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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 10-01-2013, 2013, and ending 09-30-2014

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

The Outer Banks Hospital Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address)

2100 Stantonsburg Road

Room/suite

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

Greenville, NC 27835

D Employer identification number

56-2112733

E Telephone number

(252) 847-5129

G Gross receipts \$

69,200,763

F Name and address of principal officer

Ronald Sloan

2100 Stantonsburg Road

Greenville, NC 27835

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.theouterbankshospital.com

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

2002

M State of legal domicile

NC

Part I Summary																																				
Activities & Governance	1 Briefly describe the organization's mission or most significant activities To provide a wide range of quality services to the residents and visitors of the Outer Banks																																			
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets																																			
	<table><tr><td>3</td><td>Number of voting members of the governing body (Part VI, line 1a)</td><td>3</td><td>10</td></tr><tr><td>4</td><td>Number of independent voting members of the governing body (Part VI, line 1b)</td><td>4</td><td>9</td></tr><tr><td>5</td><td>Total number of individuals employed in calendar year 2013 (Part V, line 2a)</td><td>5</td><td>328</td></tr><tr><td>6</td><td>Total number of volunteers (estimate if necessary)</td><td>6</td><td>63</td></tr><tr><td>7a</td><td>Total unrelated business revenue from Part VIII, column (C), line 12</td><td>7a</td><td>0</td></tr><tr><td>b</td><td>Net unrelated business taxable income from Form 990-T, line 34</td><td>7b</td><td>0</td></tr></table>	3	Number of voting members of the governing body (Part VI, line 1a)	3	10	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	9	5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	328	6	Total number of volunteers (estimate if necessary)	6	63	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0	b	Net unrelated business taxable income from Form 990-T, line 34	7b	0											
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Revenue	<table><tr><th></th><th>Prior Year</th><th>Current Year</th></tr><tr><td>8</td><td>Contributions and grants (Part VIII, line 1h)</td><td>0</td><td>224,339</td></tr><tr><td>9</td><td>Program service revenue (Part VIII, line 2g)</td><td>62,434,669</td><td>67,810,517</td></tr><tr><td>10</td><td>Investment income (Part VIII, column (A), lines 3, 4, and 7d)</td><td>88,388</td><td>94,905</td></tr><tr><td>11</td><td>Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)</td><td>1,079,310</td><td>1,071,002</td></tr><tr><td>12</td><td>Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)</td><td>63,602,367</td><td>69,200,763</td></tr></table>		Prior Year	Current Year	8	Contributions and grants (Part VIII, line 1h)	0	224,339	9	Program service revenue (Part VIII, line 2g)	62,434,669	67,810,517	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	88,388	94,905	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,079,310	1,071,002	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	63,602,367	69,200,763												
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Expenses	<table><tr><td>13</td><td>Grants and similar amounts paid (Part IX, column (A), lines 1–3)</td><td>49,500</td><td>0</td></tr><tr><td>14</td><td>Benefits paid to or for members (Part IX, column (A), line 4)</td><td>0</td><td>0</td></tr><tr><td>15</td><td>Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)</td><td>21,038,717</td><td>19,883,888</td></tr><tr><td>16a</td><td>Professional fundraising fees (Part IX, column (A), line 11e)</td><td>0</td><td>0</td></tr><tr><td>b</td><td>Total fundraising expenses (Part IX, column (D), line 25) ☐ 0</td><td></td><td></td></tr><tr><td>17</td><td>Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)</td><td>33,481,470</td><td>36,286,804</td></tr><tr><td>18</td><td>Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)</td><td>54,569,687</td><td>56,170,692</td></tr><tr><td>19</td><td>Revenue less expenses Subtract line 18 from line 12</td><td>9,032,680</td><td>13,030,071</td></tr></table>	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	49,500	0	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	21,038,717	19,883,888	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)	33,481,470	36,286,804	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	54,569,687	56,170,692	19	Revenue less expenses Subtract line 18 from line 12	9,032,680	13,030,071			
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Net Assets or Fund Balances		Beginning of Current Year	End of Year																																	
	20	Total assets (Part X, line 16)	59,601,069	67,059,177																																
	21	Total liabilities (Part X, line 26)	7,747,736	7,450,328																																
	22	Net assets or fund balances Subtract line 21 from line 20	51,853,333	59,608,849																																

Part II Signature Block

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

Sign Here

Signature of officer

2015-08-12

Date

David Hughes Secretary/Treasurer

Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name

Wayne Harder

Preparer's signature

Date

Check ☐ if self-employed

PTIN P00294296

Firm's name

MCGLADREY LLP

Firm's EIN

42-0714325

Firm's address

1 S WACKER DRIVE STE 800

CHICAGO, IL 60606

Phone no

(312) 634-3400

May the IRS discuss this return with the preparer shown above? (see instructions)

☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2013)

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

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

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

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

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

If "Yes," describe these changes on Schedule O

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

4a

(Code) (Expenses \$ 37,335,827 including grants of \$) (Revenue \$ 56,119,057)

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

4b

(Code) (Expenses \$ 9,380,757 including grants of \$) (Revenue \$ 11,691,460)

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

4c

(Code) (Expenses \$ including grants of \$) (Revenue \$)

4d

Other program services (Describe in Schedule O)

(Expenses \$ including grants of \$) (Revenue \$)

4e

Total program service expenses ▶ 46,716,584

Part IV

Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d Yes	
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f 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? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
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? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>	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? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	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? <i>If so, complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		No
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response 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.		
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.		
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		
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.		
2b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?		No
3b	If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
5c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		No
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
7a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		No
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
7d	If "Yes," indicate the number of Forms 8282 filed during the year.		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		No
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		
9	Sponsoring organizations maintaining donor advised funds.		
9a	Did the organization make any taxable distributions under section 4966?		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter		
10a	Initiation fees and capital contributions included on Part VIII, line 12.		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		
11	Section 501(c)(12) organizations. Enter		
11a	Gross income from members or shareholders.		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
13a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		
13b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		
13c	Enter the amount of reserves on hand.		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		No
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		

Part VI

Governance, Management, and Disclosure

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

Check if Schedule O contains a response 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	10	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	9	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. ☐ Own website ☒ Another's website ☒ Upon request ☐ Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization Todd Warlitzer 2100 Stantonsburg Road Greenville, NC 27835 (252) 847-5129

Part VII

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

Check if Schedule O contains a response 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			
(1) Linda D Palombo EdD Chairman	2 00 0 00	X						0	0	0
(2) Ernest W Larkin MD Vice Chairman	2 00 0 00	X						0	0	0
(3) Beulah Chanty Ashby Board Director	2 00 0 00	X						0	0	0
(4) Peter Bastone Board Director	2 00 0 00	X						0	0	0
(5) Christine Petzing MD Board Director	2 00 0 00	X						0	0	0
(6) Roger Robertson Board Director	2 00 46 00	X						0	426,654	111,345
(7) Terry Wheeler Board Director	2 00 0 00	X						0	0	0
(8) Jody Midgette Board Director	2 00 0 00	X						0	0	0
(9) Arthur H Keeney III Board Director	2 00 6 00	X						0	0	0
(10) Steve Rodriquez Board Director	2 00 0 00	X						0	0	0
(11) Bob Guanci Past Board Director	2 00 0 00	X						0	0	0
(12) Todd Warlitner VP, Business Operations	40 00 0 00			X				154,171	0	55,560
(13) Ronald Sloan President, Outer Banks Hospital	40 00 0 00			X				245,486	0	74,848
(14) Judy Bruno VP, Clinical Operations	40 00 0 00			X				148,387	0	53,210
(15) Gary Hunter Anesthesiologist	40 00 0 00					X		436,804	0	43,613
(16) Monte Thompson Director, Pharmacy	40 00 0 00					X		152,651	0	20,432
(17) Steven McLawhorn Oncology Physicist - OBH	40 00 0 00					X		165,958	0	31,028

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)							(D) Reportable compensation from the organization (W- 2/1099- MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former				
(18) Edward Heise Director, Emergency - AMU	40 00 0 00					X		124,010	0	35,327	
(19) Mary Terrell Parnell Pharmacist	40 00 0 00					X		120,303	0	26,708	

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▶13

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
SE Emergency Physicians PO Box 634850 Cincinnati IL 452634850	Contract Employees	433,559
Aviation Anesthesia Association Inc 158 Battlefield Court Manteo NC 27954	Equipment Service/Repair	357,181
Frank X Biondi PO Box 1464 Nags Heah NC 279591464	CRNA Staffing	291,435
Shiftwise PO Box 70870 St Paul MN 55170	Staff Management	264,131
Shared Hospital Services Corp 3530 Elmhurst Lane Portsmouth VA 23701	Contract Employees	226,417
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 ▶5		

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	224,339		
	g	Noncash contributions included in lines 1a-1f \$		224,339		
	h	Total. Add lines 1a-1f		224,339		
Program Service Revenue	2a	Outpatient Revenue	Business Code 621110	56,119,057	56,119,057	
	b	Inpatient Revenue	621110	11,691,460	11,691,460	
	c					
	d					
	e					
	f	All other program service revenue				
	g	Total. Add lines 2a-2f		67,810,517		
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		94,905	
4		Income from investment of tax-exempt bond proceeds				
5		Royalties				
6a		(i) Real		250,277		
		(ii) Personal				
		Gross rents				
		Less rental expenses				
b		0				
c		Rental income or (loss)		250,277		
d		Net rental income or (loss)		250,277		250,277
7a		(i) Securities				
		(ii) Other				
		Gross amount from sales of assets other than inventory				
		Less cost or other basis and sales expenses				
b						
c		Gain or (loss)				
d		Net gain or (loss)				
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18				
		a				
		b	Less direct expenses			
c	Net income or (loss) from fundraising events					
9a	Gross income from gaming activities See Part IV, line 19					
	a					
	b	Less direct expenses				
c	Net income or (loss) from gaming activities					
10a	Gross sales of inventory, less returns and allowances					
	a					
	b	Less cost of goods sold				
	c	Net income or (loss) from sales of inventory				
Miscellaneous Revenue		Business Code				
11a	Employee Pharmacy	900099	291,100		291,100	
b	I/C Environmental Services	900099	204,501		204,501	
c	Cafeteria Meals	722210	94,290		94,290	
d	All other revenue		230,834		230,834	
e	Total. Add lines 11a-11d		820,725			
12	Total revenue. See Instructions		69,200,763	67,810,517	0	1,165,907

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.				
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.	576,411		576,411	
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.	15,418,367	12,334,694	3,083,673	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	197,235	157,788	39,447	
9	Other employee benefits.	2,588,149	2,070,519	517,630	
10	Payroll taxes.	1,103,726	882,981	220,745	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	26,172	20,938	5,234	
c	Accounting.	57,571	11,514	46,057	
d	Lobbying.	12,150		12,150	
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	3,297,729	2,647,903	649,826	
12	Advertising and promotion.	161,671	129,337	32,334	
13	Office expenses.	819,576	655,661	163,915	
14	Information technology.	301,910	241,528	60,382	
15	Royalties.				
16	Occupancy.	1,631,695	1,305,356	326,339	
17	Travel.	220,236	176,189	44,047	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.				
21	Payments to affiliates.	16,982		16,982	
22	Depreciation, depletion, and amortization.	2,357,603	2,357,603		
23	Insurance.	33,524	26,819	6,705	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	Bad Debt Expense	9,088,855	9,088,855		
b	Patient Supplies	8,465,372	6,772,298	1,693,074	
c	Shared Services Expense	4,259,289	3,407,427	851,862	
d	Repairs	1,201,717	961,374	240,343	
e	All other expenses	4,334,752	3,467,800	866,952	
25	Total functional expenses. Add lines 1 through 24e.	56,170,692	46,716,584	9,454,108	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)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			1	
	2	Savings and temporary cash investments		3,925,123	2	4,293,494
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		8,954,795	4	8,517,728
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		1,149,000	8	1,412,585
	9	Prepaid expenses and deferred charges		204,338	9	260,558
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	45,907,866		
	b	Less accumulated depreciation	10b	27,035,691	18,555,996	10c 18,872,175
	11	Investments—publicly traded securities		24,838,770	11	28,607,066
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		1,973,047	15	5,095,571
	16	Total assets. Add lines 1 through 15 (must equal line 34)		59,601,069	16	67,059,177
Liabilities	17	Accounts payable and accrued expenses		5,779,072	17	6,632,058
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		1,968,664	25	818,270
	26	Total liabilities. Add lines 17 through 25		7,747,736	26	7,450,328
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		51,853,333	27	59,608,849
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here ☐ and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		51,853,333	33	59,608,849
	34	Total liabilities and net assets/fund balances		59,601,069	34	67,059,177

Part XI Reconciliation 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	69,200,763
2	Total expenses (must equal Part IX, column (A), line 25)	2	56,170,692
3	Revenue less expenses Subtract line 2 from line 1	3	13,030,071
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	51,853,333
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-5,274,555
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	59,608,849

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

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 The Outer Banks Hospital Inc	Employer identification number 56-2112733
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Part I

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

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

1	☐	A church, convention of churches, or association of churches described in section 170(b)(1)(A)(i).
2	☐	A school described in section 170(b)(1)(A)(ii). (Attach Schedule E)
3	☒	A hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii).
4	☐	A medical research organization operated in conjunction with a hospital described in section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state _____
5	☐	An organization operated for the benefit of a college or university owned or operated by a governmental unit described in section 170(b)(1)(A)(iv). (Complete Part II)
6	☐	A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v).
7	☐	An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in section 170(b)(1)(A)(vi). (Complete Part II)
8	☐	A community trust described in section 170(b)(1)(A)(vi) (Complete Part II)
9	☐	An organization that normally receives (1) more than 33 ¹ / ₃ % of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 ¹ / ₃ % of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2). (Complete Part III)
10	☐	An organization organized and operated exclusively to test for public safety See section 509(a)(4).
11	☐	An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See section 509(a)(3). Check the box that describes the type of supporting organization and complete lines 11e through 11h a ☐ Type I b ☐ Type II c ☐ Type III - Functionally integrated d ☐ Type III - Non-functionally integrated
e	☐	By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
f	☐	If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
g	☐	Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons? (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization? (ii) A family member of a person described in (i) above? (iii) A 35% controlled entity of a person described in (i) or (ii) above?
h	☐	Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

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

Part II

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

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 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 The Outer Banks Hospital Inc	Employer identification number 56-2112733
--	--

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

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

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

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

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

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

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

Part II-A

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)															
c Total lobbying expenditures (add lines 1a and 1b)															
d Other exempt purpose expenditures															
e Total exempt purpose expenditures (add lines 1c and 1d)															
f Lobbying nontaxable amount Enter the amount from the following table in both columns															
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g Grassroots nontaxable amount (enter 25% of line 1f)															
h Subtract line 1g from line 1a If zero or less, enter -0-															
i Subtract line 1f from line 1c If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		☐ 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)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		12,150
j	Total. Add lines 1c through 1i.			12,150
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	Dues to NCHA are allocated 27.14% to lobbying

Part IV

Return Reference

Explanation

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 The Outer Banks Hospital Inc	Employer identification number 56-2112733
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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
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

3

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

4

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

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ _____

(ii) Assets included in Form 990, Part X

▶ \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

Part III

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

- 3

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

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations
- 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
- c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	
- 2a

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

☐ Yes

☐ No
- b

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

☐

Part V

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

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

- 2

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

Board designated or quasi-endowment

b

Permanent endowment

c

Temporarily restricted endowment
- The percentages in lines 2a, 2b, and 2c should equal 100%
- 3a

Are there endowment funds not in the possession of the organization that are held and administered for the organization by
- (i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No

4

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

Part VI

Land, Buildings, and Equipment. 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		1,694,182		1,694,182
b Buildings		29,467,327	16,921,865	12,545,462
c Leasehold improvements				
d Equipment		14,737,440	10,113,826	4,623,614
e Other		8,917		8,917
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				18,872,175

Schedule D (Form 990) 2013

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 Outer Banks Hospital, Inc. has been determined to qualify as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Outer Banks Hospital, Inc. has reviewed its tax positions for all open years and has concluded that no material liabilities exist as of September 30, 2014 and 2013. The Outer Banks Hospital, Inc. files tax returns with the U.S. federal and State of North Carolina jurisdictions. With few exceptions, The Outer Banks Hospital, Inc. is no longer subject to U.S. federal examinations by tax authorities for years before 2010.

[illegible]

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
The Outer Banks Hospital Inc

Employer identification number
56-2112733

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

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)			2,037,082		2,037,082	3 630 %
b Medicaid (from Worksheet 3, column a)						
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			2,037,082		2,037,082	3 630 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	16	5,509	1,160,877	14,776	1,146,101	2 040 %
f Health professions education (from Worksheet 5)	3	24	29,326		29,326	0 050 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	6	12,885	187,742		187,742	0 330 %
j Total Other Benefits	25	18,418	1,377,945	14,776	1,363,169	2 420 %
k Total. Add lines 7d and 7j	25	18,418	3,415,027	14,776	3,400,251	6 050 %

Part III

Community Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development	1		17,383		17,383	0.030 %
3 Community support	1		1,482		1,482	0 %
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building	1		9,933		9,933	0.020 %
7 Community health improvement advocacy						
8 Workforce development	1	78	15,781		15,781	0.030 %
9 Other						
10 Total	4	78	44,579		44,579	0.080 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

No

2

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

2

3,545,155

3

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

3

0

4

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

Section B. Medicare

5

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

5

16,488,393

6

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

6

17,162,839

7

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

7

-674,446

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

No

b

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

9b

Yes

No

Part IV

Management Companies and Joint Ventures

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

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1 1 The Outer Banks Hospital Medical Office Building LLC	Provision of Space for Providing Health Care	100.000 %	0 %	0 %
2 2 Outer Banks Professional Services LLC	Provision of Primary and Urgent Health Care	100.000 %	0 %	0 %
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

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

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

												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)
The Outer Banks Hospital Inc

Name of hospital facility or facility reporting group

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 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a ☒ A definition of the community served by the hospital facility		
b ☒ Demographics of the community		
c ☒ Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d ☒ How data was obtained		
e ☒ The health needs of the community		
f ☒ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g ☒ The process for identifying and prioritizing community health needs and services to meet the community health needs		
h ☒ The process for consulting with persons representing the community's interests		
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs		
j ☐ Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>		
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? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a ☐ Hospital facility's website (list url) _____		
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? If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000% If "No," explain in Part VI the criteria the hospital facility used	10	Yes
11	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care 200 000000000000% If "No," explain in Part VI the criteria the hospital facility used	11	Yes
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12	Yes
a	☒ 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? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14	Yes
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? If "Yes," check all actions in which the hospital facility or a third party engaged	17	No
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			

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.

