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## Return of Organization Exempt From Income Tax

2009

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

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

Open to Public Inspection

For the 2009 calendar year, or tax year beginning , 2009, and ending ,

<b>B</b> Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input checked="" type="checkbox"/> Initial return <input type="checkbox"/> Termination <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending		<b>C</b> Please use IRS label or print or type. See specific instructions. <b>VALLEY HEALTH SYSTEM GROUP RETURN</b> <b>220 CAMPUS BLVD STE 310</b> <b>WINCHESTER, VA 22601</b>		<b>D</b> Employer Identification Number <b>80-0584319</b>	
				<b>E</b> Telephone number <b>540-536-4302</b>	
				<b>G</b> Gross receipts \$ <b>608,165,748.</b>	
		<b>F</b> Name and address of principal officer <b>MARK H MERRILL</b> <b>Same As C Above</b>		<b>H(a)</b> Is this a group return for affiliates? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <b>H(b)</b> Are all affiliates included? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions)	
<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c) ( 3 ) (insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		<b>H(c)</b> Group exemption number <b>5602</b>			
<b>J</b> Website: <b>VALLEYHEALTHLINK.COM</b>					
<b>K</b> Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other		<b>L</b> Year of Formation <b>1983</b>		<b>M</b> State of legal domicile <b>VA</b>	

## Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities <u>Serving our regional community by improving health. Provision of healthcare and medical services.</u>		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its assets		
	3	Number of voting members of the governing body (Part VI, line 1a)	
	4	Number of independent voting members of the governing body (Part VI, line 1b)	
	5	Total number of employees (Part V, line 2a)	
	6	Total number of volunteers (estimate if necessary)	
	Revenue	7a	Total gross unrelated business revenue from Part VIII, column (C), line 12
7b		Net unrelated business taxable income from Form 990-T, line 34	
8		Contributions and grants (Part VIII, line 1h)	
9		Program service revenue (Part VIII, line 2g)	
10		Investment income (Part VIII, column (A), lines 3, 4, and 7d)	
11		Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	
12		Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	
13		Grants and similar amounts paid (Part IX, column (A), lines 1-3)	
14		Benefits paid to or for members (Part IX, column (A), line 4)	
Expenses		15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	
	b	Total fundraising expenses (Part IX, column (D), line 25)	
	17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)	
	18	Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	
	19	Revenue less expenses Subtract line 18 from line 12	
	Net Assets or Fund Balances	20	Total assets (Part X, line 16)
21		Total liabilities (Part X, line 26)	
22		Net assets or fund balances Subtract line 21 from line 20	

## Part II Signature Block

Sign Here	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.		
	Signature of officer: <u>J Craig Lewis</u> Date: <u>11/11/10</u> Type or print name and title: <u>J CRAIG LEWIS</u> CFO		
Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>
	Firm's name (or yours if self-employed), address, and ZIP + 4: <b>VALLEY HEALTH SYSTEMS</b> <b>220 CAMPUS BLVD STE 310</b> <b>WINCHESTER, VA 22601-2889</b>	EIN <b>N/A</b>	Preparer's identifying number (see instructions) <b>N/A</b>
		Phone no <b>(540) 536-4302</b>	

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

☒ Yes ☐ No

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

TEEA0113L 12/29/09 Form 990 (2009)

SCANNED DEC 08 2010

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**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 \$ 322,603,458. including grants of \$ 157,390.) (Revenue \$ 694,557,441.)

ACUTE CARE SERVICES - 112,970 INPATIENT ACUTE CARE DAYS

4b (Code ☐) (Expenses \$ 8,097,019. including grants of \$ ) (Revenue \$ 17,432,686.)

AMBULATORY SURGICAL SERVICES - 9,375 SURGICAL PROCEDURES

4c (Code ☐) (Expenses \$ 7,807,813. including grants of \$ ) (Revenue \$ 16,810,032.)

PHYSICIAN PRACTICE SERVICES - 58,989 OUTPATIENT REGISTRATIONS

4d Other program services (Describe in Schedule O) See Schedule O

(Expenses \$ 16,364,255. including grants of \$ ) (Revenue \$ 35,231,845.)

4e Total program service expenses ▶ 354,872,545.

**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	X	
2 Is the organization required to complete Schedule B, Schedule of Contributors?	X	
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		X
4 <b>Section 501(c)(3) organizations</b> Did the organization engage in lobbying activities? If 'Yes,' complete Schedule C, Part II		X
5 <b>Section 501(c)(4), 501(c)(5), and 501(c)(6) organizations.</b> Is the organization subject to the section 6033(e) notice and reporting requirement and proxy tax? If 'Yes,' complete Schedule C, Part III		
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		X
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		X
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If 'Yes,' complete Schedule D, Part III		X
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		X
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	X	
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	X	
• Did the organization report an amount for land, buildings and equipment in Part X, line 10? 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 statement for the tax year? If 'Yes,' complete Schedule D, Parts XI, XII, and XIII		X
12A Was the organization included in consolidated, independent audited financial statement for the tax year? If 'Yes,' completing Schedule D, Parts XI, XII, and XIII is optional	X	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If 'Yes,' complete Schedule E		X
14a Did the organization maintain an office, employees, or agents outside of the United States?		X
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		X
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If 'Yes,' complete Schedule F, Part II		X
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If 'Yes,' complete Schedule F, Part III		X
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		X
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		X
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		X
20 Did the organization operate one or more hospitals? If 'Yes,' complete Schedule H	X	

**Part IV Checklist of Required Schedules (continued)**

	Yes	No
<b>21</b> 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? <i>If 'Yes,' complete Schedule I, Parts I and II</i>	<b>21</b> X	
<b>22</b> Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If 'Yes,' complete Schedule I, Parts I and III</i>	<b>22</b> X	
<b>23</b> Did the organization answer 'Yes' to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If 'Yes,' complete Schedule J</i>	<b>23</b> X	
<b>24a</b> 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, and that was issued after December 31, 2002? <i>If 'Yes,' answer lines 24b through 24d and complete Schedule K. If 'No,' go to line 25</i>	<b>24a</b> X	
<b>b</b> Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	<b>24b</b>	X
<b>c</b> Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	<b>24c</b>	X
<b>d</b> Did the organization act as an 'on behalf of' issuer for bonds outstanding at any time during the year?	<b>24d</b>	X
<b>25a</b> <b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If 'Yes,' complete Schedule L, Part I</i>	<b>25a</b>	X
<b>b</b> Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If 'Yes,' complete Schedule L, Part I</i>	<b>25b</b>	X
<b>26</b> 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? <i>If 'Yes,' complete Schedule L, Part II</i>	<b>26</b>	X
<b>27</b> 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? <i>If 'Yes,' complete Schedule L, Part III</i>	<b>27</b>	X
<b>28</b> 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)		
<b>a</b> A current or former officer, director, trustee, or key employee? <i>If 'Yes,' complete Schedule L, Part IV</i>	<b>28a</b>	X
<b>b</b> A family member of a current or former officer, director, trustee, or key employee? <i>If 'Yes,' complete Schedule L, Part IV</i>	<b>28b</b>	X
<b>c</b> 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 direct or indirect owner? <i>If 'Yes,' complete Schedule L, Part IV</i>	<b>28c</b>	X
<b>29</b> Did the organization receive more than \$25,000 in non-cash contributions? <i>If 'Yes,' complete Schedule M</i>	<b>29</b> X	
<b>30</b> Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If 'Yes,' complete Schedule M</i>	<b>30</b>	X
<b>31</b> Did the organization liquidate, terminate, or dissolve and cease operations? <i>If 'Yes,' complete Schedule N, Part I</i>	<b>31</b>	X
<b>32</b> Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If 'Yes,' complete Schedule N, Part II</i>	<b>32</b>	X
<b>33</b> Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If 'Yes,' complete Schedule R, Part I</i>	<b>33</b> X	
<b>34</b> Was the organization related to any tax-exempt or taxable entity? <i>If 'Yes,' complete Schedule R, Parts II, III, IV, and V, line 1</i>	<b>34</b> X	
<b>35</b> Is any related organization a controlled entity within the meaning of section 512(b)(13)? <i>If 'Yes,' complete Schedule R, Part V, line 2</i>	<b>35</b>	X
<b>36</b> <b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If 'Yes,' complete Schedule R, Part V, line 2</i>	<b>36</b>	X
<b>37</b> Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If 'Yes,' complete Schedule R, Part VI</i>	<b>37</b>	X
<b>38</b> Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O	<b>38</b> X	

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Form 990 (2009)

