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Form 990   Department of the Treasury Internal Revenue Service	<b>Return of Organization Exempt From Income Tax</b>  <b>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</b>  ▶ The organization may have to use a copy of this return to satisfy state reporting requirements	OMB No 1545-0047  <b>2010</b>  <b>Open to Public Inspection</b>
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<b>A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011</b>		
<b>B</b> Check if applicable <input checked="" type="checkbox"/> Address change  <input type="checkbox"/> Name change  <input type="checkbox"/> Initial return  <input type="checkbox"/> Terminated  <input type="checkbox"/> Amended return  <input type="checkbox"/> Application pending	<b>C</b> Name of organization JOHNSTON MEMORIAL HOSPITAL INC  Doing Business As  Number and street (or P O box if mail is not delivered to street address) Room/suite 16000 JOHNSTON MEMORIAL DRIVE  City or town, state or country, and ZIP + 4 ABINGDON, VA 24211	<b>D Employer identification number</b>  54-0544705  <b>E Telephone number</b>  (276) 258-1000  <b>G</b> Gross receipts \$ 116,176,964
	<b>F</b> Name and address of principal officer JOHN L JETER 16000 JOHNSTON MEMORIAL DRIVE ABINGDON,VA 24211	<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) <b>H(c)</b> Group exemption number ▶
	<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀(insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527	
	<b>J Website:</b> ▶ HTTP //WWW.JMH.ORG	

<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 1917	<b>M</b> State of legal domicile VA
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<b>Part I</b>	<b>Summary</b>
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<b>Activities &amp; Governance</b>	<b>1</b> Briefly describe the organization's mission or most significant activities TO RESPOND TO THE HEALTHCARE NEEDS OF INDIVIDUALS AND COMMUNITIES IN OUR REGION AND TO ASSIST THEM IN ATTAINING THEIR HIGHEST POSSIBLE LEVEL OF HEALTH    																		
	<b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets																		
	<table><tr><td><b>3</b> Number of voting members of the governing body (Part VI, line 1a) . . . . .</td><td><b>3</b></td><td>15</td></tr><tr><td><b>4</b> Number of independent voting members of the governing body (Part VI, line 1b) . . . . .</td><td><b>4</b></td><td>10</td></tr><tr><td><b>5</b> Total number of individuals employed in calendar year 2010 (Part V, line 2a) . . . . .</td><td><b>5</b></td><td>0</td></tr><tr><td><b>6</b> Total number of volunteers (estimate if necessary) . . . . .</td><td><b>6</b></td><td>80</td></tr><tr><td><b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12 . . . . .</td><td><b>7a</b></td><td>9,355</td></tr><tr><td><b>b</b> Net unrelated business taxable income from Form 990-T, line 34 . . . . .</td><td><b>7b</b></td><td>7,519</td></tr></table>	<b>3</b> Number of voting members of the governing body (Part VI, line 1a) . . . . .	<b>3</b>	15	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b) . . . . .	<b>4</b>	10	<b>5</b> Total number of individuals employed in calendar year 2010 (Part V, line 2a) . . . . .	<b>5</b>	0	<b>6</b> Total number of volunteers (estimate if necessary) . . . . .	<b>6</b>	80	<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12 . . . . .	<b>7a</b>	9,355	<b>b</b> Net unrelated business taxable income from Form 990-T, line 34 . . . . .	<b>7b</b>	7,519
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a) . . . . .	<b>3</b>	15																
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<b>b</b> Net unrelated business taxable income from Form 990-T, line 34 . . . . .	<b>7b</b>	7,519																	
<b>Revenue</b>	<b>8</b> Contributions and grants (Part VIII, line 1h) . . . . .	<b>Prior Year</b>	<b>Current Year</b>																
	<b>9</b> Program service revenue (Part VIII, line 2g) . . . . .	85,272	18,506																
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d ) . . . . .	105,584,171	111,418,571																
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	6,294,232	3,914,394																
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .	382,119	635,944																
<b>Expenses</b>	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3 ) . . . . .	112,345,794	115,987,415																
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4) . . . . .	88,355	90,098																
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	0	0																
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e) . . . . .	45,020,126	48,436,329																
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) ▶3,393	0	0																
	<b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f) . . . . .																		
	<b>18</b> Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	58,620,461	58,964,455																
	<b>19</b> Revenue less expenses Subtract line 18 from line 12 . . . . .	103,728,942	107,490,882																
<b>Net Assets or Fund Balances</b>		<b>Beginning of Current Year</b>	<b>End of Year</b>																
	<b>20</b> Total assets (Part X, line 16) . . . . .	8,616,852	8,496,533																
	<b>21</b> Total liabilities (Part X, line 26) . . . . .																		
	<b>22</b> Net assets or fund balances Subtract line 21 from line 20 . . . . .	321,503,562	349,751,817																
		49,582,770	64,585,564																
	271,920,792	285,166,253																	

<b>Part II</b>	<b>Signature Block</b>
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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.

<b>Sign Here</b>	***** Signature of officer		2012-05-14 Date				
	JOHN L JETER CFO Type or print name and title						
<b>Paid Preparer Use Only</b>	Print/Type preparer's name	DEBORAH O ERNSBERGER	Preparer's signature	DEBORAH O ERNSBERGER	Date	Check if self-employed <input type="checkbox"/>	PTIN
	Firm's name ▶	PERSHING YOAKLEY & ASSOCIATES P C					Firm's EIN ▶
	Firm's address ▶	ONE CHEROKEE MILLS 2220 SUTHERLAND KNOXVILLE, TN 379192363					Phone no ▶ (865) 673-0844

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

Part III

Statement of Program Service Accomplishments

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

☐

☒

1

Briefly describe the organization's mission

JOHNSTON MEMORIAL HOSPITAL, INC IS COMMITTED TO BRINGING LOVING CARE TO HEALTH CARE WE EXIST TO IDENTIFY AND RESPOND TO THE HEALTH CARE NEEDS OF INDIVIDUALS AND COMMUNITIES IN OUR REGION AND TO ASSIST THEM IN ATTAINING THEIR HIGHEST POSSIBLE LEVEL OF HEALTH

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 \$ 74,166,645 including grants of \$ 90,098 ) (Revenue \$ 111,418,571 )

JOHNSTON MEMORIAL HOSPITAL ("HOSPITAL") IS A TAX-EXEMPT COMMUNITY-BASED HOSPITAL, WHICH IS COMMITTED TO BRINGING LOVING CARE TO HEALTH CARE WE EXIST TO IDENTIFY AND RESPOND TO THE HEALTHCARE NEEDS OF INDIVIDUALS AND COMMUNITIES IN OUR REGION AND TO ASSIST THEM IN ATTAINING THEIR HIGHEST POSSIBLE LEVEL OF HEALTH TEAM MEMBERS OF JOHNSTON MEMORIAL HOSPITAL RECOGNIZE A CORE SET OF VALUES TO HELP ASSURE OUR PATIENTS RECEIVE HIGH QUALITY AND COMPASSIONATE CARE AT A REASONABLE COST THESE VALUES ARE - INTEGRITY - HONESTY IN EVERYTHING WE DO-SERVICE - WITH CARING AND COMPASSION- LEADERSHIP - WITH CREATIVITY AND INNOVATION- EXCELLENCE - ALWAYS PURSUING A HIGHER STANDARDIN FISCAL YEAR 2010, JOHNSTON MEMORIAL HOSPITAL PROVIDED PATIENT CARE TO OVER 5,883 IN-PATIENTS, REPRESENTING 22,427 INPATIENT DAYS AND 1,311 NEWBORN DAYS WE ALSO PROVIDED OUTPATIENT SERVICES TO OVER 154,021 PATIENTS CARE GIVEN TO MEDICARE AND MEDICAID PATIENTS MAKE UP APPROXIMATELY 67% OF THE HOSPITAL'S TOTAL PATIENT REVENUE COMMUNITY HEALTH EDUCATION AND OTHER COMMUNITY SUPPORTRECOGNIZING OUR MISSION TO THE COMMUNITY IN THE AREA OF HEALTHCARE EDUCATION, JOHNSTON MEMORIAL HOSPITAL AND ITS TEAM MEMBERS OFFER MANY FREE PROGRAMS THROUGHOUT THE YEAR AIMED AT IMPROVING COMMUNITY HEALTH WE OFFERED THE FOLLOWING EDUCATIONAL CLASSES AND PROGRAMS - ONGOING CANCER EDUCATION CLASSES- ONGOING DIABETES EDUCATION- ADVANCED CARDIAC LIFE SUPPORT CERTIFICATION COURSE- PEDIATRIC ADVANCED LIFE SUPPORT CERTIFICATION COURSE- CARDIO PULMONARY RESUSCITATION CERTIFICATION COURSE- TOTAL JOINT CLASSES- BABY ON THE WAY, BREASTFEEDING, PARENTING COURSES- ANNUAL BABY FAIR- PROSTATE CANCER SCREENING- AED TRAINING AND EDUCATION- DIABETES EDUCATION HEALTH FAIR- HEART SAVER FIRST AID CLASSES FOR DAY CARE, SCHOOLS, CHURCHES, ETC - MONTHLY LUNCH AND LEARN AT LOCAL RECREATION CENTER- HEALTHY COOKING DEMONSTRATION- ANNUAL SPORTS PHYSICALS FOR LOCAL HIGH SCHOOLSWE SPONSORED OR ASSISTED LOCAL SUPPORT GROUPS IN THE FOLLOWING PROGRAMS - HEART-TO-HEART EDUCATIONAL SUPPORT GROUP- CANCER EDUCATION SUPPORT GROUP- DIABETES EDUCATION SUPPORT GROUP- RESOLVE THROUGH SHARING SUPPORT GROUP - FOR THOSE GRIEVING THE LOSS OF NEWBORNS- ANNUAL ASTHMA CAMP- LADIES NIGHT OUT (BREAST CANCER AWARENESS EVENT)JOHNSTON MEMORIAL HOSPITAL RECOGNIZES THE IMPORTANCE OF HEALTHCARE EDUCATIONAL PROGRAMS TOWARD PROVIDING QUALITY HEALTHCARE TO OUR COMMUNITIES IN FISCAL YEAR 2010, WE SUPPORTED A NURSING INSTRUCTOR POSITION AT THE LOCAL COMMUNITY COLLEGE TO ASSIST IN MAINTAINING AND DEVELOPING THE NURSING PROGRAM IN ADDITION, WE PROVIDED A CLINICAL SETTING FOR MANY STUDENTS TRAINING IN HEALTH RELATED PROGRAMS SUCH AS REGISTERED NURSING, LICENSED PRACTICAL NURSING, RADIOLOGY, LAB, AND RESPIRATORY JOHNSTON MEMORIAL HOSPITAL ALSO RECOGNIZES THE IMPORTANCE OF SUPPORTING OUR NOT-FOR-PROFIT COMMUNITY BASED ORGANIZATIONS IN FUNDRAISING AND OTHER EVENTS THE HOSPITAL AND OUR EMPLOYEES CONTRIBUTED OVER \$150,000 IN CASH AND IN-KIND CONTRIBUTIONS TO OUR COMMUNITY IN FISCAL YEAR 2009 TO SUCH ORGANIZATIONS AS THE AMERICAN LUNG ASSOCIATION, MARCH OF DIMES, UNITED WAY, RELAY FOR LIFE CANCER FUNDRAISER, AND MANY OTHERS

4b

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

4c

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

4d

Other program services (Describe in Schedule O )

















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

4e

Total program service expenses \$ 74,166,645

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)? <i>If "Yes," complete Schedule A.</i> 	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)? 	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i>	3		No
4	<b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i>	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i>	5		
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? <i>If "Yes," complete Schedule D, Part I.</i> 	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i> 	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i> 	9		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i> 	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i> 	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? <i>If "Yes," complete Schedule F, Parts I and IV.</i>	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S? <i>If "Yes," complete Schedule F, Parts II and IV.</i>	15		No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S? <i>If "Yes," complete Schedule F, Parts III and IV.</i>	16		No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I (see instructions).</i>	17		No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>	18		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>	19		No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions).	20b	Yes	