[illegible]

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?_____

Name and address	Type of Facility (describe)
1 _____	
2 _____	
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

990 Schedule H, Supplemental Information

Form and Line Reference	Explanation
Part I, Line 6a	
Part I, Line 7	Costs were calculated using the estimated cost to charge ratio from The North Carolina Hospital Association's Advocacy Needs Data Initiative which is the standard for reporting community benefits in North Carolina
Part II, Community Building Activities	The community building activities of The Outer Banks Hospital involve services that are otherwise not provided by other organizations in the patient area
Part III, Line 2	In connection with the Presumptive Eligibility consideration of the Affordable Care Act, The Outer Banks Hospital does not reflect any bad debt in connection with FAP-eligible patients. These patients are presumed to be part of the Medicaid population and afforded coverage as such.
Part III, Line 4	The financial statements of The Outer Banks Hospital are presented on a consolidated basis as part of the consolidated financial statements of Vidant Health, the text of the footnote from page 20 is presented below: Patient Accounts Receivable: Patient Accounts Receivable are reported net of estimated allowances for contractual adjustments and allowances for bad debts. Estimated allowances for bad debts are approximately \$135.1 million and \$112.7 million as of September 30, 2013 and 2012, respectively.
Part III, Line 8	The shortfall of Medicare revenue to Medicare was calculated according to the cost to charge ratio. Allowable costs of care should be considered community benefit because in the area served by TOBH, there are no other providers available to provide the required services. Therefore, the care would become a government obligation and is treated as a community benefit provided by TOBH.
Part III, Line 9b	Recommended patient accounts will continue to go through the accounts receivable billing cycle as normal. When the account reaches the customer service/collections manager, financial counseling supervisor or patient accounts supervisor, based on the information given, a decision will be made whether to proceed with collection or refer the account for approval of charity care. The process will occur as follows: I. Financial counselors will try to locate third party payors. If not eligible for any third party coverage (including charities), they may, based upon the financial information received, recommend the patient for charity care. II. Patient counselors will review for any third party payors and verify employment and assets. A charity care application will need to be completed along with tax return, pay stubs, social security award letter and other financial information as may be required. III. The patient accounts supervisor, financial counseling supervisor or customer service/collections manager, based upon account balance and the information given, will make a decision whether to proceed with collection or refer the patient account for approval of charity care. Presumptive eligibility for charity care - there are occasions in which a patient may appear eligible for a charity care discount, but there is no financial assistance information available to support financial aid. A. Some patients are presumed to be eligible for charity care discounts on the basis of individual life circumstances (e.g., homelessness, patients with no income, bankruptcy, deceased patients with no estate or spouse, etc). B. Through the assistance of a third party vendor and certain algorithms, in conjunction with our charity policy guidelines, all accounts, prior to outside collection agency referral, will be tested for presumptive charity. C. The accounts deemed charity will be adjusted and the remaining accounts will be referred to an outside collection agency. D. Once the agency has had the accounts for six months and has deemed them uncollectible, the accounts with balances of \$1,200 or greater will remain with the agency and be kept on the patient's credit file. E. The accounts returned to the hospital will be placed in a unique financial class and will not be pursued for collections.
Part VI, Line 2	The organization assesses community need in conjunction with the state affiliated county health departments and other local health care organizations. See also Schedule H, Part V, Section B, lines 1-7.
Part VI, Line 3	Information is available on the organization's website and at registration for patients. In addition, face-to-face financial counseling is available to patients and their families in the central business office.
Part VI, Line 4	See Schedule O, Part III.
Part VI, Line 5	See Schedule O, Part III.
Part VI, Line 6	See Schedule O, Part III.
Part VI, Line 7, Reports Filed With States	NC

Additional Data

Software ID:
Software Version:
EIN: 56-2112733
Name: The Outer Banks Hospital Inc

990 Schedule H, Supplemental Information

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
The Outer Banks Hospital, Inc	
The Outer Banks Hospital, Inc	Part V, Section B, Line 5d The CHNA is available at https://www.vidanthealth.com/uploads/Files/UHSEastMain/UHS_East/CHNA_reports/TOBH%20CHNA%202013.pdf
The Outer Banks Hospital, Inc	Part V, Section B, Line 7 Certain community needs may not be fully documented or addressed in the Community Health Needs Assessment. These needs are generally those which other organizations share an overlap with The Outer Banks Hospital. TOBH is not equipped to handle all needs and has prioritized those that it can fully address.
The Outer Banks Hospital, Inc	Part V, Section B, Line 14g The full policy is not available on the facility website. In lieu of the policy, a concise summary is provided with pertinent details and phone numbers for additional information.

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
The Outer Banks Hospital Inc

Employer identification number
56-2112733

Part I

Questions Regarding Compensation

	Yes	No
1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items. ☐ First-class or charter travel ☐ Travel for companions ☐ Tax idemnification and gross-up payments ☐ Discretionary spending account ☐ Housing allowance or residence for personal use ☐ Payments for business use of personal residence ☐ Health or social club dues or initiation fees ☐ Personal services (e g , maid, chauffeur, chef)		
b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain.	1b	
2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?	2	
3 Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III. ☒ Compensation committee ☒ Independent compensation consultant ☐ Form 990 of other organizations ☐ Written employment contract ☒ Compensation survey or study ☒ 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? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.	4c	No
Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:		
a The organization?	5a	No
b Any related organization? If "Yes," to line 5a or 5b, describe in Part III.	5b	No
6 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:		
a The organization?	6a	No
b Any related organization? If "Yes," to line 6a or 6b, describe in Part III.	6b	No
7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III.	7	No
8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III.	8	No
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9	

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Roger Robertson Board Director	(i)	0	0	0	0	0	0	0
	(ii)	382,629	41,994	2,031	74,172	37,173	537,999	0
(2) Todd Warltnr VP, Business Operations	(i)	139,911	14,260	0	16,328	39,232	209,731	0
	(ii)	0	0	0	0	0	0	0
(3) Ronald Sloan President, Outer Banks Hospital	(i)	203,307	42,179	0	34,365	40,483	320,334	0
	(ii)	0	0	0	0	0	0	0
(4) Judy Bruno VP, Clinical Operations	(i)	134,250	14,137	0	15,644	37,566	201,597	0
	(ii)	0	0	0	0	0	0	0
(5) Gary Hunter Anesthesiologist	(i)	424,804	12,000	0	0	43,613	480,417	0
	(ii)	0	0	0	0	0	0	0
(6) Monte Thompson Director, Pharmacy	(i)	151,151	1,500	0	0	20,432	173,083	0
	(ii)	0	0	0	0	0	0	0
(7) Steven McLawhorn Oncology Physicist - OBH	(i)	164,458	1,500	0	0	31,028	196,986	0
	(ii)	0	0	0	0	0	0	0
(8) Edward Heise Director, Emergency - AMU	(i)	122,510	1,500	0	0	35,327	159,337	0
	(ii)	0	0	0	0	0	0	0

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 3	The Top Management Official is the President who is an employee of TOBH. The compensation is determined by the Compensation and Benefits Committee of the Vidant Health Board using comparative data from like organizations and input from consultants. This process is performed every two years, the last year being 2015. It will be performed again in fiscal year 2017. Compensation of other officers and key employees is also determined by the Compensation and Benefits Committee of the VH Board using comparative data from like organizations and input from consultants. This process is performed every two years, the last year being 2015. It will be performed again in fiscal year 2017. All compensation discussions and actions are documented and approved in the minutes of the Committee.
Part I, Line 4	As of January 1, 2013, the supplemental nonqualified retirement plan was frozen and no further amounts have accrued to its benefit. In lieu of the SERP, the comprehensive defined benefit pension plan will provide an equivalent benefit. The increase in the value of such plans is reflected in the sum of Part II, Column (C).

SCHEDULE M
(Form 990)

Department of the Treasury
Internal Revenue Service

Noncash Contributions

▶Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
▶ Attach to Form 990.

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
The Outer Banks Hospital Inc

Employer identification number
56-2112733

Part I Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art—Works of art				
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles	X	1	224,339	FMV
7 Boats and planes				
8 Intellectual property				
9 Securities—Publicly traded				
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures				
14 Qualified conservation contribution—Other				
15 Real estate—Residential				
16 Real estate—Commercial				
17 Real estate—Other				
18 Collectibles				
19 Food inventory				
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ▶ ()				
26 Other ▶()				
27 Other ▶()				
28 Other ▶ ()				
29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement	29	0		
30a During the year, did the organization receive by contribution any property reported in Part I, lines 1 through 28, that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?	30a	Yes	No	No
b If "Yes," describe the arrangement in Part II				
31 Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?	31	Yes	No	No
32a Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?	32a	Yes	No	No
b If "Yes," describe in Part II				
33 If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II				

Part II

Supplemental Information. Provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

Return Reference	Explanation
Part I, Column (b)	The amount in Column (b) represents the number of contributions received

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 The Outer Banks Hospital Inc	Employer identification number 56-2112733
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990 Schedule O, Supplemental Information

Return Reference	Explanation
Form 990, Part VI, Section A, line 6	
Form 990, Part VI, Section A, line 7a	The members elect the Board of Directors
Form 990, Part VI, Section A, line 7b	The following actions shall not be taken without unanimous consent of the members possess property, invest funds, additional capital contributions, admit members, merger or dissolution, amendment, certificate of need litigation, sale of assets, and business of the Corporation
Form 990, Part VI, Section B, line 11	Form 990 is made available to Board Members by posting to a Board Member's website Any Board Member who does not have the ability to access the return in this manner will receive a copy via electronic or regular mail The return is also reviewed by the Chief Financial Officer, Chief General Counsel and the Chief Audit and Compliance Officer of University Health Systems prior to filing
Form 990, Part VI, Section B, line 12	All Officers, Board Members and Key Employees are required to complete a yearly comprehensive conflict of interest questionnaire These responses are reviewed by legal counsel and any potential or actual conflicts are brought to the Board for disposition Board Members are instructed to report any potential conflicts arising during the year for review Board Members are required to recuse themselves from voting on issues in which they are deemed to have a conflict
Form 990, Part VI, Section B, line 15	The Top Management Official is the President who is an employee of The Outer Banks Hospital, Inc The compensation is determined by the Compensation and Benefits Committee of the Vident Health Board using comparative data from like organizations and input from consultants This process is performed every two years, the last year being 2015 It will be performed again in fiscal year 2017 Compensation of other officers and key employees is also determined by the Compensation and Benefits Committee of the VH Board using comparative data from like organizations and input from consultants This process is performed every two years, the last year being 2015 It will be performed again in fiscal year 2017 All compensation discussions and actions are documented and approved in the minutes of the Committee
Form 990, Part VI, Section C, line 19	The organization makes its governing documents, conflict of interest policy, and financial statements available to the public upon request for the same period of disclosure as set forth in IRC Section 6104(d)
Form 990, Part XI, line 9	Net Asset Transfer -5,274,555

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
The Outer Banks Hospital Inc

Employer identification number
56-2112733

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) Outer Banks Professional Svcs LLC 604 Amanda Street Manteo, NC 27954 27-0484506	Family Practice	NC			The Outer Banks Hospital
(2) Outer Banks Medical Office Building LLC 4810 South Croatan Highway Nags Head, NC 27959 16-1740979	Medical Office Building	NC			The Outer Banks Hospital

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							

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

Cat No 50135Y

Schedule R (Form 990) 2013

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

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

Complete if the organization answered "Yes" 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.

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

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

- a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)

- f** Dividends from related organization(s)
- g** Sale of assets to related organization(s)
- h** Purchase of assets from related organization(s)
- i** Exchange of assets with related organization(s)
- j** Lease of facilities, equipment, or other assets to related organization(s)

- k** Lease of facilities, equipment, or other assets from related organization(s)
- l** Performance of services or membership or fundraising solicitations for related organization(s)
- m** Performance of services or membership or fundraising solicitations by related organization(s)
- n** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- o** Sharing of paid employees with related organization(s)

- p** Reimbursement paid to related organization(s) for expenses
- q** Reimbursement paid by related organization(s) for expenses

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

	Yes	No
1a		No
1b	Yes	
1c	Yes	
1d		No
1e		No
1f		No
1g		No
1h		No
1i		No
1j	Yes	
1k		No
1l		No
1m	Yes	
1n		No
1o		No
1p	Yes	
1q		No
1r	Yes	
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

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

[illegible]

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: 56-2112733

Name: The Outer Banks Hospital 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) University Health Systems of Eastern Carolina (DBA Vidant Health) 2100 Stantonsburg Road Greenville, NC 27835 56-2141073	Healthcare	NC	501(c)(3)	Line 11c, III-FI	N/A		No
(1) Pitt County Memorial Hospital Inc (DBA Vidant Medical Center) 2100 Stantonsburg Road Greenville, NC 27835 56-0585243	Hospital	NC	501(c)(3)	Line 3	Vidant Health		No
(2) Surgicenter Services of Pitt Inc 102 Bethesda Drive Greenville, NC 27835 56-1690553	Healthcare	NC	501(c)(3)	Line 11b, II	Vidant Medical Center		No
(3) East Carolina Health Inc (DBA Vidant Community Hospitals - Central) 2100 Stantonsburg Road Greenville, NC 27835 56-2003393	Hospital	NC	501(c)(3)	Line 3	Vidant Health		No
(4) East Carolina Health-Bertie (DBA Vidant Bertie Hospital) 2100 Stantonsburg Road Greenville, NC 27835 56-2072002	Hospital	NC	501(c)(3)	Line 3	Vidant Health		No
(5) East Carolina Health-Chowan (DBA Vidant Chowan Hospital) 2100 Stantonsburg Road Greenville, NC 27835 56-2101090	Hospital	NC	501(c)(3)	Line 3	Vidant Health		No
(6) East Carolina Health-Heritage (DBA Vidant Edgecombe Hospital) 2100 Stantonsburg Road Greenville, NC 27835 56-2093700	Hospital	NC	501(c)(3)	Line 3	Vidant Health		No
(7) East Carolina Health-Beaufort (DBA Vidant Beaufort Hospital) 2100 Stantonsburg Road Greenville, NC 27835 45-2436270	Hospital	NC	501(c)(3)	Line 3	Vidant Health		No
(8) Duplin General Hospital (DBA Vidant Duplin Hospital) 2100 Stantonsburg Road Greenville, NC 27835 56-6011594	Hospital	NC	501(c)(3)	Line 3	Vidant Health		No
(9) East Carolina Health Inc (DBA Vidant Roanoke-Chowan Hospital) 2100 Stantonsburg Road Greenville, NC 27835 26-4634725	Hospital	NC	501(c)(3)	Line 3	Vidant Health		No
(10) Pungo District Hospital Corporation (DBA Vidant Pungo Hospital) 2100 Stantonsburg Road Greenville, NC 27835 56-0518757	Hospital	NC	501(c)(3)	Line 3	Vidant Health		No

Vidant Health

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

Years Ended September 30, 2014 and 2013



McGladrey

Assurance " Tax " Consulting

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Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the business-type activities of University Health System of Eastern Carolina, Inc. d/b/a Vidant Health (Vidant Health) as of and for the years ended September 30, 2014 and 2013, and the related notes to the consolidated financial statements, which collectively comprise Vidant Health's consolidated financial statements, as listed in the table of contents.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Vidant Health as of September 30, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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



Minneapolis, Minnesota
January 23, 2015

Vidant Health

Management's Discussion and Analysis September 30, 2014 and 2013

Annual Financial Report

The discussion and analysis of the University Health Systems of Eastern Carolina, Inc. d/b/a Vidant Health (the "Parent Corporation") financial performance provides an overview of the health system's financial activities for the years ended September 30, 2014 and 2013. The Parent Corporation, along with its five blended component units (the "Health System" or "Vidant Health") is a nonprofit, tax-exempt corporation. Vidant Health consists of the Parent Corporation and its blended component units: Pitt County Memorial Hospital, Inc. d/b/a Vidant Medical Center ("VMC"), East Carolina Health, Inc. d/b/a Vidant Community Hospitals ("VCOM"), Vidant Medical Group ("VMG"), PCMH Management, Inc. d/b/a Vidant Properties ("VP"), and HealthAccess, Inc. The financial statements of VMC include the activities of Vidant Medical Center, SurgiCenter Services of Pitt, Inc., and SurgiCenter of Eastern Carolina, LLC d/b/a Vidant SurgiCenter ("VSC"). The financial statements of VCOM also include the activities of East Carolina Health-Bertie d/b/a Vidant Bertie Hospital ("VBER"), East Carolina Health-Chowan d/b/a Vidant Chowan Hospital ("VCHO"), East Carolina Health-Heritage, Inc. d/b/a Vidant Edgecombe Hospital ("VEDG"), East Carolina Health-Beaufort, Inc. d/b/a Vidant Beaufort Hospital ("VBEA"), Duplin General Hospital d/b/a Vidant Duplin Hospital ("VDUP"), East Carolina Health, Inc. d/b/a Vidant Roanoke-Chowan Hospital ("VROA"), Pungo District Hospital Corporation d/b/a Vidant Pungo Hospital ("VPUN"), The Outer Banks Hospital, Inc., and Heritage MRI.

