

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





















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 \$	27,350,302	including grants of \$	14,588) (Revenue \$	26,575,225)
	<p>ASHE MEMORIAL HOSPITAL PROVIDES INPATIENT, OUTPATIENT, AND EMERGENCY CARE SERVICES FOR RESIDENTS OF ASHE COUNTY AND THE SURROUNDING AREAS. RECENT PROJECTS COMPLETED THAT IMPROVED THE FACILITY AND THE SERVICES OFFERED TO THE COMMUNITY INCLUDED: (1) A NEW BUILDING COMPLETED ON THE CAMPUS OF ASHE MEMORIAL HOSPITAL, INC. TO HOUSE MOUNTAIN FAMILY CARE CENTER, OUR HOSPITAL-BASED RURAL HEALTH CLINIC, (2) ENHANCEMENTS AND ADDITIONS OF SOFTWARE TO ACHIEVE "MEANINGFUL USE" IN THE ELECTRONIC HEALTH RECORD PROJECT, (3) RENOVATION OF OFFICE SPACE THAT IS OCCUPIED BY MOUNT JEFFERSON FAMILY MEDICINE IN THE HOSPITAL-OWNED PHYSICIAN BUILDING, (4) NEW HOSPITAL-OWNED OB/GYN PRACTICE OPENED IN AN AREA WITHIN 3 MILES OF THE HOSPITAL, (5) NEW MEDICAL EQUIPMENT IN THE OPERATING ROOM AND FITNESS EQUIPMENT AT MOUNTAIN HEARTS, (6) NEW FURNITURE IN THE OUTPATIENT/EMERGENCY DEPARTMENT AREA, (7) ENHANCEMENT OF THE PHONE AND COMMUNICATIONS SYSTEM, AND (8) A FACELIFT TO THE CHAPEL LOCATED WITHIN THE HOSPITAL. THE HOSPITAL PROVIDED A SIGNIFICANT AMOUNT OF COMMUNITY BENEFIT AND OUTREACH TO THE COUNTY AND SURROUNDING AREAS. BENEFIT AND OUTREACH PROGRAMS ARE PROVIDED IN CONJUNCTION WITH THE ASHE COUNTY HEALTH COUNCIL AND INDEPENDENTLY THROUGH VARIOUS DEPARTMENTS AND SERVICES. OUR SIXTH COMMUNITY HEALTH FAIR WAS HELD DURING THE SUMMER. THIS PROJECT CONTINUES TO RECEIVE THE HIGHEST EVALUATION SCORES OF ANY SECTION OF THE BLUE RIDGE ELECTRIC ANNUAL MEETING.</p>					

[illegible][illegible]

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

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a		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	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26	Yes	
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	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		No
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	57	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	394
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	No
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	Section 501(c)(7) organizations. Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11	Section 501(c)(12) organizations. Enter		
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	18	
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	16	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	Yes
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	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	Yes
12b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
12c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes
13	Did the organization have a written whistleblower policy?	13	Yes
14	Did the organization have a written document retention and destruction policy?	14	Yes
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	The organization's CEO, Executive Director, or top management official	15a	Yes
15b	Other officers or key employees of the organization	15b	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	NC
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input checked="" type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization	JOY R MCCLURE CFO 200 HOSPITAL AVENUE JEFFERSON, NC (336) 846-7101

Part VII

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

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

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

- 1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year
- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid

List all of the organization's **current** key employees, if any See instructions for definition of "key employee "

List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations

List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) JAMES G GAMBILL JR PRESIDENT	1 00	X		X				0	0	0
(2) TOM EFFORD VICE PRESIDENT	1 00	X		X				0	0	0
(3) DICK MILLER VICE PRESIDENT	1 00	X		X				0	0	0
(4) JAN CADDELL TREASURER	1 00	X		X				0	0	0
(5) JANE LONON SECERTARY	1 00	X		X				0	0	0
(6) HOBART DAVIS BOARD MEMBER	1 00	X						0	0	0
(7) DR CHARLES JONES BOARD MEMBER	1 00	X						0	0	0
(8) BRADLEY MCNEILL BOARD MEMBER	1 00	X						0	0	0
(9) BRETT T SUMMEY DDS BOARD MEMBER	1 00	X						0	0	0
(10) EDWARD J MILLER MD BOARD MEMBER	1 00	X						0	0	0
(11) STEPHEN SHOEMAKER BOARD MEMBER	1 00	X						0	0	0
(12) MICHAEL MINCEY BOARD MEMBER	1 00	X						0	0	0
(13) SUE HAMPTON BOARD MEMBER	1 00	X						0	0	0
(14) NANCY KAUTZ BOARD MEMBER	1 00	X						0	0	0
(15) WALTER E DAVIS MD BOARD MEMBER	1 00	X						0	0	0
(16) DENNES E HOUCK BOARD MEMBER	1 00	X						0	0	0
(17) GREG BOWERS RPH BOARD MEMBER	1 00	X						0	0	0

Part VII

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	1,224,493	0	89,778

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 10

		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
RESTORE RESPIRATORY CARE INC 200 GALLERIA PARKWAY SUITE 1800 ATLANTA GA 30339	RESPIRATORY THERAPY	670,613
QUORUM HEALTH RESOURCES LLC 105 CONTINENTAL PLACE BRENTWOOD TN 370271018	MANAGEMENT FEES/CEO	330,046
HERMITAGE ANESTHESIA PO BOX 1153 JEFFERSON NC 28640	ANESTHESIA	225,996
DEBORAH L KINCAID SIDERS 257 NEW BEGINNINGS WEST JEFFERSON NC 28694	ANESTHESIA	216,000
CRNA PLUS PA 411 HWY 16 SOUTH JEFFERSON NC 28640	ANESTHESIA	216,000

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 13

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	915,229			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f		915,229			
Program Service Revenue	2a	PATIENT SERVICE REVENUE	Business Code 623000	25,516,354	25,516,354		
	b	OTHER OPERATING REVENUE	623000	496,630	496,630		
	c	PHARMACY	446110	313,295	313,295		
	d	FITNESS CENTER	713940	98,028	98,028		
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		26,424,307			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		188,479		188,479
4		Income from investment of tax-exempt bond proceeds					
5		Royalties					
6a		Gross rents	(i) Real 150,918	(ii) Personal			
b		Less rental expenses	0				
c		Rental income or (loss)	150,918				
d		Net rental income or (loss)		150,918		150,918	
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other 968,298			
b		Less cost or other basis and sales expenses		0			
c		Gain or (loss)		968,298			
d		Net gain or (loss)		968,298		968,298	
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18					
b		Less direct expenses					
c		Net income or (loss) from fundraising events					
9a		Gross income from gaming activities See Part IV, line 19					
b		Less direct expenses					
c		Net income or (loss) from gaming activities					
10a		Gross sales of inventory, less returns and allowances					
b		Less cost of goods sold					
c		Net income or (loss) from sales of inventory					
		Miscellaneous Revenue	Business Code				
11a		CAFETERIA & VENDING	722210	192,579			192,579
b	INSURANCE REFUNDS/SETTLEMENTS	900099	35,865			35,865	
c	PURCHASE DISCOUNTS	900099	1,392			1,392	
d	All other revenue						
e	Total. Add lines 11a-11d		229,836				
12	Total revenue. See Instructions		28,877,067	26,424,307	0	1,537,531	

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

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

☐

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.	14,588	14,588		
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.				
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.	13,121,838	13,121,838		
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).				
9	Other employee benefits.	2,026,133	1,857,489	153,290	15,354
10	Payroll taxes.	864,451	792,500	65,401	6,550
11	Fees for services (non-employees):				
a	Management.	120,225		120,225	
b	Legal.	54,077		54,077	
c	Accounting.	51,631		51,631	
d	Lobbying.				
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).	1,208,096	1,117,703	90,393	
12	Advertising and promotion.	27,917	5,554	22,084	279
13	Office expenses.	4,554,850	4,259,840	275,281	19,729
14	Information technology.	341,952	39,194	302,758	
15	Royalties.				
16	Occupancy.	985,886	985,886		
17	Travel.	57,310	47,025	10,285	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.	202,357	202,357		
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	1,642,586	1,642,586		
23	Insurance.	324,699	324,699		
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	2,472,766	2,472,766		
b	MISCELLANEOUS	950,195	466,277	216,773	267,145
c	RECRUITMENT	37,745		37,745	
d					
e	All other expenses				
25	Total functional expenses. Add lines 1 through 24e.	29,059,302	27,350,302	1,399,943	309,057
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		1,254,600	1	2,009,633
	2	Savings and temporary cash investments		518,467	2	722,874
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		2,144,079	4	3,138,035
	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		21,269	6	19,269
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		608,861	8	570,135
	9	Prepaid expenses and deferred charges		120,079	9	120,984
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a31,032,900			
	b	Less accumulated depreciation	10b20,673,959	11,628,987	10c	10,358,941
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		1,006,578	13	33,745
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		365,320	15	366,290
	16	Total assets. Add lines 1 through 15 (must equal line 34)		17,668,240	16	17,339,906
Liabilities	17	Accounts payable and accrued expenses		4,717,438	17	4,983,548
	18	Grants payable			18	
	19	Deferred revenue		377,669	19	351,059
	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		4,680,617	23	4,098,926
	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		409,518	25	946,932
	26	Total liabilities. Add lines 17 through 25		10,185,242	26	10,380,465
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		7,335,573	27	6,752,920
	28	Temporarily restricted net assets		147,425	28	206,521
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		7,482,998	33	6,959,441
	34	Total liabilities and net assets/fund balances		17,668,240	34	17,339,906

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	28,877,067
2	Total expenses (must equal Part IX, column (A), line 25)	2	29,059,302
3	Revenue less expenses Subtract line 2 from line 1	3	-182,235
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	7,482,998
5	Net unrealized gains (losses) on investments	5	-80,722
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	-260,600
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	6,959,441

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization ASHE MEMORIAL HOSPITAL INC	Employer identification number 56-0603900
--	--

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)

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

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

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

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

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)

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

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)

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

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)

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

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

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)

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

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?

