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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2009

Open to Public Inspection

A For the 2009 calendar year, or tax year beginning 01-01-2009 and ending 12-31-2009

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

Please use IRS label or print or type. See Specific Instructions.

C Name of organization
VALLEY HEALTH

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
220 CAMPUS BLVD SUITE 310

City or town, state or country, and ZIP + 4
WINCHESTER, VA 22601

D Employer identification number
52-1357729

E Telephone number
(540) 536-4302

G Gross receipts $ 72,537,618

F Name and address of principal officer
MARK H MERRILL
1840 AMHERST STREET
WINCHSETER,VA 22601

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

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

H(c) Group exemption number ▶

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

J Website: ▶ WWW VALLEYHEALTHLINK COM

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1983 | **M** State of legal domicile VA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
SERVING OUR REGIONAL COMMUNITY BY IMPROVING HEALTH PROVISION OF HEALTHCARE AND MEDICAL SERVICES

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	12
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	11
5	Total number of employees (Part V, line 2a)	**5**	661
6	Total number of volunteers (estimate if necessary)	**6**	
7a	Total gross unrelated business revenue from Part VIII, column (C), line 12	**7a**	-8,535
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-8,535

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	741,688	762,025
	9 Program service revenue (Part VIII, line 2g)	50,755,125	66,583,796
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	3,322,799	4,671,712
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-160,109	-31,269
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	54,659,503	71,986,264
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	595,949	581,974
	14 Benefits paid to or for members (Part IX, column (A), line 4)		0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	44,105,003	48,375,594
	16a Professional fundraising fees (Part IX, column (A), line 11e)		0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶781,373		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	19,684,063	21,754,057
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	64,385,015	70,711,625
	19 Revenue less expenses Subtract line 18 from line 12	-9,725,512	1,274,639

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	40,694,381	51,713,396
	21 Total liabilities (Part X, line 26)	41,395,414	48,209,739
	22 Net assets or fund balances Subtract line 21 from line 20	-701,033	3,503,657

Part II Signature Block

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

Sign Here

****** | 2010-11-12
Signature of officer | Date

J CRAIG LEWIS CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature	Date	Check if self-empolyed ▶ ☐	Preparer's identifying number (see instructions)
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ VALLEY HEALTH SYSTEMS 220 CAMPUS BLVD STE 310 WINCHESTER, VA 226012889			EIN ▶ Phone no ▶

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

Part III Statement of Program Service Accomplishments

1 Briefly describe the organization's mission

SERVING OUR REGIONAL COMMUNITY BY IMPROVING HEALTH PROVISION OF HEALTHCARE AND MEDICAL SERVICES

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts 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 $ 69,930,252 including grants of $ 586,972) (Revenue $)

ORGANIZATION PROVIDED MANAGEMENT AND/OR SUPPORT SERVICES TO 9 SUBSIDIARIES AND 6 OUTSIDE HEALTHCARE ORGANIZATIONS DURING 2009

4b (Code) (Expenses $ including grants of $) (Revenue $)

4c (Code) (Expenses $ including grants of $) (Revenue $)

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ $ 69,930,252

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?	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? *If "Yes," complete Schedule C, Part II*	4		No
5	**Section 501(c)(4), 501(c)(5), and 501(c)(6) organizations.** Is the organization subject to the section 6033(e) notice and reporting requirement and proxy tax? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts where 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, 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 term, permanent,or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	Is the organization's answer to any of the following questions "Yes"? *If so,complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.*	11	Yes	
	• Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*			
	• 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.*			
	• 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.*			
	• 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.*			
	• Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*			
	• 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? *If "Yes," complete Schedule D, Part X.*			
12	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12		No
12A	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," completing Schedule D, Parts XI, XII, and XIII is optional* — **Yes** / **No**	12A	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, and program service activities outside the United States? *If "Yes," complete Schedule F, Part I*	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 U S ? *If "Yes," complete Schedule F, Part II*	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 U S ? *If "Yes," complete Schedule F, Part III*	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*	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
20	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20		No

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee of the organization (or a family member) was an officer, director, trustee, or owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**	Yes	
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35**		No
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096, *Annual Summary and Transmittal of U.S. Information Returns. Enter -0-* if not applicable	1a	5,728		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c			No
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	661		
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 this return (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return?	3a		Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b		Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a		Yes	
b	If "Yes," enter the name of the foreign country ▶ CJ See the instructions for exceptions and 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, Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction?	5c			No
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?	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			No
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			No
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	0		
e	Did the organization, during the year, 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	For all contributions of qualified intellectual property, did the organization file Form 8899 as required?	7g			No
h	For contributions of cars, boats, airplanes, and other vehicles, did the organization file a Form 1098-C as required?	7h			No
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			No
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			No
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			No
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			No
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			

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.

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body . .	1a 12		
b	Enter the number of voting members that are independent . .	1b 11		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . .	3		No
4	Did the organization make any significant changes to its organizational documents since the prior Form 990 was filed?	4		No
5	Did the organization become aware during the year of a material diversion of the organization's assets? . .	5		No
6	Does the organization have members or stockholders?	6	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a	Yes	
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . .	7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No

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

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

Section C. Disclosure

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

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 make these available Check all that apply

☐ Own website ☑ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

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

SHELLY BOWMAN-ALLEN
220 CAMPUS BLVD SUITE 310
WINCHESTER, VA 22601
(540) 536-4302

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

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 Use Schedule J-2 if additional space is needed

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees 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 the organization did not compensate any current or former officer, director, trustee or key employee

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(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			
See add'l data										