Vidant Health is a health care delivery system headquartered in Greenville, North Carolina, that provides primarily hospital and other health care-related services to the citizens of eastern North Carolina. As of September 30, 2014, Vidant Health has a total of 1,439 licensed beds and is anchored by VMC, a 909-bed teaching and tertiary hospital, which is affiliated with the Brody School of Medicine at East Carolina University. As of September 30, 2014, VCOM includes seven hospitals with a total of 530 beds, which are located in communities in eastern North Carolina. Please read this information in conjunction with Vidant Health's consolidated financial statements, which begin on page 12. The consolidated financial statements also include comprehensive notes that describe the Health System, its history, and significant accounting policies.

Financial Highlights

- In 2014, Vidant Health's admissions, patient days, surgeries and outpatient visits decreased by 4.8 percent, 2.9 percent, 5.9 percent and 1.3 percent, respectively. In 2013, Vidant Health's admissions, patient days, surgeries and outpatient visits decreased by 1.7 percent, 1.2 percent, 1.5 percent and 2.9 percent, respectively.
- Vidant Health's income from operations for the years ended September 30, 2014 and 2013, was \$82.5 million and \$94.3 million, respectively. Vidant Health's operating margins for 2014 and 2013 were 3.3 percent and 4.0 percent, respectively (the operating margin percentage includes both interest and bad-debt expense as operating expenses).
- Vidant Health's operating cash flow margins (income from operations plus depreciation, amortization and interest expense divided by total revenues with bad-debt expense as operating expense) for the years ended September 30, 2014 and 2013, were 10.1 percent and 10.5 percent, respectively.
- Vidant Health's excess of revenues over expenses for the years ended September 30, 2014 and 2013, was \$69.2 million and \$109.6 million, respectively.

- Vidant Health's net nonoperating revenues (expenses) for the years ended September 30, 2014 and 2013, were \$(0.9) million and \$25.5 million, respectively. Investment income for the year ended September 30, 2014, was \$37.3 million, consisting of dividends, interest income and realized gain on investments of \$48.7 million, offset by an unrealized loss on investments of \$11.4 million. Other included an unrealized gain on the interest rate swap of \$0.9 million, losses on equity method investments of \$4.0 million, unrestricted contributions received of \$0.6 million, and other nonoperating expenses of \$11.1 million. Investment income for the year ended September 30, 2013, was \$46.8 million, consisting of dividends, interest income and realized gain on investments of \$34.9 million, and an unrealized gain on investments of \$11.9 million. Other included an unrealized gain on the interest rate swap of \$13.7 million, losses on equity method investments of \$3.8 million, unrestricted contributions received of \$3.1 million, and other nonoperating expenses of \$10.3 million.
- Vidant Health's unrestricted cash and internally designated for capital improvements investment balances at September 30, 2014 and 2013, totaled \$682.4 million and \$593.7 million, respectively, which was an increase of \$88.7 million.

Overview of the Financial Statements

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

The consolidated balance sheets describe the financial position on September 30, 2014 and 2013, and show the resources (assets) owned by the corporation and the obligations (liabilities) owed to others. The consolidated balance sheets include information that reflects the corporation's assets relative to its obligations to bondholders, suppliers, employees and other creditors. The excess of assets over liabilities represents Vidant Health's net position.

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

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

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

Summary Financial Statements of Vidant Health

Financial Position

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

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

	2014	2013	2012
Current Assets	\$ 576,853	\$ 525,443	\$ 507,365
Assets Limited as to Use – Other	587,169	543,445	496,574
Assets Limited as to Use – Revenue Bonds	11,686	12,463	12,463
Capital Assets, Net of Accumulated Depreciation	599,801	644,982	634,092
Other Assets	33,272	34,829	41,344
Total Assets	1,808,781	1,761,162	1,691,838
Deferred Outflows	33,867	35,601	37,336
Total Assets and Deferred Outflows	\$ 1,842,648	\$ 1,796,763	\$ 1,729,174
Current Liabilities	\$ 225,777	\$ 228,028	\$ 242,789
Long-Term Liabilities	603,253	627,549	654,226
Total Liabilities	829,030	855,577	897,015
Net Investment in Capital Assets	124,866	157,802	119,875
Restricted – Noncontrolling Interests	39,845	36,517	37,015
Restricted – Other	2,838	2,841	8,709
Unrestricted	846,069	744,026	666,560
Total Net Position	1,013,618	941,186	832,159
Total Liabilities and Net Position	\$ 1,842,648	\$ 1,796,763	\$ 1,729,174

At September 30, 2014, Vidant Health's consolidated balance sheet includes total assets and deferred outflows of \$1,842.6 million and net position of \$1,013.6 million. From September 30, 2013 to 2014, and from September 30, 2012 to 2013, total assets and deferred outflows increased by \$45.9 million and \$67.6 million, respectively, while net position increased by \$72.4 million and \$109.0 million, respectively.

Current assets consist primarily of cash used for operations, patient receivables, other receivables, settlements due from third-party payors, inventories and prepaid expenses. In fiscal year 2014, current assets were \$576.9 million and increased by \$51.4 million from 2013. Cash and cash equivalents increased by \$33.2 million, patient accounts receivable decreased by \$6.7 million, other receivables decreased by \$3.7 million, inventories increased by \$1.7 million, prepaid expenses increased by \$1.0 million, third-party settlements increased by \$19.3 million, and the current portion of assets limited as to use – held by trustees increased by \$6.6 million. The decrease in patient accounts receivable is due primarily to improvements in the time to collect across most payors. Amounts due from third-party settlements increased primarily due to delayed timing of receipt of quarterly payments from Medicaid as well as additional open cost report settlement years.

In fiscal year 2013, current assets were \$525.4 million and increased by \$18.1 million from 2012. Cash and cash equivalents increased by \$3.9 million, patient receivables increased by \$21.4 million, other receivables increased by \$7.9 million, inventories increased by \$1.4 million, prepaid expenses decreased by \$0.4 million, third-party settlements decreased by \$19.2 million, and the current portion of assets limited as to use – held by trustees increased by \$3.0 million. The increase in patient accounts receivable is due primarily to some slowdown in payments on Medicaid balances as well as some managed care contracts. Amounts due from third-party settlements decreased primarily due to delayed timing of receipt of quarterly payments from Medicaid in fiscal year 2012.

Assets limited as to use, other than held by trustees – revenue bonds, consist primarily of investments in equity securities and bonds that are internally designated for future capital improvements and totaled \$587.2 million at September 30, 2014. These funds increased by \$43.7 million in 2014 and by \$46.9 million in 2013. Vidant Health's cash and investment position in both years increased primarily from strong cash flow provided by operating activities, reduced capital expenditures, as well as improved returns on investments.

Assets limited as to use, held by trustees – revenue bonds totaled \$11.7 million and \$12.5 million at September 30, 2014 and 2013, respectively. At September 30, 2014, these funds consist of investments that are held in trust to fulfill debt service fund requirements for Vidant Health's Series 2008 D and E Bonds.

Capital assets, net of accumulated depreciation, totaled \$599.8 million at September 30, 2014, and decreased by \$45.2 million in 2014. Capital assets, net of accumulated depreciation, totaled \$645.0 million at September 30, 2013, and increased by \$10.9 million in 2013. These changes are described below in the discussion of capital assets.

Other assets include goodwill and other long-term receivables and totaled \$33.3 million at September 30, 2014. Other assets decreased by \$1.6 million in 2014, primarily due to losses from investments in various joint ventures and amortization of intangible assets. Other assets decreased by \$1.8 million in 2013, primarily due to losses from investments in various joint ventures.

Deferred outflows include deferred losses on various bond refunding transactions. See Note 7 of the consolidated financial statements.

Current liabilities consist primarily of accounts payable, accrued expenses, settlements due to third-party payors, the current portion of reserves established for professional liability losses, and current maturities of long-term debt and lease obligations. At September 30, 2014, current liabilities were \$225.8 million and decreased by \$2.3 million from 2013. Accounts payable decreased by \$8.1 million, estimated settlements due to third-party payors decreased by \$6.6 million, and accrued expenses increased by \$5.4 million, while current reserves for professional liability losses increased by \$6.6 million, and current maturities of long-term debt increased by \$0.4 million. The decrease in estimated settlements due to third-party payors was due to the final settlement of the fiscal years 2005 and 2006 Medicaid cost reports, as well as the final settlement of the 2008 Medicare cost report.

At September 30, 2013, current liabilities were \$228.0 million and decreased by \$14.8 million from 2012. Accounts payable decreased by \$0.8 million, estimated settlements due to third-party payors decreased by \$22.4 million, and accrued expenses increased by \$5.4 million, while current reserves for professional liability losses increased by \$3.0 million, and current maturities of long-term debt remained consistent with 2012. The decrease in estimated settlements due to third-party payors was due to the final settlement of the fiscal years 2003 and 2004 Medicaid cost reports, as well as the final settlement of the 2007 Medicare cost report.

Long-term liabilities consist primarily of long-term debt, obligations under capital leases, reserves for professional liability losses, other liabilities, and noncontrolling interest. Long-term liabilities were \$603.3 million at September 30, 2014, and decreased by \$24.2 million. Long-term debt, less current maturities, decreased by \$15.7 million, reserves for professional liability losses decreased by \$7.7 million, and other liabilities decreased by \$0.8 million. Long-term debt, less current maturities, decreased primarily as a result of payments on principal of \$14.3 million. The long-term liabilities portion of reserves for professional liability losses primarily decreased due to a shift in long-term to short-term classification.

Long-term liabilities were \$627.5 million at September 30, 2013, and decreased by \$26.7 million. Long-term debt, less current maturities, decreased by \$27.3 million, reserves for professional liability losses increased by \$3.4 million, and other liabilities decreased by \$2.8 million. Long-term debt, less current maturities, decreased primarily as a result of gains in the market value of the Vidant Health swap of \$13.7 million and payments on principal of \$13.8 million.

Changes in Net Position

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

**CONDENSED CONSOLIDATED STATEMENTS OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION**

(Dollars in Thousands)

	2014	2013	2012
Operating Revenues	\$ 1,597,230	\$ 1,601,097	\$ 1,550,811
Operating Expenses			
Salaries and Wages	660,942	661,463	611,060
Employee Benefits	191,674	176,264	166,629
Supplies and Other	543,074	552,152	551,622
Depreciation and Amortization	92,909	90,625	83,510
Operating Lease Expense	26,162	26,286	25,747
Total Operating Expenses	1,514,761	1,506,790	1,438,568
Income From Operations	82,469	94,307	112,243
Nonoperating Revenues (Expenses)			
Interest Expense	(24,442)	(23,926)	(30,262)
Investment Income (Loss) and Other	23,579	49,466	54,070
Total Nonoperating Revenues (Expenses), Net	(863)	25,540	23,808
EXCESS OF REVENUES OVER EXPENSES BEFORE NONCONTROLLING INTERESTS	81,606	119,847	136,051
Income Applicable to Noncontrolling Interests	(12,428)	(10,242)	(9,764)
Excess of Revenues Over Expenses – Vidant Health	\$ 69,178	\$ 109,605	\$ 126,287
Net Position – Beginning of Year	\$ 941,186	\$ 832,159	\$ 701,626
Contributions (to) From Members and Other, Net	3,254	(578)	4,246
Excess of Revenues Over Expense	69,178	109,605	126,287
Increase in Net Position	72,432	109,027	130,533
Net Position – End of Year	\$ 1,013,618	\$ 941,186	\$ 832,159

Income from operations for 2014, 2013 and 2012 was \$82.5 million, \$94.3 million and \$112.2 million, respectively. The related operating margins for 2014, 2013 and 2012 were 3.3 percent, 4.0 percent and 4.8 percent, respectively. The operating margin percentage includes both interest and bad-debt expense as operating expenses.

During 2014, operating revenues were \$1,597.2 million and decreased by 0.2 percent, while operating expenses increased by 0.5 percent. Operating revenues decreased during fiscal year 2014 due to declining inpatient volumes in the industry as a whole, changes in reimbursement rules such as the two midnight rule where patients previously classified as inpatients now are classified as observation stays, and continued declining reimbursement rates from Medicaid and Medicare.

During 2014, Vidant Health's inpatient admissions, patient days, surgeries and outpatient visits decreased by 4.8 percent, 2.9 percent, 5.9 percent and 1.3 percent, respectively. Salaries and benefits increased by 1.8 percent to \$852.6 million due to an increase in full-time-equivalent employees, market adjustments, employee achievement bonuses, fringe benefits and employee health and pension expense. Supplies and other expense decreased by 1.6 percent to \$543.1 million. Depreciation and amortization expense increased by 2.5 percent to \$92.9 million due to normal capital expenditures. Operating lease expense decreased by 0.5 percent to \$26.2 million.

During 2013, operating revenues were \$1,601.1 million and increased by 3.2 percent, while operating expenses also increased by 4.7 percent. Operating revenues increased during fiscal year 2013, despite a slight reduction in adjusted patient days. The Health System was able to sustain revenue growth through the increase in case-mix index, the result of the Health System's strategy of caring for low-acuity patients in local community hospitals, allowing more complex cases to be treated at Vidant Medical Center. Additionally, revenue cycle improvements and managed care increases led to increases in operating revenues.

Total net nonoperating revenues (expenses) were \$(0.9) million in 2014, as compared to \$25.5 million in 2013. Nonoperating activity consists primarily of investment income, interest expense, gain (loss) on interest rate swap, and unrestricted contributions. Investment income was a gain of \$37.3 million in 2014 and decreased by \$9.5 million as compared to 2013. Vidant Health's 2014 investment income of \$37.3 million consisted of an unrealized loss on investments of \$11.4 million and dividends and interest income and realized gains on investments of \$48.7 million. Other income consisted primarily of an unrealized gain on Vidant Health's interest rate swap of \$0.9 million offset by \$11.1 million of other nonoperating expenses. Investment income was significantly lower in 2014 as compared to 2013 due to declining performance in the overall market over the prior fiscal year, primarily in the last quarter. In 2014, as compared to 2013, unrestricted contributions totaled \$0.6 million and decreased by \$2.5 million. Interest expense on Vidant Health's debt totaled \$24.4 million, a change of only \$0.5 million as compared to 2013.

Total nonoperating revenues and expenses were \$25.5 million in 2013, as compared to \$23.8 million in 2012. Nonoperating activity consists primarily of investment income, interest expense, gain (loss) on interest rate swap, and unrestricted contributions. Investment income was a gain of \$46.8 million in 2013 and decreased by \$10.4 million as compared to 2012. Vidant Health's 2013 investment income of \$46.8 million consisted of an unrealized gain on investments of \$11.9 million and dividends and interest income and realized gains on investments of \$34.9 million. Other income consisted primarily of an unrealized gain on Vidant Health's interest rate swap of \$13.7 million offset by \$10.3 million of other nonoperating expenses. Investment income was significantly lower in 2013 as compared to 2012 due to declining performance in the overall market over the prior fiscal year. In 2013, as compared to 2012, unrestricted contributions totaled \$3.1 million and decreased by \$12.1 million. Interest expense on Vidant Health's debt totaled \$23.9 million and decreased by \$6.3 million as compared to 2012, due primarily to favorable rates on variable long-term debt, capitalization of \$1.3 million of interest costs into the James and Connie Maynard Children's Hospital capital project, and a change in accounting for bond issuance costs in 2013 that were previously amortized as a component of interest expense.

Income applicable to noncontrolling interests consists of noncontrolling interest due to Chesapeake General Hospital for their 40 percent ownership in The Outer Banks Hospital, Inc. and the noncontrolling interest due to the local physicians for their 45 percent ownership in SurgiCenter of Eastern Carolina, LLC d/b/a Vidant SurgiCenter ("VSC"). Income applicable to noncontrolling interests totaled \$12.4 million and increased by \$2.2 million as compared to 2013. Income applicable to noncontrolling interests totaled \$10.2 million and increased by \$0.5 million as compared to 2012.

Cash Flows

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Dollars in Thousands)

	2014	2013	2012
Cash Flows			
Operating Activities	\$ 143,751	\$ 151,091	\$ 150,089
Financing Activities	(75,220)	(128,071)	(156,554)
Investing Activities	(35,335)	(19,115)	3,758
Net Increase (Decrease) in Cash and Cash Equivalents	33,196	3,905	(2,707)
Cash and Cash Equivalents – Beginning of Year	102,690	98,785	101,492
Cash and Cash Equivalents – End of Year	\$ 135,886	\$ 102,690	\$ 98,785

Vidant Health's cash and cash equivalents increased by \$33.2 million and \$3.9 million in 2014 and 2013, respectively. Cash flows from operating activities were \$143.8 million in 2014 and \$151.1 million in 2013, and decreased by \$7.3 million in 2014 and increased by \$1.0 million in 2013. Vidant Health's total cash position at September 30, 2014, was \$682.4 million, an increase of approximately \$88.8 million from September 30, 2013. Days cash on hand, an important metric for Vidant Health's bond ratings, increased from 150.5 days at September 30, 2013, to 171.9 days at September 30, 2014. The increase in cash was largely due to a favorable investment market and the delay of approximately \$25 million in capital expenditures to fiscal year 2015 or further.

Net cash outflows for capital and related financing activities were \$75.2 million in 2014. In 2014, cash was used to fund capital asset additions of \$38.0 million, to make principal payments on long-term debt of \$14.3 million, and to make interest payments of \$22.8 million. In 2013, cash was used to fund capital asset additions of \$91.4 million, to make principal payments on long-term debt of \$13.7 million, and to make interest payments of \$23.7 million.