**Part V Statements Regarding Other IRS Filings and Tax Compliance**

		Yes	No
<b>1a</b>	Enter the number reported in Box 3 of form 1096, Annual Summary and Transmittal of U S Information Returns Enter -0- if not applicable		
<b>1a</b>	0		
<b>1b</b>	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable		
<b>1b</b>	0		
<b>1c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		
<b>2a</b>	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		
<b>2a</b>	3,829		
<b>2b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file this return (see instructions)	X	
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	X	
<b>3b</b>	If 'Yes' has it filed a Form 990-T for this year? If 'No,' provide an explanation in Schedule O	X	
<b>4a</b>	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)?	X	
<b>4b</b>	If 'Yes,' enter the name of the foreign country <u>Cayman Islds, Bermuda</u> See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts		
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		X
<b>5b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		X
<b>5c</b>	If 'Yes,' to line 5a or 5b, did the organization file Form 8886-T, Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction?		
<b>6a</b>	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?		X
<b>6b</b>	If 'Yes,' did the organization include with every solicitation an express statement that such contributions or gifts were not deductible?		
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>		
<b>7a</b>	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?		X
<b>7b</b>	If 'Yes,' did the organization notify the donor of the value of the goods or services provided?		
<b>7c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		X
<b>7d</b>	If 'Yes,' indicate the number of Forms 8282 filed during the year		
<b>7e</b>	Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		X
<b>7f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		X
<b>7g</b>	For all contributions of qualified intellectual property, did the organization file Form 8899 as required?		
<b>7h</b>	For contributions of cars, boats, airplanes, and other vehicles, did the organization file a Form 1098-C as required?		
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		
<b>9a</b>	<b>Sponsoring organizations maintaining donor advised funds.</b> Did the organization make any taxable distributions under section 4966?		
<b>9b</b>	Did the organization make any distribution to a donor, donor advisor, or related person?		
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter		
<b>10a</b>	Initiation fees and capital contributions included on Part VIII, line 12		
<b>10b</b>	Gross Receipts, included on Form 990, Part VIII, line 12, for public use of club facilities		
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter		
<b>11a</b>	Gross income from other members or shareholders		
<b>11b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)		
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?		
<b>12b</b>	If 'Yes,' enter the amount of tax-exempt interest received or accrued during the year		

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Form 990 (2009)

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

**Section A. Governing Body and Management**

	Yes	No
<b>1a</b> Enter the number of voting members of the governing body		
<b>1b</b> Enter the number of voting members that are independent		
<b>2</b> 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?		X
<b>3</b> 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?		X
<b>4</b> Did the organization make any significant changes to its organizational documents since the prior Form 990 was filed?		X
<b>5</b> Did the organization become aware during the year of a material diversion of the organization's assets?		X
<b>6</b> Does the organization have members or stockholders? See Schedule O	X	
<b>7a</b> Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body? See Schedule O	X	
<b>7b</b> Are any decisions of the governing body subject to approval by members, stockholders, or other persons?		X
<b>8</b> Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
<b>a</b> The governing body?	X	
<b>b</b> Each committee with authority to act on behalf of the governing body?	X	
<b>9</b> Is there any officer, director or 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		X

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

	Yes	No
<b>10a</b> Does the organization have local chapters, branches, or affiliates?		X
<b>10b</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?		
<b>11</b> Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	X	
<b>11A</b> Describe in Schedule O the process, if any, used by the organization to review this Form 990 See Schedule O		
<b>12a</b> Does the organization have a written conflict of interest policy? If 'No,' go to line 13	X	
<b>12b</b> Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	X	
<b>12c</b> Does the organization regularly and consistently monitor and enforce compliance with the policy? If 'Yes,' describe in Schedule O how this is done See Schedule O	X	
<b>13</b> Does the organization have a written whistleblower policy?	X	
<b>14</b> Does the organization have a written document retention and destruction policy?	X	
<b>15</b> 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?		
<b>a</b> The organization's CEO, Executive Director, or top management official See Schedule O	X	
<b>b</b> Other officers of key employees of the organization	X	
If 'Yes' to line 15a or 15b, describe the process in Schedule O (See instructions)		
<b>16a</b> Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	X	
<b>16b</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?	X	

**Section C. Disclosures**

**17** List the states with which a copy of this Form 990 is required to be filed ▶ None

**18** Section 6104 requires an organization to make its Forms 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 Schedule O

**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**

1 a 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. 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 employees.'
- 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, and 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 officer, director, or trustee

(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. VICE CHAIR WMC	2	X						0.	0.	0.
HARRY F. BYRD, III CHAIRMAN WMC	2	X						0.	2,527.	0.
JAMES T. HOLLAND Vice Chair VH	2	X						0.	1,050.	0.
PATRICK D. IRELAND, MD Director	2	X						80,300.	1,050.	0.
DOUGLAS B. KEIM, MD Director	2	X						0.	1,800.	0.
JIM LONG Director	2	X						0.	1,050.	0.
WILLIAM B. MAJOR, MD Director	2	X						0.	0.	0.
MARK H. MERRILL CEO	50	X		X	X			0.	406,794.	78,615.
KATHERINE P. NAPIER Director	2	X						0.	0.	0.
JOHN S. SCULLY, IV Secretary VH	2	X						0.	1,050.	0.
JOSEPH F. SILEK, JR. CHAIRMAN WMH	2	X						0.	2,100.	0.
F. DIXON WHITWORTH, JR. Chairman VH	2	X						0.	3,500.	0.
J. D. BERLIN CHAIRMAN WMCF	2	X						0.	0.	0.
BYRON BRILL, DDS VICE CHAIR WMCF	2	X						0.	0.	0.
JIM STUTZMAN, JR. Secretary WMCF	2	X						0.	0.	0.
J. CRAIG LEWIS CFO	50	X						0.	384,001.	73,191.
KAY BONYAK, RN Director	2	X						0.	0.	0.



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

(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			
GEORGE CALEY Director	2	X						0.	0.	0.
JIM LAIDLAW, MD Director	2	X						1,050.	0.	0.
KATHY NERANGIS Director	2	X						0.	0.	0.
JAMES R. WILKINS Director	2	X						0.	0.	0.
GERALD BECHAMPS, MD Director	2	X						16,927.	0.	0.
THOMAS GILPIN Director	2	X						0.	0.	0.
ELIZABETH KELLAS Director	2	X						0.	0.	0.
CLIFTON RUTHERFORD SECRETARY WMC	2	X						1,050.	0.	0.
WILLIAM SHENDOW, PHD Director	2	X						1,050.	0.	0.
HARRY S SMITH Director	2	X						0.	0.	0.
GEORGE K. VAN OSTEN MD Director	2	X						1,050.	0.	0.
JENNIFER BARRON, MD Director	2	X						1,500.	0.	0.
DAVID L. BLOUNT SECRETARY WMH	2	X						0.	0.	0.
<b>1 b Total</b>								<b>5,510,522.</b>	<b>1,368,891.</b>	<b>809,446.</b>

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 **212**

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

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

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

	Yes	No
3	X	
4	X	
5		X

**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

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 **0**

**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
<b>CONTRIBUTIONS, GIFTS, GRANTS AND OTHER SIMILAR AMOUNTS</b>	<b>1a</b> Federated campaigns	<b>1a</b>				
	<b>b</b> Membership dues	<b>1b</b>				
	<b>c</b> Fundraising events	<b>1c</b>				
	<b>d</b> Related organizations	<b>1d</b> 1,065,055.				
	<b>e</b> Government grants (contributions)	<b>1e</b> 1,082,200.				
	<b>f</b> All other contributions, gifts, grants, and similar amounts not included above	<b>1f</b> 909,453.				
	<b>g</b> Noncash contribns included in lns 1a-1f	\$ 31,807.				
	<b>h Total.</b> Add lines 1a-1f		3,056,708.			
<b>PROGRAM SERVICE REVENUE</b>		<b>Business Code</b>				
	<b>2a</b> ACUTE CARE SERVICES		694557441.	694557441.		
	<b>b</b> AMBULATORY SURGICAL SERV		17,432,686.	17,432,686.		
	<b>c</b> PHYSICIAN SERVICES		16,810,032.	16,810,032.		
	<b>d</b> LONG TERM CARE		14,439,780.	14,439,780.		
	<b>e</b> HOME HEALTH SERVICES		7,097,101.	7,097,101.		
	<b>f</b> All other program service revenue		-394663723.	-394663723.		
	<b>g Total.</b> Add lines 2a-2f		355673317.			
<b>OTHER REVENUE</b>	<b>3</b> Investment income (including dividends, interest and other similar amounts)		15,961,108.		51,458.	15,909,650.
	<b>4</b> Income from investment of tax-exempt bond proceeds					
	<b>5</b> Royalties					
	<b>6a</b> Gross Rents	(i) Real 5,046,043.	(ii) Personal			
	<b>b</b> Less rental expenses	3,390,412.				
	<b>c</b> Rental income or (loss)	1,655,631.				
	<b>d</b> Net rental income or (loss)		1,655,631.		65,942.	1,589,689.
	<b>7a</b> Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other 6,140.			
	<b>b</b> Less cost or other basis and sales expenses		109,775.			
	<b>c</b> Gain or (loss)		-103,635.			
	<b>d</b> Net gain or (loss)		-103,635.			-103,635.
	<b>8a</b> Gross income from fundraising events (not including \$ of contributions reported on line 1c) See Part IV, line 18	<b>a</b>				
	<b>b</b> Less direct expenses	<b>b</b>				
	<b>c</b> Net income or (loss) from fundraising events					
	<b>9a</b> Gross income from gaming activities See Part IV, line 19	<b>a</b>				
	<b>b</b> Less direct expenses	<b>b</b>				
	<b>c</b> Net income or (loss) from gaming activities					
	<b>10a</b> Gross sales of inventory, less returns and allowances	<b>a</b> 220281446.				
	<b>b</b> Less cost of goods sold	<b>b</b> 65775769.				
	<b>c</b> Net income or (loss) from sales of inventory		154505677.		-432,698.	154938375.
<b>Miscellaneous Revenue</b>	<b>Business Code</b>					
<b>11a</b> REFUNDS, REBATES, DISCOUNTS		6,323,879.			6,323,879.	
<b>b</b> BARIATRIC REVENUE		868,399.			868,399.	
<b>c</b> DIABETIC MGMT PROGRAMS		618,324.			618,324.	
<b>d</b> All other revenue		330,384.			330,384.	
<b>e Total.</b> Add lines 11a-11d		8,140,986.				
<b>12 Total revenue.</b> See instructions		538889792.	355673317.	-315,298.	180475065.	