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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage						
14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2011 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2012. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶						
b 33 1/3% support test—2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶						
17a 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶						
b 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶						
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶						

Part 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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage			
15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15		
16 Public support percentage from 2011 Schedule A, Part III, line 15	16		

Section D. Computation of Investment Income Percentage			
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17		
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18		
19a 33 1/3% support tests—2012. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶			
b 33 1/3% support tests—2011. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶			
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶			

Part IV **Supplemental Information.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization ASHE MEMORIAL HOSPITAL INC	Employer identification number 56-0603900
--	--

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

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

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

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

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

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

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

Part II-A

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

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

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

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

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

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		7,612
j	Total. Add lines 1c through 1i.			7,612
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

		Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	1	
2	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2	
3	Did the organization agree to carry over lobbying and political expenditures from the prior year?	3	

Part III-B

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No" OR (b) Part III-A, line 3, is answered "Yes."

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
EXPLANATION OF LOBBYING ACTIVITIES	PART II-B, LINE 1	THE ORGANIZATION IS A MEMBER OF THE NORTH CAROLINA HOSPITAL ASSOCIATION AND THE AMERICAN HOSPITAL ASSOCIATION. A PORTION OF THE MEMBERSHIP DUES PAID TO THESE ORGANIZATIONS IS ALLOCATED TO LOBBYING EXPENDITURES ON BEHALF OF ITS MEMBERSHIP BODY.

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
ASHE MEMORIAL HOSPITAL INC

Employer identification number
56-0603900

Part I

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

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

Part II

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

1

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

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

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

Part III

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

1a

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

b

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

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

► \$ _____

(ii) Assets included in Form 990, Part X

► \$ _____

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$ _____

b

Assets included in Form 990, Part X

► \$ _____

Part III

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

Part IV

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

1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No

1b

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

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

2b

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. 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		277,913		277,913
b Buildings		15,588,171	8,972,672	6,615,499
c Leasehold improvements		109,022	14,536	94,486
d Equipment		13,934,178	10,900,654	3,033,524
e Other		1,123,616	786,097	337,519
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) ▶				10,358,941

Schedule D (Form 990) 2012

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

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

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

Part XIII Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	THE HOSPITAL AND FOUNDATION ARE NOT-FOR-PROFIT CORPORATIONS AS DESCRIBED IN SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE AND ARE EXEMPT FROM FEDERAL INCOME TAXES ON RELATED INCOME PURSUANT TO SECTION 501(A) OF THE CODE. ACCORDINGLY, THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS DO NOT REFLECT A PROVISION OR LIABILITY FOR FEDERAL AND STATE INCOME TAXES. THE ORGANIZATION HAS DETERMINED THAT IT DOES NOT HAVE ANY MATERIAL UNRECOGNIZED TAX BENEFITS OR OBLIGATIONS AS OF SEPTEMBER 30, 2013 AND 2012. FISCAL YEARS ENDING ON AND AFTER SEPTEMBER 30, 2010, REMAIN SUBJECT TO EXAMINATION BY FEDERAL AND STATE TAX AUTHORITIES.

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

OMB No 1545-0047

2012

Open to Public Inspection

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

Name of the organization
ASHE MEMORIAL HOSPITAL INC

Employer identification number
56-0603900

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			633,827		633,827	2 180 %
b Medicaid (from Worksheet 3, column a)			3,792,128	3,782,552	9,576	0 030 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			117,237		117,237	0 400 %
d Total Financial Assistance and Means-Tested Government Programs			4,543,192	3,782,552	760,640	2 610 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			4,768		4,768	0 020 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j Total Other Benefits			4,768		4,768	0 020 %
k Total. Add lines 7d and 7j			4,547,960	3,782,552	765,408	2 630 %

Part II

Community Building Activities

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

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

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

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

1

Yes

2

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

2

1,359,420

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

543,768

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

7,961,253

6

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

6

8,042,733

7

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

7

-81,480

8

Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.
☐ Cost accounting system ☒ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a

Did the organization have a written debt collection policy during the tax year?

9a

Yes

b

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

9b

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				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

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

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	ASHE MEMORIAL HOSPITAL 200 HOSPITAL AVENUE JEFFERSON, NC 28640	X	X			X		X		CRITICAL ACCESS HOSPITAL	

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

ASHE MEMORIAL HOSPITAL INC

Name of hospital facility or facility reporting group

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

1

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

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 15000 00000000000000% 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 25000 00000000000000% If "No," explain in Part VI the criteria the hospital facility used	11	Yes
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12	Yes
a	<input checked="" type="checkbox"/> Income level		
b	<input checked="" type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input checked="" type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input checked="" type="checkbox"/> Medicaid/Medicare		
g	<input checked="" type="checkbox"/> State regulation		
h	<input type="checkbox"/> Other (describe in Part VI)		
13	Explained the method for applying for financial assistance?	13	Yes
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14	Yes
a	<input checked="" type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input checked="" type="checkbox"/> The policy was attached to billing invoices		
c	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available upon request		
g	<input type="checkbox"/> Other (describe in Part VI)		
Billing and Collections			
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15	Yes
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP		
a	<input checked="" type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input checked="" type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	17	Yes
a	<input checked="" type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input checked="" type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		

Part V

Facility Information (continued)

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

☒

Notified individuals of the financial assistance policy on admission
- b

☒

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

☒

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

☒

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

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

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

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

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

Part V

Facility Information (continued)

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year?
2

Name and address	Type of Facility (describe)
1 MOUNTAIN FAMILY CARE CENTER 200 HOSPITAL AVENUE JEFFERSON, NC 28640	RURAL HEALTH CLINIC
2 AMH ASHE WOMEN'S CENTER 420 E 2ND STREET WEST JEFFERSON, NC 28694	PHYSICIANS OFFICES
3	
4	
5	
6	
7	
8	
9	
10	

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
		PART I, LINE 6A NCHA
		PART I, L7 COL(F) THE ORGANIZATION RECOGNIZES PATIENT SERVICE REVENUE ASSOCIATED WITH SERVICES PROVIDED TO PATIENTS WHO HAVE THIRD-PARTY PAYOR COVERAGE ON THE BASIS OF CONTRACTUAL RATES FOR THE SERVICES RENDERED FOR UNINSURED PATIENTS THAT DO NOT QUALIFY FOR CHARITY CARE, THE ORGANIZATION RECOGNIZES REVENUE ON THE BASIS OF ITS STANDARD RATES FOR SERVICES PROVIDED (OR ON THE BASIS OF DISCOUNTED RATES, IF NEGOTIATED OR PROVIDED BY POLICY) ON THE BASIS OFHISTORICAL EXPERIENCE, A SIGNIFICANT PORTION OF THE ORGANIZATIONS UNINSURED PATIENTS WILL BE UNABLE OR UNWILLING TO PAY FOR THE SERVICES PROVIDED THUS, THE ORGANIZATION RECORDS A SIGNIFICANT PROVISION FOR BAD DEBTS RELATED TO UNINSURED PATIENTS IN THE PERIOD THE SERVICES ARE PROVIDED

Identifier	ReturnReference	Explanation
		PART III, LINE 9B THE POLICY DOES NOT SPECIFICALLY ADDRESS THIS ISSUE BUT WE NORMALLY PROVIDE THE CHARITY CARE DISCOUNT PRIOR TO SENDING TO BAD DEBT IF THE PATIENT QUALIFIES FOR CHARITY IN PART BUT FAILS TO PAY THEIR PORTION DUE
ASHE MEMORIAL HOSPITAL INC		PART V, SECTION B, LINE 3 THE HOSPITAL CONDUCTED TWO SURVEYS TO SOLICIT FEEDBACK FROM PERSONS WHO REPRESENT THE COMMUNITY FIRST, THE HOSPITAL CONDUCTED A YOUTH RISK BEHAVIOR SURVEY BY SURVEYING MIDDLE SCHOOL STUDENTS IN THE AREA ABOUT BEHAVIORS THAT AFFECT THEIR HEALTH SECOND, THE HOSPITAL CONDUCTED THE COMMUNITY OPINION SURVEY IN EACH APPALACHIAN DISTRICT COUNTY (ALLEGHANY, ASHE AND WATAUGA) THROUGH THE COLLECTION OF PAPER SURVEYS AND DISTRIBUTION OF A LINK ON AREA WEBSITES THROUGH SURVEY MONKEY ADDITIONALLY, LOCAL MEDIA OUTLETS SUPPORTED THE PROMOTION OF THE SURVEY THROUGH ON-AIR INTERVIEWS, PRESS RELEASE STORIES, AND PAID ADVERTISING ON THE RADIO

Identifier	ReturnReference	Explanation
ASHE MEMORIAL HOSPITAL INC		PART V, SECTION B, LINE 4 ALLEGHANY MEMORIAL HOSPITALAPPALACHIAN REGIONAL HEALTHCARE SYSTEMS

Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
ASHE MEMORIAL HOSPITAL INC

Employer identification number
56-0603900

Part I	Questions Regarding Compensation		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items. <div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input checked="" type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>			
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		No
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2		No
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III. <div><div><input type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div>			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization: <div><div>a Receive a severance payment or change-of-control payment?</div><div>b Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div><div>c Participate in, or receive payment from, an equity-based compensation arrangement?</div></div> If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.	4a		No
		4b		No
		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: <div><div>a The organization?</div><div>b Any related organization?</div></div> If "Yes," to line 5a or 5b, describe in Part III	5a		No
		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: <div><div>a The organization?</div><div>b Any related organization?</div></div> If "Yes," to line 6a or 6b, describe in Part III	6a		No
		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)JAMES MICHAEL A TAN ER PHYSICIAN	(i)	262,821	0	0	0	25,904	288,725	0
	(ii)	0	0	0	0	0	0	0
(2)JOSEPH J LOZANO ER PHYSICIAN	(i)	258,312	0	0	0	19,654	277,966	0
	(ii)	0	0	0	0	0	0	0
(3)LEE HAMILTON HOSPITALIST- PHYSICIAN	(i)	253,235	0	0	0	5,586	258,821	0
	(ii)	0	0	0	0	0	0	0
(4)TERRY L WILLIAMS OB/GYN PHYSICIAN	(i)	252,186	0	0	0	19,854	272,040	0
	(ii)	0	0	0	0	0	0	0
(5)CB JONES JR PHYSICIAN ASSISTANT-ER	(i)	197,939	0	0	0	18,780	216,719	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	PART I, LINE 1A	THE HOSPITAL PAYS FOR MEMBERSHIP DUES TO THE JEFFERSON ROTARY CLUB FOR CERTAIN KEY OFFICERS. THE PURPOSE OF THE ROTARY CLUB IS TO BRING TOGETHER BUSINESS AND PROFESSIONAL LEADERS TO PROVIDE HUMANITARIAN SERVICE, ENCOURAGE HIGH ETHICAL STANDARDS IN ALL VOCATIONS, AND HELP BUILD GOODWILL AND PEACE IN THE WORLD. AMOUNTS ARE BILLED DIRECTLY TO THE ORGANIZATION. THE HOSPITAL ALSO PAYS DUES TO JEFFERSON LANDING GOLF CLUB FOR CERTAIN KEY OFFICERS. ALL INVOICES ARE PAID DIRECTLY BY THE ORGANIZATION.
	PART I, LINE 3	COMPENSATION FROM AN UNRELATED ORGANIZATION (SEE FORM 990, PART VII, LINE 5) RAYMOND D WILLIAMS IS COMPENSATED THROUGH QUORUM HEALTH RESOURCES, LLC, AN UNRELATED ORGANIZATION, FOR HIS SERVICES AS CEO OF THE HOSPITAL. PLEASE SEE THE RESPONSE TO FORM 990, PART VI, LINE 15A FOR MORE DETAILS.
SUPPLEMENTAL INFORMATION	PART III	ASHE MEMORIAL HOSPITAL DOES NOT COMPENSATE MEMBERS FOR THEIR SERVICE AS DIRECTORS OF THE BOARD. ALL COMPENSATION LISTED ON PART VII, LINE 1, COLUMN (D) FOR BOARD MEMBERS WAS PAID FOR VARIOUS MEDICAL SERVICES RENDERED TO THE ORGANIZATION.

Schedule L

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ **Complete if the organization answered**
"Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c,
or Form 990-EZ, Part V, line 38a or 40b.
▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization ASHE MEMORIAL HOSPITAL INC	Employer identification number 56-0603900
--	--

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No

2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 ▶ \$ _____

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ \$ _____

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?		(i) Written agreement?	
			To	From			Yes	No	Yes	No	Yes	No
(1) SARA HOUSER		TUITION LOAN FROM AMH TO MRS HOUSER		X		19,269		No		No		No
Total ▶ \$ 19,269												

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) DRAGO PROPERTIES LLC	OWNED BY OFFICER JOE THORE	35,033	RENTAL PAYMENTS FOR STORAGE SPACE		No
(2) CHARLES W JONES MD	BOARD MEMBER	168,375	DR JONES WAS PAID BY AMH FOR SURGERY CALL FOR THE AMOUNT OF \$97,500 ALSO, DR JONES PAID RENT OF \$63,951 FOR SPACE, LABOR AND SUPPLIES FOR THE PURPOSE OF PERFORMING ENDOSCOPY ALSO, DR JONES PAID RENT OF \$6,924 FOR OFFICE SPACE IN THE PROFESSIONAL BUILDING FROM AMH		No
(3) TAMMY L THORE MD	WIFE OF JOE THORE, COO AND AMH FOUNDATION DIRECTOR	72,800	DR THORE WAS PAID BY AMH FOR SURGERY CALL IN THE AMOUNT OF \$72,800, WHICH INCLUDES SOME INDIVIDUAL TRANSACTIONS EXCEEDING \$10,000		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization

ASHE MEMORIAL HOSPITAL INC

Employer identification number

56-0603900

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 3	
	FORM 990, PART VI, SECTION A, LINE 6	THE HOSPITAL IS ORGANIZED AS A STOCK CORPORATION, AND SHARES OF STOCK ARE SOLD TO MEMBERS OF THE COMMUNITY AND ARE FREELY TRANSFERABLE, BUT HAVE NO CAPITAL VALUE. SHAREHOLDERS DO NOT RECEIVE DIVIDENDS.
	FORM 990, PART VI, SECTION A, LINE 7A	TRUSTEES SHALL BE ELECTED BY THE SHAREHOLDERS OF THE CORPORATION AT THE ANNUAL MEETING OF THE MEMBERSHIP. EACH SELECTED TRUSTEE SHALL HOLD OFFICE FOR A TERM OF THREE YEARS AND UNTIL HIS SUCCESSOR IS ELECTED AND QUALIFIED.
	FORM 990, PART VI, SECTION A, LINE 7B	THE ORGANIZATION CANNOT SELL REAL PROPERTY WITHOUT APPROVAL BY THE SHAREHOLDERS. PLEASE SEE THE RESPONSE TO LINE 6 ABOVE.
	FORM 990, PART VI, SECTION B, LINE 11	THE RETURN WAS PREPARED BY AN INDEPENDENT ACCOUNTING FIRM WITH THE ASSISTANCE AND OVERSIGHT OF MANAGEMENT. PRIOR TO SUBMISSION TO THE IRS, THE FINANCE COMMITTEE WAS INFORMED BY THE CEO AND CFO THAT THE RETURNS WOULD BE FILED TIMELY.
	FORM 990, PART VI, SECTION B, LINE 12C	ALL VOTING MEMBERS ARE REQUIRED TO REVIEW AND SIGN A CONFLICT OF INTEREST SURVEY AND RETURN TO THE BOARD CHAIRMAN. THE SURVEY INCLUDES A DISCLOSURE STATEMENT AND A REVIEW OF THE POLICY.
	FORM 990, PART VI, SECTION B, LINE 15	THE HOSPITAL HAS BEEN MANAGED BY HCA AND/OR QUORUM HEALTH RESOURCES, LLC (QHR) SINCE 1982. THE CONTRACT EXPIRED IN AUGUST 2013 AND WAS NOT RENEWED BY THE BOARD OF TRUSTEES. SUBSEQUENTLY, THE BOARD OF TRUSTEES OF THE HOSPITAL CONTRACTED WITH NOVANT HEALTH SHARED SERVICES WITH THE EFFECTIVE DATE OF AUGUST 2013. NOVANT WAS TO ALSO EMPLOY THE CEO WITH A VERY SIMILAR CONTRACT AS HAD BEEN ADMINISTERED THROUGH THE YEARS BY QHR SINCE A NON-COMPETE CLAUSE WAS IN THE QHR CONTRACT FOR THE PERSONNEL, THE QHR CEO WAS HIRED AT ANOTHER QHR FACILITY AND LEFT ASHE MEMORIAL HOSPITAL, INC. IN MAY 2013. THE PRESENT COO ACTED AS THE CEO UNTIL THE NOVANT CEO WAS HIRED AND PUT IN PLACE IN JULY 2013. EVEN THOUGH THE ACTUAL CONTRACT WITH NOVANT DID NOT BEGIN UNTIL AUGUST, THE BOARD OF TRUSTEES AGREED FOR THE CEO TO BEGIN THE ORIENTATION PERIOD EARLIER.
	FORM 990, PART VI, SECTION C, LINE 19	PHOTOCOPIES OF THE FORM 990 ARE AVAILABLE UPON REQUEST AT THE ORGANIZATION'S ADMINISTRATIVE OFFICE. IN ADDITION, THE HOSPITAL WIDELY DISTRIBUTES AN ANNUAL REPORT TO THE COMMUNITY. PLEASE CONTACT THE ADMINISTRATIVE OFFICE FOR FURTHER DETAILS. SEE FORM 990, PART VI, LINE 20.
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	RELEASE FROM RESTRICTIONS FOR OPERATIONS -260,600
	FORM 990, PART XII, LINE 2C	NO CHANGE FROM PRIOR YEAR

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
ASHE MEMORIAL HOSPITAL INC

Employer identification number
56-0603900

Part I

Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) AMH ASHE WOMEN'S CENTER LLC 200 HOSPITAL AVENUE JEFFERSON, NC 28640 45-1482188	PHYSICIANS PRACTICE	NC			ASHE MEMORIAL HOSPITAL

Part II

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) ASHE MEMORIAL HOSPITAL FOUNDATION INC 200 HOSPITAL AVE JEFFERSON, NC 28640 58-2078244	FUNDRAISING	NC	501(C)(3)	11A	ASHE MEMORIAL HOSPITAL		No

Part III

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

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

Part IV

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

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

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Dividends from related organization(s)

g

Sale of assets to related organization(s)

h

Purchase of assets from related organization(s)

i

Exchange of assets with related organization(s)

j

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

k

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

l

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

m

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

n

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

o

Sharing of paid employees with related organization(s)

p

Reimbursement paid to related organization(s) for expenses

q

Reimbursement paid by related organization(s) for expenses

r

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

s

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

Yes

No

1a

No

1b

No

1c

Yes

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

No

1l

No

1m

No

1n

Yes

1o

Yes

1p

Yes

1q

Yes

1r

No

1s

No

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) ASHE MEMORIAL HOSPITAL FOUNDATION	C	469,176	AUDITED FINANCIAL STATEMENTS

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

[illegible]

Software ID:
Software Version:
EIN: 56-0603900
Name: ASHE MEMORIAL HOSPITAL INC

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	
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ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

**ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
TABLE OF CONTENTS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED BALANCE SHEETS	3
CONSOLIDATED STATEMENTS OF OPERATIONS	4
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7
SUPPLEMENTAL SCHEDULES	
CONSOLIDATING BALANCE SHEETS INFORMATION	25
CONSOLIDATING STATEMENTS OF OPERATIONS INFORMATION	29
CONSOLIDATING STATEMENTS OF CHANGES IN NET ASSETS INFORMATION	31
CONSOLIDATING STATEMENTS OF CASH FLOWS INFORMATION	33



CliftonLarsonAllen

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Ashe Memorial Hospital, Inc and Affiliate
Jefferson, North Carolina

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ashe Memorial Hospital, Inc (the "Organization"), which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2013 and 2012 and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Accounting Standards Update

As discussed in Note 1, during 2013 the Organization changed its method of presentation and disclosure of patient service revenue, provision for bad debts and allowance for doubtful accounts in accordance with Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts and the Allowance for Doubtful Accounts for Certain Healthcare Entities*