Part IV

Checklist of Required Schedules (continued)

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

<b>Part V</b> <b>Statements Regarding Other IRS Filings and Tax Compliance</b>			
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>			
		<b>Yes</b>	<b>No</b>
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	<b>1a</b>	123
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	<b>1b</b>	0
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	<b>1c</b>	Yes
<b>2a</b>	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	<b>2a</b>	0
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	<b>2b</b>	
<b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).			
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?	<b>3a</b>	Yes
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	<b>3b</b>	Yes
<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)?	<b>4a</b>	No
<b>b</b>	If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	<b>5a</b>	No
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	<b>5b</b>	No
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	<b>5c</b>	
<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?	<b>6a</b>	No
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	<b>6b</b>	
<b>7 Organizations that may receive deductible contributions under section 170(c).</b>			
<b>a</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?	<b>7a</b>	No
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?	<b>7b</b>	
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	<b>7c</b>	No
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year.	<b>7d</b>	
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	<b>7e</b>	No
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	<b>7f</b>	No
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	<b>7g</b>	
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	<b>7h</b>	
<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>8</b>	
<b>9 Sponsoring organizations maintaining donor advised funds.</b>			
<b>a</b>	Did the organization make any taxable distributions under section 4966?	<b>9a</b>	
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?	<b>9b</b>	
<b>10 Section 501(c)(7) organizations.</b> Enter			
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12.	<b>10a</b>	
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	<b>10b</b>	
<b>11 Section 501(c)(12) organizations.</b> Enter			
<b>a</b>	Gross income from members or shareholders.	<b>11a</b>	
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	<b>11b</b>	
<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>12a</b>	
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	<b>12b</b>	
<b>13 Section 501(c)(29) qualified nonprofit health insurance issuers.</b>			
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.	<b>13a</b>	
<b>b</b>	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	<b>13b</b>	
<b>c</b>	Enter the amount of reserves on hand.	<b>13c</b>	
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?	<b>14a</b>	No
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	<b>14b</b>	

Part VI

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year . . . . .	1a	15	
b	Enter the number of voting members included in line 1a, above, who are independent . . . . .	1b	10	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . . . . .	3	Yes	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .	4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .	5		No
6	Does the organization have members or stockholders? . . . . .	6	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body? . . . . .	7a	Yes	
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . . . . .	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following . . . . .			
a	The governing body? . . . . .	8a	Yes	
b	Each committee with authority to act on behalf of the governing body? . . . . .	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O . . . . .	9		No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶VA
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you make these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
19	Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ JOHN L JETER 16000 JOHNSTON MEMORIAL DRIVE ABINGDON,VA 24211 (276) 258-1000

Part VII

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

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

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

**1a** Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, 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 neither the organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(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			
(1) BARBARA ALLEN TRUSTEE VICE CHAIR	1.00	X						0	0	0
(2) PAUL ARMSTRONG MD TRUSTEE/PHYSICIAN	1.00	X						0	301,203	20,826
(3) OTEY DUDLEY TRUSTEE CHAIR	1.00	X						0	0	0
(4) W HOUSTON FERGUSON III TRUSTEE SECRETARY	1.00	X						0	0	0
(5) ANN FLEMING TRUSTEE/MSHA SVP	1.00	X						0	442,795	65,589
(6) J THOMAS FOWLKES TRUSTEE PRESIDENT	1.00	X						0	0	0
(7) DON JEANES TRUSTEE TREASURER	1.00	X						0	0	0
(8) BRENDAN MCSHEEHY JR TRUSTEE	1.00	X						0	0	0
(9) EMORY ROBINETTE MD TRUSTEE/PHYSICIAN	1.00	X						15,000	0	0
(10) MARY RUSSELL TRUSTEE	1.00	X						0	0	0
(11) MIKE SPIEGLER TRUSTEE	1.00	X						0	0	0
(12) LARAMIE TRIPLETT MD TRUSTEE/PHYSICIAN	1.00	X						0	72,476	0
(13) CHARLES SYDNOR TRUSTEE	1.00	X						0	0	0
(14) WILLIAM WALKER MD TRUSTEE/PHYSICIAN	1.00	X						0	612,004	1,615
(15) CHRIS WALTERS TRUSTEE	1.00	X						0	0	0
(16) SEAN S MCMURRAY VP & CHIEF EXECUTIVE OFFICER	55.00			X				0	308,937	47,024



Part VII

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(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			
(17) TIMOTHY G EVANS CHIEF FINANCIAL OFFICER	55 00			X				0	177,232	21,837
(18) STEPHEN K GIVENS CHIEF OPERATING OFFICER	55 00			X				0	185,431	27,884
(19) STEPHEN BLANKENSHIP MD PHYSICIAN	55 00					X		0	307,975	31,311
(20) ANN CHANG MD PHYSICIAN	55 00					X		0	309,604	24,455
(21) DAVID SIMMONS MD PHYSICIAN	55 00					X		0	296,614	24,936
(22) ANDREW HAWKINS MD PHYSICIAN	55 00					X		0	296,855	31,202
(23) STEVEN SIKORA MD PHYSICIAN	55 00					X		0	293,497	22,910
<b>1b Sub-Total</b>										
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>								15,000	3,604,623	319,589

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization0

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
VIRGINIA HIGHLANDS ANESTHESIA PO BOX 1476 ABINGDON, VA 24210	ANESTHESIA	2,367,380
EARL SWENSSON ASSOCIATES PO BOX 410628 NASHVILLE, TN 37241	CONSTRUCTION DESIGN	785,645
MEDIAS LLC PO BOX 10452 BLACKSBURG, VA 24062	SLEEP STUDY	587,690
ABINGDON PHYS AMB SURG MGMT GROUP 613 CAMPUS DRIVE STE 300 ABINGDON, VA 24210	ASC MANAGEMENT	524,488
BLUE RIDGE MEDICAL SPECIALISTS PC 271 MEDICAL PARK BLVD BRISTOL, TN 37620	ONCOLOGY	439,450
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 11		

Part VIII Statement of Revenue

		(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections  512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . . . . . 1a				
	b Membership dues . . . . . 1b				
	c Fundraising events . . . . . 1c				
	d Related organizations . . . . . 1d	10,931			
	e Government grants (contributions) 1e				
	f All other contributions, gifts, grants, and similar amounts not included above 1f	7,575			
	g Noncash contributions included in lines 1a-1f \$				
	h Total. Add lines 1a-1f . . . . . ▶	18,506			
	Program Service Revenue	2a NET PATIENT REVENUE	621500	111,116,967	111,108,202
b PARTNERSHIP INCOME		561000	301,604		590
c					
d					
e					
f All other program service revenue					
g Total. Add lines 2a–2f . . . . . ▶		111,418,571			
Other Revenue		3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		3,854,655	
	4 Income from investment of tax-exempt bond proceeds . . ▶				
	5 Royalties . . . . . ▶				
	6a Gross Rents	(i) Real 233,707	(ii) Personal		
	b Less rental expenses				
	c Rental income or (loss)	233,707			
	d Net rental income or (loss) . . . . . ▶		233,707		233,707
	7a Gross amount from sales of assets other than inventory	(i) Securities 242,476	(ii) Other 6,812		
	b Less cost or other basis and sales expenses	189,549			
	c Gain or (loss)	52,927	6,812		
	d Net gain or (loss) . . . . . ▶		59,739		59,739
	8a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . . a				
	b Less direct expenses . . . . . b				
	c Net income or (loss) from fundraising events . . ▶				
	9a Gross income from gaming activities See Part IV, line 19 . a				
	b Less direct expenses . . . . . b				
	c Net income or (loss) from gaming activities . . ▶				
	10a Gross sales of inventory, less returns and allowances . . . . . a				
	b Less cost of goods sold . . . . . b				
	c Net income or (loss) from sales of inventory . . ▶				
Miscellaneous Revenue		Business Code			
11a CAFETERIA	722100	147,589			147,589
b MANAGEMENT FEE	561000	144,635			144,635
c PURCHASE DISCOUNTS	900099	49,886			49,886
d All other revenue . . . . .		60,127			60,127
e Total. Add lines 11a–11d . . . . . ▶		402,237			
12 Total revenue. See Instructions . . . . . ▶		115,987,415	111,108,202	9,355	4,851,352

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the U S See Part IV, line 21	90,098	90,098		
2	Grants and other assistance to individuals in the U S See Part IV, line 22				
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 . . . . .	774,306	16,250	758,056	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .				
7	Other salaries and wages	40,836,640	33,529,849	7,306,791	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	1,444,331	1,203,865	240,466	
9	Other employee benefits . . . . .	3,052,068	2,936,609	115,459	
10	Payroll taxes . . . . .	2,328,984	2,199,820	129,164	
a	Fees for services (non-employees)				
	Management . . . . .	53,663		53,663	
b	Legal . . . . .	358,857		358,857	
c	Accounting . . . . .	79,945		79,945	
d	Lobbying . . . . .				
e	Professional fundraising services See Part IV, line 17 . . . . .				
f	Investment management fees . . . . .	160,286		160,286	
g	Other . . . . .	9,924,246	6,762,867	3,157,986	3,393
12	Advertising and promotion . . . . .	312,964	250,649	62,315	
13	Office expenses . . . . .	2,288,935	1,831,977	456,958	
14	Information technology . . . . .	918,867	908,170	10,697	
15	Royalties . . . . .				
16	Occupancy . . . . .	2,277,133	2,102,154	174,979	
17	Travel . . . . .	105,420	96,187	9,233	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
19	Conferences, conventions, and meetings . . . . .	90,541	77,865	12,676	
20	Interest . . . . .	2,178,653		2,178,653	
21	Payments to affiliates . . . . .				
22	Depreciation, depletion, and amortization . . . . .	13,442,260	35,468	13,406,792	
23	Insurance . . . . .	-432,152	17,543	-449,695	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O )				
a	MEDICAL SUPPLIES & DRUG	20,151,425	19,372,188	779,237	
b	MANAGEMENT FEES	3,605,782		3,605,782	
c	REPAIRS & MAINTENANCE	2,367,528	2,350,047	17,481	
d	BAD DEBT	585,686		585,686	
e	OTHER	491,117	385,039	106,078	
f	All other expenses	3,299		3,299	
25	Total functional expenses. Add lines 1 through 24f	107,490,882	74,166,645	33,320,844	3,393
26	Joint costs. Check here <input checked="" type="checkbox"/> if following SOP 98-2 (ASC 958-720) 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)		(B)
					Beginning of year		End of year
Assets	<b>1</b>	Cash—non-interest-bearing . . . . .			10,247,304	<b>1</b>	2,305,269
	<b>2</b>	Savings and temporary cash investments . . . . .			1,545,175	<b>2</b>	
	<b>3</b>	Pledges and grants receivable, net . . . . .				<b>3</b>	
	<b>4</b>	Accounts receivable, net . . . . .			18,087,850	<b>4</b>	16,224,301
	<b>5</b>	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees <i>Complete Part II of Schedule L</i> . . . . .				<b>5</b>	
	<b>6</b>	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) <i>Schedule L</i> . . . . .				<b>6</b>	
	<b>7</b>	Notes and loans receivable, net . . . . .			1,397,394	<b>7</b>	984,575
	<b>8</b>	Inventories for sale or use . . . . .			3,820,438	<b>8</b>	4,049,872
	<b>9</b>	Prepaid expenses and deferred charges . . . . .			1,073,714	<b>9</b>	822,058
	<b>10a</b>	Land, buildings, and equipment <i>cost or other basis Complete Part VI of Schedule D</i>	<b>10a</b>	226,744,008			
	<b>b</b>	Less accumulated depreciation . . . . .	<b>10b</b>	46,362,239	107,819,626	<b>10c</b>	180,381,769
	<b>11</b>	Investments—publicly traded securities . . . . .			86,216,282	<b>11</b>	116,676,009
	<b>12</b>	Investments—other securities <i>See Part IV, line 11</i> . . . . .				<b>12</b>	
	<b>13</b>	Investments—program-related <i>See Part IV, line 11</i> . . . . .				<b>13</b>	
	<b>14</b>	Intangible assets . . . . .			35,200	<b>14</b>	35,200
	<b>15</b>	Other assets <i>See Part IV, line 11</i> . . . . .			91,260,579	<b>15</b>	28,272,764
	<b>16</b>	<b>Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .			321,503,562	<b>16</b>	349,751,817
Liabilities	<b>17</b>	Accounts payable and accrued expenses . . . . .			16,442,094	<b>17</b>	18,255,842
	<b>18</b>	Grants payable . . . . .				<b>18</b>	
	<b>19</b>	Deferred revenue . . . . .				<b>19</b>	
	<b>20</b>	Tax-exempt bond liabilities . . . . .			15,240,000	<b>20</b>	14,115,000
	<b>21</b>	Escrow or custodial account liability <i>Complete Part IV of Schedule D</i> . . . . .				<b>21</b>	
	<b>22</b>	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons <i>Complete Part II of Schedule L</i> . . . . .				<b>22</b>	
	<b>23</b>	Secured mortgages and notes payable to unrelated third parties . . . . .				<b>23</b>	
	<b>24</b>	Unsecured notes and loans payable to unrelated third parties . . . . .				<b>24</b>	
	<b>25</b>	Other liabilities <i>Complete Part X of Schedule D</i> . . . . .			17,900,676	<b>25</b>	32,214,722
	<b>26</b>	<b>Total liabilities.</b> Add lines 17 through 25 . . . . .			49,582,770	<b>26</b>	64,585,564
Net Assets or Fund Balances	<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>						
	<b>27</b>	Unrestricted net assets . . . . .			271,920,792	<b>27</b>	285,151,875
	<b>28</b>	Temporarily restricted net assets . . . . .				<b>28</b>	14,378
	<b>29</b>	Permanently restricted net assets . . . . .				<b>29</b>	
	<b>Organizations that do not follow SFAS 117, check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>						
	<b>30</b>	Capital stock or trust principal, or current funds . . . . .				<b>30</b>	
	<b>31</b>	Paid-in or capital surplus, or land, building or equipment fund . . . . .				<b>31</b>	
	<b>32</b>	Retained earnings, endowment, accumulated income, or other funds . . . . .				<b>32</b>	
	<b>33</b>	<b>Total net assets or fund balances</b> . . . . .			271,920,792	<b>33</b>	285,166,253
	<b>34</b>	<b>Total liabilities and net assets/fund balances</b> . . . . .			321,503,562	<b>34</b>	349,751,817

