARS THIS SHOULD NOT BE INTERPRETED TO MEAN THAT THE ORGANIZATION IS NOT ACTIVELY INVOLVED IN THE REMAINING FOUR ISSUES IN THE TOP FIVE THEY ARE SIMPLY NOT THE FOCUS OF THE CHNA AND ITS IMPLEMENTATION STRATEGY
CMC-BR VALDESE	PART V, SECTION B, LINE 7 THE SURVEY EMPLOYED IN BRHC HOSPITAL'S CHNA PROCESS PRESENTED RESPONDENTS WITH A LIST OF 20 DISEASES AND HEALTH CONDITIONS FROM THIS LIST, THEY WERE ASKED TO SELECT WHICH ONES THEY CONSIDERED TO BE THE TOP FIVE IN BURKE COUNTY THERE WAS A SIGNIFICANT GAP BETWEEN THE FIFTH MOST SELECTED ITEM AND THOSE FOLLOWING BASED ON THE PERCENTAGE OF RESPONDENTS WHO CHOSE DRUG ABUSE, CANCER, MENTAL HEALTH AND HEART DISEASE AMONG THE TOP FIVE, THESE ARE PROBLEMS THAT NEED ATTENTION OBESITY/DIABETES WAS THE TOP CHOICE AND WILL BE THE CENTRAL FOCUS OF COMMUNITY HEALTH IMPROVEMENT BY BRHC HOSPITALS FOR THE NEXT THREE YEARS THIS SHOULD NOT BE INTERPRETED TO MEAN THAT THE ORGANIZATION IS NOT ACTIVELY INVOLVED IN THE REMAINING FOUR ISSUES IN THE TOP FIVE THEY ARE SIMPLY NOT THE FOCUS OF THE CHNA AND ITS IMPLEMENTATION STRATEGY
CMC - BR MORGANTON	PART V, SECTION B, LINE 14G PATIENT ROOM VISIT FROM FINANCIAL COUNSELOR AND SOCIAL WORKER, OVERVIEW OF FINANCIAL ASSISTANCE POLICY, AND CONTACT INFORMATION ON WEBSITE AND PATIENT STATEMENTS
CMC-BR VALDESE	PART V, SECTION B, LINE 14G PATIENT ROOM VISIT FROM FINANCIAL COUNSELOR AND SOCIAL WORKER, OVERVIEW OF FINANCIAL ASSISTANCE POLICY, AND CONTACT INFORMATION ON WEBSITE AND PATIENT STATEMENTS
CMC - BR MORGANTON	PART V, SECTION B, LINE 18E ALL SELF PAY E D PATIENTS ARE SCREENED FOR CHARITY AND-OR FINANCIAL ASSISTANCE IN THE E D AREA MONTHLY STATEMENTS REFERENCE THE PHONE NUMBERS TO CALL FOR FINANCIAL ASSISTANCE
CMC-BR VALDESE	PART V, SECTION B, LINE 18E ALL SELF PAY E D PATIENTS ARE SCREENED FOR CHARITY AND-OR FINANCIAL ASSISTANCE IN THE E D AREA MONTHLY STATEMENTS REFERENCE THE PHONE NUMBERS TO CALL FOR FINANCIAL ASSISTANCE
CMC - BR MORGANTON	PART V, SECTION B, LINE 20D ALL PATIENTS RECEIVE SAME DISCOUNT EFFECTIVE 9/1/2013 THE UNINSURED DISCOUNT INCREASED FROM 30% TO 50%
CMC-BR VALDESE	PART V, SECTION B, LINE 20D ALL PATIENTS RECEIVE SAME DISCOUNT EFFECTIVE 9/1/2013 THE UNINSURED DISCOUNT INCREASED FROM 30% TO 50%

Part V Facility Information *(continued)*

Section D. 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? 2

	Name and address	Type of Facility (describe)
1	CHS-BR SOUTHEAST PAIN CARE 2134 14TH AVENUE CIRCLE NW HICKORY,NC 28601	PROVIDER-BASED PAIN CARE CENTER
2	CHS-BR REHABILITATION & PHYSICAL MED 137 W PARKER RD MORGANTON,NC 28655	OUTPATIENT REHAB CENTER (PT, OT, AND ST SERVICES)
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs 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

Form and Line Reference	Explanation
PART I, LINE 3C	BLUE RIDGE HEALTHCARE HOSPITALS USES THE SLIDING SCALE PROVIDED IN THE FEDERAL POVERTY INCOME GUIDELINES PUBLISHED ANNUALLY BY THE DEPARTMENT OF HEALTH AND HUMAN SERVICES TO DETERMINE ELIGIBILITY AN ASSET TEST IS USED TO DETERMINE ELIGIBILITY FOR FREE OR DISCOUNTED CARE PART I, LINE 6A COMMUNITY BENEFIT REPORT IS PREPARED FOR BLUE RIDGE HEALTHCARE SYSTEM (BRHS) WHICH INCLUDES CHS BLUE RIDGE MORGANTON (FORMERLY GRACE HOSPITAL) AND CHS BLUE RIDGE VALDESE (FORMERLY VALDESE GENERAL HOSPITAL)
PART II, COMMUNITY BUILDING ACTIVITIES	BRHC PROVIDES SUPERVISION AND STAFF FOR THE SCHOOL NURSE PROGRAM IN BURKE COUNTY

Form and Line Reference	Explanation
PART III, LINE 2	BAD DEBT COST FROM LINE 2 IS BASED ON TOTAL BAD DEBT EXPENSE MULTIPLIED BY THE COST-TO-CHARGE RATIO
PART III, LINE 3	CHARITY INCLUDED ON LINE 3 IS CALCULATED BASED ON A STATISTICAL SAMPLE OF SELF PAY PATIENTS THAT QUALIFY FOR CHARITY CARE FROM THE OUTPATIENT SETTING

Form and Line Reference	Explanation
PART III, LINE 4	UNINSURED DISCOUNTS AND BAD DEBTS INCLUDED THE COST OF SERVICES PROVIDED TO UNINSURED OR UNDERINSURED PATIENTS AND TO PATIENTS WHO OTHERWISE DO NOT PAY FOR THEIR HEALTHCARE SERVICES THE MISSION OF BRHS IS TO CREATE AND OPERATE A HEALTH SYSTEM TO PROVIDE HOSPITAL, ACUTE AND EMERGENCY CARE, INPATIENT PSYCHIATRIC SERVICES, PHYSICIAN SERVICES, AND LONG-TERM CARE FOR THE BENEFIT OF THE COMMUNITY IT SERVES COMMITMENT TO THIS MISSION REQUIRES BOTH AN INVESTMENT IN AND A PARTNERSHIP WITH THE COMMUNITY WITHIN WHICH BRHS OPERATES
PART III, LINE 8	THE MEDICARE COST REPORT IS PREPARED USING THE AUDITED TRIAL BALANCE FOR BLUE RIDGE HEALTHCARE HOSPITALS, INC THE COST REPORT IS PREPARED IN ACCORDANCE WITH ALL APPLICABLE RULES AND REGULATIONS AS A 501(C)(3) ORGANIZATION, BLUE RIDGE HEALTHCARE HOSPITALS ACCEPTS ALL PATIENTS WITHOUT REGARD TO THE INSURANCE OR LACK OF INSURANCE

Form and Line Reference	Explanation
PART III, LINE 9B	BLUE RIDGE HEALTHCARE FACILITIES OFFER FINANCIAL ASSISTANCE THROUGH OUR CHARITY POLICY, BASED ON THE CURRENT FEDERAL POVERTY GUIDELINES (FPG), TO PATIENTS AND GUARANTORS THOSE APPROVED FOR FINANCIAL ASSISTANCE ARE ELIGIBLE FOR DISCOUNTS APPLIED TO BALANCES OWED AFTER INSURANCE, AS WELL AS SELF-PAY BALANCES REMAINING AFTER OUR UNINSURED DISCOUNT IS APPLIED PATIENTS WHOSE HOUSEHOLD INCOME IS LESS THAN 120% OF FEDERAL POVERTY GUIDELINES ARE ELIGIBLE FOR 100% ADJUSTMENT OF REMAINING BALANCES THE DISCOUNTS ARE AVAILABLE IN A GRADUATED SCALE WHERE INCOMES OF UP TO 250% OF FPG QUALIFY FOR SOME ADJUSTMENTS OFF REMAINING BALANCES THIS POLICY IS PUBLICIZED IN PATIENT REGISTRATION AREAS, ON BILLING STATEMENTS, AND IS AVAILABLE ON OUR WEB SITE PATIENTS NOT ELIGIBLE FOR CHARITY OR WHO HAVE A BALANCE OWED AFTER THE APPLICATION OF CHARITY OR UNINSURED DISCOUNT ARE SENT STATEMENTS AND/OR COLLECTION LETTERS AT LEAST EVERY 30 DAYS UNTIL THE BALANCE OWED IS PAID OR SUITABLE, LONGER-TERM PAYMENT ARRANGEMENTS ARE MADE ACCOUNTS THAT DO NOT HAVE SUITABLE PAYMENT ARRANGEMENTS ESTABLISHED, THAT ARE OLDER THAN 120 DAY FROM THE FIRST PATIENT STATEMENT ARE ELIGIBLE FOR OUTSIDE COLLECTION ACTIVITY ALL PATIENTS ARE NOTIFIED OF POSSIBLE COLLECTION ASSIGNMENT AT LEAST 30 DAYS BEFORE AN ASSIGNMENT IS MADE IF A PATIENT REQUESTS FINANCIAL ASSISTANCE AFTER THE STATEMENT PROCESS BEGINS, THE ACCOUNT IS PLACED ON HOLD UNTIL A DETERMINATION OF ELIGIBILITY IS MADE
PART VI, LINE 2	BLUE RIDGE HEALTHCARE HOSPITALS PERFORMS OUTREACH SERVICES AND HEALTH EDUCATION OPPORTUNITIES FOR THE COMMUNITY SERVED FEEDBACK FROM THESE EFFORTS ALONG WITH THE EVALUATION OF THE PATIENTS SERVED ARE CONSIDERED IN ASSESSING THE COMMUNITIES HEALTH CARE NEEDS IN ADDITION, THE ORGANIZATION HAS CONDUCTED EXTENSIVE RESEARCH INTO THE AREAS MOST SERIOUS HEALTH THREATS AND DEVELOPED A PLAN TO FOCUS ATTENTION ON THESE ISSUES

Form and Line Reference	Explanation
PART VI, LINE 3	ALL SELF PAY ED PATIENTS ARE SCREENED FOR CHARITY AND-OR FINANCIAL ASSISTANCE IN THE ED AREA ALL SELF PAY INPATIENTS ARE SCREENED FOR FINANCIAL ASSISTANCE BY THE FINANCIAL COUNSELORS DURING THEIR STAY DIAGNOSTIC AND THERAPEUTIC OUTPATIENT SERVICES ARE ALSO ELIGIBLE FOR FINANCIAL ASSISTANCE AND-OR CHARITY UPON APPLICATION BY THE PATIENT OR RESPONSIBLE PARTY MONTHLY STATEMENTS AND WEBSITE REFERENCE THE PHONE NUMBERS TO CALL FOR FINANCIAL ASSISTANCE
PART VI, LINE 4	BRHCS PRIMARY SERVICE AREA INCLUDES BURKE COUNTY, PATIENTS FROM A NUMBER OF OTHER OUTLYING COUNTIES ARE ALSO SERVED BY BRHC THE POPULATION IS PREDOMINANTLY CAUCASIAN SIGNIFICANT MINORITIES INCLUDE HMONG, AFRICAN-AMERICAN AND HISPANIC RESIDENTS THE AREA IS ECONOMICALLY DEPRESSED DUE TO THE LOSS OF TRADITIONAL FURNITURE AND TEXTILE INDUSTRIES

Form and Line Reference	Explanation
PART VI, LINE 5	BRHC IS GOVERNED BY A VOLUNTEER COMMUNITY BOARD OF DIRECTORS BRHC SYSTEM IS SERVED BY OPEN MEDICAL STAFFS THE SYSTEM IS ALSO SUPPORTED BY A GROWING BRHC VOLUNTEERS CORPS WHO CONTRIBUTE THOUSANDS OF HOURS IN SERVICE ANNUALLY BRHC ACTIVELY RECRUITS PRIMARY CARE PHYSICIANS AND PHYSICIAN SPECIALISTS TO MEET SPECIFIC MEDICAL NEEDS IN THE COMMUNITY
PART VI, LINE 6	BLUE RIDGE HEALTHCARE HOSPITALS IS PART OF BLUE RIDGE HEALTHCARE SYSTEM BLUE RIDGE SERVES BURKE COUNTY, NC AND SURROUNDING COUNTIES BLUE RIDGE IS AFFILIATED WITH CAROLINAS HEALTHCARE SYSTEM BASED IN CHARLOTTE, NC