**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).

<i>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</i>	(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	1,058,985.	1,058,985.		
2 Grants and other assistance to individuals in the U S See Part IV, line 22	7,942.	7,942.		
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	2,718,264.	0.	2,718,264.	0.
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1) and persons described in section 4958(c)(3)(B)	374,534.	0.	374,534.	0.
7 Other salaries and wages	191,832,966.	163,453,870.	28,379,096.	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	11,632,564.	9,921,687.	1,710,877.	
9 Other employee benefits	22,514,384.	19,179,721.	3,334,663.	
10 Payroll taxes	13,812,922.	11,671,368.	2,141,554.	
11 Fees for services (non-employees)				
a Management				
b Legal	96,973.		96,973.	
c Accounting	187,800.		187,800.	
d Lobbying				
e Prof fundraising svcs See Part IV, ln 17				
f Investment management fees	1,590,193.		1,590,193.	
g Other	81,293,271.	22,723,264.	58,570,007.	
12 Advertising and promotion	95,562.	32,706.	62,856.	
13 Office expenses	4,748,672.	1,739,398.	3,009,274.	
14 Information technology	239,911.	122,936.	116,975.	
15 Royalties				
16 Occupancy	7,813,401.	716,425.	7,096,976.	
17 Travel	1,351,213.	1,014,218.	336,995.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	55,142.	34,667.	20,475.	
20 Interest	6,649,382.	5,319,506.	1,329,876.	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	36,407,478.	29,125,982.	7,281,496.	
23 Insurance	3,692,822.	877,171.	2,815,651.	
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 MEDICAL SUPPLIES	34,473,930.	31,213,695.	3,260,235.	
b BAD DEBT EXPENSE	33,536,271.	33,536,271.		
c PURCHASED SERVICES	17,080,849.	9,339,777.	7,741,072.	
d EQUIP RENTAL & MAINT	13,140,408.	9,861,376.	3,279,032.	
e BIOMEDICAL SERVICES	2,371,006.	2,371,006.		
f All other expenses	4,263,196.	1,550,574.	2,712,622.	
25 Total functional expenses. Add lines 1 through 24f	493,040,041.	354,872,545.	138,167,496.	0.
26 Joint costs. Check here <input type="checkbox"/> 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
<b>ASSETS</b>	1 Cash — non-interest-bearing		1	
	2 Savings and temporary cash investments	44,999,121.	2	32,125,581.
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	64,541,871.	4	64,578,241.
	5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		5	
	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	
	7 Notes and loans receivable, net	6,451,818.	7	19,181,773.
	8 Inventories for sale or use	9,531,298.	8	10,034,956.
	9 Prepaid expenses and deferred charges	6,486,496.	9	11,100,289.
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 793,523,602.		
	b Less accumulated depreciation	10b 374,314,281.	386,434,042.	10c 419,209,321.
	11 Investments — publicly-traded securities		11	
	12 Investments — other securities See Part IV, line 11	259,847,299.	12	484,080,919.
	13 Investments — program-related See Part IV, line 11		13	
	14 Intangible assets		14	
	15 Other assets See Part IV, line 11	17,153,061.	15	19,460,047.
16 <b>Total assets</b> Add lines 1 through 15 (must equal line 34)	795,445,006.	16	1,059,771,127.	
<b>LIABILITIES</b>	17 Accounts payable and accrued expenses	92,903,399.	17	89,230,251.
	18 Grants payable		18	
	19 Deferred revenue		19	
	20 Tax-exempt bond liabilities	221,929,210.	20	412,031,302.
	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	50,399,525.	25	24,998,592.
	26 <b>Total liabilities.</b> Add lines 17 through 25	365,232,134.	26	526,260,145.
<b>NET ASSETS OR FUND BALANCES</b>	<b>Organizations that follow SFAS 117, check here</b> <input checked="" type="checkbox"/> <b>and complete lines 27 through 29 and lines 33 and 34.</b>			
	27 Unrestricted net assets	415,830,021.	27	518,147,831.
	28 Temporarily restricted net assets	10,476,963.	28	11,063,337.
	29 Permanently restricted net assets	3,905,888.	29	4,299,814.
	<b>Organizations that do not follow SFAS 117, check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building, and equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
	33 Total net assets or fund balances	430,212,872.	33	533,510,982.
34 <b>Total liabilities and net assets/fund balances</b>	795,445,006.	34	1,059,771,127.	

BAA

Form 990 (2009)

**Part XI Financial Statements and Reporting**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?

b Were the organization's financial statements audited by an independent accountant?

c If 'Yes' to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?

If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O

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 separate 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?

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

	Yes	No
2a		X
2b	X	
2c	X	
3a		X
3b		

BAA

Form 990 (2009)



**Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ▶	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(f) Total
<b>1</b> Gifts, grants, contributions and membership fees received (Do not include "unusual grants.")						
<b>2</b> Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf						
<b>3</b> The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge.						
<b>4 Total.</b> Add lines 1 through 3						
<b>5</b> 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)						
<b>6 Public support.</b> 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
<b>7</b> Amounts from line 4						
<b>8</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>9</b> Net income from unrelated business activities, whether or not the business is regularly carried on						
<b>10</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
<b>11 Total support.</b> Add lines 7 through 10						
<b>12</b> Gross receipts from related activities, etc. (see instructions)					<b>12</b>	
<b>13 First five years.</b> If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here ▶ <input type="checkbox"/>						

**Section C. Computation of Public Support Percentage**

<b>14</b> Public support percentage for 2009 (line 6, column (f) divided by line 11, column (f))	<b>14</b>	%
<b>15</b> Public support percentage from 2008 Schedule A, Part II, line 14	<b>15</b>	%
<b>16a 33-1/3 support test – 2009.</b> If the organization did not check the box on line 13, and the line 14 is 33-1/3 % or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶ <input type="checkbox"/>		
<b>b 33-1/3 support test – 2008.</b> If the organization did not check a box on line 13, or 16a, and line 15 is 33-1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶ <input type="checkbox"/>		
<b>17a 10%-facts-and-circumstances test – 2009</b> 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. ▶ <input type="checkbox"/>		
<b>b 10%-facts-and-circumstances test – 2008.</b> 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. ▶ <input type="checkbox"/>		
<b>18 Private foundation.</b> If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶ <input type="checkbox"/>		

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

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

**Section A. Public Support**

Calendar year (or fiscal yr 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 "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in a 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 <b>Total.</b> Add lines 1 through 5						
7a Amounts included on lines 1, 2, 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 <b>Public support</b> (Subtract line 7c from line 6.)						

**Section B. Total Support**

Calendar year (or fiscal yr 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 on 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 <b>Total support.</b> (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 section 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 19a, and line 16 is more than 33-1/3%, and line 18 is not more than 33-1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ☐



## Part IV

**Supplemental Information.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Provide any other additional information. See instructions.

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**SCHEDULE D  
(Form 990)**Department of the Treasury  
Internal Revenue Service

Name of the organization

**Supplemental Financial Statements**

- Complete if the organization answered 'Yes,' to Form 990,  
Part IV, lines 6, 7, 8, 9, 10, 11, or 12.  
► Attach to Form 990. ► See separate instructions

OMB No 1545-0047

**2009****Open to Public  
Inspection**

Employer identification number

VALLEY HEALTH SYSTEM GROUP RETURN

80-0584319

**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?		<input type="checkbox"/> Yes <input type="checkbox"/> 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?		<input type="checkbox"/> Yes <input type="checkbox"/> 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)

<input type="checkbox"/> Preservation of land for public use (e.g., recreation or pleasure)	<input type="checkbox"/> Preservation of an historically important land area
<input type="checkbox"/> Protection of natural habitat	<input type="checkbox"/> Preservation of certified historic structure
<input type="checkbox"/> Preservation of open space	

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

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

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

4 Number of states where property subject to conservation easement is located ► \_\_\_\_\_

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easement 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 acquisition accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

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

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part 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 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
1c Beginning balance	
1d Additions during the year	
1e Distributions during the year	
1f Ending balance	

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

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

**Part V Endowment Funds** Complete if 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	14,382,852.	17,231,209.			
b Contributions	1,106,453.	2,243,765.			
c Net Investment earnings, gains, and losses	783,382.	-2,830,037.			
d Grants or scholarships					
e Other expenditures for facilities and programs	909,537.	2,262,094.			
f Administrative expenses					
g End of year balance	15,363,151.	14,382,852.			

2 Provide the estimated percentage of the year end balance held as

- a Board designated or quasi-endowment ▶ \_\_\_\_\_ %  
 b Permanent endowment ▶ 28.00 %  
 c Term endowment ▶ 72.00 %

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

- (i) unrelated organizations  
 (ii) related organizations

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

	Yes	No
3a(i)	X	
3a(ii)		X
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		17,568,534.		17,568,534.
b Buildings		504,549,409.	202,984,941.	301,564,468.
c Leasehold improvements		39,384,139.	20,346,346.	19,037,793.
d Equipment		232,021,520.	150,982,994.	81,038,526.
e Other				
<b>Total.</b> Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c) )				419,209,321.