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating schedules on pages 25 through 34 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. This 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, this information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Charlotte, North Carolina
December 18, 2013

ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,641,601	\$ 1,474,813
Short-Term Investments	4,173	3,488
Escrow Cash	694	694
Patient Accounts Receivable (Net of Allowance for Doubtful Accounts of Approximately \$1,978,000 in 2013 and \$2,147,000 in 2012)	1,906,879	1,620,114
Other Receivables	588,134	352,749
Unconditional Promises to Give	30,463	27,692
Supplies	570,135	608,861
Prepaid Expenses	120,984	120,079
Total Current Assets	<u>5,863,063</u>	<u>4,208,490</u>
ASSETS LIMITED AS TO USE:		
By Board of Trustees	464,736	331,828
Donor Restricted	206,521	147,425
INVESTMENTS	1,147,191	1,057,416
OTHER RECEIVABLES, NET OF CURRENT PORTION	195	195
OTHER ASSETS	33,745	1,006,578
PROPERTY HELD FOR SALE	-	632,900
PROPERTY AND EQUIPMENT, NET	<u>10,358,941</u>	<u>11,628,987</u>
Total Assets	<u><u>\$ 18,074,392</u></u>	<u><u>\$ 19,013,819</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 2,900,822	\$ 2,663,135
Accrued Salaries and Wages	536,050	496,208
Accrued Vacation	1,380,665	1,382,161
Other Accrued Liabilities	166,011	176,564
Accrued Health Insurance	351,059	377,669
Estimated Third-Party Settlements	946,932	409,518
Current Portion of Capital Lease Obligations	483,675	511,808
Current Portion of Notes Payable	90,921	201,443
Total Current Liabilities	<u>6,856,135</u>	<u>6,218,506</u>
LONG-TERM LIABILITIES		
Capital Lease Obligations, Excluding Current Portion	2,082,560	2,425,519
Notes Payable, Excluding Current Portion	1,441,770	1,541,847
Total Liabilities	<u>10,380,465</u>	<u>10,185,872</u>
NET ASSETS		
Unrestricted	7,456,943	8,652,830
Temporarily Restricted	236,984	175,117
Total Net Assets	<u>7,693,927</u>	<u>8,827,947</u>
Total Liabilities and Net Assets	<u><u>\$ 18,074,392</u></u>	<u><u>\$ 19,013,819</u></u>

See accompanying Notes to Consolidated Financial Statements

**ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT		
Patient Service Revenue (Net of Contractual Allowances and Discounts)	\$ 25,516,354	\$ 26,847,565
Provision for Uncollectible Accounts	<u>(2,472,766)</u>	<u>(3,153,747)</u>
Net Patient Service Revenue Less Provision for Uncollectible Accounts	23,043,588	23,693,818
Other Operating Revenue	1,028,107	2,739,558
Net Assets Released from Restrictions	<u>288,292</u>	<u>185,012</u>
Total Revenues, Gains, and Other Support	24,359,987	26,618,388
EXPENSES		
Salaries and Benefits	15,179,789	16,181,194
Medical Supplies and Drugs	2,745,596	2,907,386
Professional and Other Fees	5,065,019	4,863,103
Rental Expense	985,886	1,038,021
Insurance	302,654	290,310
Depreciation	1,642,586	1,575,135
Interest	202,357	210,286
Other	<u>587,740</u>	<u>714,192</u>
Total Expenses	<u>26,711,627</u>	<u>27,779,627</u>
OPERATING LOSS	(2,351,640)	(1,161,239)
OTHER INCOME (LOSS)		
Contributions	446,722	312,343
Interest and Dividends	36,430	37,562
Equity in Earnings of High Country Health Care System	(81,533)	(172,653)
Loss on Sale of Donated Land	(442,172)	(45,353)
Net Realized Gain on Sales of Investments	167,208	3,817
Gain on Sale of High Country Health Care System	867,450	-
Other	<u>100,848</u>	<u>154,842</u>
Net Other Income (Loss)	<u>1,094,953</u>	<u>290,558</u>
DEFICIT OF REVENUES UNDER EXPENSES	(1,256,687)	(870,681)
Change in Net Unrealized Gains on Other than Trading Securities	<u>60,800</u>	<u>70,707</u>
DECREASE IN UNRESTRICTED NET ASSETS	<u>\$ (1,195,887)</u>	<u>\$ (799,974)</u>

See accompanying Notes to Consolidated Financial Statements

**ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS		
Deficit of Revenues Under Expenses	\$ (1,256,687)	\$ (870,681)
Change in Net Unrealized Gains on Other than Trading Securities	<u>60,800</u>	<u>70,707</u>
Decrease in Unrestricted Net Assets	(1,195,887)	(799,974)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	350,159	115,419
Net Assets Released from Restrictions for Operations	<u>(288,292)</u>	<u>(185,012)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>61,867</u>	<u>(69,593)</u>
DECREASE IN NET ASSETS	(1,134,020)	(869,567)
Net Assets - Beginning of Year	<u>8,827,947</u>	<u>9,697,514</u>
NET ASSETS - END OF YEAR	<u><u>\$ 7,693,927</u></u>	<u><u>\$ 8,827,947</u></u>

See accompanying Notes to Consolidated Financial Statements

**ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in Net Assets	\$ (1,134,020)	\$ (869,567)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	1,642,586	1,575,135
Change in Net Unrealized Gains on Other than Trading Securities	(60,800)	(70,707)
Net Realized Gain on Sale of Investments	(167,208)	(3,817)
Loss on Investment in High Country Health Care System	81,533	172,653
Gain on Sale of High Country Health Care System	(867,450)	-
Provision for Uncollectible Accounts	2,472,766	3,153,747
Realized Gain on Disposal of Property and Equipment and Other	(100,848)	(154,842)
Loss on Sale of Property Held for Resale	442,172	45,353
Restricted Contributions	(350,159)	(87,727)
Changes in Assets and Liabilities		
Patient Accounts Receivable and Other Receivables	(3,683,278)	(2,006,115)
Unconditional Promises to Give	(2,771)	(2,385)
Supplies and Prepaid Expenses	37,821	6,929
Accounts Payable and Accrued Expenses	1,205,092	(1,257,758)
Accrued Health Insurance	(26,610)	(7,666)
Estimated Third-Party Settlements	537,414	356,133
Net Cash Provided by Operating Activities	<u>26,240</u>	<u>849,366</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Change in Assets Limited as to Use	(192,004)	(74,290)
Purchases of Property and Equipment	(423,367)	(748,694)
Proceeds from the Sale of Property and Equipment and Other	100,848	93,261
Proceeds from Sale of Property Held for Resale	375,728	79,647
Proceeds from Sale of High County Health Care System	1,507,500	-
Proceeds from Sales of Investments, Net	137,548	250,663
Net Cash Provided by (Used in) Investing Activities	<u>1,506,253</u>	<u>(399,413)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Restricted Contributions	350,159	87,727
Payment of Capital Lease Obligations	(505,265)	(628,853)
Proceeds from Note Payable	-	145,401
Payment of Notes Payable	(210,599)	(370,013)
Net Cash Used in Financing Activities	<u>(365,705)</u>	<u>(765,738)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,166,788	(315,785)
Cash and Cash Equivalents - Beginning of Year	<u>1,474,813</u>	<u>1,790,598</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,641,601</u></u>	<u><u>\$ 1,474,813</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Purchase of Equipment through Capital Lease Obligations	<u><u>\$ 134,173</u></u>	<u><u>\$ 1,700,823</u></u>

See accompanying Notes to Consolidated Financial Statements

**ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ashe Memorial Hospital, Inc. (the "Hospital") is a not-for-profit acute care hospital located in Jefferson, North Carolina. The Hospital provides inpatient, outpatient, and emergency care services for residents of Ashe County, North Carolina and surrounding areas. The Hospital was incorporated in North Carolina in 1939. The Centers for Medicare and Medicaid Services granted approval for the Hospital to become a Critical Access Hospital effective September 1, 2007.

Ashe Memorial Hospital Foundation, Inc. (the "Foundation") was formed on March 16, 1993 as a not-for-profit organization incorporated under the laws of North Carolina to promote the interests and purposes of the Hospital.

Principles of Consolidation

The consolidated financial statements include the accounts of the Hospital and the Foundation (collectively, the "Organization"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers investments purchased with an original maturity of three months or less to be cash equivalents.

Patient Receivables

Patient receivables are recorded at estimated net realizable amounts from patients and responsible third-party payors. Amounts owed to the Hospital are reported net of allowances for contractual adjustments and uncollectible amounts. Historically, collections and payor reimbursement experience is an integral part of the estimation process related to these allowances. Accounts receivable are written off when management determines the receivable is uncollectible.

Inventories

Inventories, consisting principally of medical supplies and pharmaceuticals, are stated at the lower of cost or market.

**ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the deficit of revenues under expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the deficit of revenues under expenses unless the investments are trading securities, or the asset has been determined to be other than temporarily impaired.

Assets Limited as to Use

Assets limited as to use includes cash designated by the Board of Trustees (the "Board") over which the Board retains control and may at its discretion subsequently use for other purposes. Assets limited as to use also includes various unspent grant funds and cash held in escrow for the purchase of property and equipment under capital lease.

Fair Value Measurement

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

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

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

Subsequent to initial recognition, the Organization may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fair Value Measurement (Continued)

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

Property and Equipment

Property and equipment in excess of \$1,000 with an estimated useful life in excess of one year are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation in the consolidated financial statements. 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. Gains or losses from the disposal of property and equipment are classified as other income (loss).

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support, and are excluded from the deficit of revenues under expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Net Assets

Net assets and related revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that must be maintained in perpetuity by the Organization. Donors of these assets stipulate that all, or part of, the income earned on related investments be used for general or specific purposes. There are no permanently restricted net assets at September 30, 2013 or 2012.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

**ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Deficit of Revenues Under Expenses

The consolidated statement of operations includes deficit of revenues under expenses. Changes in unrestricted net assets which are excluded from deficit of revenues under expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, capital related contributions, and permanent transfers of assets to and from affiliates for other than goods and services.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations as net assets released from restrictions.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors and others for services rendered, including estimated retroactive adjustments arising from future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to audits, reviews and investigations.