Form and Line Reference	Explanation
PART VI, LINE 7, REPORTS FILED WITH STATES	NC

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ **Attach to Form 990**

▶ **Information about Schedule I (Form 990) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
BLUE RIDGE HEALTHCARE HOSPITALS INC

Employer identification number
56-0529976

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) BLUE RIDGE HEALTHCARE FOUNDATION INC 2201 SOUTH STERLING STREET MORGANTON, NC 28655	58-2063920	501(C)(3)	22,775				MEMORIAL DONATIONS AND HEALTHCARE EQUIPMENT
(2) GOOD SAMARITAN CLINIC 305 W UNION ST MORGANTON, NC 28655	56-1939030	501(C)(3)	0	50,000	RETAIL VALUE		DONATED PHARMACEUTICALS
(3) BURKE COUNTY PUBLIC SCHOOLS PO BOX 889 MORGANTON, NC 28655	56-0935935	GOVERNMENTAL	80,261				SCHOOL NURSES AND ATHLETIC TRAINERS

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

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

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

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

Part IV **Supplemental Information.** Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Return Reference	Explanation
PART I, LINE 2	BLUE RIDGE HEALTHCARE SYSTEM EMPLOYEES AND THEIR FAMILY MEMBERS ARE FIRST CONSIDERED FOR FINANCIAL ASSISTANCE THROUGH SCHOLARSHIPS AND GRANTS IN AID APPLICANTS PREPARING FOR WORK IN HEALTHCARE RELATED AREAS ARE CONSIDERED NEXT GENERALLY, THIS DOES NOT INCLUDE AREAS OF STUDY SUCH AS ACCOUNTING OR INFORMATION SYSTEMS FINANCIAL ASSISTANCE IS BASED ON THE INDIVIDUAL'S QUALIFICATIONS AND DEMONSTRATED FINANCIAL NEEDS A GRADE POINT AVERAGE OF AT LEAST 2 5 ON A 4 0 SCALE IS REQUIRED THE SCHOLARSHIP COMMITTEE MEETS TWICE A YEAR OR AS OFTEN AS NEEDED TO DECIDE ON RECIPIENTS IF ALL APPLICATIONS SATISFY SELECTION CRITERIA, THEN MONIES ARE AWARDED BASED ON OTHER FINANCIAL ASSISTANCE AWARDED, DEMONSTRATED FINANCIAL NEED, AREA OF STUDY, AND GRADE POINT AVERAGE ALL SELECTED APPLICATIONS ARE INTERVIEWED BY THE SCHOLARSHIP COMMITTEE CHAIRPERSON

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 23.**
▶ **Attach to Form 990.** ▶ **See separate instructions.**
▶ **Information about Schedule J (Form 990) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
BLUE RIDGE HEALTHCARE HOSPITALS INC

Employer identification number
56-0529976

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☑ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	**1b**	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?	**2**	Yes	
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III ☑ Compensation committee ☐ Written employment contract ☐ Independent compensation consultant ☐ Compensation survey or study ☐ Form 990 of other organizations ☑ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**		No
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**	Yes	
b	Any related organization?	**6b**	Yes	
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

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

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

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

(A) Name and Title	**(B)** Breakdown of W-2 and/or 1099-MISC compensation			**(C)** Retirement and other deferred compensation	**(D)** Nontaxable benefits	**(E)** Total of columns (B)(i)-(D)	**(F)** Compensation reported as deferred in prior Form 990
	(i) Base compensation	**(ii)** Bonus & incentive compensation	**(iii)** Other reportable compensation				
See Additional Data Table							

Part III Supplemental Information

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

Return Reference	Explanation
PART I, LINE 1A	BENEFITS PROVIDED TO OFFICERS TO FACILITATE BUSINESS RELATIONSHIPS
PART I, LINE 3	UNCHECKED ITEMS ARE CONDUCTED BY CHS AS PART OF THE MANAGEMENT AGREEMENT THE ORGANIZATION COMPENSATION COMMITTEE REVIEWS AND APPROVES
PART I, LINE 6	BONUSES ARE PAID IF THE ORGANIZATION'S RESULTS MEET CERTAIN PERFORMANCE INDICATORS
SCHEDULE J, PART II	COMPENSATION FOR KATHY BAILEY AND ROBERT FRITTS IS PAID BY CAROLINA HEALTH SYSTEMS THROUGH A MANAGEMENT SERVICE CONTRACT

Additional Data

Software ID:
Software Version:
EIN: 56-0529976
Name: BLUE RIDGE HEALTHCARE HOSPITALS INC

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
CLAY RICHARDSON MD MEMBER AT LARGE	(I)	0	0	0	0	0	0	0
	(II)	277,969	0	0	10,701	41,991	330,661	0
S ANDREWS DEEKENS MD BOARD MEMBER	(I)	0	0	0	0	0	0	0
	(II)	160,154	0	0	7,551	23,550	191,255	0
LAURA LAMBETH SR VICE-PRES	(I)	261,974	65,495	0	1,537	11,140	340,146	0
	(II)	0	0	0	0	0	0	0
JOSEPH MAZZOLA MD CMO/SVP MED AFFAIRS	(I)	314,106	79,215	9,955	6,667	24,719	434,662	0
	(II)	0	0	0	0	0	0	0
THOMAS EURE VP OF ADMIN GEN COUNSEL	(I)	181,515	48,239	1,755	4,210	25,807	261,526	0
	(II)	0	0	0	0	0	0	0
JERYL DAVIS VP COMM & GOV RELATIONS	(I)	165,739	31,880	10,170	7,159	8,557	223,505	0
	(II)	0	0	0	0	0	0	0
DAVID SHIRLEN VP HUMAN RESOURCES	(I)	128,928	38,856	0	1,956	6,064	175,804	0
	(II)	0	0	0	0	0	0	0
EDWARD PLYLER CMO - CONTINUING CARE	(I)	291,512	0	5,675	791	24,011	321,989	0
	(II)	0	0	0	0	0	0	0
JONATHAN MERCER VP OPERATIONS	(I)	178,837	38,362	2,000	6,358	25,052	250,609	0
	(II)	0	0	0	0	0	0	0
SUSAN BROWN CHIEF NURSE EXEC & VP NURSING	(I)	166,398	35,160	0	7,613	25,057	234,228	0
	(II)	0	0	0	0	0	0	0
MAXINE MOLTER VP - - MEDICAL MANAGEMENT	(I)	133,829	35,028	4,500	6,577	1,545	181,479	0
	(II)	0	0	0	0	0	0	0
ANTHONY FRASCA MD PHYSICIAN	(I)	291,791	0	0	9,928	24,724	326,443	0
	(II)	0	0	0	0	0	0	0
YAW A OWUSU ADDO PHYSICIAN	(I)	181,446	0	0	0	524	181,970	0
	(II)	0	0	0	0	0	0	0
LARRY CARPENTER PHARMACIST	(I)	144,148	6,117	0	6,627	24,725	181,617	0
	(II)	0	0	0	0	0	0	0
CHRISTOPHER ALLISON MARKETING DIRECTOR	(I)	130,002	4,845	0	5,280	24,931	165,058	0
	(II)	0	0	0	0	0	0	0
RONALD FULMER PHARMACIST	(I)	126,405	2,071	0	5,383	25,057	158,916	0
	(II)	0	0	0	0	0	0	0

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.
▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
BLUE RIDGE HEALTHCARE HOSPITALS INC

Employer identification number
56-0529976

990 Schedule O, Supplemental Information

Return Reference	Explanation
FORM 990, PART III, LINE 4D, OTHER PROGRAM SERVICES	
FORM 990, PART VI, SECTION A, LINE 3	IN 1999, THE ORGANIZATION ENTERED INTO A MANAGEMENT SERVICES CONTRACT WITH CAROLINAS HEALT HCARE SYSTEM THE TERMS OF THE CONTRACT CALL FOR THE ORGANIZATION TO PAY CAROLINAS HEALTHC ARE SYSTEM AN ANNUAL MANAGEMENT FEE BASED UPON THE ORGANIZATION'S NET OPERATING REVENUES IN ADDITION, CAROLINAS HEALTHCARE SYSTEM IS REQUIRED TO FURNISH THE ORGANIZATION WITH A CH IEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER THE ORGANIZATION REIMBURSES CAROLINAS H EALTHCARE SYSTEM FOR THE SALARY AND BENEFITS' COST OF THESE INDIVIDUALS
FORM 990, PART VI, SECTION B, LINE 11	THE CHIEF FINANCIAL OFFICER AND THE EXECUTIVE COMMITTEE WILL REVIEW THE PREPARED FORM 990 BEFORE IT IS FILED WITH THE IRS A DRAFT OF FORM 990 WAS POSTED FOR ACCESS BY THE GOVERNIN G BODY BEFORE IT WAS FILED WITH THE IRS
FORM 990, PART VI, SECTION B, LINE 12C	CORPORATE COUNSEL, WHO REVIEWS ALL ANNUAL CONFLICT OF INTEREST DISCLOSURES, IS PRESENT AT EVERY BOARD MEETING TO ENSURE THAT ANY POTENTIAL CONFLICTS ARE APPROPRIATELY HANDLED BY ME MBERS ABSTAINING FROM VOTES AS APPROPRIATE
FORM 990, PART VI, SECTION B, LINE 15	SUCH A PROCESS WAS PERFORMED FOR DETERMINING THE COMPENSATION OF THE ORGANIZATION'S PRESIDENT/CEO, CFO, AND KEY EMPLOYEES DURING 2013
FORM 990, PART VI, SECTION C, LINE 19	BY-LAWS ARE AVAILABLE UPON REQUEST THROUGH CORPORATE COUNSEL ARTICLES OF INCORPORATION AR E FILED WITH NC STATE AND ARE AVAILABLE ON THEIR WEBSITE. FINANCIAL STATEMENTS ARE AVAILAB LE UPON REQUEST
FORM 990, PART VII	DESCRIPTION OF HOURS FOR RELATED ORGANIZATIONS OFFICERS AND KEY EMPLOYEES LISTED ON PART V II WORK AN AVERAGE OF 40 TO 50 HOURS PER WEEK THEIR TIME IS SHARED BETWEEN THE FILING ORG ANIZATION AND OTHER RELATED ENTITIES LISTED ON SCHEDULE R
FORM 990, PART IX, LINE 11G	OTHER PROGRAM SERVICE EXPENSES 25,795,465 MANAGEMENT AND GENERAL EXPENSES 2,244,533 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 28,039,998

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule R (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
BLUE RIDGE HEALTHCARE HOSPITALS INC

Employer identification number
56-0529976

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

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) GRACE HEALTH VENTURES INC 2201 SOUTH STERLING STREET MORGANTON, NC 28655 56-1581317	RELATED	NC		33,549	BLUE RIDGE HEALTHCARE SYSTEMS INC

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	No
See Additional Data Table							

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) BLUE RIDGE CARDIOLOGY 2201 SOUTH STERLING STREET MORGANTON, NC 28655 75-3158601	CARDIAC CATHETERIZATION SERVICES	NC	BRHC & MEDCATH	RELATED	2,888	300,779		No			No	50 000 %
(2) HEALTHY HOME LLC 4425 GOLF ACRES DR CHARLOTTE, NC 29202 26-1451047	HOME HEALTH SERVICES	NC	THE CHARLOTTE-MECK HOSPITAL AUTHORITY	RELATED	-200,772			No			No	18 000 %

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

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

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

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

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
See Additional Data Table			

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

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

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

Part VII Supplemental Information

Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference	Explanation

Additional Data

Software ID:
Software Version:
EIN: 56-0529976
Name: BLUE RIDGE HEALTHCARE HOSPITALS INC