BAA

Schedule D (Form 990) 2009

BAA TEEA3303L 02/02/10 Schedule D (Form 990) 2009

**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)	538,889,792.
2	Total expenses (Form 990, Part IX, column (A), line 25)	493,040,041.
3	Excess or (deficit) for the year Subtract line 2 from line 1	45,849,751.
4	Net unrealized gains (losses) on investments	29,675,367.
5	Donated services and use of facilities	
6	Investment expenses	
7	Prior period adjustments	
8	Other (Describe in Part XIV)	27,772,990.
9	Total adjustments (net) Add lines 4 through 8	57,448,357.
10	Excess or (deficit) for the year per audited financial statements Combine lines 3 and 9	103,298,108.

**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	666,236,294.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	29,675,367.
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	99,261,328.
e	Add lines 2a through 2d	2e	128,936,695.
3	Subtract line 2e from line 1	3	537,299,599.
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
a	Investments expenses not included on Form 990, Part VIII, line 7b	4a	1,590,193.
b	Other (Describe in Part XIV)	4b	
c	Add lines 4a and 4b	4c	1,590,193.
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)	5	538,889,792.

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

1	Total expenses and losses per audited financial statements	1	561,441,270.
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	69,991,422.
e	Add lines 2a through 2d	2e	69,991,422.
3	Subtract line 2e from line 1	3	491,449,848.
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investments expenses not included on Form 990, Part VIII, line 7b	4a	1,590,193.
b	Other (Describe in Part XIV)	4b	
c	Add lines 4a and 4b	4c	1,590,193.
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18)	5	493,040,041.

**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, line 2, 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.

Part XIV	Supplemental Information (continued)
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[illegible]

**SCHEDULE H**  
**(Form 990)**

**Hospitals**

OMB No 1545-0047

**2009**

**Open to Public Inspection**

- **Complete if the organization answered 'Yes' to Form 990, Part IV, question 20.**  
► **Attach to Form 990**  
► **See separate instructions**

Department of the Treasury  
Internal Revenue Service

Name of the organization

VALLEY HEALTH SYSTEM GROUP RETURN

Employer identification number

80-0584319

**Part I Charity Care and Certain Other Community Benefits at Cost**

**1a** Does the organization have a charity care policy? If 'No,' skip to question 6a

**b** If 'Yes,' is it a written policy?

**2** If the organization has multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals

☒ Applied uniformly to all hospitals

☐ Applied uniformly to most hospitals

☐ Generally tailored to individual hospital

**3** Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients

**a** Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing free care to low income individuals? If 'Yes,' indicate which of the following is the family income limit for eligibility for free care

☐ 100% ☐ 150% ☒ 200% ☐ Other \_\_\_\_\_ %

**b** Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals?

If 'Yes,' indicate which of the following is the family income limit for eligibility for discounted care

☐ 200% ☐ 250% ☒ 300% ☐ 350% ☐ 400% ☐ Other \_\_\_\_\_ %

**c** If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care

**4** Does the organization's policy provide free or discounted care to the 'medically indigent'?

**5a** Does the organization budget amounts for free or discounted care provided under its charity care policy?

**b** If 'Yes,' did the organization's charity care expenses exceed the budgeted amount?

**c** If 'Yes' to 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?

**6a** Does the organization prepare an annual community benefit report?

**b** If 'Yes,' does the organization make it available to the public?

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H

	Yes	No
<b>1a</b>	X	
<b>1b</b>	X	
<b>3a</b>	X	
<b>3b</b>	X	
<b>4</b>	X	
<b>5a</b>	X	
<b>5b</b>	X	
<b>5c</b>		X
<b>6a</b>	X	
<b>6b</b>	X	

**7 Charity Care and Certain Other Community Benefits at Cost**

<b>Charity Care and Means-Tested Government Programs</b>	<b>(a) Number of activities or programs (optional)</b>	<b>(b) Persons served (optional)</b>	<b>(c) Total community benefit expense</b>	<b>(d) Direct offsetting revenue</b>	<b>(e) Net community benefit expense</b>	<b>(f) Percent of total expense</b>
<b>a</b> Charity care at cost (from Worksheets 1 and 2)	6		26,118,266.		26,118,266.	5.30
<b>b</b> Unreimbursed Medicaid (from Worksheet 3, column a)	12		52,496,560.	41,827,071.	10,669,489.	2.16
<b>c</b> Unreimbursed costs — other means-tested government programs (from Worksheet 3, column b)						
<b>d</b> Total Charity Care and Means-Tested Government Programs	18	0	78,614,826.	41,827,071.	36,787,755.	7.46
<b>Other Benefits</b>						
<b>e</b> Community health improvement services and community benefit operations (from Worksheet 4)	3,234	47,104	3,114,746.	292,965.	2,821,782.	0.57
<b>f</b> Health professions education (from Worksheet 5)	3,785	14,529	2,102,426.		2,102,426.	0.43
<b>g</b> Subsidized health services (from Worksheet 6)	1		6,082,765.	4,461,654.	1,621,111.	0.33
<b>h</b> Research (from Worksheet 7)	1	85	5,515.		5,515.	0.
<b>i</b> Cash and in-kind contributions to community groups (from Worksheet 8)	38	3,099	115,963.	10,627.	105,336.	0.02
<b>j</b> Total Other Benefits	7,059	64,817	11,421,415.	4,765,246.	6,656,170.	1.35
<b>k</b> Total (line 7d and 7j)	7,077	64,817	90,036,241.	46,592,317.	43,443,925.	8.81

**BAA For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990.**

Schedule H (Form 990) 2009

**Part II Community Building Activities** Complete this table if the organization conducted any community building activities.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
1 Physical improvements and housing	3	53	6,340.		6,340.	
2 Economic development	5		9,424.		9,424.	
3 Community support	33	30	77,400.		77,400.	0.02
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building	19		72,756.		72,756.	0.01
7 Community health improvement advocacy	2		2,866.		2,866.	
8 Workforce development	1		1,433.		1,433.	
9 Other						
10 Total	63	83	170,219.	0.	170,219.	0.03

**Part III Bad Debt, Medicare, & Collection Practices****Section A Bad Debt Expense**

- 1 Does the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15? **1** X
- 2 Enter the amount of the organization's bad debt expense (at cost) **2** 17,475,383.
- 3 Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's charity care policy **3**
- 4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including other bad debt amounts in community benefit

**Section B Medicare**

- 5 Enter total revenue received from Medicare (including DSH and IME) **5** 228,138,531.
- 6 Enter Medicare allowable costs of care relating to payments on line 5 **6** 236,077,049.
- 7 Subtract line 6 from line 5. This is the surplus or (shortfall) **7** -7,938,518.
- 8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used:
- ☐ Cost accounting system ☒ Cost to charge ratio ☐ Other

**Section C Collection Practices**

- 9a Does the organization have a written debt collection policy? **9a** X
- b If 'Yes,' does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI **9b** X

**Part IV Management Companies and Joint Ventures**

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1 NORTHERN WV HOME HEALTH	HOME HEALTH SERVICES	50.0000		
2 MEDICAL CIRCLE, LLC	MRI	51.0000		
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				



<b>Part V</b>	<b>Facility Information</b>
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[illegible]

**Part VI Supplemental Information**

Complete this part to provide the following information

- 1 Provide the description required for Part I, line 3c; Part I, line 6a, Part I, line 7g, Part I, line 7, column (f), Part I, line 7, Part III, line 4, Part III, line 8, Part III, line 9b, and Part V See instructions
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves
- 3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's charity care policy
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 **Community building activities.** Describe how the organization's community building activities, as reported in Part II, promote the health of the communities the organization serves
- 6 Provide any other information important to describing how the organization's hospitals or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc )
- 7 If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 8 If applicable, identify all states with which the organization, or a related organization, files a community benefit report

**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, lines 21 or 22.  
▶ Attach to Form 990.

OMB No 1545-0047

**2009**

Open to Public Inspection

Name of the organization

VALLEY HEALTH SYSTEM GROUP RETURN

**Part I General Information on Grants and Assistance**

Employer identification number

80-0584319

**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 ☐

1 (a) Name and address of organization or government	(b) EIN	(c) IRC 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
FREE MEDICAL CLINIC CAMERON STREET WINCHESTER, VA 22601	54-1373296	501 (c) (3)	106,332.	0.			CHARITY CARE
PROJECT HOPE 255 CARTER HALL LANE MILLWOOD, VA 22646	53-0242962	501 (c) (3)	0.	8,479.	COST	DONATION OF MEDICAL SUPPLIES	
SHEN COUNTY FREE MEDICAL CLINIC 781 SPRING PARKWAY WOODSTOCK, VA 22664	54-2032008	501 (c) (3)	25,950.	0.			CHARITY CARE
SHENANDOAH MEMORIAL HOSPITAL 759 S MAIN STREET WOODSTOCK, VA 22664	54-0490687	501 (c) (3)	383,166.	0.			CAPITAL EQUIPMENT AND OTHER PROJECTS
WARREN MEMORIAL HOSPITAL 1000 SHENANDOAH DRIVE FRONT ROYAL, VA 22630	54-0488103	501 (c) (3)	59,073.	0.			CAPITAL EQUIPMENT AND OTHER PROJECTS
WINCHESTER MEDICAL CENTER 1840 AMHERST STREET WINCHESTER, VA 22601	54-0505979	501 (c) (3)	425,816.	0.			CAPITAL EQUIPMENT AND OTHER PROJECTS
-----							
-----							
-----							
-----							

**2** Enter total number of section 501(c)(3) and government organizations

6

**3** Enter total number of other organizations

0

**BAA For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990.**

TEEA3901L 02/10/10

Schedule I (Form 990) 2009



**SCHEDULE J.**  
**(Form 990)**Department of the Treasury  
Internal Revenue Service**Compensation Information****For certain Officers, Directors, Trustees, Key Employees, and Highest  
Compensated Employees**

- **Complete if the organization answered 'Yes' to Form 990, Part IV, line 23.**  
► **Attach to Form 990. ► See separate instructions.**

OMB No 1545-0047

**2009****Open to Public  
Inspection**

Name of the organization

VALLEY HEALTH SYSTEM GROUP RETURN

Employer identification number

80-0584319

**Part I Questions Regarding Compensation**

- 1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.