1b Total . . . . . ▶	3,724,193	831,454	1,089,921

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶ 67

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
WINCHESTER SURGICAL CLINIC 20 S STEWART STREET WINCHESTER, VA 22601	HEALTHCARE PROF SERV	772,350
WINCHESTER PULMONARY & INT MED 1400 AMHERST STREET WINCHESTER, VA 22601	HEALTHCARE PROF SERV	736,374
PIEDMONT MEDICAL LAB 333 WEST CORK STREET WINCHESTER, VA 22601	LAB SERVICES	885,915
HANDCOCK DANIEL JOHNSON AND NAGEL PC PO BOX 72050 RICHMOND, VA 23255	LEGAL SERVICES	769,639
HAMMES COMPANY 18000 WEST SARAH LANE STE 250 BROOKFIELD, WI 53045	MGMT/CONSULTING SERV	743,519
2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 53		

Part VIII Statement of Revenue

				(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	33,540			
	e	Government grants (contributions)	1e	728,485			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		762,025			
Program Service Revenue			Business Code				
	2a	WELLNESS FEE REVENUE		3,274,581	3,274,581		
	b	CORPORATE MANAGEMENT FEES		57,573,539	57,573,539		
	c	CONTRACTED SERVICES		5,735,676	5,735,676		
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		66,583,796			
	3	Investment income (including dividends, interest and other similar amounts)		4,671,712			4,671,712
	4	Income from investment of tax-exempt bond proceeds		0			
	5	Royalties		0			
			(i) Real	(ii) Personal			
	6a	Gross Rents	35,157				
	b	Less rental expenses					
	c	Rental income or (loss)	35,157				
	d	Net rental income or (loss)		35,157			35,157
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory					
	b	Less cost or other basis and sales expenses					
	c	Gain or (loss)					
	d	Net gain or (loss)		0			
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events		0			
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities		0			
	10a	Gross sales of inventory, less returns and allowances	a	484,928			
	b	Less cost of goods sold	b	551,354			
	c	Net income or (loss) from sales of inventory		-66,426		-8,535	-57,891
		Miscellaneous Revenue	Business Code				
	11a						
	b						
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d		0			
	12	**Total revenue.** See Instructions		71,986,264	66,583,796	-8,535	4,648,978

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) but are not required to complete columns (B), (C), and (D).

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 U S See Part IV, line 21	581,974	581,974		
2	Grants and other assistance to individuals in the U S See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	3,651,719	3,651,719		
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	35,851,290	35,412,106		439,184
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,364,679	2,335,711		28,968
9	Other employee benefits	3,545,782	3,502,346		43,436
10	Payroll taxes	2,962,124	2,927,183		34,941
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	1,192,250	1,192,250		
c	Accounting	122,339	122,339		
d	Lobbying	0			
e	Professional fundraising *See Part IV, line 17*	0			
f	Investment management fees	0			
g	Other	943,811	943,811		
12	Advertising and promotion	1,236,711	1,236,643		68
13	Office expenses	2,730,857	2,711,178		19,679
14	Information technology	2,893,322	2,880,049		13,273
15	Royalties	0			
16	Occupancy	1,102,181	1,101,944		237
17	Travel	753,300	737,522		15,778
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	152,023	73,916		78,107
20	Interest	0			
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	9,639	9,639		
23	Insurance	161,797	161,797		
24	Other expenses Itemize expenses not covered above (Expenses grouped together and labeled miscellaneous may not exceed 5% of total expenses shown on line 25 below)				
a	SUPPLIES	3,535,599	3,524,565		11,034
b	PURCHASED SERVICES	5,827,305	5,791,928		35,377
c	EQUIP RENTAL & MAINT	4,254,109	4,254,109		
d	EMPLOYEE RELATIONS	1,416,951	1,390,534		26,417
e	COLLECTION COSTS	1,567,436	1,567,436		
f	All other expenses	-6,145,573	-6,180,447		34,874
25	**Total functional expenses.** Add lines 1 through 24f	70,711,625	69,930,252	0	781,373
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		5,591,958	1	10,886,487
	2	Savings and temporary cash investments			2	0
	3	Pledges and grants receivable, net			3	0
	4	Accounts receivable, net			4	0
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			6	0
	7	Notes and loans receivable, net		20,566,335	7	23,335,012
	8	Inventories for sale or use		1,171,865	8	1,201,608
	9	Prepaid expenses and deferred charges		3,268,987	9	4,815,284
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 152,224			
	b	Less accumulated depreciation	10b 31,560	113,937	10c	120,664
	11	Investments—publicly traded securities			11	0
	12	Investments—other securities See Part IV, line 11			12	0
	13	Investments—program-related See Part IV, line 11			13	0
	14	Intangible assets			14	0
	15	Other assets See Part IV, line 11		9,981,299	15	11,354,341
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		40,694,381	16	51,713,396
Liabilities	17	Accounts payable and accrued expenses		40,018,519	17	47,539,649
	18	Grants payable			18	
	19	Deferred revenue		129,049	19	143,677
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		1,247,846	25	526,413
	26	**Total liabilities.** Add lines 17 through 25		41,395,414	26	48,209,739
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		-701,033	27	3,503,657
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		-701,033	33	3,503,657
	34	Total liabilities and net assets/fund balances		40,694,381	34	51,713,396

Part XI Financial Statements and Reporting

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2009

Open to Public Inspection

Name of the organization
VALLEY HEALTH

Employer identification number
52-1357729

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

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

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

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

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

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

_____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Part II **Support Schedule for Organizations Described in IRC 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.)

Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(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) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(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 (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
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 2009 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2008 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2009.** 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—2008.** If the organization did not check the 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—2009.** 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—2008.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

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

Part III Support Schedule for Organizations Described in IRC 509(a)(2)

(Complete only if you checked the box on line 9 of Part I.)

Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(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) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(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 2009 (line 8 column (f) divided by line 13 column (f))	15
16	Public support percentage from 2008 Schedule A, Part III, line 15	16

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2009** (line 10c column (f) divided by line 13 column (f))	17
18	Investment income percentage from **2008** Schedule A, Part III, line 17	18

19a **33 1/3% support tests—2009.** 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—2008.** 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.** Supplemental Information. Complete this part to provide the explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Provide any other additional information. See instructions

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2009

Open to Public Inspection

Name of the organization
VALLEY HEALTH

Employer identification number
52-1357729

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

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

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

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

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

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

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

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable 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 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, 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, 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 XIV, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116, 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 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 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 XIV

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

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

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

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

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

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

b If "Yes," explain the arrangement in Part XIV

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

		(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a	Beginning of year balance					
b	Contributions					
c	Investment earnings or 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 year end balance held as

- a Board designated or quasi-endowment ▶ %
- b Permanent endowment ▶ %
- c Term endowment ▶ %

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

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

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

Part VI Investments—Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings				
c Leasehold improvements				
d Equipment				
e Other		152,224	31,560	120,664
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				120,664

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Financial derivatives		
Closely-held equity interests		
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

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

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Rounding	2
OTHER RECEIVABLES	4,305,335
OTHER INVESTMENTS	5,929,986
EXECUTIVE BENEFITS	1,119,018
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	11,354,341

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
EXEC DEF COMP LIABILITY	526,413
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	526,413

2. Fin 48 Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	71,986,264
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	70,711,625
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	1,274,639
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	1,274,639

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

1	Total revenue, gains, and other support per audited financial statements			1	79,813,354
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 XIV)	2d	7,827,090		
e	Add lines **2a** through **2d**			2e	7,827,090
3	Subtract line **2e** from line **1**			3	71,986,264
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 XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	71,986,264

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

1	Total expenses and losses per audited financial statements			1	78,538,715
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 XIV)	2d	7,827,090		
e	Add lines **2a** through **2d**			2e	7,827,090
3	Subtract line **2e** from line **1**			3	70,711,625
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 XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	70,711,625

Part XIV 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, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
Part XIII, Line 2d	Part XIII, Line 2d Other expenses and losses per audited F/S	COST OF SALES $551354 RECOVERY OF EXPENSE $7215736 OUR HEALTH REC OF EXPENSE $60000
Part XII, Line 2d	Part XII, Line 2d Other revenue amounts included in F/S but not included on form 990	COST OF SALES $551354 RECOVERY OF EXPENSE $7215736 OUR HEALTH REC OF EXPENSE $60000

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2009

Open to Public Inspection

Name of the organization
VALLEY HEALTH

Employer identification number
52-1357729

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . ☑ Yes ☐ No

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

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed . . . . . ▶ ☐

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
UNITED WAY OF NORTHERN SHENANDOAH VALLEY329 N CAMERON STREET 201 WINCHESTER,VA 22601	540525106	501 (c)(3)	8,000	0			GENERAL CONTRIBUTION
ST LUKE COMMUNITY CLINIC316 N ROYAL AVENUE FRONT ROYAL,VA 22630	541801220	501 (c)(3)	25,000	0			CHARITY CARE
SHENANDOAH UNIVERSITY1460 UNIVERSITY DRIVE WINCHESTER,VA 22601	540525605	501 (c)(3)	75,000	0			EDUCATION
SHENANDOAH MEMORIAL HOSPITAL759 S MAIN STREET WOODSTOCK,VA 22664	540490687	501 (c)(3)	100,000	0			GENERAL CONTRIBUTION
SHENANDOAH COUNTY FREE MEDICAL CLINIC781 SPRING PARKWAY WOODSTOCK,VA 22664	542032008	501 (c)(3)	15,000	0			CHARITY CARE
OUR HEALTH329 N CAMERON STREET WINCHESTER,VA 22601	541972659	501 (c)(3)	283,134	0			COVER OUR HEALTH EXPENSES
GOOD SAMARITAN FREE CLINIC121 QUEEN STREET MARTINSBURG,WV 25402	050602031	501 (c)(3)	35,000	0			CHARITY CARE

2 Enter total number of section 501(c)(3) and government organizations . . . . . ▶ 7

3 Enter total number of other organizations . . . . . ▶ 0

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. Use Schedule I-1 (Form 990) if additional space is needed.

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

Part IV **Supplemental Information.** Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
Grantmaker's Description of How Grants are Used		VIRTUALLY ALL OF THE ORGANIZATIONS PROVIDED WITH GRANT FUNDS ARE LOCAL, AND CLOSELY MONITORED BY VALLEY HEALTH'S MANAGEMENT AND BOARD PERIODIC REPORTS ARE OBTAINED AS WELL FROM THESE GRANTEES WHICH DISCUSS OPERATIONS AND BENEFITS RENDERED TO THE COMMUNITIES SERVED BEFORE FUNDING IS GRANTED, CONSISTENCY OF MISSION IS EVALUATED IN ORDER TO ASSURE LIKE DIRECTION WITH VALLEY HEALTH INITIATIVES

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2009

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Name of the organization
VALLEY HEALTH