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(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) VALDESE NURSING HOME INC 95 LOCUST STREET CONNELLY SPRINGS, NC 28612 58-1978560	HEALTHCARE	NC	501(C)(3)	509(A)(2)	N/A		No
(1) GRACE LIFECARE INC 500 LENOIR ROAD MORGANTON, NC 28655 56-1722754	HEALTHCARE	NC	501(C)(3)	509(A)(2)	N/A		No
(2) GRACE NURSING CENTER INC 109 FOOTHILLS DRIVE MORGANTON, NC 28655 56-1838369	HEALTHCARE	NC	501(C)(3)	509(A)(2)	N/A		No
(3) GRACE PROPERTIES INC 500 LENOIR ROAD MORGANTON, NC 28655 56-1727514	HEALTHCARE	NC	501(C)(3)	509(A)(3)	N/A		No
(4) BLUE RIDGE FOUNDATION INC 2201 SOUTH STERLING STREET MORGANTON, NC 28655 58-2063920	HEALTHCARE	NC	501(C)(3)	509(A)(1)	N/A		No
(5) BLUE RIDGE MEDICAL GROUP INC 2201 SOUTH STERLING STREET MORGANTON, NC 28655 02-0777195	HEALTHCARE	NC	501(C)(3)	509(A)(2)	N/A		No
(6) BLUE RIDGE HEALTHCARE SYSTEMS INC 2201 SOUTH STERLING STREET MORGANTON, NC 28655 56-2150313	HEALTHCARE	NC	501(C)(3)	509(A)(3)	N/A		No
(7) BLUE RIDGE MOBILE IMAGING LLC 2201 SOUTH STERLING STREET MORGANTON, NC 28655 02-0777199	HEALTHCARE	NC	501(C)(3)	N/A	N/A		No

Form 990, Schedule R, Part V - Transactions With Related Organizations

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
GRACE LIFECARE INC	I	136,928	INTERCOMPANY INVOICES
BLUE RIDGE MEDICAL GROUP INC	J	996,993	INTERCOMPANY INVOICES
BLUE RIDGE MEDICAL GROUP INC	L	559,304	INTERCOMPANY INVOICES
GRACE LIFECARE INC	L	155,841	INTERCOMPANY INVOICES
BLUE RIDGE HEALTHCARE SYSTEMS INC	O	2,984,171	INTERCOMPANY INVOICES
GRACE NURSING CENTER	I	226,315	INTERCOMPANY INVOICES
VALDESE NURSING HOME	I	272,353	INTERCOMPANY INVOICES
GRACE NURSING CENTER	L	213,952	INTERCOMPANY INVOICES
VALDESE NURSING HOME	L	197,310	INTERCOMPANY INVOICES
GRACE LIFECARE INC	A	234,733	INTERCOMPANY INVOICES
VALDESE NURSING HOME	A	117,587	INTERCOMPANY INVOICES

BLUE RIDGE HEALTHCARE SYSTEM, INC.
D/B/A BLUE RIDGE HEALTHCARE

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

YEARS ENDED DECEMBER 31, 2013 AND 2012

BLUE RIDGE HEALTHCARE
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YEARS ENDED DECEMBER 31, 2013 AND 2012

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Blue Ridge HealthCare System, Inc
d/b/a Blue Ridge HealthCare
Morganton, North Carolina

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Blue Ridge HealthCare System, Inc d/b/a Blue Ridge HealthCare ("BRHC"), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BRHC as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole The supplemental consolidating schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the consolidated financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole

Clifton Larson Allen LLP

CLIFTONLARSONALLEN LLP

Charlotte, North Carolina
April 17, 2014

BLUE RIDGE HEALTHCARE
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,542,599	$ 3,014,537
Patient Accounts Receivable, Net of Allowance for Uncollectible Accounts of Approximately $14,153,000 in 2013 and $13,640,000 in 2012	38,846,250	35,668,432
Other Accounts Receivable	2,498,736	4,020,137
Inventories	3,110,949	2,974,583
Prepaid Expenses and Other	1,380,540	1,036,621
Funds Held by Trustee for Debt Service	3,904,439	3,864,064
Total Current Assets	52,283,513	50,578,374
ASSETS LIMITED AS TO USE		
Restricted by Donor	1,787,773	1,713,985
Statutory Operating Reserve	4,266,054	3,980,494
Board-Designated for Community Benefit	4,131,114	4,110,909
Board-Designated as Funded Depreciation	99,199,822	92,372,273
Board-Designated for Scholarships	129,219	129,297
Total Assets Limited as to Use	109,513,982	102,306,958
MARKETABLE SECURITIES	28,582,085	20,004,920
PROPERTY AND EQUIPMENT, NET	146,930,980	142,286,753
OTHER ASSETS, NET	6,640,951	6,807,699
Total Assets	$ 343,951,511	$ 321,984,704
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 12,607,562	$ 13,370,359
Accrued Expenses and Other Liabilities	18,386,613	15,083,679
Refundable Entrance Fees	148,341	238,135
Estimated Third-Party Reserves	6,182,500	6,108,422
Line of Credit	-	70,034
Current Portion of Long-Term Debt	2,260,170	2,221,105
Total Current Liabilities	39,585,186	37,091,734
LONG-TERM DEBT, NET OF CURRENT PORTION	78,839,455	81,183,990
REFUNDABLE ENTRANCE FEES, NET OF CURRENT PORTION	2,888,315	2,519,783
DEFERRED REVENUE FROM ENTRANCE FEES, NET OF CURRENT PORTION	8,410,719	8,634,484
Total Liabilities	129,723,675	129,429,991
NET ASSETS		
Unrestricted	212,648,398	191,029,009
Temporarily Restricted	705,004	651,270
Permanently Restricted	874,434	874,434
Total Net Assets	214,227,836	192,554,713
Total Liabilities and Net Assets	$ 343,951,511	$ 321,984,704

See accompanying Notes to Consolidated Financial Statements

BLUE RIDGE HEALTHCARE
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
REVENUES		
Patient Service Revenue, Net of Contractual Allowances and Discounts	$ 258,004,167	$ 249,831,256
Less Provision for Uncollectible Accounts	(38,692,233)	(35,741,292)
Net Patient Service Revenue	219,311,934	214,089,964
Other Revenue	13,260,789	10,139,496
Total Revenues	232,572,723	224,229,460
EXPENSES		
Employee Compensation	121,960,428	110,957,059
Medical and General Supplies	31,237,258	28,660,534
Purchased Services	16,247,816	19,110,660
Professional Fees	22,524,751	21,044,734
Depreciation and Amortization	13,015,199	14,393,156
Interest	3,735,345	3,782,399
Other Expenses	16,296,919	18,110,996
Total Expenses	225,017,716	216,059,538
OPERATING INCOME	7,555,007	8,169,922
OTHER INCOME		
Investment Income, Net	16,029,824	7,453,220
Other, Net	56,573	147,986
Total Other Income, Net	16,086,397	7,601,206
EXCESS OF REVENUES OVER EXPENSES	23,641,404	15,771,128
UNREALIZED GAINS (LOSSES) ON INVESTMENTS, NET	(2,022,015)	3,523,866
OTHER CONTRIBUTIONS	-	(747,228)
CHANGE IN UNRESTRICTED NET ASSETS	$ 21,619,389	$ 18,547,766

See accompanying Notes to Consolidated Financial Statements

BLUE RIDGE HEALTHCARE
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
UNRESTRICTED NET ASSETS		
Excess of Revenues Over Expenses	$ 23,641,404	$ 15,771,128
Unrealized Gains (Losses) on Investments, Net	(2,022,015)	3,523,866
Other Contributions	-	(747,228)
Increase in Unrestricted Net Assets	21,619,389	18,547,766
TEMPORARILY RESTRICTED NET ASSETS		
Donor Restricted Gifts, Grants and Bequests	1,157,293	1,304,990
Investment Income and Unrealized Gains on Investments, Net	130,832	111,852
Satisfaction of Donor-Imposed Restrictions	(1,234,391)	(1,496,477)
Increase (Decrease) in Temporarily Restricted Net Assets	53,734	(79,635)
CHANGE IN NET ASSETS	21,673,123	18,468,131
Net Assets - Beginning of Year	192,554,713	174,086,582
NET ASSETS - END OF YEAR	$ 214,227,836	$ 192,554,713

See accompanying Notes to Consolidated Financial Statements

BLUE RIDGE HEALTHCARE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 21,673,123	$ 18,468,131
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities		
Amortization of Deferred Revenue from Entrance Fees	(1,573,089)	(1,495,227)
Provision for Uncollectible Accounts	(38,692,233)	(35,741,292)
Depreciation and Amortization	13,015,199	14,393,156
Gain from Disposals of Property and Equipment	(170,319)	(36,292)
Donation of Property and Equipment	-	(24,000)
Unrealized (Gains) Losses on Investments, Net	(1,848,061)	3,072,280
Other Contributions	-	747,228
Change in Operating Assets and Liabilities		
Patient and Other Accounts Receivable, Net	38,321,598	30,793,837
Inventories	(136,366)	(236,990)
Prepaid Expenses and Other	(343,919)	(1,724)
Accounts Payable	(874,816)	(299,123)
Accrued Expenses and Other Liabilities	3,096,489	874,428
Estimated Third-Party Reserves	74,078	(303,102)
Other Assets and Liabilities	63,888	78,126
Net Cash Provided by Operating Activities	32,605,572	30,289,436
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Marketable Securities	(21,397,957)	(3,928,022)
Proceeds from Sales and Maturities of Marketable Securities	20,231,041	5,662,501
Purchases of Assets Whose Use is Limited	(53,733,330)	(16,915,509)
Proceeds from Sales and Maturities of Assets Whose Use is Limited	40,923,743	(759,499)
Purchases of Property and Equipment, Net	(17,386,247)	(11,143,351)
Net Cash Used in Investing Activities	(31,362,750)	(27,083,880)
CASH FLOWS FROM FINANCING ACTIVITIES		
Other Contributions	-	(747,228)
Refunds of Entrance Fees	(459,134)	(187,359)
Proceeds from Entrance Fees	2,324,223	1,419,412
Change in Due to/from Affiliates for Non-Operating Activities	(1,460,902)	881,601
Repayments of Line of Credit	(70,034)	(3,507,966)
Repayments of Long-Term Debt	(2,048,913)	(1,989,329)
Net Cash Used in Financing Activities	(1,714,760)	(4,130,869)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(471,938)	(925,313)
Cash and Cash Equivalents - Beginning of Year	3,014,537	3,939,850
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,542,599	$ 3,014,537
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 3,794,518	$ 3,813,988
Acquisitions of Property and Equipment Included in Current Liabilities	$ 567,242	$ 1,421,538

See accompanying Notes to Consolidated Financial Statements

NOTE 1 ORGANIZATION

The accompanying consolidated financial statements include the balance sheets, results of operations and cash flows of Blue Ridge HealthCare System, Inc d/b/a Blue Ridge HealthCare ("BRHC") and its affiliates BRHC provides health care services to the residents of Burke County, North Carolina and surrounding areas BRHC includes one affiliate, Blue Ridge HealthCare Foundation, Inc , which is not a member of the Obligated Group as defined in BRHC's Master Trust Indenture Such affiliate accounts for less than 1 percent of total revenue and less than 1 percent of total assets of BRHC for each of the years ended December 31, 2013 and 2012 The entities and activities comprising BRHC consist of the following

Blue Ridge HealthCare System, Inc.

On August 2, 1999, Grace Hospital, Incorporated ("Grace"), Valdese General Hospital, Incorporated ("Valdese") and The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas HealthCare System ("CHS") entered into an Integration Agreement, effective December 8, 1999 (the "Agreement"), to integrate the functions of Grace and Valdese so that they are operated as a unified health care delivery system through the formation of Blue Ridge HealthCare System, Inc , a North Carolina non profit, nonstock, nonmember corporation, exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Service ("IRS") Code Under the Agreement, BRHC does not have any direct ownership of Grace or Valdese, and Grace and Valdese continue to own and exercise ultimate control over their assets and maintain the existing identity of their facilities

Pursuant to the Agreement beginning on January 1, 2000, Grace and Valdese share the consolidated annual excess of revenues over expenses (excluding investment income and extraordinary items) of BRHC (including Blue Ridge Medical Group, Inc but excluding Blue Ridge HealthCare Foundation, Inc) based on predetermined contribution percentages of 63 percent for Grace and 37 percent for Valdese Grace and Valdese are also responsible for funding their share of the total consolidated capital requirements of BRHC, using the respective contribution percentages The sharing of expenses expired on December 1, 2012 with the merger of Grace and Valdese Hospitals (see below)

Effective December 8, 1999, BRHC entered into a Management Services Contract (the "Contract") with CHS to manage BRHC on a day-to-day basis The terms of the Contract call for BRHC to pay CHS an annual management fee based upon BRHC's net operating revenues In addition, CHS is required to furnish BRHC with a Chief Executive Officer and Chief Financial Officer BRHC reimburses CHS for the salary and benefits' costs of these individuals The Contract terminates upon the termination of the Agreement unless earlier terminated for cause

NOTE 1 ORGANIZATION (CONTINUED)

Blue Ridge HealthCare Hospitals, Inc. (Continued)

On December 1, 2012, Grace Hospital, Incorporated and Valdese General Hospital, Incorporated, both previously under common control of BRHC, merged The surviving organization, Grace Hospital, Incorporated, simultaneously changed its name to Blue Ridge HealthCare Hospitals, Inc ("BRH"), which is a non profit North Carolina corporation qualified as a tax-exempt organization under IRS Code Section 501(c)(3) The merged organization retained all 315 licensed beds formerly held by Grace Hospital, Incorporated and Valdese General Hospital, Incorporated The new entity also retains all wholly-owned subsidiaries Grace LifeCare, Inc , Grace Nursing Center, Inc , and Valdese Nursing Home, Inc This transaction was treated as a pooling of interests and had no effect on the consolidated financial statements for the years ended December 31, 2013 and 2012

Grace LifeCare, Inc. is a non profit North Carolina corporation qualified as a tax-exempt organization under IRS Code Section 501(c)(3) Grace LifeCare, Inc operates a continuing care retirement community in Morganton, North Carolina Grace LifeCare, Inc currently offers 127 residential apartment units, 27 duplex cottages, a 72-bed health care center and other amenities designed to make retirement living more enjoyable

Grace Nursing Center, Inc. is a non profit North Carolina corporation qualified as a tax-exempt organization under IRS Code Section 501(c)(3) Grace Nursing Center, Inc operates a 120 licensed-bed nursing home in Morganton, North Carolina

Valdese Nursing Home, Inc. is a non profit North Carolina corporation qualified as a tax-exempt organization under IRS Code Section 501(c)(3) Valdese Nursing Home, Inc operates a 104 licensed-bed nursing home in Valdese, North Carolina

Blue Ridge Medical Group, Inc.