- ☐ First-class or charter travel  
☐ Travel for companions  
☐ Tax indemnification and gross-up payments  
☒ Discretionary spending account

- ☒ Housing allowance or residence for personal use  
☐ Payments for business use of personal residence  
☐ Health or social club dues or initiation fees  
☐ Personal services (e.g., maid, chauffeur, chef)

- b** If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If 'No,' complete Part III to explain.

- 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?

- 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  
☒ Independent compensation consultant  
☐ Form 990 of other organizations

- ☐ Written employment contract  
☒ Compensation survey or study  
☒ Approval by the board or compensation committee

- 4** During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization:

- a** Receive a severance payment or change-of-control payment?

- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?

- c** Participate in, or receive payment from, an equity-based compensation arrangement?

If 'Yes' to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.

**Only section 501(c)(3) and 501(c)(4) organizations 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?

- b** Any related organization?

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?

- b** Any related organization?

If 'Yes' to line 6a or 6b, describe in Part III.

- 7** For person 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.

- 8** Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs. section 53.4958-4(a)(3)? If 'Yes,' describe in Part III.

- 9** If 'Yes' to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1b	X	
2	X	
4a	X	
4b	X	
4c		X
5a	X	
5b	X	
6a	X	
6b	X	
7		X
8		X
9		X

**BAA For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990.**

Schedule J (Form 990) 2009

**Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space is needed.

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

**Note.** The sum of columns (B)(i)-(iii) 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 and incentive compensation	(iii) Other reportable compensation				
MARK H MERRILL	(i) 0	0	0	0	0	0	0
	(ii) 306,739	0	100,055	58,734	19,881	485,409	0
ALFRED E. PILONG, JR	(i) 353,418	50,739	1,056	45,958	28,414	479,585	301,178
	(ii) 0	0	0	0	0	0	0
KATHYRN TAGNESI	(i) 205,907	26,014	8,102	22,506	16,497	279,026	265,451
	(ii) 0	0	0	0	0	0	0
TONYA SMITH	(i) 186,795	0	346	18,500	23,645	229,286	182,686
	(ii) 0	0	0	0	0	0	0
TERRY SINCLAIR, MD	(i) 312,281	29,630	4,030	0	29,527	375,468	423,349
	(ii) 0	0	0	0	0	0	0
PATRICK NOLAN	(i) 176,321	0	819	14,928	23,344	215,412	228,298
	(ii) 0	0	0	0	0	0	0
FLOYD HEATER	(i) 202,355	21,617	979	19,652	25,559	270,162	245,557
	(ii) 0	0	0	0	0	0	0
TIMOTHY W. WILLOX, MD	(i) 287,762	0	20,311	51,563	17,180	376,816	0
	(ii) 0	0	0	0	0	0	0
ROBERTA MCCAULEY	(i) 127,787	10,626	371	13,532	7,184	159,500	129,121
	(ii) 0	0	0	0	0	0	0
J. CRAIG LEWIS	(i) 0	0	0	0	0	0	0
	(ii) 332,376	50,087	1,538	41,909	31,282	457,192	435,594
VIJAY CHOWDARY, MD	(i) 0	0	328,577	0	0	328,577	0
	(ii) 0	0	0	0	0	0	0
ROBERT AMOS	(i) 36,437	0	71	0	3,895	40,403	0
	(ii) 135,445	16,708	275	0	16,417	168,845	175,139
VIRGINIA KILMER	(i) 125,391	11,652	1,036	0	12,570	150,649	0
	(ii) 0	0	0	0	0	0	149,000
MARVIN T WAY	(i) 0	0	0	0	0	0	0
	(ii) 314,318	40,195	1,242	53,900	30,402	440,057	187,140
JAMES S. WIEDOWER MD	(i) 465,936	41,500	2,322	0	34,839	544,597	404,040
	(ii) 0	0	0	0	0	0	0
THOMAS G BOUDER, MD	(i) 392,314	75,000	11,281	0	26,334	504,929	0
	(ii) 0	0	0	0	0	0	0

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Schedule J (Form 990) 2009

**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

Area with horizontal dashed lines for supplemental information.





**SCHEDULE J-2**  
(Form 990)

Department of the Treasury  
Internal Revenue Service

**Continuation Sheet for Form 990**

► Attach to Form 990 to list additional information for Form 990, Part VII, Section A, line 1a.  
► See instructions for Form 990.

OMB No 1545 0047

**2009**

Open to Public  
Inspection

Name of the Organization

VALLEY HEALTH SYSTEM GROUP RETURN

Employer Identification number

80-0584319

**Part I Continuation: Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

(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			
RICHARD L. CHRISTOPH, M Director	2	X						0.	0.	0.
PATRICIA A. DALY, MD Director	2	X						0.	0.	0.
BELITA FORD Director	2	X						1,050.	0.	0.
RAYMOND C GRIMM, DVM VICE CHAIR WMHF	2	X						1,050.	0.	0.
MAJ GEN HENRY HOBGOOD VICE CHAIR WMH	2	X						0.	0.	0.
CHARLES M HUBER, MD Director	2	X						1,050.	0.	0.
MARK R PIERCE, MD Director	2	X						0.	0.	0.
WAYNE L. SHIPMAN Director	2	X						0.	0.	0.
JOHN E. VANCE Director	2	X						1,190.	0.	0.
JANET CHESHIRE Director	2	X						0.	0.	0.
BENJAMIN ELKINS Director	2	X						0.	0.	0.
EILEEN JOHNSON Director	2	X						0.	0.	0.
LES SHOEMAKER Director	2	X						0.	0.	0.
RAY STEIN Director	2	X						0.	0.	0.
WALTER LAYMAN CHAIRMAN HMH	2	X						0.	0.	0.
VIJAY CHOWDARY, MD Director	2	X						328,577.	0.	0.
WILLIAM SHABB, MD CHAIRMAN SURGI	2	X						0.	0.	0.
RICHARD FIEO, MD Director	2	X						14,587.	0.	0.
CATHERINE SMITH, MD Director	2	X						0.	0.	0.
THOMAS WISE, MD Director	2	X						0.	0.	0.
INGRID IWANOW, MD Director	2	X						0.	0.	0.

9AA For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule J-2 (Form 990) 2009

**SCHEDULE J-2**  
**(Form 990)**

Department of the Treasury  
Internal Revenue Service

**Continuation Sheet for Form 990**

► Attach to Form 990 to list additional information for Form 990, Part VII, Section A, line 1a.  
► See instructions for Form 990.

OMB No 1545-0047

**2009**

**Open to Public Inspection**

Name of the Organization

VALLEY HEALTH SYSTEM GROUP RETURN

Employer Identification number

80-0584319

**Part I Continuation: Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

(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			
KEVIN BLACK Director	2	X						1,094.	0.	0.
GREG BYRD, MD Director	2	X						0.	0.	0.
JERRY GERMROTH, MD VICE CHAIR SMH	2	X						1,050.	0.	0.
JOHN HOFFMAN, M.D. Director	2	X						1,050.	0.	0.
MICHAEL KOONTZ Director	2	X						1,050.	0.	0.
KEITH LANTZ Director	2	X						1,050.	0.	0.
TOM LINSKI, JR Director	2	X						1,050.	0.	0.
JIM ALLEN LONG CHAIRMAN SMH	2	X						1,050.	0.	0.
CHARLES MOORE Director	2	X						0.	0.	0.
JONATHAN O'NEAL, MD VICE CHAIR SMHF	2	X						0.	0.	0.
MARY BETH PRICE SECRETARY SMH	2	X						1,050.	0.	0.
CHARLES SHERIDAN Director	2	X						0.	0.	0.
ETHEL SHOWMAN Director	2	X						1,050.	0.	0.
KAREN WHETZEL Director	2	X						0.	0.	0.
FLOYD BRADD III Director	2	X						0.	0.	0.
JAMES M EASTHAM CHAIRMAN WMHF	2	X						0.	0.	0.
JONATHAN EZELL Director	2	X						0.	0.	0.
RON LLEWELLYN Director	2	X						0.	0.	0.
J. MICHAEL WILLIAMS SECRETARY WMHF	2	X						0.	0.	0.
MIRIAM RENO CHAIRMAN SMHF	2	X						0.	0.	0.
NANCY KLEINSCHMIDT, MD SECRETARY SMHF	2	X						0.	0.	0.