Employer identification number
52-1357729

Part I Questions Regarding Compensation

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

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space 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) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		(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 in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
WES WILLIAMS	(i) (ii)	168,361	19,441	776	18,070	20,277	226,925	206,022
TERRY SINCLAIR MD	(i) (ii)	312,281	29,630	4,030		29,527	375,468	423,349
RICHARD BRUCE CARLSON	(i) (ii)	185,665		2,285		23,337	211,287	185,665
NEAL MCKNIGHT	(i) (ii)	177,604	6,500	537		11,656	196,297	178,137
MICHAEL J HALSETH	(i) (ii)	598,016	120,000	9,613	475,338	40,010	1,242,977	1,036,579
MARVIN T WAY	(i) (ii)	314,318	40,195	1,242	53,900	30,402	440,057	187,140
MARK H MERRILL	(i) (ii)	315,393		91,401	58,734	19,881	485,409	
JOHN H BORG	(i) (ii)	223,565	18,502	1,954	5,704	17,656	267,381	241,899
JOAN ROSCOE	(i) (ii)	212,272	23,642	1,221	21,273	17,369	275,777	247,925
J CRAIG LEWIS	(i) (ii)	332,376	50,087	1,538	41,909	31,282	457,192	435,594
FRANCIS X DENNEHY	(i) (ii)	234,574		700		26,293	261,567	253,248
CHRISTOPHER GOODITIS	(i) (ii)	171,456		337		23,126	194,919	178,794
BRET D RIPLEY	(i) (ii)	165,439		501		14,359	180,299	174,651
ALFRED E PILONG	(i) (ii)	353,418	50,739	1,056	45,958	28,414	479,585	301,178
ADRIENNE MCKENNA	(i) (ii)	199,783	16,244	4,528	10,992	24,454	256,001	252,819

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
Sch J, Part III, Additional Information	Part III, Additional Information	Michael J Halseth Reconciliation of W-2 to Form 990, Part VII, Section A 727,629 Per 990, Part VII Section A 1,347,939 Deferred Compensation Payout 6,858 Group Term Life Insurance 2,758 Split Dollar Life2,085,178 Per Form W-2
Sch J, Part I, Line 6b	Part I, Line 6b Explanation of organization compensation contingent on net earnings from related or	A portion of management's bonuses are based on the financial results of any given year with a residual on quality, patient satisfaction, patient safety, and project completion
Sch J, Part I, Line 5b	Part I, Line 5b Explanation of organization compensation based on revenues of related organization	A portion of management's bonuses are based on the financial results of any given year with a residual on quality, patient satisfaction, patient safety, and project completion
Sch J, Part I, Line 1a	Part I, Line 1a Relevant information in regards to selections on 1a	

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2009

Open to Public Inspection

Name of the organization
VALLEY HEALTH

Employer identification number
52-1357729

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased Yes	(g) Defeased No	(h) On Behalf of Issuer Yes	(h) On Behalf of Issuer No
A	WEST VIRGINIA HOSPITAL FINANCE AUTHORITY		956622c28	12-17-2009	24,811,955	SEE STATEMENT		X		X
B	IDA OF CITY OF WINCHESTER VA	52-1232253	973129EQ8	12-17-2009	74,256,930	SEE STATEMENT		X		X
C	IDA OF CITY OF WINCHESTERVA	52-1232253	973129DW6	01-31-2007	91,415,663	SEE STATEMENT		X		X

Part II Proceeds

		A	B	C	D	E
1	Total proceeds of issue	24,811,955	74,256,930	91,415,663		
2	Gross proceeds in reserve funds					
3	Proceeds in refunding or defeasance escrows	14,508,990		14,508,990		
4	Other unspent proceeds	20,381,105	31,791,756			
5	Issuance costs from proceeds	469,612	1,301,587	3,128,218		
6	Working capital expenditures from proceeds					
7	Capital expenditures from proceeds	3,961,238	41,163,588	73,778,455		
8	Year of substantial completion	2012	2012	2008		

		A Yes	A No	B Yes	B No	C Yes	C No	D Yes	D No	E Yes	E No
9	Were the bonds issued as part of a current refunding issue?		X		X		X				
10	Were the bonds issued as part of an advance refunding issue?		X		X	X					
11	Has the final allocation of proceeds been made?		X		X	X					
12	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X					

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D		E	
		Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts with respect to the financed property which may result in private business use?		X		X		X				
3b	Are there any research agreements with respect to the financed property which may result in private business use?		X		X		X				
3c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?	X		X		X					
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶										
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶										
6	Total of lines 4 and 5										
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X		X					

Part IV Arbitrage

		A		B		C		D		E	
		Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?	X		X			X				
2	Is the bond issue a variable rate issue?		X		X	X					
3a	Has the organization or the governmental issuer identified a hedge with respect to the bond issue on its books and records?	X		X		X					
b	Name of provider	WELLS FARGO		WELLS FARGO		MERRILL LYNCH					
c	Term of hedge	33 0000		33 0000		33 0000					
4a	Were gross proceeds invested in a GIC?		X		X		X				
b	Name of provider	NA		NA		NA					
c	Term of GIC										
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?										
5	Were any gross proceeds invested beyond an available temporary period?		X		X		X				
6	Did the bond issue qualify for an exception to rebate?		X		X		X				

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SCHEDULE O
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990