Blue Ridge Medical Group, Inc (the "Medical Group") is a non profit North Carolina corporation qualified as a tax-exempt organization under IRS Code Section 501(c)(3) The Medical Group operates physician office practices, clinics and other related health care facilities

Blue Ridge HealthCare Foundation, Inc.

Blue Ridge HealthCare Foundation, Inc (the "Foundation") is a non profit North Carolina corporation qualified as a tax-exempt organization under IRS Code Section 501(c)(3) The Foundation solicits funds for BRHC

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the consolidated accounts of BRHC, BRH, Medical Group, and the Foundation All material intercompany accounts and transactions have been eliminated

Cash and Cash Equivalents

All liquid investments with a maturity of three months or less at the time of purchase and are not limited as to their use are considered to be cash equivalents

Inventories

Inventories are stated at the lower of average cost or market

Capital Assets

Property and equipment acquisitions are recorded at cost if the asset cost is greater than $500 and has a useful life of 12 months or longer Donated property and equipment are stated at the estimated fair value at the date of donation Ordinary repairs and maintenance costs are expensed as incurred while significant improvements, renovation and replacements are capitalized Interest cost incurred on borrowed funds during the period of construction is capitalized as a component of the cost of acquiring those assets Depreciation is computed using the straight-line method over the following estimated useful lives

Land Improvements	5-40 years
Buildings and Building Improvements	5-40 years
Equipment	3-25 years

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustee for debt service pursuant to agreements entered into in connection with the issuance of revenue bonds (see Note 6), statutory operating reserves maintained in connection with the operations of a continuing care retirement community, assets restricted by donors, designated assets set aside at the discretion of BRHC's Board of Directors as funded depreciation for the purchase of property and equipment or the payment of debt service and for scholarships to be awarded in the future

Other Assets

Other assets consist primarily of investments in other entities, goodwill and bond issuance costs BRHC accounts for its investments in other entities under the equity method of accounting

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Assets (Continued)

The excess of purchase price over the fair values of identifiable net assets acquired has been allocated to goodwill Management periodically evaluates the carrying value of goodwill based on an analysis of estimated undiscounted operating earnings from the operations of each specific business Any events or circumstances occurring during the year or future years that might have an impact on such carrying value are considered No adjustment has been made to the carrying value of goodwill at December 31, 2013 or 2012

Bond issuance costs are being amortized over the life of the related bonds using the effective interest method

Net Assets

Net assets and revenues, gains and losses, are classified based on the existence or absence of donor imposed restrictions Net assets are segregated into three net asset groups

Unrestricted – Net assets consisting of all resources that have no donor-imposed restrictions

Temporarily restricted – Net assets consisting of contributions and investment income for which use is limited through donor-imposed stipulations that may expire with the passage of time or as the result of fulfillment by action of BRHC When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions Temporary restrictions on gifts to acquire long-lived assets are considered met in the period assets are acquired or placed in service

Permanently restricted – Net assets consisting of contributions for which BRHC's use is permanently limited through donor-imposed stipulations

Operating Revenues and Expenses

For purposes of financial reporting, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses

HITECH Meaningful Use (EHR) Incentive Payments

The American Recovery and Reinvestment Act of 2009 (ARRA) established incentive payments under the Medicare and Medicaid programs for certain health care providers that use certified EHR technology The program is commonly referred to as the Health Information Technology for Economic and Clinical Health (HITECH) Act To qualify for incentives under the HITECH Act, health care providers must meet designated EHR meaningful use criteria as defined by the Centers for Medicare and Medicaid Services (CMS) Incentive payments are awarded to health care providers who have attested to CMS that applicable meaningful use criteria have been met Compliance with meaningful use criteria is subject to audit by the federal government or its designee and incentive payments are subject to adjustment in a future period

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HITECH Meaningful Use (EHR) Incentive Payments (Continued)

BRHC recognizes revenue for EHR incentive payments in the period in which it has obtained reasonable assurance that it is in compliance with the applicable EHR meaningful use requirements Accordingly, BRHC recognized other revenues for EHR incentives of approximately $2,985,000 for the year ended December 31, 2013

Excess (Deficit) of Revenues Over Expenses

The consolidated statements of operations include the excess of revenues over expenses Changes in unrestricted net assets, which are excluded from excess of revenues over expenses, consistent with industry practice, include net unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets) and changes in value of derivative financial instruments that qualify as a fair value or cash flow hedge

Obligation to Provide Future Services

Grace LifeCare, Inc calculates the present value of the estimated cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees and the present value of estimated periodic service fees in accordance with the provisions of the ASC Topic 954-430 If the present value of the cost of future services and use of facilities exceeds the deferred revenue from entrance fees and the present value of periodic fees, a liability is recorded (obligation to provide future services) No liability has been recorded for the years ended December 31, 2013 and 2012, because the estimated present value of the cost of future services and use of facilities is less than deferred revenue from entrance fees and the present value of estimated periodic service fees

Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value

Cash and Cash Equivalents, Patient and Other Receivables and Accounts Payable - The carrying amount approximates fair value because of the short-term nature of these instruments

Assets Whose Use is Limited and Marketable Securities - Fair values, which are the amounts reported on the accompanying consolidated balance sheets, are based on quoted market prices, if available, or are estimated using quoted market prices for similar securities

Long-Term Debt - Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk

BRHC and the Foundation routinely invest surplus operating funds in interest-bearing accounts at financial institutions which management believes are of high credit quality At times, these funds may exceed the $250,000 insured by the Federal Depository Insurance Corporation Management believes that these financial institutions' strong credit ratings result in only minimal credit risk related to those deposits

BRHC primarily serves the residents of Burke and surrounding counties in North Carolina and grants credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements

The mix of receivables from patients and third-party payors at December 31, 2013 and 2012 is as follows

	2013	2012
Medicare	30 %	35 %
Medicaid	12	9
Other Third-Party Payors	27	24
Patients	31	32
	100 %	100 %

Income Taxes

All entities comprising BRHC are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements

BRHC has adopted the income tax standard regarding the recognition and measurement of uncertain tax positions, which clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be finalized BRHC has determined that there are no uncertain tax positions for the years ended December 31, 2013 and 2012

Use of Estimates

The preparation of financial statements in conformity with U S 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 revenue and expenses during the reporting period Actual results could differ from those estimates

Subsequent Events

In preparing these consolidated financial statements, BRHC has evaluated events and transactions for potential recognition or disclosure through April 17, 2014 the date the consolidated financial statements were available to be issued

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Guidance

In July 2011, the FASB issued ASU 2011-07, *Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities,* which requires health care entities to reclassify the provision for bad debts from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts) in the statement of operations when the ultimate collection of the amounts billed or billable cannot be determined at the time patient services are rendered BRHC implemented the guidance as of and for the year ended December 31, 2012 For all periods presented, the provision for uncollectible accounts has been reclassified from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts) in the consolidated statement of operations The adoption of this standard did not have a material impact on our financial position, results of operations, or cash flows

Additionally, the standard requires enhanced disclosure about the policies for recognizing revenue and assessing bad debts as well as both qualitative and quantitative information about significant changes in the allowance for doubtful accounts See Note 7 for further detail related to BRHC's policies for recognizing patient service revenue and assessing bad debts

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Market Value Measurements*, which amends ASC 820, *Fair Value Measurements and Disclosures*, to require enhanced disclosures about transfers into and out of Levels 1 and 2 as well as separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 fair value measurements The amendment also clarifies existing fair value disclosures about the level of disaggregation and about the inputs and valuation technique used to measure fair value BRHC adopted the requirement for the separate disclosure of the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements for the year ended December 31, 2010 The adoption of these provisions impacted our fair value disclosures only and had no impact to our balance sheets, results of operations, or cash flows The new requirement for the separate disclosure of the purchases, sales, issuances, and settlements in the roll forward of activity for Level 3 fair value measurements was effective for the year ended December 31, 2012 The adoption of this amendment impacted our fair value disclosures only and had no material impact to our financial position, results of operations, or cash flows

Future Accounting and Reporting Guidance

In May 2013, the FASB issued a proposed Accounting Standards Update, Leases (Topic 842) a revision of the 2010 proposed Accounting Standards Update, Leases (Topic 840), which would change the way leases are accounted for The biggest change is that the standard would require leases which are currently being accounted for as operating leases to be recorded on the balance sheet The final standard has not yet been issued and would not be effective for several years This could impact debt covenants and other calculations, and the System is evaluating the potential impact of the proposed standard

NOTE 3 ASSETS LIMITED AS TO USE AND MARKETABLE SECURITIES

The composition of assets limited as to use, at fair value, at December 31, 2013 and 2012 is as follows

	2013	2012
Funds Held by Trustee for Debt Service		
Cash and Cash Equivalents	$ 3,904,439	$ 3,864,064
Restricted by Donor		
Cash and Cash Equivalents	749,215	868,143
Fixed Income	319,985	313,507
Equities	606,668	469,864
Other	111,905	62,471
	1,787,773	1,713,985
Statutory Operating Reserve		
Cash and Cash Equivalents	259,262	-
Fixed Income	1,255,899	2,111,007
Equities	2,444,289	1,505,426
Other	306,604	364,061
	4,266,054	3,980,494
Board-Designated for Community Benefit		
Cash and Cash Equivalents	4,131,114	4,110,909
Board-Designated as Funded Depreciation		
Cash and Cash Equivalents	783,595	711,406
Corporate Obligations and Fixed Income Securities	38,836,746	40,880,735
Equity Securities	37,486,972	28,795,965
Alternative Investments	13,887,552	18,603,786
Other	8,204,957	3,380,381
	99,199,822	92,372,273
Board-Designated for Scholarships		
Cash and Cash Equivalents	129,219	129,297
	113,418,421	106,171,022
Less Current Portion of Assets Limited as to Use - Funds Held by Trustee for Debt Service	(3,904,439)	(3,864,064)
	$ 109,513,982	$ 102,306,958

Marketable securities are stated at fair value and consisted of the following at December 31, 2013 and 2012

	2013	2012
Cash and Cash Equivalents	$ 239,193	$ 356,097
Equity Securities	28,342,892	19,648,823
	$ 28,582,085	$ 20,004,920

NOTE 3 ASSETS LIMITED AS TO USE AND MARKETABLE SECURITIES (CONTINUED)

Investment income consists of the following for the years ended December 31, 2013 and 2012

	2013	2012
Interest and Dividend Income	$ 2,259,025	$ 3,030,439
Net Realized Gains on Sales of Investments	13,770,799	4,422,781
	$ 16,029,824	$ 7,453,220

The following table summarizes BRHC's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in an unrealized loss position at December 31, 2013

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U S Treasury Obligations	$ 3,350,349	$ (55,133)	$ -	$ -	$ 3,350,349	$ (55,133)
Corporate Bonds	3,885,739	(28,918)	-	-	3,885,739	(28,918)
Equity Securities	6,114,073	(116,923)	426,761	(23,687)	6,540,834	(140,610)
	$ 13,350,161	$ (200,974)	$ 426,761	$ (23,687)	$ 13,776,922	$ (224,661)