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	115,987,415
2	Total expenses (must equal Part IX, column (A), line 25)	2	107,490,882
3	Revenue less expenses Subtract line 2 from line 1	3	8,496,533
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	271,920,792
5	Other changes in net assets or fund balances (explain in Schedule O)	5	4,748,928
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	285,166,253

Part XII Financial Statements and Reporting

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

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

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public  
Inspection

Name of the organization JOHNSTON MEMORIAL HOSPITAL INC	Employer identification number 54-0544705
--	--

Part I

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

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

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E )
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II )
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 9

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III )
- 10

☐

An organization organized and operated exclusively to test for public safety See**section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other
- e

☐

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

☐

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

☐

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

(i)

a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii)

a family member of a person described in (i) above?

(iii)

a 35% controlled entity of a person described in (i) or (ii) above?
- h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions )					12	
13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage						
14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f))					14	
15 Public Support Percentage for 2009 Schedule A, Part II, line 14					15	
16a 33 1/3% support test—2010. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶						
b 33 1/3% support test—2009. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶						
17a 10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶						
b 10%-facts-and-circumstances test—2009. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶						
18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶						

Part IIIPart III

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) 	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6 )						

Section B. Total Support						
Calendar year (or fiscal year beginning in) 	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
13 Total support (Add lines 9, 10c, 11 and 12 )						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and <b>stop here</b> 						

Section C. Computation of Public Support Percentage		
15 Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2009 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2010 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2009 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2010. 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 <b>stop here</b> . The organization qualifies as a publicly supported organization 		
b 33 1/3% support tests—2009. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization 		
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions 		



Part IV

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

SCHEDULE D

(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2010

Open to Public  
Inspection

**Name of the organization**  
JOHNSTON MEMORIAL HOSPITAL INC

**Employer identification number**  
  
54-0544705

Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds 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 <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	

Part II

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

1

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

☐ Preservation of land for public use (e g , recreation or pleasure)

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶\_\_\_\_\_

4

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

5

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

☐ Yes☐ No

6

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

7

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

8

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

☐ Yes☐ No

9

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

Part III

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

1a

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

b

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

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

▶ \$ \_\_\_\_\_

(ii) Assets included in Form 990, Part X

▶ \$ \_\_\_\_\_

2

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

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ \_\_\_\_\_

b

Assets included in Form 990, Part X

▶ \$ \_\_\_\_\_

For Privacy Act and Paperwork Reduction Act Notice, see the Intructions for Form 990

Cat No 52283D

Schedule D (Form 990) 2010

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

5

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

☐ Yes

☐ No

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

1a

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

☐ Yes

☐ No

b

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

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

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a Beginning of year balance . . . . .					
b Contributions . . . . .					
c Investment earnings or losses . . . . .					
d Grants or scholarships . . . . .					
e Other expenditures for facilities and programs . . . . .					
f Administrative expenses . . . . .					
g End of year balance . . . . .					

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i) unrelated organizations . . . . .

(ii) related organizations . . . . .

b

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

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 . . . . .		5,009,848		5,009,848
b Buildings . . . . .		1,073,610	643,784	429,826
c Leasehold improvements . . . . .		935,572	299,942	635,630
d Equipment . . . . .		90,339,913	45,416,927	44,922,986
e Other . . . . .		129,385,065	1,586	129,383,479
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				180,381,769



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

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

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

Part XIV Supplemental Information
-----------------------------------

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE HOSPITAL AND APP ARE CLASSIFIED AS ORGANIZATIONS EXEMPT FROM INCOME TAXES UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE. AS SUCH, NO PROVISION FOR INCOME TAXES HAS BEEN MADE IN THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS. AT JUNE 30, 2011, TAX RETURNS FOR FISCAL YEARS 2008 THROUGH 2010 ARE SUBJECT TO EXAMINATION BY THE INTERNAL REVENUE SERVICE. THE HOSPITAL HAS NO UNCERTAIN TAX POSITIONS AT JUNE 30, 2011 AND 2010. AS SUCH, NO INTEREST OR PENALTIES ARE RECOGNIZED IN THE CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS RELATED TO UNCERTAIN TAX POSITIONS.

SCHEDULE H  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

**Name of the organization**  
JOHNSTON MEMORIAL HOSPITAL INC

**Employer identification number**  
54-0544705

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .	1a	Yes	
b	If "Yes," is it a written policy? . . . . .	1b	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year  <input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Applied uniformly to most hospitals <input type="checkbox"/> Generally tailored to individual hospitals			
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year  a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care  <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %  b Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . .  <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input checked="" type="checkbox"/> Other <b>380.000000000000</b> %	3a	Yes	
		3b	Yes	
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	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? . . . . .	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . .	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .	5c		No
6a	Does the organization prepare a community benefit report during the tax year? . . . . .	6a	Yes	
6b	If "Yes," did 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	6b	Yes	

7 Financial Assistance and Certain Other Community Benefits at Cost						
Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			1,824,766	0	1,824,766	1 710 %
b Unreimbursed Medicaid (from Worksheet 3, column a) . . . . .			12,904,685	9,434,767	3,469,918	3 250 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b) . . . . .			494,781	432,933	61,848	0 060 %
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . . . . .			15,224,232	9,867,700	5,356,532	5 020 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .			105,857	0	105,857	0 100 %
f Health professions education (from Worksheet 5) . . . . .			397,050	0	397,050	0 370 %
g Subsidized health services (from Worksheet 6) . . . . .			0			
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8) . . . . .			66,430		66,430	0 060 %
j <b>Total</b> Other Benefits . . . . .			569,337		569,337	0 530 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			15,793,569	9,867,700	5,925,869	5 550 %

Part II

Community Building Activities during the tax year, and describe in Part VI how its community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development					
3	Community support					
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building					
7	Community health improvement advocacy					
8	Workforce development					
9	Other		23,510		23,510	0.020 %
10	Total		23,510		23,510	0.020 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	Yes
2	Enter the amount of the organization's bad debt expense (at cost)	2	2,688,088
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	1,612,853
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 a portion of bad debt amounts as community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	35,058,170
6	Enter Medicare allowable costs of care relating to payments on line 5	6	42,755,290
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-7,697,120
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.		
<input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a	Yes
9b	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	Yes

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

## Section A. Hospital Facilities

How many hospital facilities did the organization operate during the tax year? 1

**Schedule H (Form 990) 2010**



Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? \_\_\_\_\_

Name and address	Type of Facility (Describe)
1	
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc )
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		PART I, LINE 6A MOUNTAIN STATES HEALTH ALLIANCE (MSHA ) PREPARED AN ANNUAL WRITTEN REPORT THAT DESCRIBES THE ORGANIZATION'S PROGRAMS AND SERVICES THAT PROMOTE THE HEALTH OF THE COMMUNITIES IT SERVES JMh, AS A MEMBER OF MSHA, IS INCLUDED IN MSHA'S REPORT

Identifier	ReturnReference	Explanation
		PART I, LINE 7 A COST TO CHARGE RATIO WAS DERIVED FROM THE SCHEDULE H APPLICABLE WORKSHEETS, INCLUDING WORKSHEET 2, RATIO OF PATIENT CARE COST TO CHARGES

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) BAD DEBT EXPENSE OF \$585,686 IS INCLUDED IN THE STATEMENT OF FUNCTIONAL EXPENSES ON FORM 990, PART IX, LINE 25, BUT HAS BEEN SUBTRACTED FOR PURPOSES OF CALCULATING PERCENTAGES ON PART 1, LINE 7, COLUMN F

Identifier	ReturnReference	Explanation
		PART II THE ACTIVITIES REPORTED IN PART II SEEK TO ACHIEVE SPECIFIED OBJECTIVES, INCLUDING IMPROVING ACCESS TO HEALTH SERVICES, ENHANCING PUBLIC HEALTH, AND RELIEF OF GOVERNMENT BURDEN THE ACTIVITIES ARE AVAILABLE TO THE GENERAL PUBLIC, FOCUSING ON LOW-INCOME CONSUMERS