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Schedule J-2 (Form 990) 2009

**SCHEDULE J-2**  
**(Form 990)**

**Continuation Sheet for Form 990**

OMB No 1545-0047

**2009**

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

► Attach to Form 990 to list additional information for Form 990, Part VII, Section A, line 1a.  
► See instructions for Form 990.

Name of the Organization

VALLEY HEALTH SYSTEM GROUP RETURN

Employer Identification number

80-0584319

**Part I Continuation: Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

(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			
JOHN CRIM Director	2	X						0.	0.	0.
HENRY HOLLAR Director	2	X						0.	0.	0.
MIRIAM IRVIN Director	2	X						0.	0.	0.
TRACY MILLER Director	2	X						0.	0.	0.
P. DOUGLAS MOWERY, JR. Director	2	X						0.	0.	0.
MARVIN T WAY Vice President	50	X						0.	355,755.	84,302.
ANNE B. CALDWELL, MD Director	2	X						0.	0.	0.
NELSON GUSTIN MD VICE CHAIR VPE	2	X						0.	0.	0.
PAT DALY MD Director	2	X						0.	0.	0.
THOMAS OLIVER MD CHAIRMAN VPE	2	X						16,100.	0.	0.
RONALD REPASKY MD Director	2	X						1,750.	0.	0.
CATHERINE DOWLING Director	2	X						700.	0.	0.
SHERIF KAISER MD Director	2	X						1,050.	0.	0.
RICHARD INGRAM, MD Director	2	X						0.	0.	0.
DAVID HUTTON Director	2	X						0.	0.	0.
ALFRED E. PILONG, JR PRESIDENT WMC	50			X	X			405,213.	0.	74,372.
KATHYRN TAGNESI CHIEF NURS OFF	50			X	X			240,023.	0.	39,003.
TONYA SMITH VP ANCIL SERVIC	50			X	X			187,141.	0.	42,145.
TERRY SINCLAIR, MD CHEIF MED OFFIC	50			X	X			345,941.	0.	29,527.
PATRICK NOLAN VP/PRES WARREN	50			X	X			177,140.	0.	38,272.
FLOYD HEATER VP/PRES SMH	50			X	X			224,951.	0.	45,211.

9AA For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule J-2 (Form 990) 2009



**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 SYSTEM GROUP RETURN

Employer identification number

80-0584319

**Part I Bond Issues**

(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer	
						Yes	No	Yes	No
A IDA OF CITY OF WINCHESTE	52-1232253	973129DW6	1/31/2007	91,415,663	SEE STATEMENT		X		X
B IDA OF CITY OF WINCHESTE	52-1232253	973129EQ8	12/17/2009	74,256,930	SEE STATEMENT		X		X
C WEST VIRGINIA HOSPITAL F		956622C28	12/17/2009	24,811,955	SEE STATEMENT		X		X
D									
E									

**Part II Proceeds**

	A		B		C		D		E
	Yes	No	Yes	No	Yes	No	Yes	No	
1 Total proceeds of issue									
2 Gross proceeds in reserve funds									
3 Proceeds in refunding or defeasance escrows									
4 Other unspent proceeds									
5 Issuance costs from proceeds									
6 Working capital expenditures from proceeds									
7 Capital expenditures from proceeds									
8 Year of substantial completion									
9 Were the bonds issued as part of a current refunding issue?									
10 Were the bonds issued as part of an advance refunding issue?									
11 Has the final allocation of proceeds been made?									
12 Does the organization maintain adequate books and records to support the final allocation of proceeds?									

**Part III Private Business Use**

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

**BAA For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990.**

Schedule K (Form 990) 2009

## Part III Private Business Use (Continued)

	A		B		C		D		E	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
<b>3a</b> Are there any management or service contracts with respect to the financed property which may result in private business use?		X		X		X				
<b>3b</b> Are there any research agreements with respect to the financed property which may result in private business use?		X		X		X				
<b>3c</b> 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					
<b>4</b> 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		%		%		%		%		%
<b>5</b> 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		%		%		%		%		%
<b>6</b> Total of lines 4 and 5		%		%		%		%		%
<b>7</b> 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
<b>1</b> 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					
<b>2</b> Is the bond issue a variable rate issue?	X			X		X				
<b>3a</b> 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>b</b> Name of provider	MERRILL LYNCH		WELLS FARGO		WELLS FARGO					
<b>c</b> Term of hedge	33.0		33.0		33.0					
<b>4a</b> Were gross proceeds invested in a GIC?		X		X		X				
<b>b</b> Name of provider	N/A		N/A		N/A					
<b>c</b> Term of GIC										
<b>d</b> Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?										
<b>5</b> Were any gross proceeds invested beyond an available temporary period?		X		X		X				
<b>6</b> Did the bond issue qualify for an exception to rebate?		X		X		X				

BAA

Schedule K (Form 990) 2009

**SCHEDULE M  
(Form 990)**

Department of the Treasury  
Internal Revenue Service

**Noncash Contributions**

► **Complete if the organizations answered 'Yes'**  
**on Form 990, Part IV, lines 29 or 30.**  
► **Attach to Form 990.**

OMB No 1545 0047

**2009**

**Open To Public  
Inspection**

Name of the organization

VALLEY HEALTH SYSTEM GROUP RETURN

Employer identification number

80-0584319

**Part I Types of Property**

	(a) Check if applicable	(b) Number of Contributions	(c) Revenues reported on Form 990, Part VIII, line 1g	(d) Method of determining revenues
1 Art—Works of art				
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles				
7 Boats and planes				
8 Intellectual property				
9 Securities—Publicly traded				
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests				
12 Securities—Miscellaneous				
13 Qualified conservation contribution— Historic structures				
14 Qualified conservation contribution—Other				
15 Real estate—Residential				
16 Real estate—Commercial				
17 Real estate—Other				
18 Collectibles				
19 Food inventory	X	1	5,580.	FMV
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ► (Football Tickets)	X	1	21,227.	FMV
26 Other ► (Off Furniture)	X	1	5,000.	FMV
27 Other ► ( )				
28 Other ► ( )				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement

29

30a During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?

b If 'Yes,' describe the arrangement in Part II

31 Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?

32a Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?

b If 'Yes,' describe in Part II

33 If the organization did not report revenues in column (c) for a type of property for which column (a) is checked, describe in Part II

Yes No

30a		X
31		X
32a		X
33		

**BAA For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990.**

Schedule M (Form 990) 2009

**Part II** **Supplemental Information.** Complete this part to provide the information required by Part I, lines 30b, 32b, and 33. Also complete this part for any additional information.

[illegible]



**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 SYSTEM GROUP RETURN

Employer identification number

80-0584319

**Form 990, Part III, Line 4d - Other Program Services Description**

LONG TERM CARE SERVICES - 53,644 INPATIENT LONG TERM CARE DAYS

HOME HEALTH SERVICES - 50,184 HOME CARE VISITS

NURSING, PHYSICAL THERAPY, SOCIAL WORK, OCCUPATIONAL THERAPY, SPEECH PATHOLOGY, AND  
HOME HEALTH AIDE

PSYCHIATRIC SERVICES - 6,379 INPATIENT PSYCHIATRIC PATIENT DAYS

REHABILITATION SERVICES - 6,047 REHABILITATION INPATIENT DAYS

**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 members. 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 solely with respect to the election of regular members,  
honorary members and Trustees, as established in the Bylaws of the Corporation.

**Form 990, Part VI, Line 7a - How Members or Shareholders Elect Governing Body**

Members elect the governing body (Board of Trustees). They have no other functions  
with respect to oversight of the governing body.

**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

Name of the organization

VALLEY HEALTH SYSTEM GROUP RETURN

Employer identification number

80-0584319

**Form 990, Part VI, Line 11 - Form 990 Review Process (continued)**

Senior Management.

**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 15a - Compensation Review & Approval Process for CEO, Exec. Dir., or Top Mgtment**

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 19 - Other Organization Documents Publicly Available**

The organization makes all records available as required by law.

Name of the organization

VALLEY HEALTH SYSTEM GROUP RETURN

Employer identification number

80-0584319

Area with horizontal dashed lines for supplemental information.

SCHEDULE R  
(Form 990)

OMB No 1545-0047

2009

Department of the Treasury  
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

Open to Public Inspection

Employer identification number

80-0584319

Part I Identification of Disregarded Entities (Complete if the organization answered 'Yes' to 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
SHEN SPA, LLC 1066 HISEY AVE, SUITE 101 WOODSTOCK, VA 22664 26-2111074	MEDICAL BASED SPA	VA	37,103.	252,820.	SHENANDOAH MEMORIAL HOSPITAL, INC.
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-----					
-----					
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Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered 'Yes' to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year)					
(A) Name, address, and EIN of related organization	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Exempt Code section	(E) Public charity status (if section 501(c)(3))	(F) Direct controlling entity
VALLEY HEALTH 220 CAMPUS BLVD WINCHESTER, VA 22601 52-1357729	HEALTHCARE MGMT SERVICES	VA	501(C)(3)	11a	N/A
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BAA For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990.