Total unrealized losses at December 31, 2013 and 2012 amounted to approximately $225,000 and $886,000, respectively Of these amounts, approximately $24,000 and $365,000 related to losses which extend over one year as of December 31, 2013 and December 31, 2012, respectively Unrealized investment losses are expected to be recoverable in future periods and are not deemed by management to be unrecoverable due to the length or the duration of the impairment and/or the amount of impairment at December 31, 2012 BRHC has the intent and ability to hold these investments until further market recovery occurs

BRHC reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of its alternative investments Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed

Interests in alternative investments represented approximately 10% and 15% of assets limited as to use and marketable securities at December 31, 2013 and 2012, respectively These instruments may contain elements of both credit and market risk Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and non-marketable investments), and non-disclosure of portfolio composition

The estimated fair value of certain alternative investments, such as hedge funds, is based on valuations provided by external investment managers Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore, may differ from the value that would have been used had a ready market for such investments existed Such differences could be material

NOTE 3 ASSETS LIMITED AS TO USE AND MARKETABLE SECURITIES (CONTINUED)

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard BRHC emphasizes that fair value is a market-based measurement, not an entity-specific measurement Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows

Level 1 – valuation based on quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 – valuation based on observable inputs other than those included in Level 1

Level 3 – valuation based unobservable inputs based on data not available to third parties outside the organization

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety

Additionally, from time to time, BRHC may be required to record at fair value other assets on a nonrecurring basis in accordance with generally accepted accounting principles These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets Nonfinancial assets measured at fair value on a nonrecurring basis would include nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, other real estate owned, and other intangible assets measured at fair value for impairment assessment

BRHC also adopted the policy of valuing certain financial instruments at fair value This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis BRHC has not elected to measure any existing financial instruments at fair value, however, may elect to measure newly acquired financial instruments at fair value in the future

Securities available for sale are recorded at fair value on a recurring basis Fair value measurement is based upon quoted prices, if available If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions

NOTE 3 ASSETS LIMITED AS TO USE AND MARKETABLE SECURITIES (CONTINUED)

Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U S Treasury and other U S government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets Securities valued using Level 2 inputs include private collateralized mortgage obligations, municipal bonds, and corporate debt securities

The following table presents the assets and liabilities carried at fair value on a recurring basis as of December 31, 2013 and 2012 by fair value hierarchy level, as described above

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Funds Held by Trustee for Debt Service				
Cash and Cash Equivalents	$ 3,904,439	$ -	$ -	$ 3,904,439
Assets Limited as to Use				
Cash and Cash Equivalents	6,052,405	-	-	6,052,405
Equity Securities	40,537,929	-	-	40,537,929
Corporate Obligations and Fixed Income Securities	40,412,630	-	-	40,412,630
Other	8,623,466	-	-	8,623,466
Alternative Investments	-	-	13,887,552	13,887,552
Marketable Securities				
Cash and Cash Equivalents	239,193	-	-	239,193
Equity Securities	28,342,892	-	-	28,342,892
Total Assets Measured at Fair Value	$ 128,112,954	$ -	$ 13,887,552	$ 142,000,506

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Assets				
Funds Held by Trustee for Debt Service				
Cash and Cash Equivalents	$ 3,864,064	$ -	$ -	$ 3,864,064
Assets Limited as to Use				
Cash and Cash Equivalents	5,819,755	-	-	5,819,755
Equity Securities	30,771,255	-	-	30,771,255
Corporate Obligations and Fixed Income Securities	43,305,249	-	-	43,305,249
Other	3,806,913	-	-	3,806,913
Alternative Investments	-	-	18,603,786	18,603,786
Marketable Securities				
Cash and Cash Equivalents	356,097	-	-	356,097
Equity Securities	19,648,823	-	-	19,648,823
Total Assets Measured at Fair Value	$ 107,572,156	$ -	$ 18,603,786	$ 126,175,942

NOTE 3 ASSETS LIMITED AS TO USE AND MARKETABLE SECURITIES (CONTINUED)

Financial instruments classified as Level 3 in the fair value hierarchy represent goodwill and alternative investments in which management used at least one unobservable input in the valuation model The following table represents a reconciliation of activity for such instruments on a net basis for the year ended December 31, 2013

Alternative Investments Balance at December 31, 2012	$ 18,603,786
Purchases of Alternative Investments	11,761,592
Sales of Alternative Investments	(11,477,606)
Unrealized Losses on Alternative Investments, Net	(8,195,842)
Realized Gains on Alternative Investments, Net	3,195,622
Alternative Investments Balance at December 31, 2013	$ 13,887,552
Goodwill Balance at December 31, 2012	$ 4,873,373
Change in Goodwill	12,454
Goodwill Balance at December 31, 2013	$ 4,885,827

NOTE 4 PROPERTY AND EQUIPMENT

The components of property and equipment are as follows at December 31, 2013 and 2012

	2013	2012
Land and Land Improvements	$ 7,915,717	$ 6,057,584
Buildings and Building Improvements	193,793,141	193,518,134
Equipment	140,597,546	126,900,202
	342,306,404	326,475,920
Less Accumulated Depreciation and Amortization	(202,956,895)	(192,043,089)
	139,349,509	134,432,831
Construction in Process	7,581,471	7,853,922
Property and Equipment, Net	$ 146,930,980	$ 142,286,753

For the years ended December 31, 2013 and 2012, depreciation expense was approximately $12,912,000 and $14,289,000, respectively

NOTE 5 LINE OF CREDIT

BRHC had a $5,000,000 unsecured line of credit at December 31, 2013 Effective March 6, 2014 it was increased to $7,500,000 and matures on July 31, 2015 Interest is charged at the monthly Inter-Bank Offered Rate ("LIBOR") plus 2 0 percent (2 17% at December 31, 2013) There was approximately $0 and $70,000 outstanding on the line of credit at December 31, 2013 and 2012, respectively, which is reported as current liabilities in the accompanying consolidated balance sheets

NOTE 6 LONG-TERM DEBT

A summary of long-term debt at December 31, 2013 is as follows

	Bonds Payable	Installment Purchase Agreements	Obligations Under Capital Lease	Total
Total Principal Outstanding	$ 79,860,000	$ 116,278	$ 98,892	$ 80,075,170
Less Current Portion	(2,045,000)	(116,278)	(98,892)	(2,260,170)
Plus Unamortized Premium	1,024,455	-	-	1,024,455
	$ 78,839,455	$ -	$ -	$ 78,839,455

Bonds Payable

Bonds payable consisted of the following at December 31, 2013 and 2012

	2013	2012
BRHC:		
North Carolina Medical Care Commission Health Care Facilities Revenue Bonds Series 2005A ("2005A Bonds"), Maturities in Varying Annual Amounts through June 2032, Bearing Interest at 4% to 5%	$ 35,000,000	$ 35,000,000
North Carolina Medical Care Commission Health Care Facilities Refunding Revenue Bonds Series 2010A ("2010A Bonds"), Maturities in Varying Annual Amounts through January 2036, Bearing Interest at 2 5% to 5%	44,860,000	46,835,000
	79,860,000	81,835,000
Less Current Portion	(2,045,000)	(1,975,000)
Plus Net Unamortized Premium	1,024,455	1,098,368
	$ 78,839,455	$ 80,958,368

In 2005, BRHC issued $35,000,000 of Series 2005A Revenue Bonds for partial funding of major renovation and redevelopment projects on the Grace and Valdese campuses and $43,075,000 of Series 2005B Revenue Bonds for (1) partial funding of major renovation and redevelopment projects on the Grace and Valdese campuses, (2) current refunding of $18,840,000 of Grace Series 2000 Revenue Bonds, and (3) current refunding of $8,240,000 of Valdese Series 1998 Revenue Bonds As of December 31, 2009 there was $39,400,000 aggregate principal outstanding on the 2005B Bonds, during 2010 BRHC made a principal payment of $650,000 and the remaining $38,750,000 was refunded through proceeds from the issuance of Series 2010A Revenue Bonds on October 7, 2010

NOTE 6 LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

In 2010, BRHC issued $51,195,000 of Series 2010A Refunding Revenue Bonds for advance refunding of the Series 1996 Revenue Bonds and Series 2005B Revenue Bonds Under the terms of an Amended and Restated Master Trust Indenture adopted by BRHC and BRH in June 2005, and Loan Agreements with the North Carolina Medical Care Commission, BRHC and BRH are jointly and severally liable for debt service on the 2005A and 2010A Bonds In addition, BRHC is required to comply with various covenants including the maintenance of a defined level of consolidated long-term debt service coverage Substantially all of the revenues of BRHC and BRH are pledged as security for the 2005A and 2010A Bonds In addition, the 2005A Bonds are further secured by a financial guaranty insurance policy issued by Financial Guaranty Insurance Company ("FGIC") As of December 31, 2012, BRHC was in compliance with the covenants, noted above

At December 31, 2013 and 2012, the fair market value of the Bonds was approximately $77,552,000 and $86,628,000, respectively

Installment Purchase Agreements

During 2009, BRHC entered into an agreement to purchase new phone equipment The agreement requires 60 monthly payments of $10,689, including interest at 2 23%, through December 2014

Obligations Under Capital Lease

BRHC leases certain equipment under leases classified as obligations under capital lease The capital leases are collateralized by the equipment under the lease

Maturities of Long-Term Debt

Future scheduled principal maturities of long-term debt at December 31, 2013 are as follows

Year Ending December 31,	Bonds Payable	Installment Purchase Agreements	Obligations Under Capital Lease	Total
2014	$ 2,045,000	$ 116,278	$ 98,892	$ 2,260,170
2015	2,130,000	-	-	2,130,000
2016	2,215,000	-	-	2,215,000
2017	2,305,000	-	-	2,305,000
2018	395,000	-	-	395,000
Thereafter	70,770,000	-	-	70,770,000
	$ 79,860,000	$ 116,278	$ 98,892	$ 80,075,170

NOTE 7 NET PATIENT SERVICE REVENUE AND PATIENT ACCOUNTS RECEIVABLE

Net patient service revenue and accounts receivable are recorded when patient services are performed and are estimated at net realizable amounts due from third-party payers and patients For amounts due from third-party payors, net patient service revenue and accounts receivables are recorded based on contractual or regulated discounted reimbursement rates for services rendered For amounts due from patients, net patient service revenue and accounts receivable are recorded based on current policy

The use of estimates is very common for health systems, since, with increasing frequency, even non-cost-based governmental programs have become subject to retrospective adjustments Often such adjustments are not known for a considerable period of time after the related services are rendered The lengthy period of time between rendering services and reaching final settlement, compounded further by the complexities and ambiguities of governmental reimbursement regulations, makes it difficult to estimate the net patient service revenue associated with these programs This situation has been compounded by the frequency of changes in federal program guidelines

Under the Medicare and Medicaid programs, BRHC is entitled to reimbursements for certain patient charges at rates determined by federal and state governments Differences between established billing rates and reimbursements from these programs are recorded as contractual adjustments to arrive at net patient service revenue Final determination of amounts due from Medicare and Medicaid programs is subject to review by these programs Changes resulting from final determination are reflected as changes in estimates, generally in the year of determination In the opinion of management, adequate provision has been made for adjustments, if any, that may result from such reviews Net patient service revenue decreased approximately $607,000 and increased $1,121,000 for the years ended December 31, 2013 and 2012, respectively, due to adjustment of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer subject to audits and reviews

Provisions for Medicare and Medicaid contractual adjustments totaled approximately $346,293,000 and $307,351,000 of 2013 and 2012 gross patient service revenue, respectively

For uninsured and underinsured patients that do not qualify for financial assistance (see Note 8 for further detail regarding BRHC's financial assistance policies), BRHC recognizes revenue on the basis of its standard rates, discounted according to policy, for services rendered Historical experience has shown a significant proportion of BRHC's uninsured patients, in addition to a growing proportion of BRHC's insured patients, will be unable or unwilling to pay for their responsible amounts for the services provided In order to estimate the net realizable value of the revenues and accounts receivables associated with third-party payors and uninsured patients, management regularly analyzes collection history Based on these historical collection analyses, BRHC records a provision for bad debts and an allowance for uncollectible accounts for third-party and uninsured patient accounts receivable balances for which the patient is responsible

NOTE 7 NET PATIENT SERVICE REVENUE AND PATIENT ACCOUNTS RECEIVABLE (CONTINUED)