Net cash flow used by investing activities was \$35.3 million and \$19.1 million in 2014 and 2013, respectively. Vidant Health had a dividends and interest income and realized gains on investments of \$48.7 million in 2014 and \$34.9 million in 2013. Net purchases of securities and investments consumed \$57.6 million of cash in 2014 and \$34.7 million of cash in 2013. During 2014 and 2013, respectively, Vidant Health distributed \$9.1 million and \$10.7 million of earnings to noncontrolling members in joint ventures.

Capital Assets and Long-Term Liability Administration

Capital Assets

At September 30, 2014 and 2013, Vidant Health had \$599.8 million and \$645.0 million invested in capital assets, respectively. A summary of these assets is presented in the notes to the consolidated financial statements. During fiscal year 2014, Vidant Health's investment in capital assets of \$57.4 million was exceeded by its net depreciation expense of \$92.3 million, representing the majority of the decrease in net capital assets of \$45.2 million. During fiscal year 2014, Vidant Health closed Vidant Pungo Hospital and donated all of the real property assets, resulting in a net loss on disposal or contribution of assets totaling approximately \$5.8 million. Of the \$57.4 million investment in capital assets, approximately \$4.7 million represents initial costs associated with the future Vidant Cancer Center, \$1.3 million was related to cancer center renovations at Vidant Beaufort Hospital, \$4.4 million was related to outpatient and emergency room renovations at Vidant Chowan Hospital, and \$11.3 million was invested in information systems throughout the Health System.

During fiscal year 2013, Vidant Health's investment in capital assets of \$91.6 million exceeded its net depreciation expense of \$90.0 million, representing the majority of the increase in net capital assets of \$10.9 million. During fiscal year 2013, Vidant Health completed the construction of the James and Connie Maynard Children's Hospital, a total of 78,000 square feet that includes a neonatal intensive care unit, pediatric intensive care unit, special care nursery, pediatric day/medical unit and pediatric immune-suppressed specialty unit. The \$48.2 million facility was financed by fundraising events as well as a \$9 million gift by James and Connie Maynard. Of the \$91.6 million investment in capital assets, approximately \$23.4 million was related to the Children's Hospital for buildings, furniture and equipment. Additionally, \$22.5 million was invested in information systems throughout the Health System.

In fiscal year 2015, Vidant Health expects to invest approximately \$128.4 million in capital investment. The Health System expects to spend approximately \$20.0 million as it begins design and construction of the new Vidant Cancer Center, a new patient tower that will house a full array of cancer services to serve our eastern North Carolina community. This project, which is estimated to cost approximately \$194.0 million, will be constructed using approximately \$40.0 million in contributions, as well as the proceeds of a new bond issuance to occur in spring 2015. During fiscal year 2015, Vidant Health anticipates spending approximately \$22.0 million for information systems and \$45.0 million in building renovations and equipment replacement throughout the region.

Long-Term Liabilities

At September 30, 2014 and 2013, Vidant Health had outstanding long-term liabilities of \$603.3 million and \$627.5 million, respectively. Long-term liabilities consist primarily of Vidant Health's long-term debt and reserves for professional liability losses. At September 30, 2014, Vidant Health's long-term debt less current maturities of \$14.8 million totaled \$533.0 million. During 2014, Vidant Health made principal payments on long-term debt of \$14.3 million. The market value of Vidant Health's LIBOR-based interest rate swap is also included as a component of long-term debt. During 2014, the change in the market value of the swap decreased long-term debt by \$0.9 million.

At September 30, 2013 and 2012, Vidant Health had outstanding long-term liabilities of \$627.5 million and \$654.2 million, respectively. Long-term liabilities consist primarily of Vidant Health's long-term debt and reserves for professional liability losses. At September 30, 2013, Vidant Health's long-term debt less current maturities of \$14.3 million totaled \$548.8 million. During 2013, Vidant Health made principal payments on long-term debt of \$13.8 million. The market value of Vidant Health's LIBOR-based interest rate swap is also included as a component of long-term debt. During 2013, the market value of the swap rebounded from the prior year, and the resulting gains posted decreased long-term debt by \$13.7 million. During 2013, Vidant Health issued Series 2013 Bonds that were used to refund portions of the Series 2008 Bonds, primarily to eliminate exposure to variable-rate demand put risk and bank downgrading risk, which could lead to higher interest costs, as well as extend the bank financing commitment periods beyond the previously existing letters of credit expiration dates of 2013 and 2015.

Contacting Financial Management

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

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Vidant Health

Consolidated Balance Sheets
September 30, 2014 and 2013
(Dollars in Thousands)

	2014	2013
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 135,886	\$ 102,690
Accounts Receivable		
Patients, net of estimated uncollectibles	250,014	256,690
Other receivables	41,169	44,846
Estimated Settlements Due From Third-Party Payors	81,194	61,930
Inventories	39,153	37,422
Prepaid Expenses	16,408	15,450
Assets Limited as to Use – Current	13,029	6,415
Total Current Assets	576,853	525,443
ASSETS LIMITED AS TO USE		
Internally Designated for Capital Improvements	546,555	490,966
Internally Designated for Professional Liability Losses	22,176	30,268
Held by Trustees – Revenue Bonds	11,686	12,463
Held by Trustees – Other	18,438	22,211
Total Assets Limited as to Use	598,855	555,908
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	599,801	644,982
OTHER ASSETS		
Goodwill	26,245	26,243
Other Intangible Assets, Net	1,096	1,658
Other Assets	5,931	6,928
Total Other Assets	33,272	34,829
Total Assets	1,808,781	1,761,162
DEFERRED OUTFLOWS	33,867	35,601
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 1,842,648	\$ 1,796,763

See Notes to Consolidated Financial Statements

	2014	2013
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 63,944	\$ 72,051
Accrued Expenses	124,063	118,649
Estimated Settlements Due to Third-Party Payors	9,957	16,567
Current Portion of Professional Liability Losses	13,029	6,415
Current Maturities of Long-Term Debt	14,784	14,346
Total Current Liabilities	225,777	228,028
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Maturities	533,045	548,799
Professional Liability Losses, Less Current Portion	22,176	29,941
Other Liabilities	48,032	48,809
Total Long-Term Liabilities	603,253	627,549
Total Liabilities	829,030	855,577
NET POSITION		
Net Investment in Capital Assets	124,866	157,802
Restricted – Noncontrolling Interests	39,845	36,517
Restricted – Other	2,838	2,841
Unrestricted	846,069	744,026
Total Net Position	1,013,618	941,186
TOTAL LIABILITIES AND NET POSITION	\$ 1,842,648	\$ 1,796,763

Vidant Health

Consolidated Statements of Revenues, Expenses, and Changes in Net Position Years Ended September 30, 2014 and 2013 (Dollars in Thousands)

	2014	2013
OPERATING REVENUES		
Net Patient Service Revenue, Net of Provision for Bad Debts	\$ 1,513,019	\$ 1,517,748
Other Revenue	84,211	83,349
Total Operating Revenues	1,597,230	1,601,097
OPERATING EXPENSES		
Salaries and Wages	660,942	661,463
Employee Benefits	191,674	176,264
Supplies and Other	543,074	552,152
Depreciation and Amortization	92,909	90,625
Operating Lease Expense	26,162	26,286
Total Operating Expenses	1,514,761	1,506,790
INCOME FROM OPERATIONS	82,469	94,307
NONOPERATING REVENUES (EXPENSES)		
Interest Expense	(24,442)	(23,926)
Investment Income	37,270	46,818
Other	(13,691)	2,648
Total Nonoperating Revenues (Expenses)	(863)	25,540
EXCESS OF REVENUES OVER EXPENSES BEFORE NONCONTROLLING INTERESTS	81,606	119,847
Income Applicable to Noncontrolling Interests	(12,428)	(10,242)
EXCESS OF REVENUES OVER EXPENSES – VIDANT HEALTH	\$ 69,178	\$ 109,605
Change in Net Position		
NET POSITION – BEGINNING OF YEAR	\$ 941,186	\$ 832,159
Distributions to Noncontrolling Interests, Net	(9,130)	(10,740)
Other	(44)	(80)
Excess of Revenues Over Expenses	81,606	119,847
INCREASE IN NET POSITION	72,432	109,027
NET POSITION – END OF YEAR	\$ 1,013,618	\$ 941,186

See Notes to Consolidated Financial Statements

Vidant Health

Consolidated Statements of Cash Flows
Years Ended September 30, 2014 and 2013
(Dollars in Thousands)

	2014	2013
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Receipts From Payments on Behalf of Patients	\$ 1,497,764	\$ 1,485,340
Receipts From Other Operations	89,487	80,250
Payments to Employees for Wages and Benefits	(847,139)	(832,148)
Payments to Vendors and Suppliers	(596,361)	(582,351)
Net Cash Provided by Operating Activities	143,751	151,091
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Asset Additions	(38,041)	(91,403)
Proceeds From Issuance of Long-Term Debt	-	213,885
Principal Payments on Long-Term Debt	(14,342)	(13,755)
Refunding of Bonds	-	(213,065)
Interest Paid Related to Capital Financing Activities	(22,837)	(23,733)
Net Cash Used in Capital and Related Financing Activities	(75,220)	(128,071)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of Investment Securities	(996,357)	(535,228)
Proceeds From Sales and Maturities of Investments	938,798	500,559
Investment Income	45,002	31,456
Other Nonoperating Expense, Net	(10,598)	(7,340)
Goodwill	(2)	(421)
Distributions to Noncontrolling Members in Joint Ventures, Net	(9,130)	(10,740)
Change in Other Assets	(3,048)	2,599
Net Cash Used in Investing Activities	(35,335)	(19,115)
NET INCREASE IN CASH AND CASH EQUIVALENTS	33,196	3,905
Cash and Cash Equivalents – Beginning of Year	102,690	98,785
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 135,886	\$ 102,690

(Continued)

Vidant Health

Consolidated Statements of Cash Flows (Continued)
Years Ended September 30, 2014 and 2013
(Dollars in Thousands)

	2014	2013
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income From Operations	\$ 82,469	\$ 94,307
Adjustments to Reconcile Income From Operations to Net Cash		
Provided by Operating Activities		
Depreciation and Amortization	92,909	90,625
Provision for Bad Debts	146,361	152,239
Loss on Disposal and Contribution of Capital Assets	6,053	311
Changes in Operating Assets and Liabilities		
Accounts receivable	(135,742)	(181,442)
Inventories	(1,731)	(1,424)
Prepaid expenses	(958)	407
Estimated settlements due from/to third-party payors	(25,874)	(3,205)
Accounts payable	(23,285)	(9,373)
Accrued expenses	5,477	5,579
Other liabilities	(777)	(3,410)
Professional liability losses	(1,151)	6,477
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 143,751	\$ 151,091

Accounts payable related to capital asset additions totaled \$15.2 million and \$8.6 million at September 30, 2014 and 2013, respectively.

Interest expense includes amortization of deferred loss on refunding and bond discounts and premiums of \$1.8 million for the years ended September 30, 2014 and 2013.

See Notes to Consolidated Financial Statements

Vidant Health

Notes to Consolidated Financial Statements

Note 1. Organization and Blended Component Units

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

Pitt County Memorial Hospital, Inc. d/b/a Vidant Medical Center ("VMC" or the "Hospital") is required to pay Pitt County annual payments in lieu of taxes and to partially reimburse Pitt County for its contribution to the North Carolina Medicaid Program. The payments in lieu of taxes were approximately \$1.8 million for both 2014 and 2013. The Medicaid payment was approximately \$0.6 million for both 2014 and 2013. Because these payments are considered non-exchange transactions between governmental entities, the annual payments are recognized as components of nonoperating expenses in the consolidated statements of revenues, expenses, and changes in net position.

Reporting Entity

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

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

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

Vidant Medical Center

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

Vidant Health

Notes to Consolidated Financial Statements

Note 1. Organization and Blended Component Units (Continued)

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

Vidant Community Hospitals

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

- VCOM owns and operates Vidant Roanoke-Chowan Hospital, East Carolina Health-Bertie d/b/a Vidant Bertie Hospital, East Carolina Health-Heritage, Inc. d/b/a Vidant Edgecombe Hospital ("VEDG"), and Heritage MRI.
- VCOM leases East Carolina Health-Chowan d/b/a Vidant Chowan Hospital ("VCHO") from Chowan County. At the end of the lease term, ownership of the facilities will pass to VCOM, subject to Chowan County's option to buy back the hospital and related facilities for an amount equal to the then fair market value.
- VCOM operates The Outer Banks Hospital, Inc. ("TOBH"), which is a joint venture between Vidant Health (60 percent) and Chesapeake General Hospital (40 percent). Chesapeake General Hospital's 40 percent interest is reported as a noncontrolling interest.
- VCOM operates Duplin General Hospital d/b/a Vidant Duplin Hospital ("VDUP") through a lease agreement with Duplin County to lease and control VDUP's assets for a 25-year period. At the end of the lease term, Vidant Health is entitled to complete title and ownership of VDUP for \$1.
- Effective September 1, 2011, Vidant Health entered into a lease agreement with Beaufort County to lease and control Beaufort Regional Health System's assets for a 30-year period. The initial transaction required an up-front payment by Vidant Health to Beaufort County, which approximated the net present value of future lease payments and other expenses. Vidant Health recorded the up-front payment as the consideration for the transaction and allocated that consideration to the assets acquired. At the end of the lease term, Vidant Health is entitled to complete title and ownership of East Carolina Health-Beaufort, Inc. d/b/a Vidant Beaufort Hospital ("VBEA") for a purchase price of \$10.0 million.
- Effective October 1, 2011, Vidant Health entered into an Agreement and Plan of Change of Control with Pungo District Hospital Corporation. Under this agreement, Vidant Health acquired 100 percent control of Pungo District Hospital ("VPUN"). VPUN is a 39-bed acute care hospital and 10 licensed skilled nursing beds located in Bellhaven, North Carolina. The Health System closed VPUN effective July 1, 2014, and has plans to construct a new multi-specialty outpatient clinic to expand health care services to this area. Health care is currently being provided 24 hours per day, 7 days a week in a clinic where VMG was already located.

VCOM recorded the VCHO, VPUN and VBEA agreements as capital leases. Under the lease agreements, there are no ongoing lease payments required. As of September 30, 2014 and 2013, the net book value of the assets under these capital leases is approximately \$35.5 million and \$38.0 million, respectively.

Vidant Health

Notes to Consolidated Financial Statements

Note 1. Organization and Blended Component Units (Continued)

HealthAccess, Inc.

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

Vidant Medical Group

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

Vidant Properties

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

The Combined Group

The bonds discussed in Note 7 are collateralized by the accounts of the members of the Obligated Group and Restricted Affiliates ("Combined Group"). Each member of the Combined Group has covenanted that it will cause each of its Restricted Affiliates to pay, loan or otherwise transfer to such member of the Obligated Group (i) such amounts as are necessary to make payments due under all master obligations or portions thereof, the proceeds of which were loaned or otherwise made available to or benefited such Restricted Affiliate and (ii) such other amounts as are necessary to enable such member of the Obligated Group to make payments due under all master obligations. As of September 30, 2014, the primary members of the Combined Group were the Parent Corporation and its component units: VMC (excluding VSC and SSOP), VCOM (excluding TOBH and Heritage MRI), VP and HealthAccess. Effective with the closing of VPUN on July 1, 2014, VPUN was removed from the Combined Group.

Note 2. Significant Accounting Policies

Basis of Presentation

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

Principles of Consolidation

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

Vidant Health

Notes to Consolidated Financial Statements

Note 2. Significant Accounting Policies (Continued)

Use of Estimates in the Preparation of Financial Statements

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of September 30, 2014 and 2013, and the reported amounts of revenues and expenses during the years ended September 30, 2014 and 2013. Actual results could differ from those estimates.

Income Taxes

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

Vidant Health has reviewed its tax positions for all open years and has concluded that no material liabilities exist as of September 30, 2014 and 2013. Vidant Health files tax returns with the U.S. federal and State of North Carolina jurisdictions. With few exceptions, Vidant Health is no longer subject to U.S. federal examinations by tax authorities for years before 2010.

Patient Accounts Receivable

Patient accounts receivable are reported net of estimated allowances for contractual adjustments and allowances for bad debts. Estimated allowances for bad debts are approximately \$134.7 million and \$135.1 million as of September 30, 2014 and 2013, respectively.

Net Patient Service Revenue

Net patient service revenue is recorded when services are performed and is recorded at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and estimated provision for bad debts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The provision for uncollectible patient accounts receivable is based on the duration the patient's account has been outstanding and historical collection experience.

Investments and Investment Income

Investments in debt and fixed-income equity securities are recorded at fair value and are included in assets limited as to use on the consolidated balance sheet. All investment income, including changes in the fair value of instruments, is recognized as nonoperating revenue in the consolidated statements of revenues, expenses, and changes in net position when earned.

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

Operating Revenues and Expenses

The consolidated statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services—Vidant Health's principal activity. Nonexchange revenues and expenses, including grants, payments to Pitt County and other governmental entities, and contributions received, are reported as nonoperating revenues and expenses. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Vidant Health

Notes to Consolidated Financial Statements

Note 2. Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less when purchased, that are not included in assets limited as to use

Inventories

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

Capital Assets

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

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

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

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of the net assets of the business acquired. Vidant Health tests goodwill for impairment on an annual basis, relying on a number of factors including operating results, business plans and future cash flows. Recoverability of goodwill is evaluated using a two-step process. The first step involves a comparison of the fair value of a reporting unit with its carrying value. If the carrying amount of the reporting unit exceeds its fair value, the second step of the process involves a comparison of the fair value and carrying value of the goodwill of that reporting unit. If the carrying value of the goodwill of a reporting unit exceeds the fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess. No impairment loss was recognized in 2014 or 2013.