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

OMB No 1545-0047

2009

Open to Public Inspection

Name of the organization
VALLEY HEALTH

Employer identification number
52-1357729

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 19	Form 990, Part VI, Line 19 Other Organization Documents Publicly Available	The organization makes all records available as required by law
Form 990, Part VI, Line 15b	Form 990, Part VI, Line 15b Compensation Review and Approval Process for Officers and Key Employees	The Board of Directors is responsible for the compensation review They use compensation literature and outside consultants to determine the appropriate compensation for the CEO,Officers,and Senior Management As new individuals are hired into management positions, recruiting firms use FMV information to establish salary and general compensation levels
Form 990, Part VI, Line 12c	Form 990, Part VI, Line 12c Explanation of Monitoring and Enforcement of Conflicts	All employees that are managers, have purchasing rights, or may enter into a contract on behalf of the organization are required to sign a conflict of interest attestation upon employment and annually All employees can report breaches in VH policy VH has an employee integrity hotline and a compliance officer The audit committee is advised of compliance activity on a quarterly basis in addition to monthly follow up by the CEO on any immediate issues Any infractions can result in disciplinary action or dismissal
Form 990, Part VI, Line 11	Form 990, Part VI, Line 11 Form 990 Review Process	The 990 is prepared by internal staff and undergoes several levels of review including the CFO and CEO Further, the board reviews the 990 during one of its recurring monthly meetings where any issues of concern or question are addressed by Senior Management
Form 990, Part VI, Line 6	Form 990, Part VI, Line 6 Explanation of Classes of Members or Shareholder	The corporation shall have two classes of members regular and honorary The number of regular and honorary The number of regular members shall not exceed 100 In addition, there may be an unlimited number of honorary memebers Qualifications for both classes of membership shall be established in the Bylaws of the Corporation Honorary members have no voting or any other rights whatsoever Regular members shall have voting rights soley with respect to the election of regular members, honorary members and Trustees, as established in the Bylaws of the Corporation
	Client Note1	SCHEDULE K PART I LINE AFunds used to refinance 2003 of Warren Memorial Hospital and Shenandoah Memorial Hospital,purchase of equipment, construction of ambulatory care center at Warren, renovations and upgrades at Warren, Shenandoah, and Winchester Medical Center PART I LINE BFunds used for WMC Campus Expansion, East Parking Garage and reimbursement for Diagnostic Center and CE Infrastructure PART I LINE CFunds used to build new Hampshire Hospital

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2009

Open to Public Inspection

Name of the organization
VALLEY HEALTH

Employer identification number
52-1357729

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

(a) Name, address, and EIN 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
EAST MOUNTAIN HEALTH LLC 1000 HERITAGE CIRCLE ROMNEY, WV 26757 26-2586527	WELLNESS CENTER	WV	544,784	155,277	VALLEY HEALTH INC

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity

See Additional Data Table

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No
WINCHESTER OPEN MRI LLC 160 EXETER DRIVE WINCHESTER, VA22603 54-2041643	MRI SERVICE	VA	N/A	RELATED	3,076,566	515,028		No			No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
VALLEY REGIONAL ENTERPRISES 220 CAMPUS BLVD STE 420 WINCHESTER, VA22601 54-1456064	MED EQUIP/AMBULANCE	VA	NA	C CORP	40,956,271	10,832,233	100 000 %

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

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

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

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-r)	(c) Amount involved
(1)	HAMPSHIRE MEMORIAL HOSPITAL INC	q	725,000
(2)	WINCHESTER MEDICAL CENTER INC	r	11,000,000
(3)	WARREN MEMORIAL HOSPITAL	q	1,713,000
(4)	SHENANDOAH MEMORIAL HOSPITALINC	q	2,163,000
(5)			
(6)			

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations? Yes	(d) No	(e) Share of end-of-year assets	(f) Disproprtionate allocations? Yes	(f) No	(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner? Yes	(h) No

Additional Data

Return to Form

Software ID: 09000047
Software Version: 2009v1.3
EIN: 52-1357729
Name: VALLEY HEALTH

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity
VALLEY PHYSICIAN ENTERPRISE 220 CAMPUS BLVD WINCHESTER, VA22601 26-2767279	PHYSICIAN PRACTICES	VA	501 (c)(3)	3	VALLEY HEALTH INC
PAGE MEMORIAL HOSPITAL 200 MEMORIAL DRIVE LURAY, VA22835 54-0551200	HOSPITAL	VA	501 (c)(3)	3	VALLEY HEALTH INC
WARREN MEMORIAL HOSPITAL FOUNDATION 1000 SHENANDOAH DRIVE FRONT ROYAL, VA22630 54-1601942	FUNDRAISING	VA	501 (c)(3)	11a	VALLEY HEALTH INC
WINCHESTER MEDICAL CENTER FOUNDATION 1840 AMHERST STREET WINCHESTER, VA22601 54-2013319	FUNDRAISING	VA	501(c)(3)	11a	VALLEY HEALTH INC
SHENADOAH MEMORIAL HOSPITAL FOUNDATION 759 S MAIN STREET WOODSTOCK, VA22664 52-1535978	FUNDRAISING	VA	501 (c)(3)	11a	VALLEY HEALTH INC
HAMPSHIRE MEMORIAL HOSPITAL INC 549 CENTER AVE ROMNEY, WV26757 20-8241398	HOSPITAL	WV	501(c)(3)	3	VALLEY HEALTH INC
WINCHESTER MEDICAL CENTER INC 220 CAMPUS BLVD WINCHESTER, VA22601 54-0505979	HOSPITAL	VA	501(c)(3)	3	VALLEY HEALTH INC
WARREN MEMORIAL HOSPITAL 1000 SHENANDOAH DRIVE FRONT ROYAL, VA22630 54-0488103	HOSPITAL	VA	501(c)(3)	3	VALLEY HEALTH INC
SURGI CENTER OF WINCHESTER 1860 AMHERST STREET WINCHESTER, VA22601 54-1279131	ASC	VA	501(c)(3)	3	VALLEY HEALTH INC
SHENANDOAH MEMORIAL HOSPITALINC 759 SOUTH MAIN STREET WOODSTOCK, VA22664 54-0490687	HOSPITAL	VA	501(c)(3)	3	VALLEY HEALTH INC

COMMUNITY BENEFIT REPORT 2009

Valley Health

Serving our regional community by improving health.

These seven words sum up the healing mission of Valley Health. Our employees, who work in six hospitals and multiple outpatient settings, help and heal those in our care. But improving health involves so much more than what takes place at the bedside.

Valley Health's contributions extend to education, prevention and partnering with others. It involves investment on a significant scale to revitalize the region's healthcare capacity and capabilities. And it includes offering financial assistance to those with no or limited ability to pay for care, and subsidies to state and federal governments who pay below what it costs to provide services they authorize.