Patient accounts receivable is recorded net of allowances for uncollectible accounts of $14,153,000 and $13,640,000 at December 31, 2013 and 2012, respectively The increase was the result of a higher volume of uninsured patient revenues in fiscal year 2013

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), is composed of the following amounts for the years ended December 31

	2013	2012
Net Patient Service Revenue		
Third-Party Payors	$ 154,163,000	$ 153,201,000
Self-Pay Payors	103,841,000	96,630,000
	$ 258,004,000	$ 249,831,000

MRI Program (including GAP Plan)

BRHC has, since 1996, participated in the North Carolina Medicaid Reimbursement Initiative (the "MRI Plan") In connection therewith, BRHC received and recognized approximately, $1,882,000 and $2,553,000 from the MRI Plan during the years ended December 31, 2013 and 2012, respectively

In April 2012, CMS approved a North Carolina Medicaid assessment plan to reduce the gap between Medicaid and uninsured costs and payments (the GAP Plan) retroactive to January 1, 2011 Under the GAP Plan, providers periodically pay an assessment to the State and periodically receive Medicaid payments from the State BRHC reports assessments and receipts within other expenses and net patient service revenue, respectively, in the accompanying combined statements of revenues, expenses, and changes in net position

In 2013, the State collected assessments and made payments of $3,446,000 and $9,131,000, respectively, for the year ended December 31, 2013 In 2012, the State collected assessments and made payments for the three quarters ended September 30, 2011 and the four quarters ended September 30, 2012 BRHC's GAP Plan assessments and receipts for the year ended December 31, 2012 totaled approximately $4,525,000 and $11,707,000, respectively, which included assessments and receipts of $1,719,000 and $4,386,000, respectively, for the three quarters ended September 30, 2011

NOTE 8 FINANCIAL ASSISTANCE AND COMMUNITY BENEFIT COSTS (UNAUDITED)

BRHC, under its financial assistance policies, provides care at discounted rates or without charge to certain uninsured patients, including any uninsured patient who experiences catastrophic related illness or injury In addition to a patient's third party insurance coverage, key elements used to determine eligibility for financial assistance include a patient's demonstrated inability to pay based on family size and household income relative to federal income poverty guidelines Patients potentially eligible for other governmental programs, such as Medicaid, must pursue those options before receiving financial assistance from BRHC BRHC's cost (estimated using applicable cost to charge ratios) of providing financial assistance to uninsured patients was $6,183,000 and $6,143,000 for the years ended December 31, 2013 and 2012, respectively

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

- Cost of care extended to uninsured and underinsured patients who do not qualify for financial assistance, estimated using applicable cost to charge ratios

- Unpaid Cost of Medicare and Medicaid Services – Represents the net unreimbursed cost, estimated using the applicable cost to charge ratios, of services provided to patients who qualify for federal and/or state government health care benefits In accordance with applicable community benefit guidelines, the 2012 unpaid cost of Medicare and Medicaid services shown below excludes the net impact of the North Carolina Medicaid assessment plan for 2011 of $2,667,000

- Community Benefit Programs – Includes the unreimbursed cost of various medical education programs, non-billed medical services, in-kind donations, and other service that meet a community need, but do not pay for themselves and would not be provided if based solely on financial considerations alone

The total estimated cost of financial assistance and the aforementioned programs and services that benefit the community is as follows for the years ended December 31

	2013	2012
Cost of Care Extended to Uninsured Patients	$ 6,182,675	$ 6,143,290
Cost of Care Extended to Uninsured and Underinsured Patients Who do not Qualify for Financial Assistance	17,186,797	15,021,250
Unpaid Cost of Medicare and Medicaid Services	40,760,287	41,742,282
Community Benefit Programs	1,870,073	1,386,726
	$ 65,999,832	$ 64,293,548

NOTE 9 EMPLOYEE BENEFIT PLANS

Defined Contribution Savings Plan

BRHC provides a defined contribution employee savings plan that covers substantially all full-time employees BRHC has the option to match employee contributions in varying percentages of each covered employee's salary During the years ended December 31, 2013 and 2012, BRHC contributed approximately $1,600,000 and $1,711,000, respectively, to the plan

NOTE 10 REFUNDABLE ENTRANCE FEES

As a part of the acquisition of Grace LifeCare, Inc , Grace Hospital, now BRH, agreed with the existing residents (residents living in the facility on or prior to February 19, 1991), and the estates or successors to the interest of former residents, that Grace LifeCare, Inc would assume the obligations of the former owner and repay entrance fee refunds under their respective residency agreements Prior to Grace LifeCare, Inc assuming the obligations of the former owner, the residency agreements were modified to provide for the refund of entrance fees under the residency agreements in 10 equal annual installments on a noninterest-bearing basis or a single lump-sum payment of 65 percent of the contracted amount, conditioned upon the resale and occupancy by a subsequent resident

At December 31, 2013 and 2012, refundable entrance fees for which annual installments are payable within the next 12 months totaled approximately $19,450 and $40,000, respectively Grace LifeCare, Inc offers an immediate reduced payout on this group of contracts Under this plan, Grace LifeCare, Inc would repay a calculated percentage of the face value of the entrance fee immediately upon resale and re-occupancy by a subsequent resident

In addition, Grace LifeCare, Inc currently offers four other entrance fee plans Descriptions of these plans are as follows

Lifecare, Standard Plans, and Fee for Service Plans

These plans prorate the reimbursement for any resident leaving the retirement community for any reason within 25 months of occupancy Under these plans, the entrance fee is amortized at 4 percent per month during the initial 25 months of occupancy No refund is available after this initial period

Adult Care Plan

This plan allows residents to enter the assisted living area of the community The entrance fees associated with this plan as of December 31, 2013 and 2012 were $12,000 and are fully amortized 30 days after occupancy No refund is available after this initial period The entrance fee is recognized as revenue over the life expectancy of the related resident

NOTE 10 REFUNDABLE ENTRANCE FEES (CONTINUED)

Plan Options

Under either of the LifeCare and Standard plans described above, Grace LifeCare, Inc offers a Ninety Percent Option – This option prorates the reimbursement for any resident leaving the retirement community for any reason during the first three months (at 4 percent per month for the first two months and at 2 percent for the third month) After two and one-half months of occupancy, the refund is never less than 90 percent of the entrance fee paid

A summary of refundable fees at December 31, 2013 and 2012 is as follows

	2013	2012
Fees Refundable to Residents Executing Continuing Care Agreements Prior to February 19, 1991	$ 200,650	$ 240,654
Fees Refundable Under the 90% Option Agreements	1,315,122	1,525,252
	1,515,772	1,765,906
Fees Refundable Under the LifeCare Plan Agreements	1,189,041	656,043
Fees Refundable Under the Standard Plan Agreements	197,443	335,969
Fees Refundable Under the Fee for Service Plan Agreements	134,400	-
	1,520,884	992,012
	3,036,656	2,757,918
Less Current Portion	(148,341)	(238,135)
Long-Term Portion	$ 2,888,315	$ 2,519,783

NOTE 11 DEFERRED REVENUE FROM ENTRANCE FEES

As of December 31, 2013 and 2012, Grace LifeCare, Inc 's total cumulative nonrefundable entrance fees of approximately $16,941,000 and $17,303,000, respectively, are recognized over the estimated life expectancy of the related residents Accumulated income recognized as of December 31, 2013 and 2012 was approximately $8,530,000 and $8,669,000, respectively, resulting in deferred revenue from entrance fees, net of current portion, of approximately $8,411,000 and $8,634,000, respectively Revenue of approximately $1,573,000 and $1,495,000 was recognized as Other Revenue for the years ended December 31, 2013 and 2012, respectively

NOTE 12 STATUTORY OPERATING RESERVE

Under regulations of the North Carolina Insurance Commission effective in March 1997, continuing care retirement communities are required to maintain an operating reserve equal to 25 percent of certain occupancy costs projected for the 12-month period following the period covered by the most recent annual statement filed with the Department of Insurance If occupancy levels are less than 90 percent, the operating reserve requirement is 50 percent of certain occupancy costs Grace LifeCare, Inc 's occupancy level was less than 90 percent at December 31, 2013 and 2012 The statutory operating reserve required at December 31, 2013 and 2012 was approximately $4,266,000 and $3,980,000, respectively

NOTE 13 RESTRICTED NET ASSETS

Endowment Funds

BRHC has several endowment funds, the income of which may be expended for specific purposes BRHC follows the provisions of the financial accounting standard for endowments of not-for-profit organizations (the "UPMIFA Standard") with respect to the accounting for the corpus and income recognition on endowment funds as follows

Corpus
Endowment funds include (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment BRHC consults with legal counsel on the interpretation of UPMIFA with regard to preserving the fair value of original gifts as of the gift date of donor-restricted endowment funds, absent explicit donor stipulations to the contrary

Income
Income earned on endowment funds that is not required by the donor to be added to the corpus of the endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by BRHC in a manner consistent with the standard of prudence prescribed in UPMIFA BRHC considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds

- The duration and preservation of the fund
- The purposes of BRHC and the donor restricted endowment fund
- General economic conditions
- The expected total return from income and the appreciation of investments
- Other resources of BRHC
- The investment policy of BRHC

Investment Objectives and Strategies
BRHC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment Endowment assets include those assets of donor-restricted funds that BRHC must hold in perpetuity or for a donor-specified period Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve and grow capital, strive for consistent absolute returns, preserve purchasing power by striving for long-term returns which either match or exceed the set payout, fees and inflation without putting the principal value at imprudent risk, and diversify investments consistent with commonly accepted industry standards to minimize the risk of large losses

NOTE 13 RESTRICTED NET ASSETS (CONTINUED)

Endowment Funds (Continued)

To satisfy its long-term rate of return objectives, BRHC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) Management targets a diversified asset allocation that meets BRHC's long-term rate-of-return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle

Appropriation Policy

BRHC's appropriation or spending policy is consistent with its objective to preserve the fair value of the original gift of the endowment assets held in perpetuity as well, as to provide additional real growth through new gifts and investment return

Deficiencies

From time to time, the fair value of assets in endowment funds may fall below the required level stipulated by the donor In accordance with the UPMIFA Standard, deficiencies of this nature are reported in unrestricted net assets If future investment returns do not alleviate the deficiency, BRHC may be required to contribute additional amounts to the fund At December 31, 2013, there were no deficiencies

Permanently restricted net assets at December 31, 2013 and 2012 are as follows

	2013	2012
Cancer Center / Community Outreach	$ 605,262	$ 605,262
Nursing Scholarships	109,172	109,172
Medical Education Scholarships	160,000	160,000
	$ 874,434	$ 874,434

Temporarily restricted endowment net assets related to the permanently restricted endowments are available for the following purposes at December 31, 2013 and 2012

	2013	2012
Cancer Center / Community Outreach	$ 122,428	$ 87,813
Nursing Scholarships	68,185	46,427
Medical Education Scholarships	47,205	30,114
	$ 237,818	$ 164,354

NOTE 13 RESTRICTED NET ASSETS (CONTINUED)

Endowment Funds (Continued)

The following table summarizes endowment fund activity, including contributions, income earned and appropriations for the years ended December 31, 2013 and 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment Net Assets, December 31, 2011	$ -	$ 78,367	$ 874,434
Contributions (Distributions), Net	-	(11,484)	-
Investment Income	-	26,375	-
Unrealized Gains	-	71,096	-
Endowment Net Assets, December 31, 2012	-	164,354	874,434
Contributions (Distributions), Net	-	(56,563)	-
Investment Income	-	39,872	-
Unrealized Gains	-	90,155	-
Endowment Net Assets, December 31, 2013	$ -	$ 237,818	$ 874,434

NOTE 14 FUNCTIONAL EXPENSES

BRHC primarily provides general health care services to residents within its geographic area Fundraising expenses are not significant and are included in general and administrative expenses Expenses related to providing these services for the years ended December 31, 2013 and 2012 are as follows

	2013	2012
Health Care Services	$ 139,113,643	$ 133,575,391
General and Administrative	85,904,073	82,484,147
	$ 225,017,716	$ 216,059,538

NOTE 15 SELF-INSURANCE BENEFITS

BRHC is self-insured for employee medical benefits The plan covers all full-time employees and any part-time employees who work at least 24 hours each week beginning on the first day of the month on or following their 30th day of employment The plan also covers employees who retired with at least 20 years of service and age 62 until the retiree reaches the age of 65 BRHC contributes approximately 70% of the benefits for full-time and part-time employees BRHC also withholds from employees any additional amounts for elected covered dependents As claims are processed by the plan's administrator, the administrator invoices BRHC for claims to be paid

NOTE 15 SELF-INSURANCE BENEFITS (CONTINUED)