Deferred Outflows

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

Capitalized Interest

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Note 2. Significant Accounting Policies (Continued)

Concentration of Credit Risk

Vidant Health provides services primarily to the residents of eastern North Carolina without collateral or other proof of ability to pay. Concentrations of credit risk with respect to patient accounts receivable are limited due to the large number of patients served and the formalized agreements with third-party payors. Vidant Health has significant patient accounts receivable (approximately 19.7 percent Medicare and 6.9 percent Medicaid in 2014 and 24.6 percent Medicare and 9.0 percent Medicaid in 2013), whose collectability or realizability is dependent upon the performance of certain governmental programs, primarily Medicare and Medicaid. Net patient service revenue from Medicaid and Medicare represent approximately 15.9 percent and 40.8 percent, respectively, of total net patient revenues in 2014. Net patient service revenue from Medicaid and Medicare represent approximately 15.8 percent and 33.0 percent, respectively, of total net patient revenues in 2013. A single commercial provider also comprises 30.9 percent and 29.1 percent of the net patient revenues in 2014 and 2013, respectively. Patients' accounts receivable from this commercial provider comprise approximately 28.5 percent and 21.0 percent of total patient accounts receivable in 2014 and 2013, respectively.

Electronic Health Record Incentive Program

The Electronic Health Record (EHR) Incentive Program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These acts provided for incentive payments under both the Medicare and Medicaid programs to eligible hospitals and providers that demonstrate meaningful use of certified EHR technology. The incentive payments are made based on a statutory formula and are contingent on systems continuing to meet the escalating meaningful use criteria. For the first payment year, Vidant Health must attest, subject to an audit, that it met the meaningful use criteria for a continuous 90-day period. For the subsequent payment year, Vidant Health must demonstrate meaningful use for the entire year. The incentive payments are generally made over a four-year period. During 2014 and 2013, the Health System recorded approximately \$12.3 million and \$12.6 million, respectively, of EHR revenue in other operating income.

Compensated Absences

Vidant Health's employees earn vacation days at varying rates depending upon years of service. The maximum amount of vacation that can carry over from one fiscal year to the next will be one year of annual vacation credit for employees with less than 10 years of continuous service and two years accrual for employees with more than 10 years of continuous service. The liabilities recorded for compensated absences are included in accrued expenses in the consolidated balance sheets.

Employees also earn sick time hours. Certain employees that have unused accumulated sick time hours at retirement may get paid for a portion of these hours. Vidant Health estimates the amounts that will be paid out to the eligible employees upon their future retirement and reports that liability in other liabilities in the consolidated balance sheets.

Note 2. Significant Accounting Policies (Continued)

Net Position

Net position is categorized as net investment in capital assets, restricted or unrestricted

Net investment in capital assets consists of capital assets, net of accumulated depreciation, goodwill and assets whose use is limited from the issuance of bonds, and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets as well as the deferred outflows that are attributable to those outstanding borrowings. *Restricted – noncontrolling interests* includes the minority portion of net position interests in various joint ventures that are owned by unconsolidated partners. *Restricted – other* includes contributions to be used for operation and capital improvements for the benefit of the Vidant Roanoke-Chowan Hospital Wellness Center. The unrestricted component of net position is the net amount of assets, deferred outflows of resources, and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position.

Community Benefit

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

Risk Management

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

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

Note 2. Significant Accounting Policies (Continued)

Future Accounting and Reporting Pronouncements

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of this statement is to establish new accounting and financial reporting requirements for governments that provide their employees with pensions. The requirements in this statement will change how governments calculate and report the costs and obligations associated with pensions and improve the decision-usefulness of reported pension information and increase the transparency, consistency and comparability of pension information across governments. This statement will be effective for Vidant Health's fiscal year ending September 30, 2015. Management is continuing to evaluate the impact of adopting this statement, as it will be significant to the consolidated balance sheets.

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

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement will be effective for Vidant Health's fiscal year ending September 30, 2015. Management has not evaluated the impact of adopting this statement, but it could be significant to the consolidated balance sheets.

Vidant Health

Notes to Consolidated Financial Statements

Note 3. Charity Care and Community Benefits

Charity Care

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

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

Vidant Health has estimated its direct and indirect costs of providing charity care under its charity care policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the per-diem rate from the most recently filed cost report to the Health System's gross bill rate. The cost-to-charge ratio is applied to the charity care charges foregone to calculate the estimated direct and indirect cost of providing charity care. Using the methodology noted above, Vidant Health has estimated the costs associated with amounts foregone for patient service revenues of \$52.1 million and \$47.4 million for the years ended September 30, 2014 and 2013, respectively. Vidant Health did not receive any funds to subsidize the costs of providing charity care under its charity care policy for the years ended September 30, 2014 and 2013.

Community Benefits

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

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

Vidant Health

Notes to Consolidated Financial Statements

Note 4. Net Patient Service Revenue

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

Medicare

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

Medicaid

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

VMG, HealthAccess and VCOM's Medicaid reimbursement is based on a payment per discharge system, with case-mix adjustments based on DRGs (Diagnosis Related Groups) similar to those used in the Medicare program. Outpatient services are paid at 70 percent of cost based on the filing of Medicaid cost reports. The Critical Access Hospitals receive cost-based Medicaid reimbursement. VCOM's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through 2010.

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

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

Vidant Health

Notes to Consolidated Financial Statements

Note 4. Net Patient Service Revenue (Continued)

The following table summarizes the revenue recognized by Vidant Health related to these plans for the years ended September 30, 2014 and 2013 (dollars in thousands)

	2014	2013
IGT Payment Expensed	\$ (6,941)	\$ (5,798)
UPL Revenue	31,401	36,457
Net GAP Plan	24,460	30,659
MRI Program Revenue	30,810	26,473
	<u>\$ 55,270</u>	<u>\$ 57,132</u>

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

The 2014 net patient service revenue decreased approximately \$0.7 million due to changes in estimates primarily related to settlements of prior-year cost reports and changes in estimated allowances. The 2013 net patient service revenue increased approximately \$6.1 million due to changes in estimates primarily related to settlements of prior-year cost reports and changes in estimated allowances.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

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

	2014	2013
Charges at Established Rates	\$ 4,188,042	\$ 4,057,733
Deductions		
Medicare Adjustments	1,358,834	1,280,054
Medicaid Adjustments	524,283	490,761
Other Contractual Adjustments	490,706	477,691
Provision for Bad Debts	146,361	152,239
Charges Forgone for Charity Care	154,839	139,240
Net Patient Service Revenue	<u>\$ 1,513,019</u>	<u>\$ 1,517,748</u>

Vidant Health

Notes to Consolidated Financial Statements

Note 5. Deposits and Investments

Custodial Credit Risk—Deposits

Custodial credit risk is the risk that in the event of a bank failure, Vidant Health's deposits may not be returned. Vidant Health does not have a deposit policy for custodial credit risk. As of September 30, 2014, \$124.4 million of Vidant Health's bank balance of \$131.6 million was exposed to custodial credit risk, as it exceeded the FDIC insurance limit.

Investments and Assets Limited as to Use

Vidant Health requires that its investments be held in a diversified portfolio that has the following maximum allocation guidelines: Long-Term Investment Fund—fixed income 47 percent, equity 53 percent and real assets 30 percent. No one company can comprise more than 7 percent of the total money invested by any individual fund manager for equity investments, and no more than 5 percent of the total fixed-income assets shall be committed to the securities of any one issuer. Also, investments in high-yield securities (those that are not rated B or higher by Moody's or S&P, or if unrated, of comparable quality) are limited to 10 percent of the total allocation, and the total allocation for securities denominated in foreign currencies is limited to 30 percent.

Following is a summary of the fair value of Vidant Health's investments, including those classified as assets limited as to use at September 30, 2014 and 2013. These investments are uninsured and unregistered, for which securities are held by the broker or dealer, or by its trust department or agent, but not in Vidant Health's name (dollars in thousands).

	2014	2013
Investments Classified as Assets Limited as to Use		
Corporate Debt and Commercial Paper	\$ 72,708	\$ 77,060
U.S. Treasury Securities	10,219	23,220
U.S. Government-Backed Securities	31,029	10,545
Fixed-Income Mutual Funds	104,712	153,789
Equity Securities	126,120	123,509
Equity & Real Assets Mutual Funds	217,519	116,579
	<u>562,307</u>	<u>504,702</u>
Cash Equivalents	48,764	56,540
Accrued Interest Receivable	813	1,081
	<u>611,884</u>	<u>562,323</u>
Less: Amounts Classified as Current	13,029	6,415
	<u>\$ 598,855</u>	<u>\$ 555,908</u>

Investments include bond proceeds of \$11.7 million and \$12.5 million at September 30, 2014 and 2013, respectively, which are restricted for debt service reserve funds.

Vidant Health

Notes to Consolidated Financial Statements

Note 5. Deposits and Investments (Continued)

A summary of investment income for the years ended September 30, 2014 and 2013, follows (dollars in thousands)

	2014	2013
Dividends and Interest Income	\$ 9,230	\$ 11,464
Net Realized Gains	39,424	23,442
Net Unrealized Gains (Losses)	(11,384)	11,912
	<u>\$ 37,270</u>	<u>\$ 46,818</u>

As of September 30, 2014, scheduled maturities of investments classified as limited as to use are as follows (dollars in thousands)

Investment Type	Investment Maturities (in Years)				
	Market Value	Less Than 1	1 – 5	6 – 10	More Than 10
Corporate Debt and Commercial Paper	\$ 72,708	\$ 3,745	\$ 39,958	\$ 18,632	\$ 10,373
U S Treasury Securities	10,219	-	10,168	-	51
U S Government-Backed Securities	31,029	768	11,829	11,103	7,329
	<u>113,956</u>	<u>\$ 4,513</u>	<u>\$ 61,955</u>	<u>\$ 29,735</u>	<u>\$ 17,753</u>
Cash Equivalents and Accrued Interest Receivable	49,577				
Fixed-Income Mutual Funds	104,712				
Equity Securities	126,120				
Equity & Real Assets Mutual Funds	217,519				
Total Assets Limited as to Use	<u>\$ 611,884</u>				

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

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

Vidant Health

Notes to Consolidated Financial Statements

Note 5. Deposits and Investments (Continued)

Interest Rate Risk

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

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

Credit Risk

Vidant Health's investments policy requires that the overall average credit quality of the core plus fixed-income portfolios be invested in high-yield securities rated B or higher by Moody's or S&P, or if unrated, are of comparable quality and are limited to 10 percent of the total allocation. The total allocation for securities denominated in foreign currencies is limited to 30 percent. Vidant Health's investments classified as assets limited as to use, based on fair value as of September 30, 2014, and organized by investment type as required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*, are as follows (dollars in thousands):

Investment Type	Quality Ratings							
	Total	AAA	AA	A	BBB	BB	B	Unrated
Corporate Debt and Commercial Paper	\$ 72,708	\$ 19,667	\$ 19,154	\$ 23,544	\$ 4,534	\$ -	\$ -	\$ 5,809
U.S. Treasury Securities	10,219	-	-	-	-	-	-	10,219
U.S. Government-Backed Securities	31,029	-	11,556	-	-	-	-	19,473
	<u>\$ 113,956</u>	<u>\$ 19,667</u>	<u>\$ 30,710</u>	<u>\$ 23,544</u>	<u>\$ 4,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,501</u>
Cash Equivalents and Accrued Interest Receivable	\$ 49,577							
Fixed-Income Mutual Funds	104,712							
Equity Securities	126,120							
Equity & Real Assets Mutual Funds	217,519							
Total Assets Limited as to Use	<u>\$ 611,884</u>							

Vidant Health

Notes to Consolidated Financial Statements

Note 6. Capital Assets

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

	September 30, 2013	Additions/ Transfers	Reductions/ Transfers	September 30, 2014
Historical Cost				
Land	\$ 47,206	\$ 279	\$ (342)	\$ 47,142
Land Improvements	17,875	51	(124)	17,802
Buildings	755,142	20,605	(7,259)	768,488
Equipment	710,362	30,089	(14,521)	725,929
Total at Historical Cost	1,530,585	51,023	(22,247)	1,559,362
Less Accumulated Depreciation				
Land Improvements	19,941	949	(97)	20,793
Buildings	372,160	34,584	(4,477)	402,268
Equipment	494,268	56,738	(7,960)	543,046
Total Accumulated Depreciation	886,369	92,271	(12,534)	966,107
	644,216	(41,248)	(9,713)	593,255
Construction in Progress	766	6,412	(632)	6,546
Capital Assets, Net	\$ 644,982	\$ (34,836)	\$ (10,345)	\$ 599,801
	September 30, 2012	Additions/ Transfers	Reductions/ Transfers	September 30, 2013
Historical Cost				
Land	\$ 46,652	\$ 554	\$ -	\$ 47,206
Land Improvements	17,826	49	-	17,875
Buildings	677,655	78,108	(621)	755,142
Equipment	650,415	69,208	(9,261)	710,362
Total at Historical Cost	1,392,548	147,919	(9,882)	1,530,585
Less Accumulated Depreciation				
Land Improvements	18,279	1,663	(1)	19,941
Buildings	342,078	30,630	(548)	372,160
Equipment	442,973	58,160	(6,865)	494,268
Total Accumulated Depreciation	803,330	90,453	(7,414)	886,369
	589,218	57,466	(2,468)	644,216
Construction in Progress	44,874	27,353	(71,461)	766
Capital Assets, Net	\$ 634,092	\$ 84,819	\$ (73,929)	\$ 644,982

Vidant Health

Notes to Consolidated Financial Statements

Note 7. Long-Term Debt and Other Noncurrent Liabilities

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

	September 30, 2013	Additions	Reductions	September 30, 2014	Current Portion
Bonds and Notes Payable					
Revenue Bonds	\$ 48,045	\$ -	\$ (1,030)	\$ 47,015	\$ 1,065
Revenue Refunding Bonds	482,630	-	(12,430)	470,200	12,860
Notes Payable	6,597	-	(882)	5,715	859
	<u>537,272</u>	<u>-</u>	<u>(14,342)</u>	<u>522,930</u>	<u>14,784</u>
Interest Rate Swap Agreement	23,703	-	(908)	22,795	-
Net Unamortized Discount/Premium	2,170	-	(66)	2,104	-
Total Long-Term Debt	<u>563,145</u>	<u>-</u>	<u>(15,316)</u>	<u>547,829</u>	<u>14,784</u>
Other Noncurrent Liabilities					
Estimated Professional Liability Losses	36,356	9,849	(11,000)	35,205	13,029
Other Liabilities	48,809	-	(777)	48,032	-
Total Other Noncurrent Liabilities	<u>85,165</u>	<u>9,849</u>	<u>(11,777)</u>	<u>83,237</u>	<u>13,029</u>
Total Long-Term Debt and Other Noncurrent Liabilities	<u>\$ 648,310</u>	<u>\$ 9,849</u>	<u>\$ (27,093)</u>	<u>\$ 631,066</u>	<u>\$ 27,813</u>
	September 30, 2012	Additions	Reductions	September 30, 2013	Current Portion
Bonds and Notes Payable					
Revenue Bonds	\$ 49,040	\$ -	\$ (995)	\$ 48,045	\$ 1,030
Revenue Refunding Bonds	494,065	213,605	(225,040)	482,630	12,430
Notes Payable and Other	7,102	280	(785)	6,597	886
	<u>550,207</u>	<u>213,885</u>	<u>(226,820)</u>	<u>537,272</u>	<u>14,346</u>
Interest Rate Swap Agreement	37,397	-	(13,694)	23,703	-
Net Unamortized Discount/Premium	2,234	-	(64)	2,170	-
Total Long-Term Debt	<u>589,838</u>	<u>213,885</u>	<u>(240,578)</u>	<u>563,145</u>	<u>14,346</u>
Other Noncurrent Liabilities					
Estimated Professional Liability Losses	29,879	14,152	(7,675)	36,356	6,415
Other Liabilities	52,218	2,171	(5,580)	48,809	-
Total Other Noncurrent Liabilities	<u>82,097</u>	<u>16,323</u>	<u>(13,255)</u>	<u>85,165</u>	<u>6,415</u>
Total Long-Term Debt and Other Noncurrent Liabilities	<u>\$ 671,935</u>	<u>\$ 230,208</u>	<u>\$ (253,833)</u>	<u>\$ 648,310</u>	<u>\$ 20,761</u>

Vidant Health

Notes to Consolidated Financial Statements

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

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

	2014	2013
Health Care Facilities Revenue Refunding Bonds – Series 2013A & B, principal payable annually December 1, interest payable monthly, based on variable weekly interest rates	\$ 203,800	\$ 213,605
Health Care Facilities Revenue Bonds – Series 2008C, D, E-1 & E-2, maturing incrementally through December 1, 2033, principal payable annually December 1, interest payable semiannually June 1 and December 1 at 3 5 percent to 6 25 percent	120,000	121,260
Health Care Facilities Revenue Bonds – Series 2011, principal payable annually December 1, interest payable monthly based on variable interest rates	47,015	48,045
Health Care Facilities Revenue Bonds – Series 2012A, maturing incrementally through June 1, 2036, principal payable annually June 1, interest payable semiannually June 1 and December 1 at fixed rates from 2 percent to 5 percent	146,400	147,765
Notes Payable	5,715	6,597
	522,930	537,272
Plus (Less)		
Interest Rate Swap Agreement	22,795	23,703
Net Unamortized Discount/Premium	2,104	2,170
Current Maturities of Long-Term Debt	(14,784)	(14,346)
	\$ 533,045	\$ 548,799

Vidant Health

Notes to Consolidated Financial Statements

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

Bonds Payable

Series 2013 Bonds

In August 2013, Vidant Health issued Series 2013A and 2013B tax-exempt revenue bonds (the "Series 2013 Bonds"). Proceeds of the Series 2013 Bonds were used to refund the outstanding balance of the Series 2008A and 2008B Bonds. The Series 2013A Bonds are serial bonds with a variable rate equal to 69 percent of one-month LIBOR plus 1.09 percent (0.86 percent at September 30, 2014). The Series 2013B Bonds are serial bonds with a variable rate equal to 67 percent of one-month LIBOR plus 0.75 percent (0.86 percent at September 30, 2014). Interest payments on the Series 2013 Bonds are due monthly, and principal payments are due annually each December 1, beginning December 1, 2013. The 2008A and 2008B Bonds were redeemed in August 2013 from the proceeds of the issuance of the Series 2013 Bonds at par value.