Revenues from the Medicare and Medicaid programs accounted for approximately 62% and 61% of the Hospital's patient service revenue for the years ended September 30, 2013 and 2012, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Charity Care

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

ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Electronic Health Record Incentive Payments

As discussed in Note 16, the Hospital received funds under the Electronic Health Records (EHR) Incentive Program during 2012. The Hospital recognizes revenue at the completion of the EHR reporting period and all meaningful use objectives and any other specific grant requirements that are applicable (such as electronic transmission of quality measures to CMS in the second and subsequent payment years) are met.

Income Taxes

The Hospital and Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code. Fiscal years ending on or after September 30, 2010 remain subject to examination by Federal and state tax authorities.

The Organization adopted the income tax standard regarding the recognition and measurement of uncertain tax positions, which clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Organization has determined that it does not have any material unrecognized tax positions as of September 30, 2013.

Recently Adopted Accounting Guidance

In July 2011, the FASB issued ASU 2011-07, *Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which requires health care entities to reclassify the provision for uncollectible accounts from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts) when the ultimate collection of the amounts billed or billable cannot be determined at the time patient services are rendered. The Hospital implemented the guidance as of and for the year ended September 30, 2013. For all periods presented, the provision for uncollectible accounts has been reclassified from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts) in the consolidated statement of operations. The adoption of this standard did not have a material impact on the Organization's financial position, results of operations, or cash flows.

Additionally, the standard requires enhanced disclosure about the policies for recognizing revenue and assessing bad debts as well as both qualitative and quantitative information about significant changes in the allowance for doubtful accounts. See Note 9 for further detail related to the Hospital's policies for recognizing patient service revenue and assessing bad debts.

ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Reclassifications

Certain amounts in the 2012 consolidated financial statements have been reclassified to conform to the 2013 consolidated financial statement presentation. These reclassifications had no effect on the previously reported operating loss, deficit of revenues under expenses or decrease in unrestricted net assets.

Subsequent Events

Subsequent events have been evaluated through December 18, 2013, which is the date the consolidated financial statements were available to be issued.

NOTE 2 INVESTMENTS

Short-Term

Short-term investments, stated at fair value, were comprised of the following at September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Wells Fargo & Company (101 shares in 2013 and 2012)	\$ 4,173	\$ 3,488
Total Short-Term Investments	<u>\$ 4,173</u>	<u>\$ 3,488</u>

Long-Term

Long-term investments, stated at fair value, were comprised of the following at September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Cash Investments	\$ 67,702	\$ 56,560
Fixed Income Securities	173,896	164,901
Money Market Investments	47,444	35,726
Domestic and Foreign Equities	451,099	383,725
Annuity Policy	366,290	354,446
Other Investments	40,760	62,058
Total Long-Term Investments	<u>\$ 1,147,191</u>	<u>\$ 1,057,416</u>

ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 2 INVESTMENTS (CONTINUED)

Long-Term (Continued)

Investment income and gains are comprised of the following for the year ending September 30

	<u>2013</u>	<u>2012</u>
Interest and Dividends	\$ 36,430	\$ 37,562
Net Realized Gain on Sale of Investments	<u>167,208</u>	<u>3,817</u>
Investment Income	<u>\$ 203,638</u>	<u>\$ 41,379</u>

NOTE 3 OTHER ASSETS

Other assets consisted of the following at September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Investment in Home Health Joint Venture	\$ -	\$ 972,833
Investment in NC Health Worker Compensation Fund	<u>33,745</u>	<u>33,745</u>
	<u>\$ 33,745</u>	<u>\$ 1,006,578</u>

Through February 2013, the Organization owned a 33.5% interest in High Country Health Care System, Inc. ("HCHCS"), a joint venture with the Appalachian District Health Department. HCHCS provides home health, hospice and supportive services to individuals in their homes, primarily in Ashe, Watauga and Alleghany counties in North Carolina. The Organization did not exert control over HCHCS, and therefore accounted for its investment in HCHCS using the equity method of accounting. During the years ended September 30, 2013 and 2012, the Organization recorded a loss of approximately \$82,000 and \$173,000, respectively, for the equity in earnings of HCHCS. This loss was included in other income (loss) in the accompanying consolidated statements of operations.

Effective February 1, 2013, HCHCS entered into an Asset Purchase Agreement to sell certain assets and the ongoing operations of HCHCS to a third-party. In conjunction with this sale, the Hospital recognized a gain of approximately \$867,000 related to its share of HCHCS. The gain is included in other income (loss) in the accompanying consolidated statements of operations.

ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 4 PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30 follows

	<u>2013</u>	<u>2012</u>
Land	\$ 277,913	\$ 277,913
Land Improvements	1,120,438	1,099,553
Buildings	15,588,171	15,505,148
Leasehold Improvements	109,022	109,022
Fixed Equipment	639,826	639,826
Major Moveable Equipment	12,321,931	12,057,966
Minor Equipment	972,421	1,054,991
	<u>31,029,722</u>	<u>30,744,419</u>
Less Accumulated Depreciation and Amortization	<u>(20,673,959)</u>	<u>(19,135,857)</u>
	10,355,763	11,608,562
Construction-in-Progress	<u>3,178</u>	<u>20,425</u>
Property and Equipment, Net	<u><u>\$ 10,358,941</u></u>	<u><u>\$ 11,628,987</u></u>

Property and equipment at September 30 includes the following amounts for leases that have been capitalized

	<u>2013</u>	<u>2012</u>
Major Moveable Equipment	\$ 5,014,524	\$ 5,038,686
Less Accumulated Amortization	<u>(480,076)</u>	<u>(464,462)</u>
	<u><u>\$ 4,534,448</u></u>	<u><u>\$ 4,574,224</u></u>

NOTE 5 NOTES PAYABLE AND CAPITAL LEASE OBLIGATIONS

A summary of notes payable and capital lease obligations at September 30 follows

	<u>2013</u>	<u>2012</u>
Capital lease obligations, payable in monthly installments from \$288 to \$9,826, including interest from 3 25% to 10 32%, maturing October 2015 to July 2017, collateralized by various equipment	\$ 1,399,583	\$ 1,681,844
Capital obligation, payable to First Citizens Bank in quarterly installments from \$2,882 to \$3,525, including interest at 7 12%, maturing May 2022, collateralized by various equipment	80,546	86,269

ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 5 NOTES PAYABLE AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

	<u>2013</u>	<u>2012</u>
Capital lease obligations, payable in quarterly installments from \$33,636 to \$42,315, including interest at 4.63%, maturing May 2022, collateralized by various equipment	\$ 1,086,106	\$ 1,169,214
Construction loans payable to First Citizens Bank in monthly installments from \$1,149 to \$18,066, including interest from 4.45% to 5.96%, final payments due between March 2014 and December 2016, collateralized by various property and equipment	1,532,691	1,743,290
	<u>4,098,926</u>	<u>4,680,617</u>
Less Current Portion	<u>(574,596)</u>	<u>(713,251)</u>
Notes payable and capital lease obligations, excluding current portion	<u>\$ 3,524,330</u>	<u>\$ 3,967,366</u>

Scheduled principal and interest repayments on notes payable and payments on capital lease obligations subsequent to September 30, 2013 are as follows

<u>Year Ending</u>	<u>Notes Payable</u>	<u>Capital Leases</u>
2014	\$ 90,921	\$ 588,380
2015	95,498	596,423
2016	1,230,106	582,365
2017	116,166	363,540
2018	-	164,133
Thereafter	<u>-</u>	<u>657,005</u>
	<u>\$ 1,532,691</u>	2,951,846
Less Amounts Representing Interest Under Capital Lease Obligations		<u>(385,611)</u>
		<u>\$ 2,566,235</u>

There are certain covenants associated with notes payable and capital lease obligations. Management believes they are in compliance with such covenants for the years ended September 30, 2013 and 2012.

NOTE 6 OPERATING LEASES

The Organization leases various types of equipment under operating leases expiring at various dates through May 2022.

**ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 6 OPERATING LEASES (CONTINUED)

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2013

<u>Year Ending</u>	
2014	\$ 872,421
2015	390,263
2016	92,254
2017	84,224
2018	45,780
Thereafter	<u>45,780</u>
	<u>\$ 1,530,722</u>

Rent expense for the years ending September 30, 2013 and 2012 totaled approximately \$986,000 and \$1,038,000, respectively

NOTE 7 EMPLOYEE BENEFIT PLANS

Retirement Plan

The Organization sponsors a 403(b) defined contribution plan (the "Plan") which is available to all employees who have met certain requirements as to length of service. Under the Plan, the employer contributions are determined at the Board's discretion. Retirement plan expense for 2013 and 2012 totaled approximately \$484,000 and \$491,000, respectively.

Health Insurance Plan

The Organization is self-insured for its employee health insurance plan administered by a third party and, accordingly, records an estimate for claims incurred but unpaid at year end. At September 30, 2013 and 2012, the estimated health insurance liability for these claims was approximately \$351,000 and \$378,000, respectively, and is included in the accompanying consolidated balance sheets. Claims in excess of the stop-loss are funded by insurance coverage. Total expenses incurred, excluding amounts paid for administrative personnel, were approximately \$1,213,000 and \$1,465,000 for the years ended September 30, 2013 and 2012, respectively.

NOTE 8 MANAGEMENT AND CONSULTING CONTRACT

In July 2012, the Hospital provided the existing management company written notice of termination of the existing contract when it expired on July 31, 2013. Effective February 15, 2013, the Organization entered into a new management services agreement ("MSA") with Novant Health, Inc. to provide a chief executive officer ("CEO") and certain other non-clinical administrative and management services.

Under the MSA, management services commenced on August 2, 2013 and will continue through September 30, 2018, unless terminated earlier under the provisions of the MSA.

**ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 8 MANAGEMENT AND CONSULTING CONTRACT (CONTINUED)

Under the MSA, the management fee for these services has two components 1) a base fee, and 2) incentive compensation which is based on meeting certain revenue and other financial targets For the years ended September 30, 2013 and 2012, management fees under this and the old agreement were approximately \$120,000 and \$114,000, respectively

In addition to the annual fee described above, the Organization is required to pay the CEO's salary and benefits The amount of expense related to salaries and fringe benefits under the MSA and/or the previous agreement was approximately \$199,000 and \$210,000 for the years ended September 30, 2013 and 2012, respectively

NOTE 9 NET PATIENT SERVICE REVENUE

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

Medicare

Effective September 1, 2007, the Hospital became designated as a Critical Access Hospital ("CAH") by Medicare Inpatient and outpatient acute care services rendered to Medicare program beneficiaries are paid at the reasonable costs incurred to provide such services The Hospital is reimbursed for cost reimbursable items, primarily inpatient and outpatient services, at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary

Medicaid

The Hospital is reimbursed by Medicaid for most inpatient and outpatient services on the basis of reasonable costs Payment is made at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits by Medicaid

Other

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

At September 30, 2013, Medicare audits of reimbursements for 2007 and prior years have been completed At September 30, 2012, Medicaid audits of reimbursements for 2010 and prior years have been completed

Net patient service revenue includes a provision for contractual adjustments and other adjustments of approximately \$20,609,000 in 2013 and \$22,072,000 in 2012, to reflect the differences between normal patient charges and amounts expected to be received under various reimbursement programs The 2013 and 2012 net patient service revenue increased approximately \$404,000 and \$501,000, respectively, due to the addition to or removal of allowance previously estimated as a result of final settlements, changes of estimates, and years that are no longer subject to audits, reviews and investigations

ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 9 NET PATIENT SERVICE REVENUE (CONTINUED)

Other (Continued)

The Hospital participates in a voluntary Medicaid disproportionate share program (the "Program") The Program allows the Hospital to receive additional annual Medicaid funding Program years run concurrent with the Federal fiscal year, which is the period from October 1 through September 30 Payments in connection with the Program are subject to final settlement by the state of North Carolina and refunding of the amounts received may be required At times, amounts that were previously classified as a liability are required to be reclassified into net patient service revenue due to amounts being finalized by the state

Amounts received, amounts recognized as revenue, and reserved balances under the Program for years that are yet to be final settled are set forth in the following table and are included in estimated third-party settlements in the consolidated balance sheets

Program Year	Received	Amounts Recognized		Reserved Balance September 30,	
		2013	2012	2013	2012
2006	\$ 343,928	\$ -	\$ 171,964	\$ 171,964	\$ 171,964
2007	299,050	-	149,525	149,525	149,525
2008	-	-	-	-	-
2009	14,124	-	-	14,124	14,124
2010	14,368	-	-	14,368	14,368
2011	16,286	-	-	16,286	16,286
2012	13,896	-	-	13,896	13,896
2013	10,777	-	-	10,777	-
	<u>\$ 712,429</u>	<u>\$ -</u>	<u>\$ 321,489</u>	<u>\$ 390,940</u>	<u>\$ 380,163</u>

As noted above, the Program allows the Hospital to receive additional annual Medicaid funding for its disproportionate share costs In March 2012, the Center for Medicare and Medicaid Services ("CMS") approved a new disproportionate share plan for North Carolina This new plan covers all non-state government hospitals and private hospitals in North Carolina, except for the UNC Health Care System affiliated hospitals (the "GAP Plan") and is essentially a supplemental upper payment limit plan to the existing Program

Under the provisions of the GAP Plan, Medicaid makes an upper payment limit payment to the Hospital When the amounts are reasonably estimable and probable of payment, the Hospital recognizes the revenues related to the GAP Plan as net patient service revenue.

Management continues to evaluate the approval and settlement process relating to the GAP Plan and determines if reserves are necessary

As noted above, the GAP Plan was approved in March 2012, however, the provisions were retroactively effective to January 1, 2011 Thus, the Hospital has recognized approximately nine months of revenue in 2012 that related to the 2011 Federal fiscal plan year

ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 9 NET PATIENT SERVICE REVENUE (CONTINUED)

Other (Continued)

The following table summarizes the benefit recognized by the Hospital related to the GAP Plan for the years ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Plan Year - 2011</u>		
UPL Payments	\$ -	\$ 317,436
<u>Plan Year - 2012</u>		
UPL Payments	-	277,142
<u>Plan Year 2013</u>		
UPL Payments	<u>348,307</u>	<u>-</u>
Total Benefit	348,307	594,578
Less Reserve for Future Settlements	<u>(114,941)</u>	<u>(196,211)</u>
Total Net Benefit	<u>\$ 233,366</u>	<u>\$ 398,367</u>

At September 30, 2013 and 2012 the Hospital reserved UPL payments received of approximately \$311,000 and \$196,000, respectively, which are included in estimated third-party settlements in the accompanying consolidated balance sheets

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in 2013 and 2012 from these major payor sources, is as follows:

	<u>2013</u>		
	<u>Third-Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
Patient Service Revenue (Net of Contractual Allowances and Discounts)	<u>\$ 22,133,804</u>	<u>\$ 3,382,550</u>	<u>\$ 25,516,354</u>
	<u>2012</u>		
	<u>Third-Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
Patient Service Revenue (Net of Contractual Allowances and Discounts)	<u>\$ 22,955,159</u>	<u>\$ 3,892,406</u>	<u>\$ 26,847,565</u>

ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 9 NET PATIENT SERVICE REVENUE (CONTINUED)

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Organization's allowance for doubtful accounts for self-pay patients decreased from 88% percent of self-pay accounts receivable at September 30, 2012, to 87% percent of self-pay accounts receivable at September 30, 2013. The decrease was the result of recent trends experienced in the collection of amounts from self-pay patients in fiscal year 2013. The Organization has not changed its charity care or uninsured discount policies during fiscal years 2013 or 2012. The Organization also maintains a small allowance for doubtful accounts from third-party payors.

NOTE 10 CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30 was as follows:

	2013	2012
Medicare	31 %	31 %
Medicaid	15	10
Other Third-Party Payors	25	23
Patients	29	36
	<u>100 %</u>	<u>100 %</u>

ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 10 CONCENTRATION OF CREDIT RISK (CONTINUED)

The Organization maintains bank accounts at various financial institutions covered by the Federal Depository Insurance Corporation ("FDIC") At various times throughout the year, the Organization may maintain bank account balances in excess of the FDIC insured limit The Organization believes it is not exposed to any significant credit risk related to these deposits

NOTE 11 CHARITY CARE

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge Key elements used to determine eligibility include a patient's demonstrated inability to pay based on family size and household income related to Federal income poverty guidelines The Hospital's financial assistance guidelines are on a sliding scale of 150% to 200% of the Federal Poverty Guidelines as published Because the Hospital does not pursue collection of amounts determined to qualify for financial assistance, they are not reported as revenue

The Hospital has estimated its direct and indirect costs of providing care to indigent patients under its charity care policy In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio from internal financial data to the Hospital's gross charge rate The cost-to-charge ratio is applied to the charity care charges foregone to calculate the estimated direct and indirect cost of providing charity care

The total estimated cost of the aforementioned programs and services that benefit the community was approximately \$574,000 and \$572,000 for the years ended September 30, 2013 and 2012, respectively

NOTE 12 COMMITMENTS AND CONTINGENCIES

The Hospital's malpractice insurance coverage is on a claims-made basis (\$1,000,000 per claim and \$3,000,000 in the aggregate) In addition, the Hospital has an underlying general liability policy Should the Hospital not renew its claims-made policy, or replace with equivalent insurance, occurrences incurred during its term but asserted after its expiration would be uninsured, unless the Hospital obtains tail coverage No claims were outstanding at year end and the Hospital has made no accrual for unasserted claims

ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 13 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30

	2013	2012
AFC Medical Pharmacy	\$ 91,902	\$ 55,424
Ashe/Allegany Health Net	52,951	47,031
Farmworker Grant	3,448	16,770
Other	31,424	16,200
School Based Health Care	26,796	12,000
Pledges Receivable	30,463	27,692
	<u>\$ 236,984</u>	<u>\$ 175,117</u>

NOTE 14 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of September 30, 2013.

	Level 1	Level 2	Level 3	Total
Short-Term Investments				
Domestic Equities	\$ 4,173	\$ -	\$ -	\$ 4,173
Long-Term Investments				
Domestic Equities	323,150	-	-	323,150
Foreign Equities	127,949	-	-	127,949
Fixed Income Securities	173,896	-	-	173,896
Other Investments	-	40,760	-	40,760
Annuities	-	366,290	-	366,290
	<u>\$ 629,168</u>	<u>\$ 407,050</u>	<u>\$ -</u>	<u>\$ 1,036,218</u>

ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 14 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of September 30, 2012

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-Term Investments				
Domestic Equities	\$ 3,488	\$ -	\$ -	\$ 3,488
Long-Term Investments				
Domestic Equities	296,276	-	-	296,276
Foreign Equities	87,449	-	-	87,449
Fixed Income Securities	164,901	-	-	164,901
Other Investments	-	62,058	-	62,058
Annuities	-	354,446	-	354,446
	<u>\$ 552,114</u>	<u>\$ 416,504</u>	<u>\$ -</u>	<u>\$ 968,618</u>

The Organization has approximately \$115,000 and \$92,000 of cash and cash equivalents held in investment accounts as of September 30, 2013 and 2012, respectively, which was not classified in the fair value hierarchy

There were no changes during the years ended September 30, 2013 and 2012 to the Organization's valuation techniques used to measure asset and liability fair values on a recurring basis

NOTE 15 RISKS AND UNCERTAINTIES

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, the possibility is reasonable that changes in the values of investment securities will occur in the near term and that these changes could materially affect the amounts reported in the consolidated balance sheets.

NOTE 16 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 that demonstrate meaningful use of certified EHR technology. The incentive payments are made based on a statutory formula and are contingent on the Hospital continuing to meet the escalating meaningful use criteria. For the first payment year, the Hospital must attest, subject to an audit, that it met the meaningful use criteria for a continuous 90-day period. For the subsequent payment year, the Hospital must demonstrate meaningful use for the entire year. The incentive payments are generally made over a 4-year period.

ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 16 ELECTRONIC HEALTH RECORD INCENTIVE PROGRAM (CONTINUED)

The Hospital demonstrated meaningful use during a 90-day period ended September 30, 2012, and received the first tentative incentive payments of approximately \$1,585,000 and \$268,000 for Medicare and Medicaid, respectively, during fiscal year 2012. Of the total \$1,853,000 received, approximately \$1,667,000 is recognized as other operating revenue in the consolidated statement of operations. The final amount of this payment will be determined based on information from the Hospital's Medicare cost report for the year ended September 30, 2012. Events could occur that would cause the final payment to differ materially upon final settlement.