In 2009 Valley Health provided more than $71.3 million in care and services classified as Community Benefit, Medicare reimbursement shortfall, or bad debt expense [redacted] — what we would owe if we were a for-profit health system — [redacted]

Work began in 2009 on a $30 million facility to replace the aging Hampshire Memorial Hospital in Romney, WV

Access

Winchester Medical Center has long offered the broadest range of health services in a 4,000 square mile area of northwest Virginia and the West Virginia panhandle But [redacted] Our investment in health services across the region shows our commitment to care close to home

Some of the most vulnerable hospitals in the country are designated as critical access hospitals They have 25 or fewer beds and face significant challenges to operate on a breakeven basis and maintain aging buildings and acquire technology

Valley Health has brought four critical access hospitals into the system —three in the last three years [redacted] The expansion project at [redacted]

Charity Assistance Policy

Treating patients with dignity and respect regardless of their financial status or ability to pay is a Valley Health commitment We participate in multiple financial assistance programs through local, state and federal governments, including Virginia Medicaid and West Virginia Medicaid Staff helps patients and families work through the eligibility requirements for these programs

[redacted] used to provide free or discounted care These discounts are [redacted] Patients whose income is up to three times the FPG may be eligible for a discount on their Valley Health hospital bill

Valley Health encourages patients to apply for financial assistance if they believe they are unable to pay all or part of their care for medically necessary services In addition to offering financial counseling and help with applications for government assistance programs, we can also establish payment plans Financial counselors can be reached at 866-414-4576 to discuss our charity care policies

Community Support

Valley Health works with other not-for-profit organizations to improve access and availability of high quality and cost effective health and human services to underserved consumers In 1999, we played a key role in the creation of Our Health, and our support has been ongoing

[redacted] over [redacted] allowing them to serve over 15,000 lower income area residents These agencies benefit from Valley Health support that includes

- Shared administrative services (accounting/information systems/phone)
- Staff training/development
- Grant writing for additional support
- Rent subsidy of the Our Health campus
- Volunteer recruitment and marketing assistance

Our Health's Winchester campus is home to six partner agencies including the Free Medical Clinic of Northern Shenandoah Valley, United Way, Literacy Volunteers, Healthy Families, and Concern Hotline In 2009, renovation was completed on a third building and Winchester Social Services, Child Advocacy Center and Winchester Health Department moved to the site

In addition, Our Health works with another 15 partner agencies outside of the main campus to serve citizens in the region Our Health has been recognized "as a national model for community partnerships" Since 1999, Our Health has successfully acquired over $6 million in state, federal, and grant funding for the many community organizations it serves

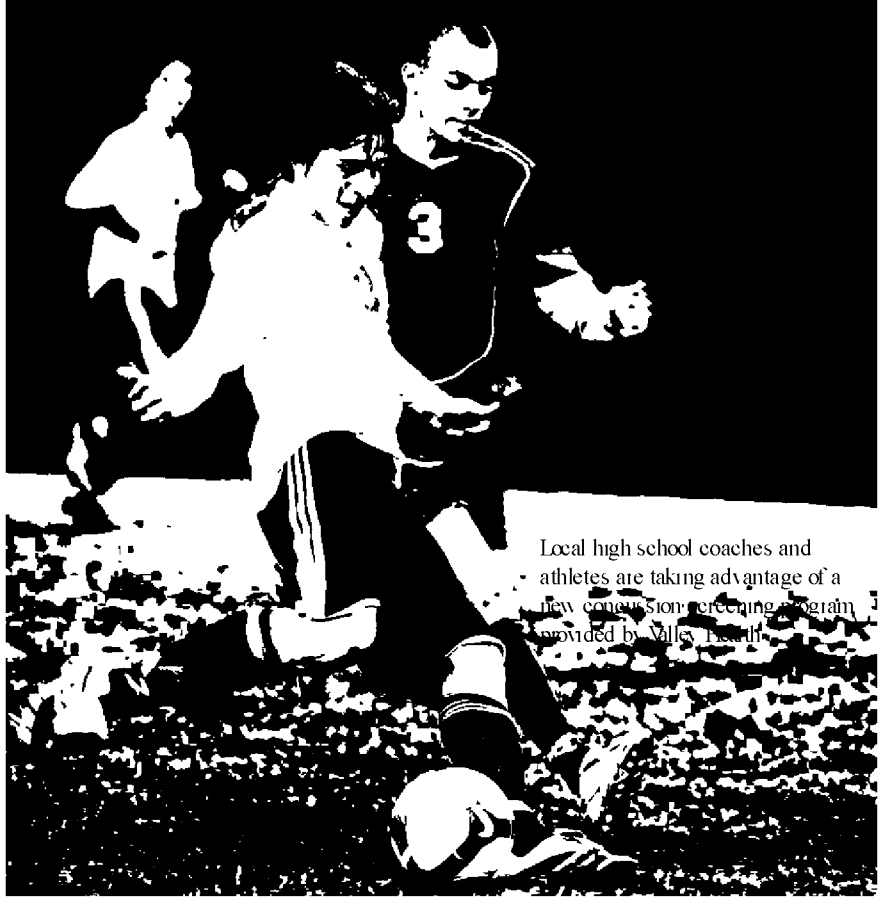
Relief of Government Burden

Healthcare for the poor, the young, the elderly and the infirm is often a responsibility shouldered by government Rather than actually provide services, governments typically opt to pay others to do it for them [redacted] including Medicaid and Medicare

We relieve government —and taxpayers — of the responsibility of creating and maintaining a healthcare infrastructure At the same time, government reimbursement is often less than the cost of providing patient care When governments do not adequately reimburse hospitals, efforts are made to recoup those losses elsewhere if possible The result is usually an indirect tax increase which shows up in form of higher charges and insurance premium increases