The principal payments of the Series 2013A and 2013B tax-exempt revenue bonds are due annually on December 1 through 2036, however, the Series 2013B tax-exempt revenue bonds are subject to a mandatory repurchase by Vidant Health in fiscal year 2023, unless the bond holder agrees to an extension.

Series 2012 Bonds

In May 2012, Vidant Health issued Series 2012A tax-exempt revenue bonds (the "Series 2012A Bonds"). Proceeds of the Series 2012A Bonds were used to refund the outstanding balance of the Series 1998A Bonds, \$71.5 million of the Series 2008C Bonds, \$21.8 million of the Series 2008E-1 Bonds, and \$54.2 million of the Series 2008E-2 Bonds.

The refunded bonds were redeemed in May 2012 from the proceeds of the issuance of the Series 2012A Bonds, resulting in a loss of \$18.3 million that is amortized over the life of the Series 2012A Bonds. The unamortized balance of the deferred loss was \$16.4 million and \$17.2 million at September 30, 2014 and 2013, respectively. The deferred loss is presented as a deferred outflow on the consolidated balance sheets.

To accomplish the refunding of the 2008C, 2008E-1 and 2008E-2 Bonds (the "Refunded 2008 Bonds"), a portion of the proceeds of the bonds was deposited with U.S. Bank National Association, as Escrow Agent, in trust pursuant to the terms and conditions of an Escrow Deposit Agreement dated May 1, 2012. At September 30, 2014, the outstanding balance of the refunded 2008C Bonds held in escrow was \$71.5 million, and the outstanding balance of the refunded 2008E Bonds held in escrow was \$75.9 million.

Series 2011 Bonds

Effective June 23, 2011, Vidant Health issued \$50.0 million of Series 2011 tax-exempt revenue bonds (the "Series 2011 Bonds"). Approximately \$26.0 million of the proceeds of the Series 2011 Bonds were used to prepay the lease agreement for Vidant Beaufort Hospital. The remaining proceeds were used for normal capital expenditures.

The Series 2011 Bonds bear interest at a variable rate equal to 65.1 percent of one-month LIBOR plus 0.88225 percent (0.98 percent at September 30, 2014).

The principal payments on the Series 2011 Bonds are based on an amortization through 2041. However, these bonds are subject to a mandatory repurchase by Vidant Health in fiscal year 2018, unless the bond holder agrees to an extension.

Vidant Health

Notes to Consolidated Financial Statements

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

Series 2008 Bonds

In December 2008, Vidant Health issued Series 2008A–E tax-exempt revenue bonds (the “Series 2008 Bonds”). Proceeds of the Series 2008A and 2008B Bonds (the “VRDB Bonds”) were used to refund all of the outstanding Series 2006A and 2006B Bonds and \$11.0 million of the Series 2006D Bonds. Proceeds of the Series 2008C, 2008D and 2008E Bonds were used to refund all of the outstanding Series 2006C Bonds and the balance of the outstanding Series 2006D Bonds that was not refunded by the Series 2008B Bonds.

The Series 2006 Bonds were redeemed in December 2008 from the proceeds of the issuance of the Series 2008 Bonds, resulting in a loss of \$23.1 million that is amortized over the life of the Series 2008 Bonds. The unamortized balance of the deferred loss was \$17.4 million and \$18.4 million at September 30, 2014 and 2013, respectively. The deferred loss is presented as a deferred outflow on the consolidated balance sheets.

The Combined Group is required to comply with certain restrictive covenants relating to its bonds payable, the most restrictive of which requires the maintenance of a minimum debt service coverage ratio of 1.40. The bonds are collateralized by the accounts receivable of Vidant Health.

Notes Payable

Notes payable at September 30, 2014 and 2013, were \$5.7 million and \$6.6 million, respectively. The various notes payable bear interest between 4.0 percent and 6.0 percent, and principal amounts are due through fiscal year 2022. The notes payable are collateralized by certain capital assets.

Swap Agreement

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

The agreement by the counterparty to pay certain amounts to Vidant Health pursuant to the Swap Agreement did not alter or affect Vidant Health’s obligation to pay the principal of, interest on, or redemption price of any of the 2006 Refunding Bonds. Therefore, the Swap Agreement remained in effect upon the refunding of the 2006 Refunding Bonds. The Swap Agreement was being used to hedge the variable interest on the bonds that were subject to put risk, those bonds were refunded with the Series 2013 Bonds. The principal amount and repayment terms of the VRDB Bonds did not change significantly from the 2006 Refunding Bonds, other than the interest rate. The notional amount of the Swap Agreement at September 30, 2014 and 2013, was \$192.6 million and \$202.1 million, respectively.

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

Effective June 14, 2012, the interest rate swap was novated from Citibank N.A. to Wells Fargo Bank N.A. with largely the same terms and conditions of the Series 2006A and 2006B Derivative Agreement. The exception to those terms and conditions was the collateral posting requirement, if the estimated fair value of the swap liability is in excess of \$30.0 million, Wells Fargo Bank N.A. will require Vidant Health to post collateral. No collateral was posted on September 30, 2014, for the interest rate swap.

Vidant Health

Notes to Consolidated Financial Statements

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

The estimated fair value of the swap as of September 30, 2014 and 2013, was a liability of \$22.8 million and \$23.7 million, respectively, and has been included in long-term debt in the consolidated balance sheets. The change in fair value was a gain of \$0.9 million and \$13.7 million as of September 30, 2014 and 2013, respectively, and is included in other nonoperating revenues (expenses) in the consolidated statements of revenues, expenses, and changes in net position, as the swap is considered ineffective under the accounting standards.

Basis Risk

Vidant Health is exposed to basis risk on its interest rate swap. Basis risk is the difference between the interest rates on the underlying bonds and a per-annum rate of 62 percent of one-month LIBOR plus 0.30 percent. Vidant Health pays a fixed rate of 3.452 percent per annum, in each case on a notional amount equal to the original principal amount of the 2006 Refunding Bonds. Settlements are made on the first Wednesday of each month.

Scheduled future debt service requirements of long-term debt, for years subsequent to September 30, 2014, are as follows, assuming current interest rates into the future for variable-rate debt and the Series 2013B revenue bonds, and the Series 2011 Bonds are extended to their scheduled maturity as described above. If the Series 2013B and 2011 Bonds are not extended, amounts due in 2023 and 2018 will be significantly greater than the amounts shown below (dollars in thousands).

	Series 2008 Bonds	Series 2011 Bonds	Series 2012 Bonds	Series 2013 Bonds	Other	Total Principal	Interest Payments	Interest Rate Swap, Net	Total Debt Service
2015	\$ 285	\$ 1,065	\$ 2,415	\$ 10,160	\$ 859	\$ 14,784	\$ 16,622	\$ 5,584	\$ 36,990
2016	-	1,100	2,750	10,315	879	15,044	16,389	5,275	36,708
2017	-	1,140	2,940	10,915	799	15,794	16,135	4,952	36,881
2018	-	1,180	3,065	11,305	666	16,216	15,869	4,616	36,701
2019	-	1,225	3,205	11,710	705	16,845	15,600	4,269	36,714
2020 – 2024	-	6,815	20,370	65,240	1,807	94,232	73,522	15,660	183,414
2025 – 2029	10,415	8,115	24,540	77,060	-	120,130	63,700	4,823	188,653
2030 – 2034	109,300	9,665	30,485	4,200	-	153,650	37,388	-	191,038
2035 – 2039	-	11,510	56,630	2,895	-	71,035	4,937	-	75,972
2040 – 2041	-	5,200	-	-	-	5,200	77	-	5,277
	<u>\$ 120,000</u>	<u>\$ 47,015</u>	<u>\$ 146,400</u>	<u>\$ 203,800</u>	<u>\$ 5,715</u>	<u>\$ 522,930</u>	<u>\$ 260,239</u>	<u>\$ 45,179</u>	<u>\$ 828,348</u>

Note 8. Operating Leases

The following schedule discloses future noncancelable operating lease payments with initial or remaining terms of one year or more at September 30, 2014 (dollars in thousands).

2015	\$ 12,063
2016	9,150
2017	3,987
2018	2,363
2019	1,438
Thereafter	1,605
	<u>\$ 30,606</u>

Vidant Health

Notes to Consolidated Financial Statements

Note 9. Commitments and Contingencies

Medical Malpractice Costs

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

The provision for estimated medical malpractice claims include estimates of the ultimate costs for reported claims and claims incurred but not reported. The provision is based on actuarially projected estimates of their value based on historical loss payment patterns as well as current known facts, discounted at a rate of 4 percent for 2014 and 2013. The medical malpractice expense is allocated from Vidant Health to each affiliate based on their estimated risk exposures.

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

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

Workers' Compensation

Vidant Health, excluding TOBH and VBEA, is self-insured for workers' compensation with an occurrence retention of \$1,000,000 each occurrence. An excess workers' compensation policy, with statutory limits for each employee accident or disease, covers claims above the self-insured retention. In addition, the excess workers' compensation policy provides employer's liability coverage with limits of \$1.0 million per occurrence and annual aggregate. There are three other excess liability policies that provide an annual aggregate limit for employer's liability above the excess workers' compensation policy. The current portion of the liability is included in accrued expenses, and the long-term portion is included in other long-term liabilities.

TOBH has workers' compensation coverage that provides statutory limits for employee accidents and disease with no deductible. In addition, the policy provides employer's liability coverage with limits of \$1.0 million. There is a separate excess liability policy that provides an annual aggregate limit for employer's liability above this policy. VBEA has workers' compensation coverage that provides statutory limits for employee accidents and disease with a \$10,000 deductible. In addition, their policy provides employer's liability coverage with limits of \$1.0 million.

Medical Coverage

Vidant Health is self-insured for employee medical and dental coverage with an excess coverage (stop loss) policy that covers annual medical costs in excess of \$0.2 million per participant on a claims-made basis. Annual costs were approximately \$86.0 million and \$78.9 million for the years ended September 30, 2014 and 2013, respectively. The medical insurance expense is allocated from VMC based on average cost per participant of the overall plan for Vidant Health to each affiliate based on the affiliate's number of participants. The overall medical coverage liability is recorded on the consolidated balance sheet of VMC in accrued expenses.

Note 9. Commitments and Contingencies (Continued)

Regulatory Matters

Laws and regulations concerning government programs, including Medicare, Medicaid and various research grant programs, are complex and subject to varying interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. As a result of nationwide investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. Vidant Health expects that the level of review and audit to which it is subject will increase.

There can be no assurance that regulatory authorities will not challenge Vidant Health's compliance with these laws and regulations, and it is not possible to estimate the impact (if any) such claims or penalties would have upon Vidant Health. Management believes that Vidant Health is in compliance with fraud and abuse as well as other applicable government laws and regulations. Management is monitoring compliance through its Corporate Compliance Program.

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

Litigation

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

Note 10. Defined Contribution Retirement Plan

Vidant Health sponsors a defined contribution retirement plan, with a matching component of 50 percent of the employee's contribution, up to 5 percent of the employee's salary, for employees who have met the eligibility requirements of the plan. During fiscal years 2014 and 2013, Vidant Health contributed approximately \$10.6 million and \$9.7 million, respectively, to the plan.

Vidant Health

Notes to Consolidated Financial Statements

Note 11. Defined Benefit Pension Plans

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

Effective October 1, 2010, Vidant Health assumed sponsorship of and full financial responsibility for the VDUP defined benefit pension plan (VDUP Plan). Effective September 30, 2010, the VDUP Plan was amended to freeze the VDUP Plan. No participant shall accrue any additional benefits, and each participant's accrued benefit shall be determined based on their average annual compensation and number of years of service at September 30, 2010. VDUP made an additional \$2.4 million contribution on September 27, 2010, to the VDUP Plan in connection with this amendment to fund any unfunded amounts at that time.

The annual required contribution was computed as part of an actuarial valuation performed as of January 1, 2014 and 2013, using the projected unit credit method. Significant actuarial assumptions used in the actuarial valuation of both the Vidant Health and the VDUP plans include the following:

	2014	2013
Rate of Return on Plan Assets	7.5%	8.0%
Mortality	RP-2014 Mortality Table	RP-2000 Mortality Table
Projected Salary Increases	3.0%	4.0%
Inflation Rate	3.0%	3.0%

The actuarial value of plan assets was determined by adjusting the market value of plan assets to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return) during each of the last five years at a rate of 7.5 percent for the January 1, 2014, valuation and 8 percent per year for both Vidant Health and VDUP for previous years.

The annual pension cost, net pension obligation, and three-year trend information of the Vidant Health and VDUP plans were as follows at January 1, 2014, 2013 and 2012 (dollars in thousands):

	2014	2013	2012
Annual Required Contribution (Pension Cost)	\$ 30,143	\$ 25,547	\$ 23,397
Annual Contributions Made	30,143	25,547	23,397
Net Pension Obligation	\$ -	\$ -	\$ -

Vidant Health

Notes to Consolidated Financial Statements

Note 11. Defined Benefit Pension Plans (Continued)

Three-Year Trend Information	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2014	\$ 30,143	100%	\$ -
2013	25,547	100%	-
2012	23,397	100%	-

As of January 1, 2014, the most recent actuarial date, the Vidant Health and VDUP plans were 77 percent funded. The actuarial accrued liability for benefits was \$578.4 million, and the actuarial value of assets was \$442.9 million, resulting in an unfunded actuarial accrued liability (AAL) of \$135.5 million. The unfunded AAL is not recorded on Vidant Health's consolidated balance sheet in accordance with current generally accepted accounting standards. The covered payroll (annual payroll of employees covered by the Plan) was \$351.5 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 38.5 percent.

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

Vidant Health has also established a noncontributory, nonvesting supplemental executive retirement plan. For each of the years ended September 30, 2014 and 2013, Vidant Health recognized expense of approximately \$2.2 million. The plan had a net pension obligation of approximately \$16.5 million and \$16.2 million at September 30, 2014 and 2013, respectively, and had funds on deposit of approximately \$17.8 million and \$16.1 million at September 30, 2014 and 2013, respectively, in relation to this plan. The liability associated with this plan is recorded in other long-term liabilities, and the assets associated with this plan are recorded in assets limited as to use, held by trustee – other. Effective January 1, 2010, Vidant Health froze the plan to new entrants. On November 20, 2012, the Vidant Health Board of Directors froze plan benefits of existing participants beginning January 1, 2013. This was replaced by a cash balance plan on that date.

Note 12. Other Postemployment Benefits (“OPEB”)

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

Plan Description

Vidant Health sponsors a postretirement health care benefit program (referred to as “retiree medical plan”) for all employees hired before July 1, 2008, that satisfies the criteria for receiving retirement benefits under the plan. The retiree medical plan includes eligible retirees, spouses and spouse survivors. All eligible members pay a portion of the expense. Effective July 1, 2008, Vidant Health froze the plan to new entrants.

Vidant Health

Notes to Consolidated Financial Statements

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

Membership of the retiree medical plan consisted of the following at October 1, 2013 and 2012, the dates of the latest actuarial valuations

	2013	2012
Retirees Eligible for Benefits (includes eligible spouses)	84	76
Active Plan Members (includes eligible spouses)	4,677	5,099
Total	4,761	5,175

Funding Policy

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

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

Summary of Significant Accounting Policies

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

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of Vidant Health's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in Vidant Health's net OPEB obligation for the health care benefits for the years ended September 30, 2014 and 2013 (dollars in thousands).

	2014	2013
Annual Required Contribution	\$ 1,515	\$ 1,448
Interest on Net OPEB Obligation	127	117
Adjustment to Annual Required Contribution	(134)	(120)
Annual OPEB Cost	1,508	1,445
Contributions Made by Employer	(722)	(1,213)
Increase (Decrease) in Net OPEB Obligation	786	232
Net OPEB Obligation, Beginning of Year	1,696	1,464
Net OPEB Obligation, End of Year	\$ 2,482	\$ 1,696

Vidant Health

Notes to Consolidated Financial Statements

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

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

	Annual OPEB Cost	Annual % of OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 1,508	47.9%	\$ 2,482
2013	1,445	83.9%	1,696
2012	1,190	156.4%	1,464

Funded Status and Funding Progress

As of October 1, 2013, the most recent actuarial valuation date, the plan was not funded. The AAL for benefits and, thus, the unfunded actuarial accrued liability ("UAAL") was \$13.5 million. The amortization of this amount over 30 years at 7.5 percent is \$1.1 million per year. The normal cost for 2014 is \$0.5 million. The AAL is not recorded on Vidant Health's consolidated balance sheet in accordance with current generally accepted accounting standards.

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

Actuarial Methods and Assumptions

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

In the October 1, 2013 and 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5 percent and 8.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the plan sponsor's general assets as of October 1, 2013 and 2012, respectively, and an annual medical cost trend increase of 7.75 percent (8.0 percent for October 1, 2012) to 5.0 percent annually. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized as a level dollar amount on an open basis over a 30-year period.