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 4 WORKSHEET A WAS USED FOR PART III, LINES 2 AND 3 IN DETERMINING BAD DEBT AT COST JMH FOLLOWS THE HEALTHCARE FINANCIAL MANAGEMENT ASSOCIATION'S PRINCIPLES AND PRACTICES BOARD ISSUED STATEMENT 15 VALUATION AND FINANCIAL STATEMENT PRESENTATION OF CHARITY CARE AND BAD DEBTS BY INSTITUTIONAL HEALTHCARE PROVIDERS ("THE STATEMENT") THE STATEMENT PROVIDES GUIDANCE ON COLLECTABILITY CRITERIA AND EMPHASIZES REVENUE RECOGNITION ONLY WHEN COLLECTIONS ARE REASONABLY ASSURED FOOTNOTE DISCLOSURE FROM JMH'S FISCAL YEAR 2011 AUDITED FINANCIAL STATEMENT READS "IN NOVEMEBER 2006, THE HEALTHCARE FINANCIAL MANAGEMENT ASSOCIATION'S (HFMA) PRINCIPLES AND PRACTICES BOARD ISSUED STATEMENT 15 VALUATION AND FINANCIAL STATEMENT PRESENTATION OF CHARITY CARE AND BAD DEBTS BY INSTITUTIONAL HEALTHCARE PROVIDERS (THE "STATEMENT") THE STATEMENT PROVIDES GUIDANCE ON COLLECTABILITY CRITERIA AND EMPHASIZES REVENUE RECOGNITION ONLY WHEN COLLECTIONS ARE REASONABLY ASSURED THE HOSPITAL ADOPTED THE STATEMENT AND EVALUATED ITS REVENUE RECOGNITION POLICIES RELATED TO CERTAIN TYPES OF PATIENT REVENUE (PRIMARILY SELF-PAY) AS A RESULT, AMOUNTS PREVIOUSLY RECOGNIZED AS NET PATIENT SERVICE REVENUE AND SUBSEQUENTLY WRITTEN OFF AS BAD DEBTS ARE NO LONGER RECOGNIZED AS NET PATIENT REVENUE AND ESTIMATED PROVISION FOR BAD DEBT IN THE ACCOMPANYING FINANCIAL STATEMENTS "TO FURTHER EXPLAIN JMH'S REPORTING OF BAD DEBT EXPENSE, JMH'S FINANCIAL STATEMENT ACCOUNTS FOR BAD DEBT EXPENSES IN TWO LOCATIONS FIRST, A DEDUCTION FROM REVENUE LINE CALLED "CONTRA-REVENUE" CONTAINS THE MAJORITY OF JMH'S ESTIMATED SELF-PAY BAD DEBT FOR FISCAL YEAR 2011, 95% OF TOTAL BAD DEBT WAS MOVED TO THIS LINE THIS PERCENTAGE IS SIMPLY AN ESTIMATE OF WHAT PATIENT FINANCIAL SERVICES ANTICIPATES WILL NOT BE COLLECTED AFTER ALL DEBT COLLECTION EFFORTS HAVE BEEN EXHAUSTED THIS ESTIMATE IS BASED ON HISTORICAL INFORMATION THE REMAINING 5% OF BAD DEBT IS RECORDED IN THE EXPENSE SECTION APPROPRIATELY CALLED "BAD DEBT" THE FOOTNOTES TO THE AUDITED FINANCIAL STATEMENT REPORT THE AMOUNT OF ESTIMATED UNCOLLECTIBLE SELF-PAY AND EXPLAINS THAT UNCOLLECTIBLE PATIENT ACCOUNTS RECEIVABLE ESTIMATED RESERVES ARE BASED UPON PRIOR COLLECTION HISTORY FOR GROUPS OF RECEIVABLES, KNOWN COLLECTION RISKS AND OTHER ENVIRONMENTAL FACTORS, INCLUDING THE AGE OF THE RECEIVABLES REGARDING LINE 3, IT IS IMPLAUSIBLE TO DETERMINE THE AMOUNT OF JMH'S BAD DEBT ASSOCIATED WITH THOSE PATIENTS WHO MAY HAVE MET THE CRITERIA SET FORTH IN OUR FINANCIAL ASSISTANCE POLICY WITHOUT HAVING A COMPLETED FINANCIAL ASSESSMENT FOR EACH PATIENT WE ARE UNABLE TO DETERMINE OUR PATIENTS' FINANCIAL CIRCUMSTANCES UNLESS A COMPLETED FINANCIAL ASSESSMENT FORM IS VOLUNTARILY PROVIDED TO US WE CAN ASSERT THAT MORE THAN 90% OF OUR PATIENTS WHO HAVE PROVIDED COMPLETED FINANCIAL ASSESSMENT FORMS HAVE BEEN APPROVED FOR AT LEAST PARTIAL FINANCIAL ASSISTANCE OUR VICE PRESIDENT OF PATIENT FINANCIAL SERVICES CONSERVATIVELY ESTIMATES THAT 60% OF TOTAL BAD DEBT EXPENSE WAS ASSUMED ATTRIBUTABLE TO PATIENTS POTENTIALLY ELIGIBLE FOR FINANCIAL ASSISTANCE</p>

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 8 MEDICARE ALLOWABLE COSTS WERE REPORTED USING JMH'S FILED MEDICARE COST REPORT (C/R) THE C/R USES A COST TO CHARGE RATIO BASED ON A STEP DOWN METHOD IN CARING FOR THE PATIENT, THERE ARE SEVERAL SERVICES THAT ARE CONSIDERED NON-ALLOWABLE SUCH AS TRANSPORTATION OF A PATIENT, COMFORT ITEMS TO INCLUDE A TELEVISION, MAGAZINES, OR A TELEPHONE ADDITIONAL NON-ALLOWABLE COSTS INCLUDE THE RECRUITMENT OF PHYSICIANS, PHYSICIAN GUARANTEES AND A PORTION OF THE BAD DEBT (30%) ASSOCIATED WITH THE CARE OF THE PATIENT MEDICARE LOSSES, INCLUDING SOME NON-ALLOWABLE COSTS, SHOULD BE COUNTED AS A COMMUNITY BENEFIT AS THIS IS THE COST OF CARE FOR SERVING THE AGING POPULATION AS A NOT-FOR-PROFIT ORGANIZATION, WE EXIST TO IDENTIFY AND RESPOND TO THE HEALTH CARE NEEDS OF THE COMMUNITY AND THE INDIVIDUAL WHILE MAINTAINING A HIGH LEVEL OF HEALTH CARE SERVICES WITHOUT LOSSES SINCE LOSSES DO OCCUR THROUGH THE CMS SYSTEM OF REIMBURSEMENT, THESE LOSSES ARE A COST OF DOING BUSINESS FOR OUR COMMUNITY AND SHOULD BE CONSIDERED A COMMUNITY BENEFIT AS A PARTICIPATING PROVIDER IN THE MEDICARE PROGRAM, JMH IS REQUIRED TO PROVIDE THE FULL REGIMEN OF CARE FOR OUR MEDICARE POPULATION THERE ARE A NUMBER OF CARE REGIMENS THAT ARE COMPENSATED BY THE MEDICARE PROGRAM AT LEVELS BELOW OUR COST THEREFORE IT IS ONLY LOGICAL TO ALLOW MSHA TO REPORT THESE UNCOMPENSATED SERVICES AS A COMMUNITY BENEFIT ON THIS DOCUMENT BY MAKING THIS CHANGE, NON-PROFIT PROVIDERS WILL BE ENCOURAGED TO SUSTAIN IMPORTANT CARE DELIVERY MODELS FOR OUR AGING POPULATION IN SPITE OF THE FACT IT IS SOMETIMES ECONOMICALLY INJURIOUS</p>

Identifier	ReturnReference	Explanation
		PART III, LINE 9B JMH FOLLOWS A STRONG COLLECTION PROGRAM THAT COMMUNICATES FINANCIAL RESPONSIBILITY TO THE PATIENT PRIOR TO SERVICE COLLECTION PRACTICES APPLY TO ALL PATIENTS, CHARITY AND NON-CHARITY IN ROUTINE CIRCUMSTANCES WHEN IT IS DETERMINED THAT A PATIENT HAS NOT RESPONDED TO REQUESTS FOR PAYMENT, AN ACCOUNT CAN BE REFERRED TO AN OUTSIDE COLLECTION AGENCY FOR COLLECTION ASSISTANCE JMH ENSURES THAT OUTSIDE COLLECTION AGENCIES FOLLOW HOSPITAL BILLING AND COLLECTION GUIDELINES ONCE A DELINQUENT PATIENT ACCOUNT HAS BEEN SUBMITTED TO AN OUTSIDE COLLECTION AGENCY IT CAN BE RETRACTED IF IT IS DETERMINED THAT THE PATIENT IS ELIGIBLE FOR FINANCIAL ASSISTANCE ALL REQUESTS FOR FINANCIAL ASSISTANCE MUST BE ACCOMPANIED BY A COMPLETED FINANCIAL ASSESSMENT FORM AND SUPPORTING DOCUMENTATION



Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 2 JMH IS A MEMBER OF MOUNTAIN STATES HEALTH ALLIANCE (MSHA) DURING FISCAL YEAR 2008 AND FISCAL YEAR 2009, MSHA CONDUCTED THE LARGEST COMMUNITY HEALTH NEEDS ASSESSMENT IN ITS HISTORY IN AN EFFORT TO PROFILE THE HEALTH OF THE RESIDENTS WITHIN THE LOCAL REGION THE ASSESSMENT FOCUSED ON STATE, REGIONAL, AND COUNTY SPECIFIC DATA COLLECTION THIS ASSESSMENT ALSO INCLUDED PRIMARY DATA COLLECTED THROUGH APPROXIMATELY 50 ONE-ON-ONE INTERVIEWS THOSE INTERVIEWED WERE INDIVIDUALS FROM AROUND THE REGION WHICH INCLUDED LOCAL AND STATE GOVERNMENT OFFICIALS, HEALTH DEPARTMENT REPRESENTATIVES, PHYSICIANS, GENERAL PUBLIC, LOCAL INDUSTRY, CIVIC ORGANIZATIONS, EDUCATION OFFICIALS, AND COMMUNITY RESOURCE GROUPS THIS INFORMATION WAS COLLECTED, AND THEN ANALYZED, AND A SUMMARY OF THE FINDINGS WAS LISTED IN AN EFFORT TO OBTAIN A MORE DETAILED SNAPSHOT SPECIFIC TO EACH COUNTY LOCATED THROUGHOUT THE MSHA SERVICE AREA THIS INFORMATION WAS REVIEWED BY MSHA'S STRATEGIC PLANNING TEAM ALONG WITH GOVERNMENT RELATIONS AND QUALITY DEPARTMENTS THE MSHA STEERING COMMITTEE IDENTIFIED CHILDHOOD OBESITY AS THE HEALTH DISPARITY TARGETED FOR IMPROVEMENT, INCLUDING THE COMMUNITY SERVED BY JMH DURING FISCAL YEAR 2009, MSHA BEGAN COLLABORATIVE EFFORTS WITH EAST TENNESSEE STATE UNIVERSITY'S COLLEGE OF PUBLIC HEALTH TO DEVELOP THE MSHA-ETSU OBESITY COLLABORATIVE COMMITTEE THE FOCUS OF THIS COMMITTEE IS TO PULL TOGETHER MANY PARTNERS AND ORGANIZATIONS IN COLLABORATION TO REDUCE THE LEVEL OF CHILDHOOD OBESITY THROUGHOUT NORTHEAST TENNESSEE AND SOUTHWEST VIRGINIA DURING FISCAL YEAR 2011, THE COMMITTEE OFFERED 25 SEED GRANTS OF \$2,000 EACH TO LOCAL COMMUNITY ORGANIZATIONS SUCH AS CHURCHES, COMMUNITY GROUPS, SCHOOLS, AND EMPLOYERS THAT WANT TO EXPLORE OBESITY REDUCTION EFFORTS IN ADDITION TO THE GRANTS PROGRAM, AN ANNUAL SYMPOSIUM IS PROVIDED FREE TO THE REGION AND AVAILABLE TO RESIDENTS AND COMMUNITY GROUPS NATIONAL, REGIONAL, AND LOCAL EXPERTS SHARE INFORMATION ON TRENDS REGARDING CHILDHOOD OBESITY AND PROVEN COMMUNITY-BASED STRATEGIES TO REDUCE THE PREVALENCE MOUNTAIN STATES HEALTH ALLIANCE DOCUMENTED ITS CORPORATE RESPONSIBILITY PROGRAMS, PARTNERSHIPS, AND ACTIVITIES FOR COMMUNITY BENEFIT AND SOCIAL RESPONSIBILITY IN THE 2011 SOCIAL RESPONSIBILITY PLAN (THE PLAN) THE PLAN PROVIDES THE STRATEGIC DIRECTION OF SOCIAL RESPONSIBILITY FOR THE ORGANIZATION MSHA CREATED A SOCIAL RESPONSIBILITY COMMITTEE TO ENSURE A STRATEGIC COMMITMENT TO THE ORGANIZATION'S SOCIAL RESPONSIBILITY THROUGH NEEDS PRIORITIZED FROM THE COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) THE CHNA IDENTIFIES SEVERAL PRIORITIES TO FOCUS THE ORGANIZATION'S COMMUNITY BENEFIT, COMMUNITY BUILDING AND OTHER INITIATIVES TO IMPACT THE HEALTH OF INDIVIDUALS AND COMMUNITIES WITHIN THE DEFINED SERVICE AREA THE COMMITTEE MEETS ON A QUARTERLY BASIS AND INCLUDES MSHA BOARD MEMBERS, THE DEAN OF PUBLIC HEALTH AT EAST TENNESSEE STATE UNIVERSITY, THE PRESIDENT AND CEO OF UNITED WAY OF WASHINGTON COUNTY, TENNESSEE, MSHA'S CEO AND OTHER EXECUTIVES AS WELL AS OTHER COMMUNITY LEADERS THE FOUNDATION OF MSHA'S SOCIAL RESPONSIBILITY IS THE CHNA TO PRIORITIZE FUTURE HEALTH IMPROVEMENT INITIATIVES TO BE COMPLETED IN COLLABORATION WITH LOCAL RESOURCES THE PROJECT FULLY SUPPORTS THE MSHA MISSION TO "IDENTIFY AND RESPOND TO THE HEALTH CARE NEEDS OF INDIVIDUALS AND COMMUNITIES IN OUR REGION AND TO ASSIST THEM IN ATTAINING THEIR HIGHEST POSSIBLE LEVEL OF HEALTH" THE ASSESSMENT FOCUSES ON MSHA'S THIRTEEN CORE COUNTIES ACTIVITIES ASSOCIATED WITH THE DEVELOPMENT OF THIS ASSESSMENT INCLUDE STATE, REGIONAL AND COUNTY-SPECIFIC SECONDARY DATA COLLECTION AND PRIMARY DATA OBTAINED THROUGH OVER 56 SURVEYS WITH INDIVIDUALS FROM THE LOCAL COMMUNITIES</p>