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Schedule R (Form 990) (2009)



**Part IV Transactions With Related Organizations** (Complete if the organization answered 'Yes' to Form 990, Part IV, line 34, 35, or 36.)**Note** Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule**1** During the tax year did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV**a** Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity**b** Gift, grant, or capital contribution to other organization(s)**c** Gift, grant, or capital contribution from other organization(s)**d** Loans or loan guarantees to or for other organization(s)**e** Loans or loan guarantees by other organization(s)**f** Sale of assets to other organization(s)**g** Purchase of assets from other organization(s)**h** Exchange of assets**i** Lease of facilities, equipment, or other assets to other organization(s)**j** Lease of facilities, equipment, or other assets from other organization(s)**k** Performance of services or membership or fundraising solicitations for other organization(s)**l** Performance of services or membership or fundraising solicitations by other organization(s)**m** Sharing of facilities, equipment, mailing lists, or other assets**n** Sharing of paid employees**o** Reimbursement paid to other organization for expenses**p** Reimbursement paid by other organization for expenses**q** Other transfer of cash or property to other organization(s)**r** Other transfer of cash or property from other organization(s)**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)	(B)	(C)
Name of other organization	Transaction type (a-r)	Amount involved
(1) VALLEY HEALTH	r	6,399,000.
(2)		
(3)		
(4)		
(5)		
(6)		



Client VHGROUP

VALLEY HEALTH SYSTEM GROUP RETURN

80-0584319

11/11/10

09 56AM

## Rental Income Worksheet

**WMC MOB I, MOB II, CORK STREET**

Gross Rental Income	\$ 4,141,748.
Expenses	
Wages and Salaries	97,910.
BENEFITS	24,412.
OTHER EXPENSES	1,508,906.
DEPRECIATION	1,104,880.
Total Expenses	\$ 2,736,108.

Net Rental Income or Loss \$ 1,405,640.**WARREN MOB I,II,III,ACC**

Gross Rental Income	\$ 453,973.
Expenses	
Wages and Salaries	10,640.
BENEFITS	2,653.
OTHER EXPENSES	230,544.
DEPRECIATION	121,386.
Total Expenses	\$ 365,223.

Net Rental Income or Loss \$ 88,750.**SMH,MOB,VANDERBILT,MT JACKSON**

Gross Rental Income	\$ 324,847.
Expenses	
Wages and Salaries	35,815.
BENEFITS	8,930.
OTHER EXPENSES	112,204.
DEPRECIATION	72,599.
Total Expenses	\$ 229,548.

Net Rental Income or Loss \$ 95,299.**DAILY GRIND,SUBWAY,BANK OF CC**

Gross Rental Income	\$ 125,475.
Expenses	
Wages and Salaries	1,312.
BENEFITS	327.
OTHER EXPENSES	30,484.
DEPRECIATION	27,410.
Total Expenses	\$ 59,533.

Net Rental Income or Loss \$ 65,942.

## Computation of Cost of Goods Sold (Form 990)

1. Inventory at start of year	9,531,298.
2. Purchases	65,751,529.
3. Cost of labor	386,612.
4. Additional 263A costs	0.
5. Other costs	141,286.
6. Total (Add lines 1 through 5)	75,810,725.
7. Inventory at end of year	10,034,956.



Client VHGROUP

VALLEY HEALTH SYSTEM GROUP RETURN

80-0584319

11/11/10

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## Computation of Cost of Goods Sold (Form 990) (continued)

8. Cost of goods sold (Subtract line 7 from line 6) 65,775,769.

Form 990, Part VIII, Line 2f  
Other Program Service Revenue

Description	Bus. Code	Total Revenue	Related or Exempt Func tion Revenue	Unrelated Business Revenue	Revenue Excluded From Tax
PSYCHIATRIC SERVICES		\$ 6,990,309.	\$ 6,990,309.		
REHABILITATION SERVICES		6,704,655.	6,704,655.		
CONTR ADJ & CHARITY CARE		-408358687.	-408358687.		
Totals		<u>\$-394663723.</u>	<u>\$-394663723.</u>	<u>\$ 0.</u>	<u>\$ 0.</u>

Form 990, Part VIII, Line 11d  
Other Revenue

Description	Bus. Code	Total Revenue	Related or Exempt Func tion Revenue	Unrelated Business Revenue	Revenue Excluded From Tax
EDUCATION PROGRAMS		\$ 330,384.			\$ 330,384.
Totals		<u>330,384.</u>	<u>\$ 0.</u>	<u>\$ 0.</u>	<u>330,384.</u>

Form 990, Part IX, Line 24  
Other Expenses

	(A) Total	(B) Program Services	(C) Management & General	(D) Fundraising
AMORTIZATION	159,715.		159,715.	
COLLECTION FEES	653,790.	3,262.	650,528.	
EMPLOYEE RELATIONS	100,727.	37,775.	62,952.	
INVESTMENT FEES				
LICENSE & TAXES	626,266.	61,947.	564,319.	
MISCELLANEOUS	1,401,257.	1,121,270.	279,987.	
RECRUITMENT	1,030,882.	71,867.	959,015.	
SCHOLARSHIPS & EDUCATION	234,893.	234,893.		
UNIFORMS	55,666.	19,560.	36,106.	
Total	<u>\$ 4,263,196.</u>	<u>\$ 1,550,574.</u>	<u>\$ 2,712,622.</u>	<u>\$ 0.</u>

Schedule D, Part V  
Endowment Funds

	Current Year	Prior Year	Two Yrs. Back	Three Yrs. Back	Four Yrs. Back
Beginning of year balance	14382852.	17231209.	0.	0.	0.
Contributions	1,106,453.	2,243,765.			
Investment earnings (losses)	783,382.	-2830037.			
Grants or scholarships					
Expend. for facilities & progs	909,537.	2,262,094.			

2009

## Federal Worksheets

Page 3

Client VHGROUP

VALLEY HEALTH SYSTEM GROUP RETURN

80-0584319

11/11/10

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Schedule D, Part V (continued)  
Endowment Funds

	Current Year	Prior Year	Two Yrs. Back	Three Yrs. Back	Four Yrs. Back
Administrative expenses					
End of year balance	15363151.	14382852.	0.	0.	0.

Schedule H, Worksheet B  
Medicare Allowable Costs Of Care Relating To Payments

1. Total Medicare allowable costs from Medicare cost report	236,077,049.
2. Total Medicare allowable costs included in worksheet 6, line 3a	
3. Total Medicare allowable costs included in worksheet 5, line 8	
4. Total adjustments to Medicare allowable costs	0.
5. Total Medicare allowable costs	<u>236,077,049.</u>
Enter value from worksheet B, line 5 in Schedule H, Part III, Line 6	

## Computation of 2009 Net Operating Loss

1. Total income	-315,298.
2. Total deductions	0.
3. Unrelated business taxable income (Line 1 Less Line 2)	<u>-315,298.</u>
2009 Net Operating Loss	<u><u>315,298.</u></u>

2009

Supporting Detail

Page 1

Client VHGROUP

VALLEY HEALTH SYSTEM GROUP RETURN

80-0584319

11/11/10

09 56AM

Hospitals Care, Activities, Practices  
Total community benefit expense [O]

Total \$ 26,118,266.  
\$ 26,118,266.



# COMMUNITY BENEFIT REPORT 2009

**V ValleyHealth**

# 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. \$44.5 million of the total is recognized by the Internal Revenue Service as activity that supports our tax exempt status. This outweighs our estimated tax liability — what we would owe if we were a for-profit health system — by over \$12 million.





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 Valley Health's focus is not on concentrating care in one site, it is on supporting care where people live. 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. Our \$60 million planned investment to build replacement hospitals in Romney and Berkeley Springs, WV, and our opening of a new medical office in New Market, VA, assures local access to care. The expansion project at Winchester Medical Center will also add urgently needed critical care beds.

## 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.

Our Charity Assistance Policy is used to provide free or discounted care. These discounts are based on the patient's income in relation to Federal Poverty Guidelines (FPG). 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

*Dear Winchester Medical Center:*

*"Thank you for taking the time to review our financial statements and consider our situation. We received your letter forgiving our debt on a day when things were very discouraging."*

*"My husband had been looking for work; he'd just submitted his resume and gotten an instant rejection. We had just prayed for God to show us that he was taking care of us even if things seemed very grim. Your letter was the answer to our prayers."*

*Rita*

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.

In 2009, Valley Health provided over \$2.4 million in direct and in-kind support to Our Health partners and community agencies, 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. Valley Health is the conduit for care for thousands covered by government programs 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.

ImPACT™ is used to measure athlete performance in verbal and visual memory, attention, reaction time and other cognitive functioning prior to injury. If a student athlete is injured and concussion is suspected, the test is re-taken to compare with that student's baseline results. 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



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

essential personnel. Partnering with 50 academic programs, Valley Health supports clinical education for more than 700 students each year enrolled in nursing, medicine, allied health, and vocational programs. 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. We also help cultivate the next generation of bedside caregivers through a variety of scholarship programs. 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. Our efforts benefit the community and assist young people on the path to rewarding careers.