Concussion Screening

Valley Health is funding the cost of bringing ImPACT™ (Immediate Post-Concussion Assessment and Cognitive Testing) testing to the athletic programs at James Wood, John Handley, Millbrook, Sherando, Clarke County, Warren County and Skyline high schools



Local high school coaches and athletes are taking advantage of a new concussion screening program provided by Valley Health

[redacted] athlete performance in verbal and visual memory, attention, reaction time and other [redacted] This objective tool is shared with the student's doctor to help determine when return to play is safe

Mariecken Fowler, MD and John D Lewis, PsyD collaborate with Valley Health and area athletic trainers to implement the program, which is the standard for college and professional sports teams

Education

Our commitment to education aids us in attracting, training and retaining essential personnel Partnering with 50 academic programs, [redacted] Surgical residents from Virginia Commonwealth University train in Winchester and we support the Front Royal-based Shenandoah Family Practice Residency Program

With a large nursing workforce, staff preceptors help students and new nurses acquire skills and confidence [redacted] In addition, CPR training is provided to the community and area health providers Valley Health also has programs that introduce middle school and high school youth to potential careers [redacted]

STAMINA a program for Shenandoah County fourth-graders, helps kids realize they can take greater control of their diet, exercise habits and health

Project Stamina

Without intervention, two out of three children with weight problems will become overweight or obese adults Children with additional risk factors including having a family history of obesity, face disproportionate chances of weight problems in adulthood

STAMINA (Students Taking Action Making Improvements in Nutrition and Activity) was initiated five years ago by Shenandoah Memorial Hospital Through a partnership with elementary schools in Shenandoah County, fourth grade students learn to take personal responsibility for their health Emphasis is on daily decisions and how they effect lifelong wellness

What You Need to Know About. . .

Valley Health hosts numerous free programs each year at the Winchester Medical Center Conference Center and Valley Health Wellness & Fitness Center These events give the public an opportunity to learn from experts about a disease or condition Each hospital in Valley Health also offers related educational programs in their community The format of these free programs allows those with an ailment — or a loved one — to ask questions about their specific circumstances

Recent topics addressed through this program include joint pain, stroke, bariatric surgery, new treatment options for acid reflux and more

Fairs & Festivals

We bring health information and screenings to the community on an on-going basis Our presence is highly visible at county fairs in Shenandoah and Page, and we are primary organizers of the Wellness Expo at Apple Blossom Mall in February and the Safety Fair at Jim Barnett Park in Winchester each fall We also participate in the Apple Blossom Festival staffing first aid stations during the popular parades

Free Clinics

Dental care is available at the Medical Clinic of Northern Shenandoah County, thanks in part to cash and in-kind contributions from Valley Health

Valley Health provides substantial support directly to a number of community health clinics including the Free Medical Clinic of Northern Shenandoah Valley, St Luke's Community Clinic in Warren County, the Shenandoah County Free Medical Clinic, and Good Samaritan Clinic in Martinsburg These clinics provide direct primary care to citizens in our region with limited resources

[redacted]

Healthy Families

Healthy Families provides education and support to parents, promotes healthy births and parent/child bonding The agency promotes on-going nurturing so children reach school age emotionally and physically ready to reach their full potential

Services provided in the community include

- Home visitation & parent education
- Parent/child playgroups and special events
- Help with applications for Medicaid and finding a primary care doctor
- Help ensuring children are up-to-date on immunizations and that they receive appropriate well-child care

Healthy Families operates in Shenandoah County, Warren County and the greater Winchester area

Needs Assessment

Valley Health has a responsibility to keep an eye on the future [redacted] We are working with Virginia and West Virginia health departments, the United Way, and others to identify areas of concern

Contributions

Valley Health provides comprehensive health resources to residents of northwest Virginia and adjoining counties of West Virginia Four hundred thousand people live in proximity to Valley Health facilities and we touch many of those lives each year [redacted] that the Internal Revenue Service recognizes as directly [redacted]

With bad debt expense, Medicare reimbursement shortfalls, and related activities included, Valley Health's total community benefit contribution climbed to $71 3 million

A not-for-profit health system must demonstrate that it fulfills its obligations in exchange for the privilege of tax exemption Our charitable efforts, debt forgiveness policies, and investment in new facilities, equipment and staff show convincingly that Valley Health is a reliable and generous partner

[redacted]

Valley Health 2009

Total Community Benefit

(in millions)

Total Community Benefit & Other Measures

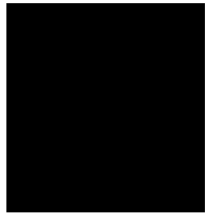
(in millions)

Total Community Benefit

$12 Million Greater Than Estimated Tax Liability

Charity Care & Bad Debt

$14,263,146	$18,902,255	$26,765,060
$16,314,400	$17,569,553	$18,406,678
$30,577,546	**$36,471,778**	**$45,171,738**



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Fax +1 345 949 7164
Internet www kpmg ky

Private
Valley Health System
220 Campus Boulevard, Suite 420
Winchester, VA 22601
United States of America

Client Code 63040TX09

April 6, 2010

Dear Shareholder

Virginia Solution SPC, Ltd. ("Virginia")

Form 5471

Please find attached Valley Health System's Form 5471, *Information Return of U S Persons with Respect to Certain Foreign Corporations*, related to the activities of Virginia for the period ended December 31, 2009 A copy of Form 5471 should be attached to Valley Health System's Federal income tax return for the year ended December 31, 2009 when it is filed A second copy should be maintained for your records

Valley Health System has $144,975 of subpart F income to report from Virginia for the year ended December 31, 2009 The $144,975 should be reported as dividend income on Valley Health System's Form 990 for the year ended December 31, 2009 None of the subpart F income should be classified as unrelated business taxable income The Form 5471 does not require a signature