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 JMH PROVIDES COMMUNICATION OF FINANCIAL ASSISTANCE ON ITS WEB SITE AND ON POSTERS PLACED IN PROMINENT AREAS SUCH AS ADMITTING AREAS, EMERGENCY DEPARTMENTS AND PATIENT PAYMENT (CASHIER) LOCATIONS PRINTED EDUCATIONAL MATERIALS INCLUDING FINANCIAL ASSISTANCE CONTACT INFORMATION ARE ALSO PROVIDED IN THE PATIENT'S ADMITTING PAPERWORK POSTERS AND REFERENCE MATERIALS ARE WRITTEN IN BOTH ENGLISH AND SPANISH ADMITTING STAFF ARE TRAINED TO EDUCATE PATIENTS ON JMH'S FINANCIAL ASSISTANCE POLICY JMH ALSO HAS FINANCIAL COUNSELORS WHICH COMMUNICATE THE PATIENT'S FINANCIAL RESPONSIBILITY PRIOR TO SERVICE AS WELL AS PROVIDE EDUCATION ON JMH'S FINANCIAL ASSISTANCE POLICY THESE COUNSELORS ALSO HELP UNINSURED PATIENTS DETERMINE SOURCES OF PAYMENT FOR MEDICAL BILLS AND HELP PATIENTS DETERMINE ELIGIBILITY FOR PROGRAMS SUCH AS MEDICAID IN ADDITION, JMH CONTRACTS WITH THE COMPANY FIRSTSOURCE SOLUTIONS USA TO WORK WITH SELF-PAYING PATIENTS WHO HAVE LIMITED FINANCIAL RESOURCES FIRSTSOURCE SOLUTIONS USA DETERMINES A PATIENT'S ELIGIBILITY IN MEDICAL COVERAGE OPTIONS AND ASSISTS WITH THEIR ENROLLMENT JMH BEARS THE COST FOR THE FIRSTSOURCE SOLUTIONS USA PROGRAM

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 JMH IS LOCATED IN ABINGDON, WASHINGTON COUNTY, WHICH IS IN RURAL SOUTHWEST VIRGINIA THE POPULATION OF WASHINGTON COUNTY IS JUST UNDER 55,000 AND ACCORDING TO THE U S CENSUS BUREAU, THE CITY OF ABINGDON HAS A POPULATION OF 8,191 20 5% OF ABINGDON'S POPULATION IS AGE 65 AND OVER ABINGDON HAS A MEDIAN HOUSEHOLD INCOME OF \$33,524, WHICH IS SIGNIFICANTLY BELOW VIRGINIA'S MEDIAN HOUSEHOLD INCOME

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 THE MAJORITY OF JMH'S GOVERNING BODY IS COMPRISED OF PERSONS WHO RESIDE IN THE ORGANIZATION'S PRIMARY SERVICE AREA PHYSICIANS THAT REQUEST PRIVILEGES WHO ARE QUALIFIED AND CREDENTIALAED ARE EXTENDED PRIVILEGES BY JMH JMH IS DEDICATED TO OPERATING ITS FACILITIES EFFICIENTLY SO THAT WASTE IS MINIMIZED AND SURPLUSES MAY BE APPLIED TO MAINTAINING ADEQUATE FACILITIES AND EQUIPMENT FOR THE CARE FOR OUR PATIENTS VARIOUS CHECKS AND BALANCES ARE ESTABLISHED TO ENSURE THAT EXPENDITURES FOR OPERATING EXPENSES AND CAPITAL COSTS ARE REASONABLE AND NECESSARY

Identifier	ReturnReference	Explanation
		PART VI, LINE 7 JMH IS MAJORITY OWNED BY MOUNTAIN STATES HEALTH ALLIANCE (MSHA) BASED IN JOHNSON CITY, TENNESSEE MSHA IS INTEGRATED BOTH VERTICALLY AND HORIZONTALLY AND IS THE LARGEST REGIONAL HEALTHCARE SYSTEM WITH 13 HOSPITALS IN ADDITION TO ACUTE CARE HOSPITALS, THE SYSTEM ALSO INCLUDES SUCH SERVICES AS PRIMARY / SPECIALTY PHYSICIAN PRACTICES, URGENT CARE CENTERS, EMERGENCY DEPARTMENTS, OCCUPATIONAL MEDICINE, REHABILITATION, TRANSPLANT, OUTREACH LABORATORY, MENTAL HEALTH, NEONATAL INTENSIVE CARE, A NACHRI AFFILIATED CHILDREN'S HOSPITAL, RENAL DIALYSIS, ST JUDE'S ONCOLOGY, INPATIENT / OUTPATIENT SURGERY, SKILLED NURSING, HOME HEALTH, AIR AMBULANCE TRANSPORT, AN ORGAN TRANSPLANT DEPARTMENT, AND MORE WITH THESE ADDITIONAL FACILITIES AND SERVICES, MSHA EXTENDS A HIGHLY EFFECTIVE HEALTH CARE DELIVERY SYSTEM JMH SERVES AS ITS COUNTY'S PRIMARY HEALTH SERVICE PROVIDER PATIENTS BENEFIT FROM JMH'S AFFILIATION WITH A HEALTHCARE SYSTEM WHERE THEY CAN BE EFFICIENTLY MOVED ALONG AN INTEGRATED, COMPREHENSIVE CONTINUUM OF CARE AS THEIR HEALTH STATUS DICTATES PATIENTS CAN BE MOVED TO THE SYSTEM'S FLAGSHIP FACILITY - JOHNSON CITY MEDICAL CENTER, WHICH IS A TERTIARY CARE FACILITY PROVIDING ADVANCED TREATMENT OPTIONS

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	VA

Schedule I  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Name of the organization  
JOHNSTON MEMORIAL HOSPITAL INC

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

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

OMB No 1545-0047

2010

Open to Public  
Inspection

Employer identification number  
54-0544705

Part I General Information on Grants and Assistance

1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . .

☒ Yes ☐ No

2

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

Part II Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Part II can be duplicated if additional space is needed. . . . . ☐

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) BARTER THEATRE127 W MAIN STREET ABINGDON, VA 24210	54-6000120	501(C)(3)	20,000				GENERAL DONATION
(2) VA FOUNDATION FOR COMMUNITY COLLEGE EDUCATION101 N 14TH STREET 15 FLOOR ABINGDON, VA 24210	23-7004354	501(C)(3)	5,000				GENERAL DONATION
(3) WILLIAM KING MUSEUM415 ACADEMY DRIVE NORTHWEST ABINGDON, VA 24210	54-1144120	501(C)(3)	8,000				SUPPORT FOR THE CENTER FOR ART AND CULTURAL HERITAGE
(4) ABINGDON AMBULANCE SERVICE611 CAMPUS DRIVE SUITE 600 ABINGDON, VA 24210	54-1061835	501(C)(3)	21,865		FMV	DONATION MEDICAL SUPPLIES	TO RESTOCK EMS VEHICLES

2

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

4

3

Enter total number of other organizations . . . . .

Part III

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

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

Part IV

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

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 THE ORGANIZATION HAS GUIDELINES IN PLACE THAT ARE TO BE USED IN REVIEWING THE ELIGIBILITY OF GRANTEEES ALL GRANTS REQUIRE WRITTEN DOCUMENTATION AND APPROPRIATE LEVELS OF APPROVAL



Schedule J  
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization JOHNSTON MEMORIAL HOSPITAL INC	Employer identification number 54-0544705
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Part I

Questions Regarding Compensation

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

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

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

**Note.** The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) PAUL ARMSTRONG MD	(i)	0	0	0	0	0	0	0
	(ii)	301,203	0	0	12,564	8,262	322,029	0
(2) ANN FLEMING	(i)	0	0	0	0	0	0	0
	(ii)	328,461	72,944	41,390	48,481	17,108	508,384	0
(3) WILLIAM WALKER MD	(i)	0	0	0	0	0	0	0
	(ii)	512,691	98,124	1,189	0	1,615	613,619	0
(4) SEAN S MCMURRAY	(i)	0	0	0	0	0	0	0
	(ii)	247,007	49,743	12,187	27,167	19,857	355,961	0
(5) TIMOTHY G EVANS	(i)	0	0	0	0	0	0	0
	(ii)	152,001	0	25,231	7,787	14,050	199,069	0
(6) STEPHEN K GIVENS	(i)	0	0	0	0	0	0	0
	(ii)	174,089	0	11,342	10,799	17,085	213,315	0
(7) STEPHEN BLANKENSHIP MD	(i)	0	0	0	0	0	0	0
	(ii)	232,037	46,236	29,702	9,948	21,363	339,286	0
(8) ANN CHANG MD	(i)	0	0	0	0	0	0	0
	(ii)	241,143	44,336	24,125	15,345	9,110	334,059	0
(9) DAVID SIMMONS MD	(i)	0	0	0	0	0	0	0
	(ii)	223,735	45,883	26,996	5,382	19,554	321,550	0
(10) ANDREW HAWKINS MD	(i)	0	0	0	0	0	0	0
	(ii)	234,976	45,314	16,565	14,658	16,544	328,057	0
(11) STEVEN SIKORA MD	(i)	0	0	0	0	0	0	0
	(ii)	203,713	39,579	50,205	6,428	16,482	316,407	0
( 12 )								
( 13 )								
( 14 )								
( 15 )								
( 16 )								

Part IIISupplemental Information

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

Identifier	Return Reference	Explanation
	PART I, LINE 1A	JMH PAYS TRAVEL EXPENSES FOR COMPANIONS OF BOARD MEMBERS AND EXECUTIVE STAFF DURING THE ANNUAL BOARD RETREAT. AN ITEMIZED LIST OF EXPENDITURES IS PROVIDED BY THE HOSTING RESORT TO JMH FOR APPROVAL AND SUBSEQUENT PAYMENT. EXPENSES NOT INCURRED FOR BONA FIDE BUSINESS PURPOSES ARE ANALYZED AND REPORTED AS PRESCRIBED BY APPLICABLE TAX LAWS.
	PART I, LINE 7	DISCRETIONARY BONUSES ARE PROVIDED TO EMPLOYEES WHEN APPLICABLE.

SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2010

Open to Public  
Inspection

Name of the organization JOHNSTON MEMORIAL HOSPITAL INC	Employer identification number 54-0544705
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Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 3		THE CORPORATION CONTRACTED WITH MOUNTAIN STATES HEALTH ALLIANCE, A 50 1% MEMBER, TO PERFORM MANAGEMENT DUTIES

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6		THE CORPORATION IS ORGANIZED AS A VIRGINIA NON-STOCK, NONPROFIT ORGANIZATION WITH TWO MEMBERS MOUNTAIN STATES HEALTH ALLIANCE WHICH MAINTAINS A 50 1% MEMBERSHIP AND JOHNSTON MEMORIAL HEALTHCARE FOUNDATION WHICH MAINTAINS A 49 9% INTEREST

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7A		MOUNTAIN STATES HEALTH ALLIANCE'S BOARD OF DIRECTORS ELECTS THE MEMBERS OF THE GOVERNING BODY FOR JMH JOHNSTON MEMORIAL HEALTHCARE FOUNDATION'S BOARD OF DIRECTORS ELECTS THE MEMBERS OF THE GOVERNING BODY FOR JMH

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7B		CERTAIN DECISIONS OF THE BOARD OF TRUSTEES SUCH AS, DISSOLUTION OF THE CORPORATION, MERGER OF THE CORPORATION, ETC , ARE SUBJECT TO APPROVAL BY THE MEMBERSHIP DECISIONS RELATING TO THE ORDINARY COURSE OF BUSINESS ARE NOT SUBJECT TO MEMBER APPROVAL

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		THE FORM 990, WHICH WAS PREPARED BY AN INDEPENDENT ACCOUNTING FIRM, WAS REVIEWED BY FINANCIAL MANAGEMENT PRIOR TO FILING COPIES OF THE RETURN WERE MADE AVAILABLE TO THE BOARD TRUSTEES



Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	ANNUALLY, THE AUDIT AND COMPLIANCE DEPARTMENT PROVIDES THE POLICY AND CONFLICT OF INTEREST DISCLOSURE FORMS TO ALL COVERED PERSONS. EACH PERSON IS REQUIRED TO PROVIDE A COMPLETED DISCLOSURE FORM, NOTING ANY CONFLICTS OF INTEREST, AND RETURN THOSE TO THE AUDIT AND COMPLIANCE DEPARTMENT. ANY NOTES DISCLOSURES ARE FORWARDED TO THE APPROPRIATE MANAGEMENT OR BOARD PERSONNEL TO EVALUATE AND UTILIZE WHEN A TRANSACTION INVOLVING A CONFLICTED PERSON ARISES. ADDITIONALLY, PERSONNEL WHO HAVE A CONFLICT ARISE BETWEEN THE ANNUAL DISTRIBUTION OF THE POLICY AND FORMS ARE REQUIRED TO DISCLOSE THE CONFLICT AND WOULD BE DISCIPLINED IN ANY INSTANCE WHERE THEY HAVE NOT DISCLOSED AND ENGAGE IN A CONFLICTED TRANSACTION.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	THE COMPENSATION COMMITTEE, WHICH CONSISTS OF THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS, OBTAINS THE SERVICES OF AN OUTSIDE, INDEPENDENT COMPENSATION CONSULTANT TO PROVIDE THE COMMITTEE WITH RELEVANT MARKET DATA FROM COMPENSATION SURVEYS AND WITH ADVICE WHEN THE COMMITTEE MAKES RECOMMENDATIONS ON PAY AND BENEFITS FOR THE CEO

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	THE CONFLICT OF INTEREST POLICY , IN ADDITION TO OTHER GOVERNING POLICIES, IS AVAILABLE UPON REQUEST . ALL CORPORATE POLICIES AND CORPORATE FINANCIAL STATEMENTS ARE ALSO AVAILABLE UPON REQUEST

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED GAINS ON INVESTMENTS 4,679,911 BOOK/TAX DIFFERENCE ON PARTNERSHIP INVESTMENT -33,523 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS 14,378 CONTRIBUTION EXPENSES 88,162 TOTAL TO FORM 990, PART XI, LINE 5 4,748,928

Identifier	Return Reference	Explanation
TRUSTEE COMPENSATION	FORM 990, PART VII, SECTION A,	HOSPITAL BOARD OF TRUSTEES MEMBERS, PAUL ARMSTRONG, M D , ANN FLEMING, LARAMIE TRIPLETT, AND WILLIAM WALKER, M D , HAVE 990 REPORTABLE RELATED COMPENSATION DERIVED FROM SERVICES THEY PROVIDED TO RELATED ORGANIZATIONS THEY DO NOT RECEIVE COMPENSATION FOR SERVICES AS HOSPITAL BOARD TRUSTEES IN ADDITION, HOSPITAL BOARD OF TRUSTEES MEMBER, EMORY ROBINETTE, M D HAS 990 REPORTABLE COMPENSATION DERIVED FROM MEDICAL SERVICES HE PROVIDED TO THE HOSPITAL HE DID NOT RECEIVE COMPENSATION FOR SERVICES AS A HOSPITAL BOARD OF TRUSTEES MEMBER

SCHEDULE R  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization  
JOHNSTON MEMORIAL HOSPITAL INC

Employer identification number  
54-0544705

Part I

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II

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

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

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproporionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) INTEGRATED SOLUTIONS HEALTH  400 N STATE OF FRANKLIN ROAD JOHNSON CITY, TN37604 62-1711997	INVESTMENT COMPANY	TN	N/A									
(2) EMMAUS COMMUNITY HEALTHCARE PLLC  6070 HWY 11E PINEY FLATS, TN37686 20-0577483	MEDICAL SERVICES	TN	N/A									
(3) MEDICAL SPECIALISTS OF JOHNSON CITY LLC  2528 WESLEY ST STE 2 JOHNSON CITY, TN37604 27-2199037	MEDICAL SERVICES	TN	N/A									

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) COMMUNITY HOME CARE INC 1640 PARK AVENUE NORTON, VA24273 54-1453810	MEDICAL PRODUCTS	VA	N/A	C			
(2) COMMUNITY PHYSICIAN SERVICES CORP 100 15TH STREET NW NORTON, VA24273 54-1641446	PHYSICIAN SERVICES	VA	N/A	C			
(3) SOUTHWEST COMMUNITY HEALTH SERVICES PO BOX 880 MARION, VA24354 54-1460695	HEALTH SERVICES	VA	N/A	C			
(4) BLUE RIDGE MEDICAL MANAGEMENT CORPORATION 1021 W OAKLAND AVENUE STE 207 JOHNSON CITY, TN37604 62-1490616	PHYSICIAN OFFICES	TN	N/A	C			
(5) MEDISERVE MEDICAL EQUIP OF KINGSFORT 1021 W OAKLAND AVENUE STE 207 JOHNSON CITY, TN37064 62-1212286	DURABLE MEDICAL EQUIPMENT	TN	N/A	C			
(6) MOUNTAIN STATES PROPERTIES 1021 W OAKLAND AVENUE STE 207 JOHNSON CITY, TN37604 62-1845895	PROPERTY MANAGEMENT	TN	N/A	C			
(7) MOUNTAIN STATES MEDICAL GROUP 1021 W OAKLAND AVENUE STE 207 JOHNSON CITY, TN37604 62-1700412	HEALTHCARE SERVICES	TN	N/A	C			

Part V

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

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

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)

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

Yes

No

No

Yes

No

No

Yes

Yes

Yes

No

Yes

2

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) ABINGDON PHYSICIAN PARTNERS	B	3,519,671	
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2010



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

[illegible]

**Part VII**   **Supplemental Information**

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

Identifier	Return Reference	Explanation
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Software ID:

Software Version:

EIN: 54-0544705

Name: JOHNSTON MEMORIAL HOSPITAL INC

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled organization	
						Yes	No
ABINGDON PHYSICIAN PARTNERS  16000 JOHNSTON MEMORIAL DRIVE ABINGDON, VA24211 20-5485346	MEDICAL SERVICES	VA	501(C)(3)	LINE 11A, I	JOHNSTON MEMORIAL HOSPITAL INC		No
MOUNTAIN STATES HEALTH ALLIANCE  400 N STATE OF FRANKLIN ROAD JOHNSON CITY, TN37604 62-0476282	HOSPITAL	TN	501(C)(3)	LINE 3	N/A		No
DICKENSON COMMUNITY HOSPITAL  ONE HOSPITAL DRIVE CLINTWOOD, VA24228 77-0599553	HOSPITAL	VA	501(C)(3)	LINE 3	NORTON COMMUNITY HOSPITAL INC		No
SMYTH COUNTY COMMUNITY HOSPITAL  565 RADIO HILL ROAD MARION, VA24354 54-0794913	HOSPITAL	VA	501(C)(3)	LINE 3	MOUNTAIN STATES HEALTH ALLIANCE		No
NORTON COMMUNITY HOSPITAL INC  100 15TH STREET NW NORTON, VA24273 54-0566029	HOSPITAL	VA	501(C)(3)	LINE 3	MOUNTAIN STATES HEALTH ALLIANCE		No
JOHNSTON MEMORIAL HEALTHCARE FOUNDATION INC  16000 JOHNSTON MEMORIAL DRIVE ABINGDON, VA24211 26-2870970	SUPPORTING ORGANIZATION TO JMH	VA	501(C)(3)	LINE 11B, II	N/A		No
MOUNTIAN STATES FOUNDATION  2335 KNOB CREEK ROAD STE 101 JOHNSON CITY, TN37604 58-1418862	FUNDRAISING FOR MSHA HOSPITALS	TN	501(C)(3)	LINE 11A, I	MOUNTAIN STATES HEALTH ALLIANCE		No
MSHA AUXILIARY  400 N STATE OF FRANKLIN ROAD JOHNSON CITY, TN37604 58-1418345	SUPPORTING ORGANIZATION TO MSHA HOSPITALS	TN	501(C)(3)	LINE 11A, I	N/A		No
COMMUNITY HEALTHCARE FOUNDATION  100 15TH STREET NW NORTON, VA24273 54-2002314	SUPPORTING ORGANIZATION TO NCH	VA	501(C)(3)	LINE 11A, I	N/A		No

Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income (\$)	(g) Share of end-of-year assets (\$)	(h) Percentage ownership
COMMUNITY HOME CARE INC 1640 PARK AVENUE NORTON, VA24273 54-1453810	MEDICAL PRODUCTS	VA	N/A	C			
COMMUNITY PHYSICIAN SERVICES CORP 100 15TH STREET NW NORTON, VA24273 54-1641446	PHYSICIAN SERVICES	VA	N/A	C			
SOUTHWEST COMMUNITY HEALTH SERVICES PO BOX 880 MARION, VA24354 54-1460695	HEALTH SERVICES	VA	N/A	C			
BLUE RIDGE MEDICAL MANAGEMENT CORPORATION 1021 W OAKLAND AVENUE STE 207 JOHNSON CITY, TN37604 62-1490616	PHYSICIAN OFFICES	TN	N/A	C			
MEDISERVE MEDICAL EQUIP OF KINGSFORT 1021 W OAKLAND AVENUE STE 207 JOHNSON CITY, TN37064 62-1212286	DURABLE MEDICAL EQUIPMENT	TN	N/A	C			
MOUNTAIN STATES PROPERTIES 1021 W OAKLAND AVENUE STE 207 JOHNSON CITY, TN37604 62-1845895	PROPERTY MANAGEMENT	TN	N/A	C			
MOUNTAIN STATES MEDICAL GROUP 1021 W OAKLAND AVENUE STE 207 JOHNSON CITY, TN37604 62-1700412	HEALTHCARE SERVICES	TN	N/A	C			