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

Vidant Health

Notes to Consolidated Financial Statements

Note 13. Other Nonoperating Revenues and Expenses

Other nonoperating revenues and expenses on the consolidated statements of revenues, expenses, and changes in net position are composed of the following at September 30, 2014 and 2013 (dollars in thousands)

	2014	2013
Mark to Market Gain on Interest Rate Swap	\$ 907	\$ 13,694
Foundation Expenses	(1,910)	(2,210)
Payments to Pitt County		
Payment in Lieu of Taxes	(1,836)	(1,798)
Medicaid Funding	(621)	(610)
Investment Expense	(1,499)	(1,350)
Contributions Made	(5,248)	(4,368)
Unrestricted Contributions Received	561	3,075
Loss on Equity Method Investments	(4,045)	(3,785)
	<u>\$ (13,691)</u>	<u>\$ 2,648</u>

Note 14. Related Parties

East Carolina University and the Brody School of Medicine

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

The Hospital has recorded receivables of approximately \$0.6 million and \$0.9 million and payables of approximately \$3.1 million and \$5.6 million as of September 30, 2014 and 2013, respectively, with the Brody School of Medicine, which are settled in the normal course of business.

Operating expenses recognized related to services received from East Carolina University (ECU) were \$57.5 million and \$63.9 million as of September 30, 2014 and 2013, respectively. Other revenues earned from services provided to ECU were \$5.0 million and \$9.4 million as of September 30, 2014 and 2013, respectively.

Vidant Health Foundation

University Health Systems of Eastern Carolina Foundation d/b/a Vidant Health Foundation (the "Foundation") was organized to receive gifts, donations, income and funds for the promotion of health and wellness to the general public and community in eastern North Carolina and all areas served by Vidant Health. The Foundation provides these services directly to the Development Councils for VBER, VEDG and TOBH. VMC provides management services, supplies and labor to the Foundation. VCOM hospitals also provide some administrative services. The Foundation is not required to reimburse VMC or the VCOM hospitals for the cost of these expenses. At September 30, 2014 and 2013, the Foundation's assets were approximately \$0.5 million and \$0.4 million, respectively. There were no significant liabilities for each year. No assets were restricted for use for the benefit of VCOM hospitals at September 30, 2014 and 2013. The Foundation had an increase in net assets of approximately \$0.1 million and a decrease of approximately \$1.0 million for the years ended September 30, 2014 and 2013, respectively.

Vidant Health

Notes to Consolidated Financial Statements

Note 14. Related Parties (Continued)

Vidant Medical Center Foundation

VMC provides management services, supplies and labor to Pitt County Memorial Hospital Foundation d/b/a Vidant Medical Center Foundation ("VMCF") VMCF is not required to reimburse the Hospital for the cost of these expenses VMCF was organized to receive gifts, donations, income and funds for the advancement of medicine and medical facilities in eastern North Carolina At September 30, 2014 and 2013, VMCF's assets were approximately \$27.9 million and \$26.7 million, respectively, and liabilities were approximately \$18.4 million and \$16.5 million, respectively The assets that were restricted for use for the benefit of Vidant Health were \$16.0 million and \$14.1 million at September 30, 2014 and 2013, respectively VMCF had a decrease in net assets of approximately \$0.3 million and approximately \$1.4 million for the years ended September 30, 2014 and 2013, respectively

Note 15. Condensed Financial Information

Following is the condensed balance sheet as of September 30, 2014, and the related condensed statements of revenues, expenses, and changes in net position, and cash flows for the material affiliates of Vidant Health for the year ended September 30, 2014 (dollars in thousands)

Condensed Balance Sheet, With Comparative Totals

	VMC	VCOM	Eliminations and Other	Total Vidant Health	
				2014	2013
Current Assets	\$ 319,559	\$ 184,601	\$ 72,693	\$ 576,853	\$ 525,443
Assets Limited as to Use – Other	415,355	29,514	142,300	587,169	543,445
Assets Limited as to Use – Revenue Bonds	9,680	2,006	-	11,686	12,463
Capital Assets, Net of Accumulated Depreciation	389,989	144,890	64,922	599,801	644,982
Other Assets	7,679	23,957	1,636	33,272	34,829
Total Assets	1,142,262	384,968	281,551	1,808,781	1,761,162
Deferred Outflows	27,178	6,689	-	33,867	35,601
Total Assets and Deferred Outflows	\$ 1,169,440	\$ 391,657	\$ 281,551	\$ 1,842,648	\$ 1,796,763
Current Liabilities	\$ 105,512	\$ 51,971	\$ 68,294	\$ 225,777	\$ 228,028
Long-Term Liabilities	436,366	115,422	51,465	603,253	627,549
Total Liabilities	541,878	167,393	119,759	829,030	855,577
Net Investment in Capital Assets	37,738	62,007	25,121	124,866	157,802
Restricted – Noncontrolling Interests	15,972	23,873	-	39,845	36,517
Restricted – Other	-	2,838	-	2,838	2,841
Unrestricted	573,852	135,546	136,671	846,069	744,026
Total Net Position	627,562	224,264	161,792	1,013,618	941,186
Total Liabilities and Net Position	\$ 1,169,440	\$ 391,657	\$ 281,551	\$ 1,842,648	\$ 1,796,763

Vidant Health

Notes to Consolidated Financial Statements

Note 15. Condensed Financial Information (Continued)

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

	VMC	VCOM	Eliminations and Other	Total Vidant Health	
				2014	2013
Operating Revenues	\$ 1,094,869	\$ 380,305	\$ 122,056	\$ 1,597,230	\$ 1,601,097
Operating Expenses					
Salaries and Wages	356,178	131,112	173,652	660,942	661,463
Employee Benefits	122,248	38,563	30,863	191,674	176,264
Supplies and Other	441,360	161,581	(59,867)	543,074	552,152
Depreciation and Amortization	56,906	17,766	18,237	92,909	90,625
Operating Lease Expense	17,827	5,531	2,804	26,162	26,286
Total Operating Expenses	994,519	354,553	165,689	1,514,761	1,506,790
Income (Loss) From Operations	100,350	25,752	(43,633)	82,469	94,307
Nonoperating Revenues (Expenses)					
Interest Expense	(14,608)	(3,824)	(6,010)	(24,442)	(23,926)
Investment Income and Other	10,762	(2,987)	15,804	23,579	49,466
Total Nonoperating Revenues (Expenses), Net	(3,846)	(6,811)	9,794	(863)	25,540
Excess (Deficit) of Revenues Over Expenses Before Noncontrolling Interest	96,504	18,941	(33,839)	81,606	119,847
Income Applicable to Noncontrolling Interest	(7,214)	(5,214)	-	(12,428)	(10,242)
Excess (Deficit) of Revenues Over Expenses	\$ 89,290	\$ 13,727	\$ (33,839)	\$ 69,178	\$ 109,605

Condensed Statement of Cash Flows, With Comparative Totals

	VMC	VCOM	Eliminations and Other	Total Vidant Health	
				2014	2013
Cash Flows					
Operating Activities	\$ 143,024	\$ 47,147	\$ (46,420)	\$ 143,751	\$ 151,091
Capital and Related Financing Activities	(39,078)	(22,676)	(13,466)	(75,220)	(128,071)
Investing Activities	(104,215)	1,063	67,817	(35,335)	(19,115)
Net Increase (Decrease) in Cash and Cash Equivalents	(269)	25,534	7,931	33,196	3,905
Cash and Cash Equivalents – Beginning of Year	20,679	67,431	14,580	102,690	98,785
Cash and Cash Equivalents – End of Year	\$ 20,410	\$ 92,965	\$ 22,511	\$ 135,886	\$ 102,690

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SUPPLEMENTARY INFORMATION

Vidant Health

Consolidating Balance Sheet September 30, 2014 (Dollars in Thousands)

	Consolidated	Eliminations	Vidant Health	Vidant Medical Center	Vidant Community Hospitals	Vidant Medical Group	Vidant Properties	HealthAccess, Inc
ASSETS AND DEFERRED OUTFLOWS								
CURRENT ASSETS								
Cash and Cash Equivalents	\$ 135,886	\$ -	\$ 17,784	\$ 20,410	\$ 92,965	\$ 3,033	\$ 1,263	\$ 431
Accounts Receivable – Patients, Net	250,014	-	-	176,829	54,635	15,798	-	2,752
Other Receivables	41,169	(15,244)	17,958	24,195	7,553	6,367	23	317
Estimated Settlements Due From Third-Party Payors	81,194	-	-	69,747	11,447	-	-	-
Inventories	39,153	-	1,493	24,468	12,215	906	-	71
Prepaid Expenses	16,408	-	5,686	3,910	5,786	925	16	85
Assets Limited as to Use – Current	13,029	-	13,029	-	-	-	-	-
Total Current Assets	576,853	(15,244)	55,950	319,559	184,601	27,029	1,302	3,656
ASSETS LIMITED AS TO USE								
Internally Designated for Capital Improvements	546,555	-	117,696	397,444	28,987	-	2,428	-
Internally Designated for Professional Liability Losses	22,176	-	22,176	-	-	-	-	-
Held by Trustees – Revenue Bonds	11,686	(11,686)	11,686	9,680	2,006	-	-	-
Held by Trustees – Other	18,438	(139)	139	17,911	527	-	-	-
Total Assets Limited as to Use	598,855	(11,825)	151,697	425,035	31,520	-	2,428	-
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	599,801	-	31,662	389,989	144,890	6,114	22,042	5,104
OTHER ASSETS								
Due From Affiliates	-	(453,356)	453,356	-	-	-	-	-
Goodwill	26,245	-	-	3,414	22,831	-	-	-
Other Intangible Assets, Net	1,096	-	305	791	-	-	-	-
Other Assets	5,931	-	647	3,474	1,126	-	-	684
Total Other Assets	33,272	(453,356)	454,308	7,679	23,957	-	-	684
DEFERRED OUTFLOWS	33,867	(33,867)	33,867	27,178	6,689	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 1,842,648	\$ (514,292)	\$ 727,484	\$ 1,169,440	\$ 391,657	\$ 33,143	\$ 25,772	\$ 9,444

(Continued)

Vidant Health

Consolidating Balance Sheet (Continued)

September 30, 2014

(Dollars in Thousands)

	Consolidated	Eliminations	Vidant Health	Vidant Medical Center	Vidant Community Hospitals	Vidant Medical Group	Vidant Properties	HealthAccess, Inc
LIABILITIES AND NET POSITION								
CURRENT LIABILITIES								
Accounts Payable	\$ 63,944	\$ (11,713)	\$ 16,892	\$ 32,225	\$ 20,525	\$ 3,907	\$ 1,213	\$ 895
Accrued Expenses	124,063	13	16,043	70,381	20,301	15,737	3	1,585
Estimated Settlements Due to Third-Party Payors	9,957	-	-	117	9,762	-	-	78
Current Portion of Professional Liability Losses	13,029	-	12,164	-	-	865	-	-
Current Maturities of Long-Term Debt	14,784	-	13,925	-	657	-	202	-
Current Portion of Due to Affiliates	-	(3,515)	-	2,789	726	-	-	-
Total Current Liabilities	225,777	(15,215)	59,024	105,512	51,971	20,509	1,418	2,558
LONG-TERM LIABILITIES								
Long-Term Debt, Less Current Maturities	533,045	-	528,191	-	4,474	-	380	-
Due to Affiliates, Less Current Maturities	-	(499,077)	-	390,525	108,552	-	-	-
Professional Liability Losses, Less Current Portion	22,176	-	16,576	-	507	5,093	-	-
Other Liabilities	48,032	-	-	45,841	1,889	302	-	-
Total Liabilities	829,030	(514,292)	603,791	541,878	167,393	25,904	1,798	2,558
NET POSITION								
Net Investment in Capital Assets	124,866	457,039	(464,596)	37,738	62,007	6,114	21,460	5,104
Restricted – Noncontrolling Interests	39,845	-	-	15,972	23,873	-	-	-
Restricted – Other	2,838	-	-	-	2,838	-	-	-
Unrestricted (Deficit)	846,069	(457,039)	588,289	573,852	135,546	1,125	2,514	1,782
Total Net Position	1,013,618	-	123,693	627,562	224,264	7,239	23,974	6,886
TOTAL LIABILITIES AND NET POSITION	\$ 1,842,648	\$ (514,292)	\$ 727,484	\$ 1,169,440	\$ 391,657	\$ 33,143	\$ 25,772	\$ 9,444

Vidant Health

Consolidating Statement of Revenues and Expenses Year Ended September 30, 2014 (Dollars in Thousands)

	Consolidated	Eliminations	Vidant Health	Vidant Medical Center	Vidant Community Hospitals	Vidant Medical Group	Vidant Properties	HealthAccess, Inc
OPERATING REVENUES								
Net Patient Service Revenue, Net of Provision for Bad Debts	\$ 1,513,019	\$ -	\$ -	\$ 1,060,233	\$ 363,276	\$ 79,434	\$ -	\$ 10,076
Other Revenue	84,211	(177,087)	148,520	34,636	17,029	51,845	4,564	4,704
Total Operating Revenues	1,597,230	(177,087)	148,520	1,094,869	380,305	131,279	4,564	14,780
OPERATING EXPENSES								
Salaries and Wages	660,942	-	61,357	356,178	131,112	101,752	-	10,543
Employee Benefits	191,674	(316)	13,599	122,248	38,563	14,871	-	2,709
Supplies and Other	543,074	(171,474)	55,024	441,360	161,581	48,770	1,742	6,071
Depreciation and Amortization	92,909	-	13,275	56,906	17,766	2,347	1,833	782
Operating Lease Expense	26,162	(5,294)	2,170	17,827	5,531	5,486	-	442
Total Operating Expenses	1,514,761	(177,084)	145,425	994,519	354,553	173,226	3,575	20,547
INCOME (LOSS) FROM OPERATIONS	82,469	(3)	3,095	100,350	25,752	(41,947)	989	(5,767)
NONOPERATING REVENUES (EXPENSES)								
Interest Expense	(24,442)	18,054	(24,038)	(14,608)	(3,824)	-	(26)	-
Investment Income	37,270	-	19,125	16,220	1,785	14	106	20
Other	(13,691)	(18,051)	14,759	(5,458)	(4,772)	-	(170)	1
Total Nonoperating Revenues (Expenses), Net	(863)	3	9,846	(3,846)	(6,811)	14	(90)	21
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE NONCONTROLLING INTERESTS	81,606	-	12,941	96,504	18,941	(41,933)	899	(5,746)
Income Applicable to Noncontrolling Interests	(12,428)	-	-	(7,214)	(5,214)	-	-	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$ 69,178	\$ -	\$ 12,941	\$ 89,290	\$ 13,727	\$ (41,933)	\$ 899	\$ (5,746)

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Vidant Medical Center

**Consolidating Balance Sheet
September 30, 2014
(Dollars in Thousands)**

	Consolidated	Eliminations	Vidant Medical Center	SurgiCenter Services of Pitt, Inc	Vidant SurgiCenter
ASSETS AND DEFERRED OUTFLOWS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 20,410	\$ -	\$ 18,589	\$ 558	\$ 1,263
Accounts Receivable – Patients, Net	176,829	-	171,118	-	5,711
Other Receivables	24,195	(553)	24,530	8	210
Estimated Settlements Due From Third-Party Payors	69,747	-	69,747	-	-
Inventories	24,468	-	23,777	-	691
Prepaid Expenses	3,910	-	3,707	4	199
Total Current Assets	319,559	(553)	311,468	570	8,074
ASSETS LIMITED AS TO USE					
Internally Designated for Capital Improvements	397,444	-	397,444	-	-
Held by Trustees – Revenue Bonds	9,680	-	9,680	-	-
Held by Trustees – Other	17,911	-	17,911	-	-
Total Assets Limited as to Use	425,035	-	425,035	-	-
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION					
	389,989	-	378,817	7,883	3,289
OTHER ASSETS					
Goodwill	3,414	(29,053)	2,926	-	29,541
Other Intangible Assets, Net	791	-	791	-	-
Other Assets	3,474	(19,102)	22,576	-	-
Total Other Assets	7,679	(48,155)	26,293	-	29,541
Total Assets	1,142,262	(48,708)	1,141,613	8,453	40,904
DEFERRED OUTFLOWS					
	27,178	-	27,178	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 1,169,440	\$ (48,708)	\$ 1,168,791	\$ 8,453	\$ 40,904

(Continued)

Vidant Medical Center

Consolidating Balance Sheet (Continued)
September 30, 2014
(Dollars in Thousands)

	Consolidated	Eliminations	Vidant Medical Center	SurgiCenter Services of Pitt, Inc	Vidant SurgiCenter
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accounts Payable	\$ 32,225	\$ (553)	\$ 29,767	\$ 10	\$ 3,001
Accrued Expenses	70,381	-	70,178	1	202
Estimated Settlements Due to Third-Party Payors	117	-	117	-	-
Current Maturity of Due to Affiliates	2,789	-	2,789	-	-
Total Current Liabilities	105,512	(553)	102,851	11	3,203
Due to Affiliates, Less Current Maturities	390,525	-	390,525	-	-
Other Liabilities	45,841	(29,053)	45,841	29,053	-
Total Liabilities	541,878	(29,606)	539,217	29,064	3,203
NET POSITION					
Net Investment in Capital Assets	37,738	(29,053)	26,078	7,883	32,830
Restricted – Noncontrolling Interests	15,972	15,972	-	-	-
Unrestricted (Deficit)	573,852	(6,021)	603,496	(28,494)	4,871
Total Net Position (Deficit)	627,562	(19,102)	629,574	(20,611)	37,701
TOTAL LIABILITIES AND NET POSITION	\$ 1,169,440	\$ (48,708)	\$ 1,168,791	\$ 8,453	\$ 40,904

Vidant Medical Center

Consolidating Statement of Revenues and Expenses Year Ended September 30, 2014 (Dollars in Thousands)