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

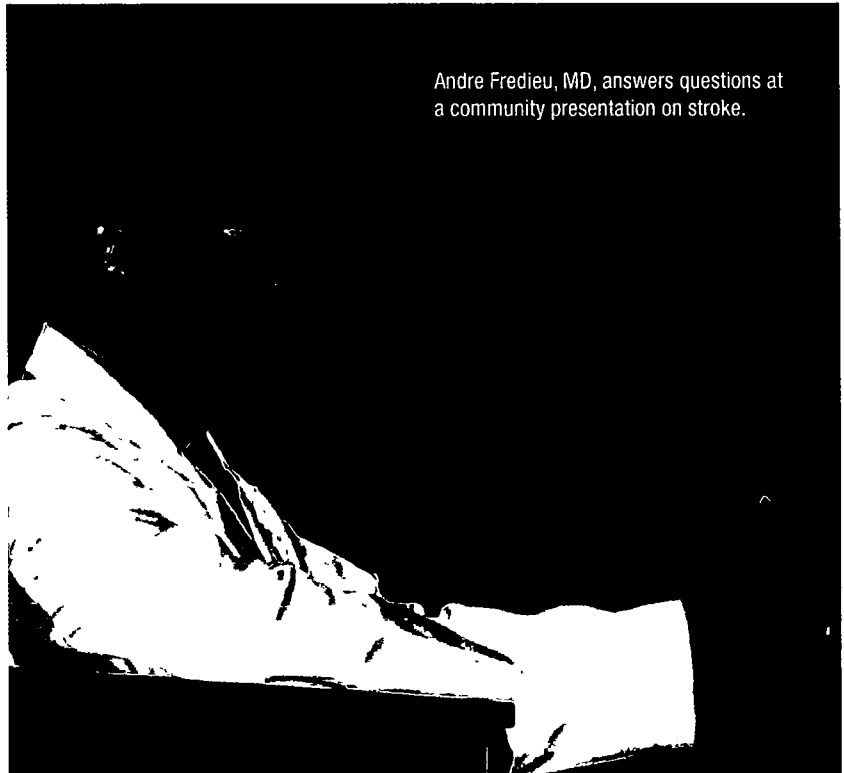
Without intervention, two out of three children with weight problems will become overweight or obese adults. Children with additional risk factors including having a family history of obesity, face disproportionate chances of weight problems in adulthood.

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. The program integrates physical activity and nutrition into the curriculum, and motivates students to make these changes part of their routine.

## 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.



Andre Fredieu, MD, answers questions at a community presentation on stroke.



## 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. Our 2009 support included over \$400,000 in direct assistance and

another \$1.1 million in in-kind help to these clinics.

## 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. We are conducting a community health needs assessment across our service area to find where gaps in services exist, and identify priorities for action. 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 north-west 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. Our doors are always open and emergency assistance is provided regardless of ability to pay.

We provided \$44.5 million in care and services in 2009 that the Internal Revenue Service recognizes as directly supporting our tax exempt status. This surpassed our estimated tax liability by 38 percent or more than \$12 million.

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.

*Dear Winchester Medical Center:*

*"It was with a grateful heart that I received two letters from your office last month informing me that my application for assistance was received. What a Blessing!"*

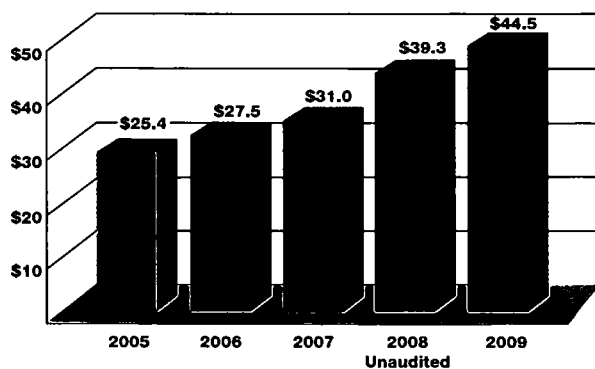
*"Thank you for . . . the financial help that you have made available for people like me."*

*Jo Ann*

# Valley Health 2009

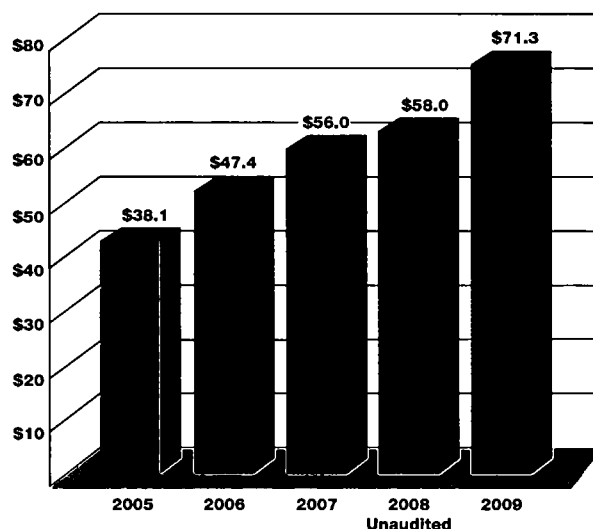
## Total Community Benefit

(in millions)



## Total Community Benefit & Other Measures

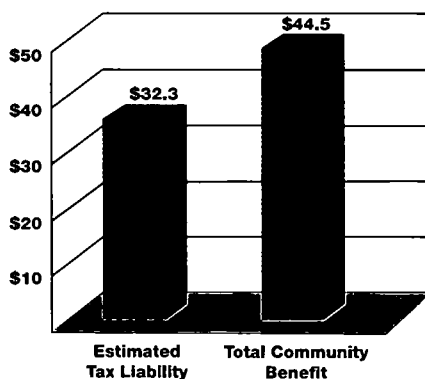
(in millions)



## Total Community Benefit

\$12 Million Greater Than Estimated Tax Liability

(in millions)



### Other Measures include:

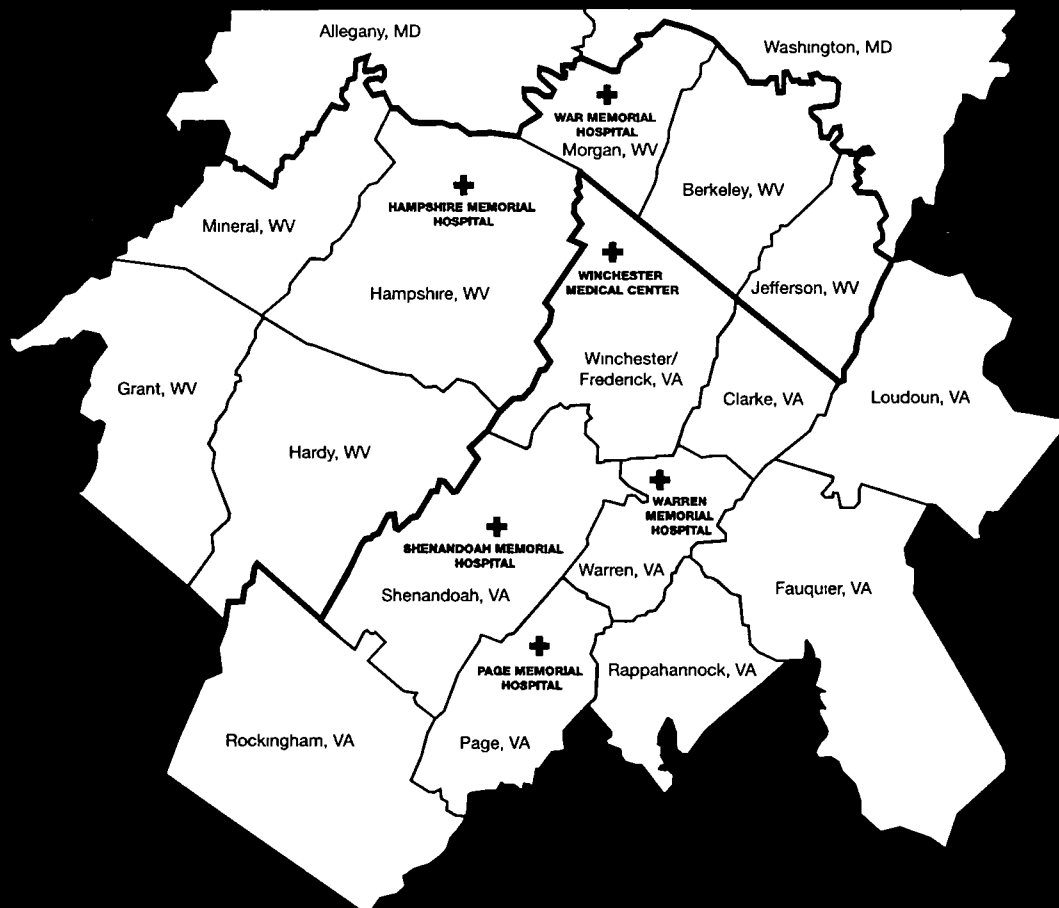
- Bad Debt Expense
- Medicare Shortfall
- Community Building Activities

## Charity Care & Bad Debt

	2005	2006	2007	Unaudited 2008	Audited 2009	Growth 2005-09	Annual Change
<b>Charity Care at Cost</b>	\$14,263,146	\$17,285,000	\$18,902,255	\$22,451,850	\$26,765,060	87.7%	21.9%
<b>Bad Debt Expenses</b>	\$16,314,400	\$16,105,313	\$17,569,553	\$16,403,818	\$18,406,678	12.8%	3.2%
<b>Total Charity Care Bad Debt</b>	\$30,577,546	\$33,390,313	\$36,471,778	\$38,855,668	\$45,171,738	47.7%	11.9%

**ValleyHealth**

**SERVICE AREA**



Winchester Medical Center • Warren Memorial Hospital • Shenandoah Memorial Hospital  
Hampshire Memorial Hospital • Page Memorial Hospital • War Memorial Hospital  
Winchester Rehabilitation Center • Surgi-Center of Winchester • Quick Care • Urgent Care  
Valley Home Care • Valley Medical Transport • Valley Pharmacy

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