The Hospital did not receive or recognize for incentive payments during the year ended September 30, 2013.

NOTE 17 FUNCTIONAL EXPENSES

The Organization provides general health care services to residents within its geographic location. Expenses relating to providing these services for the years ended September 30, 2013 and 2012 are as follows:

	2013	2012
Health Care Services	\$ 23,939,011	\$ 24,896,155
General and Administrative	<u>2,772,616</u>	<u>2,883,472</u>
	<u>\$ 26,711,627</u>	<u>\$ 27,779,627</u>

Fundraising expenditures for the years ending September 31, 2013 and 2012 are not material to the consolidated financial statements and have been included in General and Administrative in the above table.

**ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
CONSOLIDATING BALANCE SHEET INFORMATION
SEPTEMBER 30, 2013**

	Ashe Memorial Hospital, Inc	Ashe Memorial Hospital Foundation, Inc	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 2,008,939	\$ 632,662	\$ -	\$ 2,641,601
Short-Term Investments	4,173	-	-	4,173
Escrow Cash	694	-	-	694
Patient Accounts Receivable, Net	1,906,879	-	-	1,906,879
Other Receivables	1,250,230	-	(662,096)	588,134
Unconditional Promises to Give	-	30,463	-	30,463
Supplies	570,135	-	-	570,135
Prepaid Expenses	120,984	-	-	120,984
Total Current Assets	<u>5,862,034</u>	<u>663,125</u>	<u>(662,096)</u>	<u>5,863,063</u>
ASSETS LIMITED AS TO USE:				
By Board of Trustees	464,736	-	-	464,736
Donor Restricted	206,521	-	-	206,521
INVESTMENTS	413,734	733,457	-	1,147,191
OTHER RECEIVABLES, NET OF CURRENT PORTION	195	-	-	195
OTHER ASSETS	33,745	-	-	33,745
PROPERTY HELD FOR SALE	-	-	-	-
PROPERTY AND EQUIPMENT, NET	<u>10,358,941</u>	<u>-</u>	<u>-</u>	<u>10,358,941</u>
 Total Assets	 <u>\$ 17,339,906</u>	 <u>\$ 1,396,582</u>	 <u>\$ (662,096)</u>	 <u>\$ 18,074,392</u>

See accompanying Independent Auditors' Report

	Ashe Memorial Hospital, Inc	Ashe Memorial Hospital Foundation, Inc	Eliminations	Total
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 2,900,822	\$ 662,096	\$ (662,096)	\$ 2,900,822
Accrued Salaries and Wages	536,050	-	-	536,050
Accrued Vacation	1,380,665	-	-	1,380,665
Other Accrued Liabilities	166,011	-	-	166,011
Accrued Health Insurance	351,059	-	-	351,059
Estimated Third-Party Settlements	946,932	-	-	946,932
Current Portion of Capital Lease Obligations	483,675	-	-	483,675
Current Portion of Notes Payable	90,921	-	-	90,921
Total Current Liabilities	6,856,135	662,096	(662,096)	6,856,135
LONG-TERM LIABILITIES				
Capital Lease Obligations, Excluding Current Portion	2,082,560	-	-	2,082,560
Notes Payable, Excluding Current Portion	1,441,770	-	-	1,441,770
Total Liabilities	10,380,465	662,096	(662,096)	10,380,465
NET ASSETS				
Unrestricted	6,752,920	704,023	-	7,456,943
Temporarily Restricted	206,521	30,463	-	236,984
Total Net Assets	6,959,441	734,486	-	7,693,927
Total Liabilities and Net Assets	<u>\$ 17,339,906</u>	<u>\$ 1,396,582</u>	<u>\$ (662,096)</u>	<u>\$ 18,074,392</u>

**ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
CONSOLIDATING BALANCE SHEET INFORMATION
SEPTEMBER 30, 2012**

	Ashe Memorial Hospital, Inc	Ashe Memorial Hospital Foundation, Inc	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 1,253,906	\$ 220,907	\$ -	\$ 1,474,813
Short-Term Investments	3,488	-	-	3,488
Escrow Cash	694	-	-	694
Patient Accounts Receivable, Net	1,620,114	-	-	1,620,114
Other Receivables	545,039	-	(192,290)	352,749
Unconditional Promises to Give	-	27,692	-	27,692
Supplies	608,861	-	-	608,861
Prepaid Expenses	120,079	-	-	120,079
Total Current Assets	<u>4,152,181</u>	<u>248,599</u>	<u>(192,290)</u>	<u>4,208,490</u>
ASSETS LIMITED AS TO USE:				
By Board of Trustees	331,828	-	-	331,828
Donor Restricted	147,425	-	-	147,425
INVESTMENTS	401,046	656,370	-	1,057,416
OTHER RECEIVABLES, NET OF CURRENT PORTION	195	-	-	195
OTHER ASSETS	1,006,578	-	-	1,006,578
PROPERTY HELD FOR SALE	-	632,900	-	632,900
PROPERTY AND EQUIPMENT, NET	<u>11,628,987</u>	<u>-</u>	<u>-</u>	<u>11,628,987</u>
 Total Assets	 <u>\$ 17,668,240</u>	 <u>\$ 1,537,869</u>	 <u>\$ (192,290)</u>	 <u>\$ 19,013,819</u>

See accompanying Independent Auditors' Report

	Ashe Memorial Hospital, Inc	Ashe Memorial Hospital Foundation, Inc	Eliminations	Total
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 2,662,505	\$ 192,920	\$ (192,290)	\$ 2,663,135
Accrued Salaries and Wages	496,208	-	-	496,208
Accrued Vacation	1,382,161	-	-	1,382,161
Other Accrued Liabilities	176,564	-	-	176,564
Accrued Health Insurance	377,669	-	-	377,669
Estimated Third-Party Settlements	409,518	-	-	409,518
Current Portion of Capital Lease Obligations	511,808	-	-	511,808
Current Portion of Notes Payable	201,443	-	-	201,443
Total Current Liabilities	6,217,876	192,920	(192,290)	6,218,506
LONG-TERM LIABILITIES				
Capital Lease Obligations, Excluding Current Portion	2,425,519	-	-	2,425,519
Notes Payable, Excluding Current Portion	1,541,847	-	-	1,541,847
Total Liabilities	10,185,242	192,920	(192,290)	10,185,872
NET ASSETS				
Unrestricted	7,335,573	1,317,257	-	8,652,830
Temporarily Restricted	147,425	27,692	-	175,117
Total Net Assets	7,482,998	1,344,949	-	8,827,947
Total Liabilities and Net Assets	\$ 17,668,240	\$ 1,537,869	\$ (192,290)	\$ 19,013,819

ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF OPERATIONS INFORMATION
YEAR ENDED SEPTEMBER 30, 2013

	Ashe Memorial Hospital, Inc	Ashe Memorial Hospital Foundation, Inc	Eliminations	Total
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT				
Patient Service Revenue	\$ 25,516,354	\$ -	\$ -	\$ 25,516,354
Provision for Uncollectible Accounts	<u>(2,472,766)</u>			<u>(2,472,766)</u>
Net Patient Service Revenue Less Provision for Uncollectible Accounts	23,043,588	-	-	23,043,588
Other Operating Revenue	1,028,107	-	-	1,028,107
Net Assets Released from Restrictions	<u>260,600</u>	<u>27,692</u>	-	<u>288,292</u>
Total Revenues, Gains, and Other Support	24,332,295	27,692	-	24,359,987
EXPENSES				
Salaries and Benefits	15,179,789	-	-	15,179,789
Medical Supplies and Drugs	2,745,596	-	-	2,745,596
Professional and Other Fees	5,065,019			5,065,019
Rental Expense	985,886			985,886
Insurance	302,654			302,654
Depreciation	1,642,586	-	-	1,642,586
Interest	202,357	-	-	202,357
Other	<u>462,649</u>	<u>594,267</u>	<u>(469,176)</u>	<u>587,740</u>
Total Expenses	<u>26,586,536</u>	<u>594,267</u>	<u>(469,176)</u>	<u>26,711,627</u>
OPERATING INCOME (LOSS)	(2,254,241)	(566,575)	469,176	(2,351,640)
OTHER INCOME (LOSS):				
Contributions	595,533	320,365	(469,176)	446,722
Interest and Dividends	21,271	15,159	-	36,430
Equity in Earnings of High Country Health Care System	(81,533)	-	-	(81,533)
Loss on Sale of Donated Land	-	(442,172)	-	(442,172)
Net Realized Gain on Sales of Investments	167,208	-	-	167,208
Gain on Sale of High Country Health Care System	867,450	-	-	867,450
Other	<u>100,848</u>	<u>-</u>	<u>-</u>	<u>100,848</u>
Net Other Income (Loss)	<u>1,670,777</u>	<u>(106,648)</u>	<u>(469,176)</u>	<u>1,094,953</u>
DEFICIT OF REVENUES UNDER EXPENSES	(583,464)	(673,223)	-	(1,256,687)
Change in Net Unrealized Gains on Other than Trading Securities	<u>811</u>	<u>59,989</u>	<u>-</u>	<u>60,800</u>
DECREASE IN UNRESTRICTED NET ASSETS	<u>\$ (582,653)</u>	<u>\$ (613,234)</u>	<u>\$ -</u>	<u>\$ (1,195,887)</u>