In summary, the following income and expense items from Virginia should be reported by Valley Health System for the year ended December 31, 2009

- Return of capital $0
- Subpart F (deemed dividend) $144,975
- Deduction for claims paid $ 68,229
- Deduction for reinsurance premiums paid $843,412

Form 926

Please find attached Valley Health System's Form 926, *Return by a U S Transferor of Property*, for the year ended December 31, 2009 A copy of Form 926 should be attached to Valley Health System's Federal income tax return for the year ended December 31, 2009 A second copy of Form 926 should be maintained for your records

To document the timely filing of the tax returns, we suggest that you obtain proof of mailing Proof of mailing can be accomplished by sending the tax returns by registered or certified mail or by obtaining a postmarked certificate of mail from the post office We recommend that the returns be mailed by either registered or certified mail with the sender's receipt postmarked to prove filing

KPMG a Cayman Islands partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity

As an alternative to using the postal service, taxpayers may also use certain private delivery services designated by the IRS to meet the "timely mailing as timely filing/paying" rule for tax returns and payments The list of approved delivery services includes only the following

- DHL Express (DHL) DHL Same Day Service, DHL Next Day 10 30am, DHL Next Day 12 00pm, DHL Next Day 3 00pm, and DHL 2nd Day Service
- Federal Express (FedEx) FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2 Day, FedEx International Priority, and FedEx International First
- United Parcel Service (UPS) UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A M , UPS Worldwide Express Plus, and UPS Worldwide Express

The private delivery service can tell you how to get written proof of the mailing date The IRS telephone number to use for the courier label is 1-800-829-1040

The returns were prepared from information provided by you or your representative The preparation of tax returns does not include the independent verification of information used Therefore, we recommend that you review the returns to ensure that there are no omissions or misstatements If you note anything which may require a change to the returns, please contact us before filing them

If you have any questions or if we may be of further service, please give us a call

Yours sincerely,

Douglas C Harrell
Partner

Enclosures
Form 5471 and Form 926

cc
Yohann Regnard, HSBC Bank (Cayman) Limited
Michael Halseth, Solution Services Corporation

ANY TAX ADVICE IN THIS COMMUNICATION IS NOT INTENDED OR WRITTEN BY KPMG TO BE USED, AND CANNOT BE USED, BY A CLIENT OR ANY OTHER PERSON OR ENTITY FOR THE PURPOSE OF (i) AVOIDING PENALTIES THAT MAY BE IMPOSED ON ANY TAXPAYER OR (ii) PROMOTING, MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY MATTERS ADDRESSED HEREIN

Any advice in this communication is limited to the conclusions specifically set forth herein and is based on the completeness and accuracy of the stated facts, assumptions and/or representations included In rendering our advice, we may consider tax authorities that are subject to change, retroactively and/or prospectively, and any such changes could affect the validity of our advice We will not update our advice for subsequent changes or modifications to the law and regulations, or to the judicial and administrative interpretations thereof

Additional Data

Software ID:
Software Version:
EIN: 52-1357729
Name: VALLEY HEALTH

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(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			
WILLIAM F BRANDT JR Director	2 00	X						0	0	0
WILLIAM B MAJOR MD Director	2 00	X						0	0	0
WES WILLIAMS Vice President	50 00			X	X			188,578	0	38,347
TERRY SINCLAIR MD Vice President	0	X						0	345,941	29,527
RICHARD BRUCE CARLSON COR DIR MAT MGM	40 00					X		187,950	0	23,337
PATRICK D IRELAND MD Director	2 00	X						1,050	80,300	0
NEAL MCKNIGHT COR DIR PAT ACT	40 00					X		184,641	0	11,656
MICHAEL J HALSETH President & CEO	50 00	X		X	X			727,629	0	515,348
MARVIN T WAY Vice President	50 00			X	X			355,755	0	84,302
MARK H MERRILL President & CEO	50 00	X		X	X			406,794	0	78,615
KATHERINE P NAPIER Director	2 00	X						0	0	0
JOSEPH F SILEK JR Director	2 00	X						2,100	0	0
JOHN S SCULLY IV Secretary	2 00	X						1,050	0	0
JOHN H BORG Vice President	50 00			X	X			244,021	0	23,360
JOAN ROSCOE Vice President	50 00			X	X			237,135	0	38,642
JIM LONG Director	2 00	X						1,050	0	0
JAMES T HOLLAND VICE CHAIRMAN	2 00	X						1,050	0	0
J CRAIG LEWIS CFO	50 00			X	X			384,001	0	73,191
HARRY F BYRD III Director	2 00	X						2,527	0	0
FRANCIS X DENNEHY DIR RESIDENCY	40 00					X		235,274	0	26,293
F DIXON WHITWORTH JR Chairman	2 00	X						3,500	0	0
DOUGLAS B KEIM MD Director	2 00	X						1,800	0	0
CHRISTOPHER GOODITIS DIR IS TECH SERV	40 00					X		171,793	0	23,126
BRET D RIPLEY AS DIR RESIDNECY	0					X		165,940	0	14,359
ALFRED E PILONG Vice President	0	X						0	405,213	74,372

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)					(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			
ADRIENNE MCKENNA Vice President	50 00			X				220,555	0	35,446

Form 990, Part IX - Statement of Functional Expenses - 24a - 24e Other Expenses

Do not include amounts reported on line 6b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
SUPPLIES	3,535,599	3,524,565		11,034
PURCHASED SERVICES	5,827,305	5,791,928		35,377
EQUIP RENTAL & MAINT	4,254,109	4,254,109		
EMPLOYEE RELATIONS	1,416,951	1,390,534		26,417
COLLECTION COSTS	1,567,436	1,567,436		