**JOHNSTON MEMORIAL HOSPITAL, INC.**

***Audited Consolidated Financial Statements***

***Years Ended June 30, 2011 and 2010***



**JOHNSTON MEMORIAL HOSPITAL, INC.**

***Audited Consolidated Financial Statements***

***Years Ended June 30, 2011 and 2010***

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Independent Auditor's Report.....	1
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***Audited Consolidated Financial Statements***

Consolidated Balance Sheets .....	2
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PERSHING YOAKLEY & ASSOCIATES, P.C.  
Certified Public Accountants  
One Cherokee Mills, 2220 Sutherland Avenue  
Knoxville, TN 37919  
p: (865) 673-0844 | f: (865) 673-0173  
www.pyapc.com

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Johnston Memorial Hospital, Inc.:

We have audited the accompanying consolidated balance sheets of Johnston Memorial Hospital, Inc. (the Hospital) as of June 30, 2011 and 2010, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Johnston Memorial Hospital, Inc. as of June 30, 2011 and 2010, and the results of their operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Pershing Yoakley & Associates, P.C.*

Knoxville, Tennessee  
November 22, 2011

**JOHNSTON MEMORIAL HOSPITAL, INC.*****Consolidated Balance Sheets***

	<i>June 30,</i>	
	<i>2011</i>	<i>2010</i>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,620,520	\$ 10,502,294
Short-term trading securities	-	1,545,175
Assets limited as to use	1,545,312	4,304,018
Patient accounts receivable, less estimated allowances for uncollectible accounts of \$671,664 in 2011 and \$1,552,476 in 2010	17,654,941	19,633,906
Other receivables, net	923,483	931,514
Inventories and prepaid expenses	5,001,862	4,933,166
Due from Member and other affiliates, net	-	1,426,329
<b>TOTAL CURRENT ASSETS</b>	<b>27,746,118</b>	<b>43,276,402</b>
<b>ASSETS LIMITED AS TO USE, less amounts required to fund current obligations</b>	<b>8,237,526</b>	<b>72,180,089</b>
<b>TRADING SECURITIES</b>	<b>112,483,178</b>	<b>79,794,875</b>
<b>HELD-TO-MATURITY SECURITIES</b>	<b>4,189,201</b>	<b>4,036,904</b>
<b>PROPERTY, PLANT AND EQUIPMENT, net</b>	<b>181,619,753</b>	<b>109,025,682</b>
<b>OTHER ASSETS</b>		
Deferred financing costs, net	86,712	99,661
Goodwill, net	69,828	69,828
Other long-term receivables	291,623	672,811
Other assets, net	525,623	566,417
<b>TOTAL ASSETS</b>	<b>\$ 335,249,562</b>	<b>\$ 309,722,669</b>



	<i>June 30,</i>	
	<i>2011</i>	<i>2010</i>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt and capital lease obligations	\$ 2,540,258	\$ 1,967,892
Accounts payable and accrued expenses	14,167,228	12,408,200
Accrued salaries, compensated absences and amounts withheld	4,656,190	3,931,359
Estimated amounts due to third-party payors, net	649,748	1,313,449
Due to Member and other affiliates, net	2,635,450	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>24,648,874</b>	<b>19,620,900</b>
<b>OTHER LIABILITIES</b>		
Long-term debt and capital lease obligations, less current portion	43,226,118	29,987,049
Estimated professional liability	642,203	832,369
<b>TOTAL LIABILITIES</b>	<b>68,517,195</b>	<b>50,440,318</b>
<b>COMMITMENTS AND CONTINGENCIES - Note J</b>		
<b>NET ASSETS</b>		
Unrestricted net assets	266,717,989	259,282,351
Temporarily restricted net assets	14,378	-
<b>TOTAL NET ASSETS</b>	<b>266,732,367</b>	<b>259,282,351</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 335,249,562</b>	<b>\$ 309,722,669</b>

**JOHNSTON MEMORIAL HOSPITAL, INC.*****Consolidated Statements of Operations and Changes in Net Assets***

	<i>Year Ended June 30,</i>	
	<i>2011</i>	<i>2010</i>
<b>CHANGES IN UNRESTRICTED NET ASSETS:</b>		
Revenue, gains and support:		
Net patient service revenue	<b>\$ 121,820,443</b>	\$ 115,011,550
Other operating revenue	<b>915,423</b>	666,020
TOTAL REVENUE, GAINS AND SUPPORT	<b>122,735,866</b>	115,677,570
Expenses:		
Salaries and wages, including employee incentives of \$363,816 in 2011 and \$47,901 in 2010	<b>52,194,169</b>	47,219,963
Employee benefits	<b>8,387,914</b>	8,700,854
Fees - physician and other	<b>3,981,089</b>	3,947,529
Purchased services	<b>7,001,957</b>	5,477,430
Supplies	<b>21,798,830</b>	22,338,375
Utilities	<b>2,020,467</b>	2,031,071
Depreciation	<b>13,391,731</b>	14,523,421
Amortization	<b>326,564</b>	327,407
Estimated provision for bad debts	<b>648,995</b>	970,262
Corporate allocation	<b>4,386,415</b>	1,417,960
Interest	<b>2,192,791</b>	2,437,942
Other	<b>7,409,692</b>	8,905,277
TOTAL EXPENSES	<b>123,740,614</b>	118,297,491
OPERATING LOSS	<b>(1,004,748)</b>	(2,619,921)
Nonoperating gains:		
Interest and dividends, net of investment fees	<b>3,694,369</b>	5,452,162
Net realized gains on securities	<b>52,927</b>	706,945
Net unrealized gains on securities	<b>4,679,911</b>	3,560,946
Other nonoperating gains, net	<b>13,179</b>	85,272
NET NONOPERATING GAINS	<b>8,440,386</b>	9,805,325
EXCESS OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND NET NONOPERATING GAINS AND INCREASE IN UNRESTRICTED NET ASSETS	<b>7,435,638</b>	7,185,404

	<i>Year Ended June 30,</i>	
	<i>2011</i>	<i>2010</i>
CHANGES IN TEMPORARILY RESTRICTED		
NET ASSETS:		
Restricted grants and contributions	<u>14,378</u>	<u>-</u>
INCREASE IN TEMPORARILY		
RESTRICTED NET ASSETS	<u>14,378</u>	<u>-</u>
INCREASE IN NET ASSETS	<b>7,450,016</b>	7,185,404
NET ASSETS, BEGINNING OF YEAR	<u>259,282,351</u>	<u>252,096.947</u>
NET ASSETS, END OF YEAR	<u><b>\$ 266,732,367</b></u>	<u><b>\$ 259,282.351</b></u>

# JOHNSTON MEMORIAL HOSPITAL, INC.

## *Consolidated Statements of Cash Flows*

	<i>Year Ended June 30,</i>	
	<i>2011</i>	<i>2010</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 7,450,016	\$ 7,185,404
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Provision for depreciation and amortization	13,718,295	14,850,828
Estimated provision for bad debts	648,995	970,262
Undistributed earnings from partnerships	(268,083)	(161,719)
Restricted grants and contributions	(14,378)	-
Increase (decrease) in cash due to change in:		
Net patient accounts receivable	1,329,970	(2,320,506)
Other receivables, net	389,219	309,358
Inventories and prepaid expenses	(68,696)	(2,352,828)
Other assets, net	(107,842)	(444,339)
Trading securities	(31,143,128)	(5,665,030)
Accounts payable and accrued expenses	2,254,261	(1,399,786)
Accrued salaries, compensated absences and amounts withheld	724,831	454,494
Estimated amounts due to third-party payors, net	(663,701)	271,422
Estimated professional liability	(190,166)	55,323
Due to/from Member and other affiliates, net	4,061,779	(8,062,246)
Total adjustments	(9,328,644)	(3,494,767)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,878,628)	3,690,637
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment, net	(70,843,296)	(51,454,580)
Cash distributions from partnerships	416,719	451,294
Purchases of held-to-maturity securities	(152,297)	(4,036,904)
NET CASH USED IN INVESTING ACTIVITIES	(70,578,874)	(55,040,190)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on long-term debt and capital lease obligations	(2,139,919)	(1,808,660)
Net decrease in assets limited as to use	39,272,698	42,413,325
Restricted grants and contributions	14,378	-
Transfer from Member	27,428,571	4,571,429
NET CASH PROVIDED BY FINANCING ACTIVITIES	64,575,728	45,176,094

	<i>Year Ended June 30,</i>	
	<i>2011</i>	<i>2010</i>
NET DECREASE IN		
CASH AND CASH EQUIVALENTS	(7,881,774)	(6,173,459)
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	10,502,294	16,675,753
CASH AND CASH EQUIVALENTS,		
END OF YEAR	<u>\$ 2,620,520</u>	<u>\$ 10,502,294</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	<u>\$ 2,220,916</u>	<u>\$ 2,464,692</u>
NONCASH INVESTING AND FINANCING		
TRANSACTIONS:		
Equipment purchased through capital lease arrangement	<u>\$ 15,951,354</u>	<u>\$ 242,303</u>
Property, plant and equipment purchased and		
included in accounts payable and accrued expenses	<u>\$ 5,431,872</u>	<u>\$ 5,927,105</u>

## JOHNSTON MEMORIAL HOSPITAL, INC.

### *Notes to Consolidated Financial Statements*

*Years Ended June 30, 2011 and 2010*

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#### NOTE A--ORGANIZATION AND OPERATIONS

Johnston Memorial Hospital, Inc. (the Hospital) is a tax exempt entity with operations located in Abingdon, Virginia. The Hospital's membership consists of Mountain States Health Alliance (the Alliance) and Johnston Memorial Healthcare Foundation, Inc. (the Foundation), which maintain a 50.1% and 49.9% interest in the Hospital, respectively (Note I). The Hospital owns and operates a 135 bed acute care hospital and a home health agency. The Hospital is the sole member of Abingdon Physician Partners (APP), a tax exempt organization, organized to operate, exclusively for the benefit of the Hospital, and in part to own, manage, operate and maintain a non-profit community physician practice development service. The consolidated financial statements of the Hospital include the operations of APP.

#### NOTE B--SIGNIFICANT ACCOUNTING POLICIES

*Principles of Consolidation:* The accompanying consolidated financial statements include the accounts of the Hospital and APP after elimination of all significant intercompany accounts and transactions. The Hospital classifies those activities directly associated with its mission of providing healthcare services, as well as other activities deemed significant to its operations, as operating activities.

*Use of Estimates:* The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Estimates associated with contractual allowances, allowances for uncollectible accounts, net patient service revenue, tax positions and accrued professional liability are particularly susceptible to material change in the near term. Actual results could differ from these estimates.

*Cash and Cash Equivalents:* Cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents designated as assets limited as to use or uninvested cash in trading securities portfolios are not included as cash and cash equivalents in the Consolidated Balance Sheets.

*Trading Securities, Held-to-Maturity Securities and Assets Limited as to Use:* The Hospital records investments in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 954-320, *Investments-Debt and Equity Securities*. At June 30, 2011 and 2010, investments which the Hospital has the positive intent and ability to hold to maturity are accounted for as held-to-maturity and consist mainly of corporate bonds and a U.S. government treasury security. Such investments are reported at amortized cost. All other investments (including assets limited as to use) of the Hospital are classified as trading securities.