BRHC has specific stop-loss coverage of $250,000 per covered employee/dependent BRHC's liability consisted of approximately $1,830,000 and $1,580,000 in estimated claims incurred but not reported as of December 31, 2013 and 2012, respectively This liability is reflected within other accrued expenses in the accompanying balance sheets BRHC's expense relating to the plan for the years ended December 31, 2013 and 2012 was approximately $10,660,000 and $8,311,000, respectively

NOTE 16 COMMITMENTS AND CONTINGENCIES

Professional Liability

BRHC is subject to legal proceedings and claims which arise in the course of providing health care services BRHC currently maintains malpractice insurance coverage on a claims-made basis for claims made during the term of the policy In management's opinion, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for asserted and unasserted claims not covered by the policy and any other uninsured liability Additionally, BRHC carries excess coverage through an umbrella policy

Legal Environment

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 regulations by health care providers Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed

Contractual Commitments

BRHC has entered into contracts for various construction projects for which remaining commitments totaled approximately $6,440,000 at December 31, 2013 and are expected to be funded with BRHC's operating cash flows or board-designated assets limited as to use

SUPPLEMENTARY CONSOLIDATING INFORMATION

BLUE RIDGE HEALTHCARE
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2013

	Blue Ridge HealthCare System, Inc	Blue Ridge HealthCare Hospitals and Subsidiaries	Valdese Nursing Home	Blue Ridge Medical Group, Inc	Eliminations	**Subtotal**	Blue Ridge Foundation, Inc	Eliminations	**Consolidated Totals**
ASSETS									
CURRENT ASSETS									
Cash and Cash Equivalents	$ (627,751)	$ 2,002,175	$ 131,161	$ 773,953	$ -	**$ 2,279,538**	$ 263,061	$ -	**$ 2,542,599**
Patient Accounts Receivable, Net	-	34,600,371	769,838	3,476,041	-	**38,846,250**	-	-	**38,846,250**
Other Accounts Receivable	84,219,063	18,680,299	(3,126,728)	(14,934,938)	(82,480,360)	**2,357,336**	166,815	(25,415)	**2,498,736**
Inventories	-	3,092,463	18,486	-	-	**3,110,949**	-	-	**3,110,949**
Prepaid Expenses and Other	11,093	1,116,452	24,554	228,441	-	**1,380,540**	-	-	**1,380,540**
Funds Held by Trustee for Debt Service	3,904,439	-	-	-	-	**3,904,439**	-	-	**3,904,439**
Total Current Assets	87,506,844	59,491,760	(2,182,689)	(10,456,503)	(82,480,360)	**51,879,052**	429,876	(25,415)	**52,283,513**
ASSETS LIMITED AS TO USE									
Restricted by Donor	-	-	-	-	-	**-**	1,787,773	-	**1,787,773**
Statutory Operating Reserve	-	4,266,054	-	-	-	**4,266,054**	-	-	**4,266,054**
Board-Designated for Community Benefit	20,866	4,110,248	-	-	-	**4,131,114**	-	-	**4,131,114**
Board-Designated as Funded Depreciation	-	99,199,822	-	-	-	**99,199,822**	-	-	**99,199,822**
Board-Designated for Scholarships	-	129,219	-	-	-	**129,219**	-	-	**129,219**
Total Assets Limited as to Use	20,866	107,705,343	-	-	-	**107,726,209**	1,787,773	-	**109,513,982**
MARKETABLE SECURITIES	-	28,362,791	-	-	-	**28,362,791**	219,294	-	**28,582,085**
PROPERTY AND EQUIPMENT, NET	-	138,422,900	1,679,808	6,804,272	-	**146,906,980**	24,000	-	**146,930,980**
OTHER ASSETS, NET	1,398,446	5,613,241	12,811	12,454	(396,001)	**6,640,951**	-	-	**6,640,951**
Total Assets	$ 88,926,156	$ 339,596,035	$ (490,070)	$ (3,639,777)	$ (82,876,361)	**$ 341,515,983**	$ 2,460,943	$ (25,415)	**$ 343,951,511**
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Accounts Payable	$ 6,722,222	$ 5,137,810	$ 161,334	$ 586,199	$ -	**$ 12,607,565**	$ 188,125	$ (188,128)	**$ 12,607,562**
Accrued Expenses and Other Liabilities	1,885,637	13,849,431	327,774	1,871,639	-	**17,934,481**	289,419	162,713	**18,386,613**
Refundable Entrance Fees	-	148,341	-	-	-	**148,341**	-	-	**148,341**
Estimated Third-Party Reserves	-	5,970,447	212,053	-	-	**6,182,500**	-	-	**6,182,500**
Current Portion of Long-Term Debt	2,045,000	215,170	-	-	-	**2,260,170**	-	-	**2,260,170**
Total Current Liabilities	10,652,859	25,321,199	701,161	2,457,838	-	**39,133,057**	477,544	(25,415)	**39,585,186**
LONG-TERM DEBT, NET	78,839,455	82,480,360	-	-	(82,480,360)	**78,839,455**	-	-	**78,839,455**
REFUNDABLE ENTRANCE FEES	-	2,888,315	-	-	-	**2,888,315**	-	-	**2,888,315**
DEFERRED REVENUE FROM ENTRANCE FEES	-	8,410,719	-	-	-	**8,410,719**	-	-	**8,410,719**
Total Liabilities	89,492,314	119,100,593	701,161	2,457,838	(82,480,360)	**129,271,546**	477,544	(25,415)	**129,723,675**
NET ASSETS									
Unrestricted	(566,158)	220,419,462	(1,191,231)	(6,097,615)	(396,001)	**212,168,457**	479,941	-	**212,648,398**
Temporarily Restricted	-	75,980	-	-	-	**75,980**	629,024	-	**705,004**
Permanently Restricted	-	-	-	-	-	**-**	874,434	-	**874,434**
Total Net Assets	(566,158)	220,495,442	(1,191,231)	(6,097,615)	(396,001)	**212,244,437**	1,983,399	-	**214,227,836**
Total Liabilities and Net Assets	$ 88,926,156	$ 339,596,035	$ (490,070)	$ (3,639,777)	$ (82,876,361)	**$ 341,515,983**	$ 2,460,943	$ (25,415)	**$ 343,951,511**

BLUE RIDGE HEALTHCARE
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2013

	Blue Ridge HealthCare System, Inc	Blue Ridge HealthCare Hospitals and Subsidiaries	Valdese Nursing Home	Blue Ridge Medical Group, Inc	Eliminations	**Subtotal**	Blue Ridge Foundation, Inc	Eliminations	**Consolidated Totals**
REVENUES									
Patient Service Revenue	$ -	$ 224,975,720	$ 8,122,470	$ 24,936,287	$ -	**$ 258,034,477**	$ -	$ (30,310)	**$ 258,004,167**
Provision for Uncollectible Accounts	-	(36,817,387)	(156,648)	(1,713,754)	-	**(38,687,789)**	(4,444)	-	**(38,692,233)**
Net Patient Service Revenue	-	188,158,333	7,965,822	23,222,533	-	**219,346,688**	(4,444)	(30,310)	**219,311,934**
Other Revenue	124,981	10,833,130	10,524	1,554,364	-	**12,522,999**	1,279,082	(541,292)	**13,260,789**
Inter-Facility Revenue	7,188,999	9,396,846	-	7,040,517	(23,626,362)	**-**	-	-	**-**
Total Revenues	7,313,980	208,388,309	7,976,346	31,817,414	(23,626,362)	**231,869,687**	1,274,638	(571,602)	**232,572,723**
EXPENSES									
Employee Compensation	-	92,680,232	5,989,529	23,101,238	-	**121,770,999**	218,755	(29,326)	**121,960,428**
Medical and General Supplies	80,312	28,561,090	579,215	1,961,712	-	**31,182,329**	54,929	-	**31,237,258**
Purchased Services	-	14,895,406	256,960	1,094,412	-	**16,246,778**	1,038	-	**16,247,816**
Professional Fees	3,687,361	15,066,507	51,668	3,654,948	-	**22,460,484**	64,267	-	**22,524,751**
Depreciation and Amortization	102,860	11,751,937	139,549	1,020,853	-	**13,015,199**	-	-	**13,015,199**
Interest	3,731,217	4,128	-	-	-	**3,735,345**	-	-	**3,735,345**
Inter-Facility Expense	-	14,119,315	719,174	8,787,873	(23,626,362)	**-**	-	-	**-**
Other Expenses	35,669	13,125,805	612,105	2,421,550	-	**16,195,129**	846,279	(744,489)	**16,296,919**
Total Expenses	7,637,419	190,204,420	8,348,200	42,042,586	(23,626,362)	**224,606,263**	1,185,268	(773,815)	**225,017,716**
OPERATING INCOME (LOSS)	(323,439)	18,183,889	(371,854)	(10,225,172)	-	**7,263,424**	89,370	202,213	**7,555,007**
OTHER INCOME (LOSS)									
Investment Income, Net	866	16,022,346	20	-	-	**16,023,232**	6,592	-	**16,029,824**
Other, Net	768	257,240	778	-	-	**258,786**	-	(202,213)	**56,573**
Total Other Income (Loss), Net	1,634	16,279,586	798	-	-	**16,282,018**	6,592	(202,213)	**16,086,397**
EXCESS OF REVENUES OVER (UNDER) EXPENSES	(321,805)	34,463,475	(371,056)	(10,225,172)	-	**23,545,442**	95,962	-	**23,641,404**
CHANGE IN NET UNREALIZED GAINS (LOSSES) ON INVESTMENTS	-	(2,034,131)	-	-	-	**(2,034,131)**	12,116	-	**(2,022,015)**
CHANGE IN UNRESTRICTED NET ASSETS	$ (321,805)	$ 32,429,344	$ (371,056)	$ (10,225,172)	$ -	**$ 21,511,311**	$ 108,078	$ -	**$ 21,619,389**

BLUE RIDGE HEALTHCARE
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

	Blue Ridge HealthCare System, Inc	Blue Ridge HealthCare Hospitals and Subsidiaries	Valdese Nursing Home	Blue Ridge Medical Group, Inc	Eliminations	**Subtotal**	Blue Ridge Foundation, Inc	Eliminations	**Consolidated Totals**
CASH FLOWS FROM OPERATING ACTIVITIES									
Change in Net Assets	$ (321,805)	$ 32,424,814	$ (371,056)	$ (10,225,172)	$ -	**$ 21,506,781**	$ 166,342	$ -	**$ 21,673,123**
Adjustments to Reconcile Change in Net Assets to									
to Net Cash Provided by (Used in) Operating Activities									
Amortization of Deferred Revenue from Entrance Fees	-	(1,573,089)	-	-	-	**(1,573,089)**	-	-	**(1,573,089)**
Provision for Uncollectible Accounts	-	(36,817,387)	(156,648)	(1,713,754)	-	**(38,687,789)**	(4,444)	-	**(38,692,233)**
Depreciation and Amortization	102,860	11,751,937	139,549	1,020,853	-	**13,015,199**	-	-	**13,015,199**
(Gain) / Loss from Disposals of Property and Equipment, Net	-	(171,097)	778	-	-	**(170,319)**	-	-	**(170,319)**
Change in Net Unrealized Gains on Investments	-	(1,835,945)	-	-	-	**(1,835,945)**	(12,116)	-	**(1,848,061)**
Change in Operating Assets and Liabilities									
Patient and Other Accounts Receivable, Net	4,952,550	35,050,353	444,296	(188,530)	(1,975,557)	**38,283,112**	38,486	-	**38,321,598**
Inventories	-	(132,050)	(4,316)	-	-	**(136,366)**	-	-	**(136,366)**
Prepaid Expenses and Other	7,100	(209,110)	(11,829)	(130,080)	-	**(343,919)**	-	-	**(343,919)**
Due from (to) Under Integration Agreement, Net	205,854	(11,162,962)	(131,061)	11,088,169	-	**-**	-	-	**-**
Accounts Payable	(1,156,604)	378,758	29,063	(18,731)	-	**(767,514)**	(107,302)	-	**(874,816)**
Accrued Expenses and Other Liabilities	(305,786)	3,161,462	(79,731)	334,411	-	**3,110,356**	(13,867)	-	**3,096,489**
Estimated Third-Party Reserves	-	74,078	-	-	-	**74,078**	-	-	**74,078**
Other Assets and Liabilities	-	77,970	(1,628)	(12,454)	-	**63,888**	-	-	**63,888**
Net Cash Provided by (Used in) Operating Activities	3,484,169	31,017,732	(142,583)	154,712	(1,975,557)	**32,538,473**	67,099	-	**32,605,572**
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchases of Marketable Securities	-	(21,397,957)	-	-	-	**(21,397,957)**	-	-	**(21,397,957)**
Proceeds from Sales and Maturities of Marketable Securities	-	20,231,041	-	-	-	**20,231,041**	-	-	**20,231,041**
Purchases of Assets Whose Use is Limited	(41,241)	(53,422,607)	-	-	-	**(53,463,848)**	(269,482)	-	**(53,733,330)**
Proceeds from Sales and Maturities of Assets Whose Use is Limited	-	40,923,743	-	-	-	**40,923,743**	-	-	**40,923,743**
Purchases of Property and Equipment, Net	-	(16,891,931)	(24,924)	(469,392)	-	**(17,386,247)**	-	-	**(17,386,247)**
Net Cash Used in Investing Activities	(41,241)	(30,557,711)	(24,924)	(469,392)	-	**(31,093,268)**	(269,482)	-	**(31,362,750)**
CASH FLOWS FROM FINANCING ACTIVITIES									
Refunds of Entrance Fees	-	(459,134)	-	-	-	**(459,134)**	-	-	**(459,134)**
Proceeds from Entrance Fees	-	2,324,223	-	-	-	**2,324,223**	-	-	**2,324,223**
Change in Due to/from Affiliates for Non-Operating Activities	-	(3,436,459)	-	-	1,975,557	**(1,460,902)**	-	-	**(1,460,902)**
Repayments of Line of Credit	(70,034)	-	-	-	-	**(70,034)**	-	-	**(70,034)**
Repayments of Long-Term Debt	(2,048,913)	-	-	-	-	**(2,048,913)**	-	-	**(2,048,913)**
Net Cash Provided by (Used in) Financing Activities	(2,118,947)	(1,571,370)	-	-	1,975,557	**(1,714,760)**	-	-	**(1,714,760)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,323,981	(1,111,349)	(167,507)	(314,680)	-	**(269,555)**	(202,383)	-	**(471,938)**
Cash and Cash Equivalents - Beginning of Year	(1,951,732)	3,113,524	298,668	1,088,633	-	**2,549,093**	465,444	-	**3,014,537**
CASH AND CASH EQUIVALENTS - END OF YEAR	$ (627,751)	$ 2,002,175	$ 131,161	$ 773,953	$ -	**$ 2,279,538**	$ 263,061	$ -	**$ 2,542,599**