	Consolidated	Eliminations	Vidant Medical Center	SurgiCenter Services of Pitt, Inc	Vidant SurgiCenter
OPERATING REVENUES					
Net Patient Service Revenue, Net of Provision for Bad Debts	\$ 1,060,233	\$ -	\$ 1,025,379	\$ -	\$ 34,854
Other Revenue	34,636	(7,683)	40,956	1,106	257
Total Operating Revenues	1,094,869	(7,683)	1,066,335	1,106	35,111
OPERATING EXPENSES					
Salaries and Wages	356,178	-	356,178	-	-
Employee Benefits	122,248	-	122,248	-	-
Supplies and Other	441,360	(6,577)	430,862	66	17,009
Depreciation and Amortization	56,906	-	55,450	463	993
Operating Lease Expense	17,827	(1,106)	17,813	1	1,119
Total Operating Expenses	994,519	(7,683)	982,551	530	19,121
INCOME FROM OPERATIONS	100,350	-	83,784	576	15,990
NONOPERATING REVENUES (EXPENSES)					
Interest Expense	(14,608)	-	(14,608)	-	-
Investment Income	16,220	-	16,147	15	58
Other	(5,458)	-	(5,441)	-	(17)
Total Nonoperating Revenues (Expenses), Net	(3,846)	-	(3,902)	15	41
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE NONCONTROLLING INTEREST	96,504	-	79,882	591	16,031
Income Applicable to Noncontrolling Interest	(7,214)	(7,214)	-	-	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$ 89,290	\$ (7,214)	\$ 79,882	\$ 591	\$ 16,031

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Vidant Community Hospitals

Consolidating Balance Sheet September 30, 2014 (Dollars in Thousands)

	Consolidated	Eliminations	Vidant Community Hospitals	The Outer Banks Hospital	Vidant Roanoke- Chowan Hospital	Vidant Bertie Hospital	Vidant Edgecombe Hospital	Heritage MRI	Vidant Chowan Hospital	Vidant Duplin Hospital	Vidant Beaufort Hospital	Vidant Pungo Hospital
ASSETS AND DEFERRED OUTFLOWS												
CURRENT ASSETS												
Cash	\$ 92,965	\$ -	\$ 57,660	\$ 4,293	\$ 4,899	\$ 5,255	\$ 4,978	\$ -	\$ 4,254	\$ 8,595	\$ 3,018	\$ 13
Accounts Receivable, Patients, Net	54,635	-	-	8,518	11,209	3,433	9,989	-	7,988	4,582	8,652	264
Other Receivables	7,553	(2,333)	182	371	1,731	87	2,954	1,034	632	1,145	1,705	45
Estimated Settlements Due From Third-Party Payors	11,447	-	-	4,725	(383)	2,092	1,519	-	1,017	1,159	1,238	80
Inventories	12,215	-	-	1,413	2,318	391	2,090	-	1,986	998	3,019	-
Prepaid Expenses	5,786	-	42	261	237	43	70	-	163	4,759	159	52
Total Current Assets	184,601	(2,333)	57,884	19,581	20,011	11,301	21,600	1,034	16,040	21,238	17,791	454
ASSETS LIMITED AS TO USE												
Internally Designated for Capital Improvements	28,987	-	163	28,607	-	-	-	-	216	1	-	-
Held by Trustees – Revenue Bonds	2,006	-	-	-	248	-	1,656	-	102	-	-	-
Held by Trustees – Other	527	-	-	-	3	-	21	-	1	-	502	-
Total Assets Limited as to Use	31,520	-	163	28,607	251	-	1,677	-	319	1	502	-
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	144,890	-	5	18,872	25,201	5,098	28,095	-	21,050	16,671	29,898	-
OTHER ASSETS												
Goodwill	22,831	-	-	-	16	-	22,395	-	-	420	-	-
Other Assets	1,126	-	-	-	-	-	-	-	-	-	1,126	-
Total Other Assets	23,957	-	-	-	16	-	22,395	-	-	420	1,126	-
DEFERRED OUTFLOWS	6,689	-	-	-	1,114	-	5,400	-	175	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 391,657	\$ (2,333)	\$ 58,052	\$ 67,060	\$ 46,593	\$ 16,399	\$ 79,167	\$ 1,034	\$ 37,584	\$ 38,330	\$ 49,317	\$ 454

(Continued)

Vidant Community Hospitals

Consolidating Balance Sheet (Continued)

September 30, 2014

(Dollars in Thousands)

	Consolidated	Eliminations	Vidant Community Hospitals	The Outer Banks Hospital	Vidant Roanoke- Chowan Hospital	Vidant Bertie Hospital	Vidant Edgecombe Hospital	Heritage MRI	Vidant Chowan Hospital	Vidant Duplin Hospital	Vidant Beaufort Hospital	Vidant Pungo Hospital
LIABILITIES AND NET POSITION												
CURRENT LIABILITIES												
Accounts Payable	\$ 20,525	\$ (2,333)	\$ 329	\$ 3,334	\$ 3,198	\$ 1,790	\$ 4,302	\$ 1,034	\$ 2,230	\$ 2,400	\$ 4,182	\$ 59
Accrued Expenses	20,301	-	159	3,299	4,499	915	3,042	-	2,636	2,119	3,628	4
Estimated Settlements Due to Third-Party												
Payors	9,762	-	-	541	2,365	487	2,591	-	1,678	1,452	293	355
Current Maturities of Long-Term Debt	657	-	-	-	-	564	-	-	-	93	-	-
Current Portion of Due to Affiliates	726	-	-	-	79	2	506	-	33	-	106	-
Total Current Liabilities	51,971	(2,333)	488	7,174	10,141	3,758	10,441	1,034	6,577	6,064	8,209	418
LONG-TERM LIABILITIES												
Long-Term Debt, Less Current Maturities	4,474	-	-	-	-	4,402	-	-	-	72	-	-
Due to Affiliates, Less Current Maturities	108,552	-	-	-	11,116	343	69,042	-	4,897	-	23,154	-
Professional Liabilities Losses, Net of												
Current Portion	507	-	-	277	-	-	-	-	-	-	230	-
Other Liabilities	1,889	-	-	-	648	125	319	-	467	330	-	-
Total Liabilities	167,393	(2,333)	488	7,451	21,905	8,628	79,802	1,034	11,941	6,466	31,593	418
NET POSITION												
Net Investment in Capital Assets	62,007	-	5	18,872	15,384	(213)	(12,002)	-	16,397	16,926	6,638	-
Restricted – Noncontrolling Interests	23,873	23,873	-	-	-	-	-	-	-	-	-	-
Restricted – Other	2,838	-	-	-	2,833	5	-	-	-	-	-	-
Unrestricted (Deficit)	135,546	(23,873)	57,559	40,737	6,471	7,979	11,367	-	9,246	14,938	11,086	36
Total Net Position (Deficit)	224,264	-	57,564	59,609	24,688	7,771	(635)	-	25,643	31,864	17,724	36
TOTAL LIABILITIES AND NET POSITION	\$ 391,657	\$ (2,333)	\$ 58,052	\$ 67,060	\$ 46,593	\$ 16,399	\$ 79,167	\$ 1,034	\$ 37,584	\$ 38,330	\$ 49,317	\$ 454

Vidant Community Hospitals

Consolidating Statement of Revenues and Expenses Year Ended September 30, 2014 (Dollars in Thousands)

	Consolidated	Eliminations	Vidant Community Hospitals	The Outer Banks Hospital	Vidant Roanoke- Chowan Hospital	Vidant Bertie Hospital	Vidant Edgecombe Hospital	Heritage MRI	Vidant Chowan Hospital	Vidant Duplin Hospital	Vidant Beaufort Hospital	Vidant Pungo Hospital
OPERATING REVENUES												
Net Patient Service Revenue, Net of Provision for Bad Debts	\$ 363,276	\$ -	\$ -	\$ 58,362	\$ 63,758	\$ 19,316	\$ 72,700	\$ -	\$ 45,627	\$ 41,052	\$ 57,009	\$ 5,452
Other Revenue	17,029	(3,205)	2	1,431	4,086	757	4,118	293	3,572	2,685	2,906	384
Total Operating Revenues	380,305	(3,205)	2	59,793	67,844	20,073	76,818	293	49,199	43,737	59,915	5,836
OPERATING EXPENSES												
Salaries and Wages	131,112	-	-	15,995	26,224	6,461	24,338	-	17,366	17,368	20,815	2,545
Employee Benefits	38,563	-	-	3,889	9,033	1,511	7,298	-	5,918	4,373	5,782	759
Supplies and Other	161,581	(2,912)	671	23,700	28,674	10,655	30,220	5	17,244	17,727	31,052	4,545
Depreciation and Amortization	17,766	-	5	2,358	2,826	856	3,388	-	2,417	2,747	2,529	640
Operating Lease Expense	5,531	(293)	-	1,094	1,356	278	588	282	972	847	317	90
Total Operating Expenses	354,553	(3,205)	676	47,036	68,113	19,761	65,832	287	43,917	43,062	60,495	8,579
INCOME (LOSS) FROM OPERATIONS	25,752	-	(674)	12,757	(269)	312	10,986	6	5,282	675	(580)	(2,743)
NONOPERATING REVENUES (EXPENSES)												
Interest Expense	(3,824)	-	-	-	(453)	(297)	(2,666)	-	(152)	(10)	(245)	(1)
Investment Income	1,785	-	1,440	95	120	7	7	-	22	34	55	5
Other	(4,772)	-	-	178	(52)	(3)	-	-	(32)	-	(14)	(4,849)
Total Nonoperating Revenues (Expenses), Net	(6,811)	-	1,440	273	(385)	(293)	(2,659)	-	(162)	24	(204)	(4,845)
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE NONCONTROLLING INTEREST	18,941	-	766	13,030	(654)	19	8,327	6	5,120	699	(784)	(7,588)
Income Applicable to Noncontrolling Interest	(5,214)	(5,214)	-	-	-	-	-	-	-	-	-	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$ 13,727	\$ (5,214)	\$ 766	\$ 13,030	\$ (654)	\$ 19	\$ 8,327	\$ 6	\$ 5,120	\$ 699	\$ (784)	\$ (7,588)

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Vidant Health

Combining Balance Sheet September 30, 2014 (Dollars in Thousands)

	Consolidated	Eliminations	Combined Group*	Unrestricted Affiliates	
				VMG	Others
ASSETS AND DEFERRED OUTFLOWS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 135,886	\$ -	\$ 126,739	\$ 3,033	\$ 6,114
Accounts Receivable – Patients, Net of Estimated Uncollectibles	250,014	-	219,987	15,798	14,229
Other Receivables	41,169	(5,773)	39,228	6,367	1,347
Estimated Settlements Due From Third-Party Payors	81,194	-	76,469	-	4,725
Due From Roanoke-Chowan Alliance	-	-	-	-	-
Inventories	39,153	-	36,143	906	2,104
Prepaid Expenses	16,408	-	15,019	925	464
Current Portion Due From Affiliates	-	-	-	-	-
Assets Limited as to Use – Held by Trustees	13,029	-	13,029	-	-
Total Current Assets	576,853	(5,773)	526,614	27,029	28,983
ASSETS LIMITED AS TO USE					
Internally Designated for Capital Improvements	546,555	-	517,948	-	28,607
Internally Designated for Professional Liability Losses	22,176	-	22,176	-	-
Held by Trustees – Revenue Bonds	11,686	-	11,686	-	-
Held by Trustees – Other	18,438	-	18,438	-	-
Total Assets Limited as to Use	598,855	-	570,248	-	28,607
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	599,801	-	563,643	6,114	30,044
OTHER ASSETS					
Goodwill	26,245	(29,053)	25,757	-	29,541
Intangible Assets, Net	1,096	-	1,096	-	-
Bond Issuance Costs, Net	-	-	-	-	-
Due from Roanoke-Chowan Alliance, Less Current Maturities	-	-	-	-	-
Other Assets	5,931	-	5,931	-	-
Total Other Assets	33,272	(29,053)	32,784	-	29,541
DEFERRED OUTFLOWS	33,867	-	33,867	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 1,842,648	\$ (34,826)	\$ 1,727,156	\$ 33,143	\$ 117,175

*The consolidated financial statements of the combined group include the operations of VPUN through June 30, 2014. VPUN ceased operations and was removed from the combined group on July 1, 2014.

Vidant Health

**Combining Balance Sheet
September 30, 2014
(Dollars in Thousands)**

	Consolidated	Eliminations	Combined Group*	Unrestricted Affiliates	
				VMG	Others
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accounts Payable	\$ 63,944	\$ (5,773)	\$ 58,701	\$ 3,907	\$ 7,109
Accrued Expenses	124,063	-	104,824	15,737	3,502
Estimated Settlements Due to Third-Party Payors	9,957	-	9,416	-	541
Current Reserve for Professional Liability Losses	13,029	-	12,164	865	-
Current Maturities of Long-Term Debt	14,784	-	14,784	-	-
Total Current Liabilities	225,777	(5,773)	199,889	20,509	11,152
LONG-TERM LIABILITIES					
Long-Term Debt, Less Current Maturities	533,045	-	533,045	-	-
Reserve for Professional Liability Losses	22,176	-	16,806	5,093	277
Other Liabilities	48,032	(29,053)	47,730	302	29,053
Total Long-Term Liabilities	603,253	(29,053)	597,581	5,395	29,330
Total Liabilities	829,030	(34,826)	797,470	25,904	40,482
NET POSITION					
Net Investment in Capital Assets	124,866	(29,053)	88,220	6,114	59,585
Restricted – Noncontrolling Interests	39,845	39,045	800	-	-
Restricted – Other	2,838	-	2,838	-	-
Unrestricted	846,069	(9,992)	837,828	1,125	17,108
Total Net Position	1,013,618	-	929,686	7,239	76,693
TOTAL LIABILITIES AND NET POSITION	\$ 1,842,648	\$ (34,826)	\$ 1,727,156	\$ 33,143	\$ 117,175

*The consolidated financial statements of the combined group include the operations of VPUN through June 30, 2014. VPUN ceased operations and was removed from the combined group on July 1, 2014.

Vidant Health

Combining Statement of Revenues, and Expenses Year Ended September 30, 2014 (Dollars in Thousands)

	Consolidated	Eliminations	Combined Group*	Unrestricted Affiliates	
				VMG	Others
OPERATING REVENUES					
Net Patient Service Revenue	\$ 1,513,019	\$ -	\$ 1,340,369	\$ 79,434	\$ 93,216
Other Revenue	84,211	(32,659)	61,938	51,845	3,087
Total Operating Revenues	1,597,230	(32,659)	1,402,307	131,279	96,303
OPERATING EXPENSES					
Salaries and Wages	660,942	-	543,195	101,752	15,995
Employee Benefits	191,674	(3)	172,917	14,871	3,889
Supplies and Other	543,074	(29,852)	483,369	48,770	40,787
Depreciation and Amortization	92,909	-	86,748	2,347	3,814
Operating Lease Expense	26,162	(2,804)	20,991	5,486	2,489
Total Operating Expenses	1,514,761	(32,659)	1,307,220	173,226	66,974
INCOME (LOSS) FROM OPERATIONS	82,469	-	95,087	(41,947)	29,329
NONOPERATING REVENUES (EXPENSES)					
Interest Expense	(24,442)	-	(24,442)	-	-
Investment Income (Loss)	37,270	-	37,088	14	168
Other	(13,691)	-	(13,852)	-	161
Total Nonoperating Revenues (Expenses)	(863)	-	(1,206)	14	329
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$ 81,606	\$ -	\$ 93,881	\$ (41,933)	\$ 29,658

*The consolidated financial statements of the combined group include the operations of VPUN through June 30, 2014. VPUN ceased operations and was removed from the combined group on July 1, 2014.

Vidant Health

Required Supplementary Information Schedule of Plan Funding Progress (Unaudited) September 30, 2014

Defined Benefit Pension Plans (dollars in thousands):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b) (AAL)	Unfunded Actuarial Accrued Liability (Asset) (a-b) (UAAL)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll ((b-a) / c)
<u>Vidant Health</u>						
For the plan year beginning January 1						
2014*	\$ 442,903	\$ 578,352	\$ 135,449	76.6%	\$ 351,483	38.5%
2013*	382,507	486,599	104,092	78.6%	374,747	27.8%
2012*	360,118	443,483	83,365	81.2%	390,008	21.4%
2011	345,920	395,581	49,661	87.4%	399,812	12.4%
2010	328,755	361,372	32,617	91.0%	369,569	8.8%
2009	256,248	331,424	75,176	77.3%	341,777	22.0%
2008	300,603	312,572	11,969	96.2%	303,579	3.9%

Vidant Duplin Hospital

2011*	11,534	8,871	(2,663)	130.0%	-	0.0%
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*Included going forward in the Vidant Health plan beginning in fiscal year 2012

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
10/01/2013	\$ -	\$ 13,480	\$ 13,480	0.0%	\$ 641,486	2.1%
10/01/2012	-	12,210	12,210	0.0%	637,049	1.9%
10/01/2011	-	10,460	10,460	0.0%	587,669	1.8%

Vidant Health

**Required Supplementary Information
Historical Summary of Required and Actual Contributions
(Unaudited)
September 30, 2014**

Defined Benefit Pension Plans (dollars in thousands):

Plan Year Ended	Employer Contributions		
	Annual Required Contribution	Actual Contribution	Percentage Contributed
2014	\$ 30,143	\$ 30,143	100.0%
2013	25,547	25,547	100.0%
2012	23,397	23,397	100.0%

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

Plan Year Ended	Employer Contributions		
	Annual Required Contribution	Actual Contribution	Percentage Contributed
2014	\$ 1,508	\$ 722	47.9%
2013	1,448	1,213	83.8%
2012	1,195	1,912	160.0%