See accompanying Independent Auditors' Report

ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF OPERATIONS INFORMATION
YEAR ENDED SEPTEMBER 30, 2012

	Ashe Memorial Hospital, Inc	Ashe Memorial Hospital Foundation, Inc	Eliminations	Total
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT				
Patient Service Revenue	\$ 26,847,565	\$ -	\$ -	\$ 26,847,565
Provision for Uncollectible Accounts	<u>(3,153,747)</u>	<u>-</u>	<u>-</u>	<u>(3,153,747)</u>
Net Patient Service Revenue Less Provision for Uncollectible Accounts	\$ 23,693,818	\$ -	\$ -	\$ 23,693,818
Other Operating Revenue	2,739,558	-	-	2,739,558
Net Assets Released from Restrictions	<u>185,012</u>	<u>-</u>	<u>-</u>	<u>185,012</u>
Total Revenues, Gains, and Other Support	26,618,388	-	-	26,618,388
EXPENSES				
Salaries and Benefits	16,181,194	-	-	16,181,194
Medical Supplies and Drugs	2,907,386	-	-	2,907,386
Professional and Other Fees	4,863,103	-	-	4,863,103
Rental Expense	1,038,021			1,038,021
Insurance	290,310			290,310
Depreciation	1,575,135	-	-	1,575,135
Interest	210,286	-	-	210,286
Other	<u>642,295</u>	<u>445,180</u>	<u>(373,283)</u>	<u>714,192</u>
Total Expenses	<u>27,707,730</u>	<u>445,180</u>	<u>(373,283)</u>	<u>27,779,627</u>
OPERATING INCOME (LOSS)	(1,089,342)	(445,180)	373,283	(1,161,239)
OTHER INCOME (LOSS):				
Contributions	418,155	267,471	(373,283)	312,343
Interest and Dividends	20,816	16,746	-	37,562
Loss on Investment in High Country Health Care System	(172,653)	-	-	(172,653)
Change in Value of Donated Land	-	(45,353)	-	(45,353)
Net Realized Gain on Sales of Investments	-	3,817	-	3,817
Other	<u>154,842</u>	<u>-</u>	<u>-</u>	<u>154,842</u>
Net Other Income (Loss)	<u>421,160</u>	<u>242,681</u>	<u>(373,283)</u>	<u>290,558</u>
DEFICIT OF REVENUES UNDER EXPENSES	(668,182)	(202,499)	-	(870,681)
Change in Net Unrealized Gains on Other than Trading Securities	<u>2,528</u>	<u>68,179</u>	<u>-</u>	<u>70,707</u>
DECREASE IN UNRESTRICTED NET ASSETS	<u>\$ (665,654)</u>	<u>\$ (134,320)</u>	<u>\$ -</u>	<u>\$ (799,974)</u>

See accompanying Independent Auditors' Report

ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS INFORMATION
YEAR ENDED SEPTEMBER 30, 2013

	Ashe Memorial Hospital, Inc	Ashe Memorial Hospital Foundation, Inc	Eliminations	Total
UNRESTRICTED NET ASSETS				
Deficit of Revenues Under Expenses	\$ (583,464)	\$ (673,223)	\$ -	\$ (1,256,687)
Change in Net Unrealized Gains on Other than				
Trading Securities	811	59,989	-	60,800
Decrease in Unrestricted Net Assets	(582,653)	(613,234)	-	(1,195,887)
TEMPORARILY RESTRICTED NET ASSETS				
Contributions	319,696	30,463	-	350,159
Net Assets Released from Restrictions for Operations	(260,600)	(27,692)	-	(288,292)
Increase in Temporarily Restricted				
Net Assets	59,096	2,771	-	61,867
DECREASE IN NET ASSETS	(523,557)	(610,463)	-	(1,134,020)
Net Assets - Beginning of Year	7,482,998	1,344,949	-	8,827,947
NET ASSETS - END OF YEAR	<u>\$ 6,959,441</u>	<u>\$ 734,486</u>	<u>\$ -</u>	<u>\$ 7,693,927</u>

See accompanying Independent Auditors' Report

ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS INFORMATION
YEAR ENDED SEPTEMBER 30, 2012

	Ashe Memorial Hospital, Inc	Ashe Memorial Hospital Foundation, Inc	Eliminations	Total
UNRESTRICTED NET ASSETS				
Deficit of Revenues Over Expenses	\$ (668,182)	\$ (202,499)	\$ -	\$ (870,681)
Change in Net Unrealized Gains on Other than Trading Securities	<u>2,528</u>	<u>68,179</u>	<u>-</u>	<u>70,707</u>
Decrease in Unrestricted Net Assets	(665,654)	(134,320)	-	(799,974)
TEMPORARILY RESTRICTED NET ASSETS				
Contributions	87,727	27,692	-	115,419
Net Assets Released from Restrictions for Operations	<u>(185,012)</u>	<u>-</u>	<u>-</u>	<u>(185,012)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	(97,285)	27,692	-	(69,593)
DECREASE IN NET ASSETS	(762,939)	(106,628)	-	(869,567)
Net Assets - Beginning of Year	<u>8,245,937</u>	<u>1,451,577</u>	<u>-</u>	<u>9,697,514</u>
NET ASSETS - END OF YEAR	<u><u>\$ 7,482,998</u></u>	<u><u>\$ 1,344,949</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,827,947</u></u>

See accompanying Independent Auditors' Report

**ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION
YEAR ENDED SEPTEMBER 30, 2013**

	Ashe Memorial Hospital, Inc	Ashe Memorial Hospital Foundation, Inc	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Decrease in Net Assets	\$ (523,557)	\$ (610,463)	\$ -	\$ (1,134,020)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities				
Depreciation	1,642,586	-	-	1,642,586
Change in Net Unrealized Gains on Other than Trading Securities	(811)	(59,989)	-	(60,800)
Net Realized Gain on Sale of Investments	(167,208)	-	-	(167,208)
Loss on Investment in High Country Health Care System	81,533	-	-	81,533
Gain on Sale of High Country Health Care System	(867,450)	-	-	(867,450)
Provision for Uncollectible Accounts	2,472,766	-	-	2,472,766
Gain on Disposal of Property and Equipment and Other	(100,848)	-	-	(100,848)
Loss on Land Held for Resale	-	442,172	-	442,172
Restricted Contributions	(319,696)	(30,463)	-	(350,159)
Changes in Assets and Liabilities				
Patient Accounts Receivable and Other Receivables	(3,213,472)	-	(469,806)	(3,683,278)
Unconditional Promises to Give	-	(2,771)	-	(2,771)
Supplies and Prepaid Expenses	37,821	-	-	37,821
Accounts Payable and Accrued Expenses	266,110	469,176	469,806	1,205,092
Accrued Health Insurance	(26,610)	-	-	(26,610)
Estimated Third-Party Settlements	537,414	-	-	537,414
Net Cash Provided by (Used in) Operating Activities	(181,422)	207,662	-	26,240
CASH FLOWS FROM INVESTING ACTIVITIES				
Net Change in Assets Limited as to Use	(192,004)	-	-	(192,004)
Purchases of Property and Equipment	(238,367)	(185,000)	-	(423,367)
Proceeds from the Sale of Property and Equipment	100,848	-	-	100,848
Proceeds from Sale of Property Held for Resale	-	375,728	-	375,728
Proceeds from Sale of High County Health Care System	1,507,500	-	-	1,507,500
(Purchases) Sales of Investments, Net	154,646	(17,098)	-	137,548
Net Cash Provided by Investing Activities	1,332,623	173,630	-	1,506,253
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from Restricted Contributions	319,696	30,463	-	350,159
Payment of Capital Lease Obligations	(505,265)	-	-	(505,265)
Payment of Notes Payable	(210,599)	-	-	(210,599)
Net Cash Provided by (Used in) Financing Activities	(396,168)	30,463	-	(365,705)
NET INCREASE IN CASH AND CASH EQUIVALENTS	755,033	411,755	-	1,166,788
Cash and Cash Equivalents - Beginning of Year	1,253,906	220,907	-	1,474,813
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,008,939</u>	<u>\$ 632,662</u>	<u>\$ -</u>	<u>\$ 2,641,601</u>

See accompanying Independent Auditors' Report

**ASHE MEMORIAL HOSPITAL, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION
YEAR ENDED SEPTEMBER 30, 2012**

	Ashe Memorial Hospital, Inc	Ashe Memorial Hospital Foundation, Inc	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Decrease in Net Assets	\$ (762,939)	\$ (106,628)	\$ -	\$ (869,567)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities				
Depreciation	1,575,135	-	-	1,575,135
Change in Net Unrealized Losses on Other than Trading Securities	(2,528)	(68,179)	-	(70,707)
Net Realized Loss on Sale of Investments	-	(3,817)	-	(3,817)
Loss on Investment in High Country Health Care System	172,653	-	-	172,653
Provision for Bad Debts	3,153,747	-	-	3,153,747
Gain on Disposal of Assets	(154,842)	-	-	(154,842)
Loss on Land Held for Resale	-	45,353	-	45,353
Restricted Contributions	(87,727)	-	-	(87,727)
Changes in Assets and Liabilities				
Patient Accounts Receivable and Other Receivables	(1,960,862)	2,159	(47,412)	(2,006,115)
Unconditional Promises to Give	-	(2,385)	-	(2,385)
Supplies and Prepaid Expenses	6,929	-	-	6,929
Accounts Payable and Accrued Expenses	(1,353,212)	48,042	47,412	(1,257,758)
Accrued Health Insurance	(7,666)	-	-	(7,666)
Estimated Third-Party Settlements	356,133	-	-	356,133
Net Cash Provided by (Used in) Operating Activities	934,821	(85,455)	-	849,366
CASH FLOWS FROM INVESTING ACTIVITIES				
Net Change in Assets Limited as to Use	(74,290)	-	-	(74,290)
Purchases of Property and Equipment	(748,694)	-	-	(748,694)
Proceeds from the Sale of Property and Equipment	93,261	-	-	93,261
Proceeds from Sale of Property Held for Resale	-	79,647	-	79,647
(Purchases) Sales of Investments, Net	428,821	(178,158)	-	250,663
Net Cash Used in Investing Activities	(300,902)	(98,511)	-	(399,413)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from Restricted Contributions	87,727	-	-	87,727
Payment of Capital Lease Obligations	(628,853)	-	-	(628,853)
Proceeds from Note Payable	145,401	-	-	145,401
Payment of Notes Payable	(370,013)	-	-	(370,013)
Net Cash Used in Financing Activities	(765,738)	-	-	(765,738)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(131,819)	(183,966)	-	(315,785)
Cash and Cash Equivalents - Beginning of Year	1,385,725	404,873	-	1,790,598
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,253,906</u>	<u>\$ 220,907</u>	<u>\$ -</u>	<u>\$ 1,474,813</u>

See accompanying Independent Auditors' Report