BLUE RIDGE HEALTHCARE HOSPITALS
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2013

	Grace LifeCare	Grace Nursing Center	**Subtotal**	Blue Ridge HealthCare Hospitals	Eliminations	**Consolidated Totals**
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	$ 660,414	$ 184,144	**$ 844,558**	$ 1,157,617	$ -	**$ 2,002,175**
Patient Accounts Receivable, Net	41,395	822,953	**864,348**	33,736,023	-	**34,600,371**
Other Accounts Receivable	(2,480,406)	1,111,011	**(1,369,395)**	25,027,897	(4,978,203)	**18,680,299**
Inventories	24,290	11,241	**35,531**	3,056,932	-	**3,092,463**
Prepaid Expenses and Other	27,879	34,081	**61,960**	1,054,492	-	**1,116,452**
Total Current Assets	(1,726,428)	2,163,430	**437,002**	64,032,961	(4,978,203)	**59,491,760**
ASSETS LIMITED AS TO USE						
Statutory Operating Reserve	4,266,054	-	**4,266,054**	-	-	**4,266,054**
Board-Designated for Community Benefit	-	-	**-**	4,110,248	-	**4,110,248**
Board-Designated as Funded Depreciation	-	-	**-**	99,199,822	-	**99,199,822**
Board-Designated for Scholarships	-	-	**-**	129,219	-	**129,219**
Total Assets Limited as to Use	4,266,054	-	**4,266,054**	103,439,289	-	**107,705,343**
MARKETABLE SECURITIES	82,432	-	**82,432**	28,280,359	-	**28,362,791**
PROPERTY AND EQUIPMENT, NET	14,798,083	1,516,048	**16,314,131**	122,108,769	-	**138,422,900**
OTHER ASSETS, NET	1,047,457	15,602	**1,063,059**	5,075,182	(525,000)	**5,613,241**
Total Assets	$ 18,467,598	$ 3,695,080	**$ 22,162,678**	$ 322,936,560	$ (5,503,203)	**$ 339,596,035**
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable	$ 93,139	$ 156,591	**$ 249,730**	$ 4,888,080	$ -	**$ 5,137,810**
Accrued Expenses and Other Liabilities	771,562	416,882	**1,188,444**	12,660,987	-	**13,849,431**
Refundable Entrance Fees	148,341	-	**148,341**	-	-	**148,341**
Estimated Third-Party Reserves	-	119,999	**119,999**	5,850,448	-	**5,970,447**
Current Portion of Long-Term Debt	426,129	-	**426,129**	215,170	(426,129)	**215,170**
Total Current Liabilities	1,439,171	693,472	**2,132,643**	23,614,685	(426,129)	**25,321,199**
LONG-TERM DEBT	4,552,074	-	**4,552,074**	82,480,360	(4,552,074)	**82,480,360**
REFUNDABLE ENTRANCE FEES	2,888,315	-	**2,888,315**	-	-	**2,888,315**
DEFERRED REVENUE FROM ENTRANCE FEES	8,410,719	-	**8,410,719**	-	-	**8,410,719**
Total Liabilities	17,290,279	693,472	**17,983,751**	106,095,045	(4,978,203)	**119,100,593**
NET ASSETS						
Unrestricted	1,146,446	2,995,984	**4,142,430**	216,802,032	(525,000)	**220,419,462**
Temporarily Restricted	30,873	5,624	**36,497**	39,483	-	**75,980**
Total Net Assets	1,177,319	3,001,608	**4,178,927**	216,841,515	(525,000)	**220,495,442**
Total Liabilities and Net Assets	$ 18,467,598	$ 3,695,080	**$ 22,162,678**	$ 322,936,560	$ (5,503,203)	**$ 339,596,035**

BLUE RIDGE HEALTHCARE HOSPITALS
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2013

	Grace LifeCare	Grace Nursing Center	**Subtotal**	Blue Ridge HealthCare Hospitals	Eliminations	**Consolidated Totals**
REVENUES						
Patient Service Revenue	$ 2,303,351	$ 8,752,601	**$ 11,055,952**	$ 213,919,768	$ -	**$ 224,975,720**
Provision for Uncollectible Accounts	(2,225)	(89,587)	**(91,812)**	(36,725,575)	-	**(36,817,387)**
Net Patient Service Revenue	2,301,126	8,663,014	**10,964,140**	177,194,193	-	**188,158,333**
Other Revenue	5,252,215	10,668	**5,262,883**	5,570,247	-	**10,833,130**
Inter-Facility Revenue	14,293	17,711	**32,004**	10,386,896	(1,022,054)	**9,396,846**
Total Revenues	7,567,634	8,691,393	**16,259,027**	193,151,336	(1,022,054)	**208,388,309**
EXPENSES						
Employee Compensation	4,715,224	5,983,906	**10,699,130**	81,981,102	-	**92,680,232**
Medical and General Supplies	758,241	647,093	**1,405,334**	27,155,756	-	**28,561,090**
Purchased Services	681,515	215,504	**897,019**	13,998,387	-	**14,895,406**
Professional Fees	263,585	33,643	**297,228**	14,769,279	-	**15,066,507**
Depreciation and Amortization	769,571	181,309	**950,880**	10,801,057	-	**11,751,937**
Interest	-	-	**-**	4,128	-	**4,128**
Inter-Facility Expense	663,851	590,050	**1,253,901**	13,887,468	(1,022,054)	**14,119,315**
Other Expenses	723,182	753,689	**1,476,871**	11,648,934	-	**13,125,805**
Total Expenses	8,575,169	8,405,194	**16,980,363**	174,246,111	(1,022,054)	**190,204,420**
OPERATING INCOME (LOSS)	(1,007,535)	286,199	**(721,336)**	18,905,225	-	**18,183,889**
OTHER INCOME						
Investment Income, Net	502,516	35	**502,551**	15,519,795	-	**16,022,346**
Other, Net	6,515	-	**6,515**	250,725	-	**257,240**
Total Other Income, Net	509,031	35	**509,066**	15,770,520	-	**16,279,586**
EXCESS OF REVENUES OVER (UNDER) EXPENSES	(498,504)	286,234	**(212,270)**	34,675,745	-	**34,463,475**
CHANGE IN NET UNREALIZED LOSSES ON INVESTMENTS	(99,093)	-	**(99,093)**	(1,935,038)	-	**(2,034,131)**
CHANGE IN UNRESTRICTED NET ASSETS	$ (597,597)	$ 286,234	**$ (311,363)**	$ 32,740,707	$ -	**$ 32,429,344**

BLUE RIDGE HEALTHCARE HOSPITALS
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

	Grace LifeCare	Grace Nursing Center	Subtotal	Blue Ridge HealthCare Hospitals	Eliminations	Consolidated Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Change in Net Assets	$ (602,179)	$ 286,286	**$ (315,893)**	$ 32,740,707	$ -	**$ 32,424,814**
Adjustments to Reconcile Change in Net Assets to to Net Cash Provided by (Used in) Operating Activities						
Amortization of Deferred Revenue from Entrance Fees	(1,573,089)	-	**(1,573,089)**	-	-	**(1,573,089)**
Provision for Uncollectible Accounts	(2,225)	(89,587)	**(91,812)**	(36,725,575)	-	**(36,817,387)**
Depreciation and Amortization	769,571	181,309	**950,880**	10,801,057	-	**11,751,937**
(Gain) / Loss from Disposals of Property and Equipment, Net	(800)	-	**(800)**	(170,297)	-	**(171,097)**
Change in Net Unrealized Gains (Losses) on Investments	99,093	-	**99,093**	(1,935,038)	-	**(1,835,945)**
Change in Operating Assets and Liabilities						
Patient and Other Accounts Receivable, Net	1,174,827	(105,619)	**1,069,208**	33,184,214	796,931	**35,050,353**
Inventories	(616)	(2,526)	**(3,142)**	(128,908)	-	**(132,050)**
Prepaid Expenses and Other	(4,521)	(9,059)	**(13,580)**	(195,530)	-	**(209,110)**
Due from (to) Under Integration Agreement, Net	(85,820)	(128,799)	**(214,619)**	(10,948,343)	-	**(11,162,962)**
Accounts Payable	17,121	33,184	**50,305**	328,453	-	**378,758**
Accrued Expenses and Other Liabilities	32,487	(3,110)	**29,377**	3,132,085	-	**3,161,462**
Estimated Third-Party Reserves	-	-	**-**	74,078	-	**74,078**
Other Assets and Liabilities	4,813	2,444	**7,257**	70,713	-	**77,970**
Net Cash Provided by (Used In) Operating Activities	(171,338)	164,523	**(6,815)**	30,227,616	796,931	**31,017,732**
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of Marketable Securities	-	-	**-**	(21,397,957)	-	**(21,397,957)**
Proceeds from Sales and Maturities of Marketable Securities	-	-	**-**	20,231,041	-	**20,231,041**
Purchase of Assets Whose Use is Limited	(502,516)	-	**(502,516)**	(68,439,886)	-	**(68,942,402)**
Proceeds from Sales and Maturities of Assets Whose Use is Limited	500,046	-	**500,046**	40,423,697	-	**40,923,743**
Investment Income	-	-	**-**	15,519,795	-	**15,519,795**
Purchases of Property and Equipment, Net	(979,964)	(97,457)	**(1,077,421)**	(15,814,510)	-	**(16,891,931)**
Net Cash Used in Investing Activities	(982,434)	(97,457)	**(1,079,891)**	(29,477,820)	-	**(30,557,711)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Refunds of Entrance Fees	(459,134)	-	**(459,134)**	-	-	**(459,134)**
Proceeds from Entrance Fees	2,324,223	-	**2,324,223**	-	-	**2,324,223**
Change in Due to/from Affiliates for Non-Operating Activities	(407,414)	-	**(407,414)**	(2,232,114)	(796,931)	**(3,436,459)**
Net Cash Provided by (Used in) Financing Activities	1,457,675	-	**1,457,675**	(2,232,114)	(796,931)	**(1,571,370)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	303,903	67,066	**370,969**	(1,482,318)	-	**(1,111,349)**
Cash and Cash Equivalents - Beginning of Year	356,511	117,078	**473,589**	2,639,935	-	**3,113,524**
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 660,414	$ 184,144	**$ 844,558**	$ 1,157,617	$ -	**$ 2,002,175**