## JOHNSTON MEMORIAL HOSPITAL, INC.

### *Notes to Consolidated Financial Statements - Continued*

#### *Years Ended June 30, 2011 and 2010*

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#### NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

Management annually evaluates the held-to-maturity investment portfolio and recognizes any "other-than-temporary" losses as deductions from the Performance Indicator (described below). Management's evaluation considers the amount of decline in fair value, as well as the time period of any such decline. Management does not believe any investment in the held-to-maturity portfolio to be other than temporarily impaired at June 30, 2011 and 2010.

Assets limited as to use include assets held by a trustee under bond indenture agreements, as well as designated assets set aside by the Hospital for future capital improvements, over which the Hospital retains control, and may at its discretion subsequently use for other purposes.

All trading debt securities and marketable equity securities with readily determinable fair values are reported at fair value based on quoted market prices. Other investments without readily determinable fair values are reported at fair market value pursuant to FASB ASC 825, *Financial Instruments*. Management classifies assets limited as to use as short-term or long-term based upon the Hospital's need relative to specific current liabilities.

Realized gains and losses on trading securities and assets limited as to use are computed using the specific identification method for cost determination. Investment income is reported net of related investment fees.

Investments in partnerships, included as part of other assets in the accompanying Consolidated Balance Sheets, are reported at cost (if ownership is nominal) or the equity method of accounting, which approximate the Hospital's equity in the underlying net book value.

*Inventories:* Inventories, consisting primarily of medical supplies, are stated at the lower of cost or market with cost determined by the first-in, first-out and weighted average methods.

*Property, Plant and Equipment:* Property, plant and equipment is stated on the basis of cost, or if donated, at the fair value at the date of gift. Depreciation is computed by the straight-line method based on the estimated useful life of the asset. Equipment held under capital lease obligations is amortized under the straight-line method over the shorter of the lease term or estimated useful life. Amortization of equipment held under a capital lease obligation is reported as part of depreciation expense in the accompanying Consolidated Statements of Operations and Changes in Net Assets. Renewals and betterments are capitalized and depreciated over their estimated useful lives, whereas costs of maintenance and repairs are expensed as incurred.

The Hospital reviews long-lived assets for impairment whenever circumstances and situations change indicating that the carrying value of these assets may not be recoverable. At June 30, 2011, management believed there were no such impairments, although it is reasonably possible management's estimate may change in the near term.

## JOHNSTON MEMORIAL HOSPITAL, INC.

### *Notes to Consolidated Financial Statements - Continued*

#### *Years Ended June 30, 2011 and 2010*

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#### NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

*Deferred Financing Costs:* Deferred financing costs relate to the 1998 bond issue and are being amortized over the life of the bonds principally using the bonds outstanding method.

*Goodwill:* Goodwill represents the excess of the purchase price over the amounts allocated to tangible net assets acquired. Goodwill resulted from the acquisition of the technical component of a local mammography service provider and the acquisition of various physician practices by APP. Goodwill was amortized by the straight-line method over a period of approximately 100 months prior to 2011. In 2010, the FASB issued Accounting Standards Update (ASU) 2010-07, *Not-for-Profit Entities*, which eliminates the amortization of goodwill and requires a transitional and an annual impairment test. Management evaluated the remaining net book value of goodwill and determined that the \$69,828 in goodwill was not impaired based on analysis of future operations of the respective reporting units.

*Estimated Professional Liability:* Insurance liabilities include estimated reserves for reported and unreported professional liability claims based on historical data and a consulting actuarial report (Note J).

*Net Patient Service Revenue/Receivables:* Net patient service revenue is reported on the accrual basis in the period in which services are provided at the estimated net realizable amounts, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Patient accounts receivable are reported net of both an estimated allowance for uncollectible accounts and an estimated allowance for contractual adjustments. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, Medicaid and other third-party payment programs. Current operations are charged with an estimated provision for bad debts based upon historical experience, known collection risks and other environmental factors, including the age of the receivables.

In November 2006, the Healthcare Financial Management Association's (HFMA) Principles and Practices Board issued Statement 15: *Valuation and Financial Statement Presentation of Charity Care and Bad Debts by Institutional Healthcare Providers* (the "Statement"). The Statement provides guidance on collectibility criteria and emphasizes revenue recognition only when collections are reasonably assured. In 2009, the Hospital adopted the Statement and evaluated its revenue recognition policies related to certain types of revenue (primarily self-pay). As a result, amounts previously recognized as net patient service revenue and subsequently written off as bad debts are no longer recognized as net patient revenue and estimated provision for bad debts in the accompanying consolidated financial statements.



## JOHNSTON MEMORIAL HOSPITAL, INC.

### *Notes to Consolidated Financial Statements - Continued*

#### *Years Ended June 30, 2011 and 2010*

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#### NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

The Hospital's policy does not require collateral or other security for patient accounts receivable. The Hospital routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

*Charity Care:* The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Hospital and various guidelines outlined by the Federal Government. These policies define charity as those services for which no payment is anticipated and, as such, charges at established rates are not included in net patient service revenue. Charges foregone, based on established rates, totaled approximately \$7,603,000 and \$8,328,000 during 2011 and 2010, respectively.

*Excess of Revenue, Gains and Support Over Expenses and Losses:* The Consolidated Statements of Operations and Changes in Net Assets includes the caption *Excess of Revenue, Gains and Support Over Expenses and Losses* (the Performance Indicator).

*Income Taxes:* The Hospital and APP are classified as organizations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes has been made in the accompanying consolidated financial statements. At June 30, 2011, tax returns for fiscal years 2008 through 2010 are subject to examination by the Internal Revenue Service. The Hospital has no uncertain tax positions at June 30, 2011 and 2010. As such, no interest or penalties are recognized in the Consolidated Statements of Operations and Changes in Net Assets related to uncertain tax positions.

*Temporarily Restricted Net Assets:* Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. When a donor or time restriction expires; that is, when a stipulated time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Statements of Operations and Changes in Net Assets as net assets released from restrictions. Restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements. The Hospital had no temporarily restricted net assets at June 30, 2010.

*Fair Value of Financial Instruments:* The fair value of the Hospital's financial instruments, other than certain investments which are discussed in Note C and long-term debt discussed in Note E, approximates their carrying value due to the nature and terms of these assets and liabilities. Patient accounts receivable; other assets; accounts payable and accrued expenses; accrued salaries, compensated absences and amounts withheld; estimated amounts due to third-party payors, net; due to/from Member and other affiliates, net have short maturities or will otherwise be settled within a short period of time. The fair value of financial instruments reported as part of other long-term liabilities is not estimable, due to the unpredictable timing of payments and the nature of the estimates involved.

## JOHNSTON MEMORIAL HOSPITAL, INC.

### *Notes to Consolidated Financial Statements - Continued*

#### *Years Ended June 30, 2011 and 2010*

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#### NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820) - Improving Disclosures about Fair Value Measurements* (ASU 2010-06). ASU 2010-06 requires new disclosures regarding significant transfers in and out of Levels 1 and 2, as well as information about activity in Level 3 fair value measurements, including presenting information about purchases, sales, issuances and settlements on a gross versus a net basis in the Level 3 activity roll forward. In addition, ASU 2010-06 clarifies existing disclosures regarding input and valuation techniques, as well as the level of disaggregation for each class of assets and liabilities. The Hospital adopted ASU 2010-06 during fiscal year ending June 30, 2011, except for the disclosures related to Level 3 purchases, sales, issuance and settlements, which will be effective for the Hospital beginning July 1, 2012. The adoption of ASU 2010-06 is not expected to have an impact on the Hospital's consolidated financial statements.

*Date of Management's Review:* The Hospital evaluated all events or transactions that occurred after June 30, 2011, through November 22, 2011, the date the consolidated financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events that required recognition or disclosure in the June 30, 2011 consolidated financial statements, other than the items disclosed in Notes C, D and N.

*New Accounting Pronouncements:* In July 2011, the FASB issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The ASU requires the change of presentation of the estimated provision for bad debts in the consolidated statements of operations from an operating expense to a deduction from patient service revenue, net of contractual deductions and discounts, along with additional disclosures about the policies for recognizing revenue and assessing bad debts, and qualitative information about changes in the allowance for doubtful accounts. The Hospital intends to adopt ASU 2011-07 in fiscal year 2013. Management does not expect the adoption of ASU 2011-07 to have a material impact on the consolidated financial statements.

In August 2010, the FASB issued ASU 2010-23, *Health Care Entities - Measuring Charity Care for Disclosure*. ASU 2010-23 is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. ASU 2010-23 requires that cost, identified as the direct and indirect costs of providing the charity care, be used as the measurement basis for disclosure purposes. The Hospital will adopt ASU 2010-23 in fiscal year 2012 as required. Management does not expect the adoption of ASU 2010-23 to have a material impact on the consolidated financial statements.

In August 2010, the FASB issued ASU 2010-24, *Health Care Entities - Presentation of Insurance Claims and Related Insurance Recoveries*. The amendments in the ASU clarify that a health care entity may not net insurance recoveries against related claim liabilities. In addition,

## JOHNSTON MEMORIAL HOSPITAL, INC.

### *Notes to Consolidated Financial Statements - Continued*

#### *Years Ended June 30, 2011 and 2010*

#### NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

the amount of the claim liability must be determined without consideration of insurance recoveries. ASU 2010-24 is effective for the Hospital beginning July 1, 2011. Management will adopt the ASU as required and is currently evaluating the impact of ASU 2010-24 on the consolidated financial statements.

#### NOTE C--TRADING SECURITIES, HELD-TO-MATURITY SECURITIES AND ASSETS LIMITED AS TO USE

Trading securities and assets limited as to use are reported at estimated fair value (except for held-to-maturity investments which are reported at amortized cost) and consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
<u>Trading Securities:</u>		
Money market funds and cash equivalents	\$ 1,603,932	\$ 320,157
Certificates of deposit	-	1,545,175
Commercial paper	7,495,066	-
Mutual funds	76,063,429	60,743,568
Corporate and foreign bonds	6,165,230	6,806,485
U.S. government and agency securities	10,949,149	3,136,659
Asset-backed securities	4,513,570	3,647,866
Municipal bonds	451,208	233,245
Hedged equity fund	5,241,594	4,906,895
	<u>112,483,178</u>	<u>81,340,050</u>
Less: amounts classified as current	-	(1,545,175)
	<u>\$ 112,483,178</u>	<u>\$ 79,794,875</u>
<u>Assets limited as to use:</u>		
Cash and cash equivalents	\$ 7,987,559	\$ 47,260,257
U.S. government treasury security (amortized cost)	1,795,279	1,795,279
Due from Member	-	27,428,571
	<u>9,782,838</u>	<u>76,484,107</u>
Less: amounts classified as current	(1,545,312)	(4,304,018)
	<u>\$ 8,237,526</u>	<u>\$ 72,180,089</u>

Assets limited as to use are summarized by designation or restriction as follows at June 30:

## JOHNSTON MEMORIAL HOSPITAL, INC.

### Notes to Consolidated Financial Statements - Continued

#### Years Ended June 30, 2011 and 2010

#### NOTE C--TRADING SECURITIES, HELD-TO-MATURITY SECURITIES AND ASSETS LIMITED AS TO USE - Continued

	2011	2010
Designated or restricted for:		
Under bond indenture	\$ 3,340,591	\$ 3,323,716
New facility and capital improvements held by trustee	6,442,247	42,956,239
Due from Member, for capital	-	27,428,571
Construction escrow account	-	2,775,581
	<u>\$ 9,782,838</u>	<u>\$ 76,484,107</u>
Held-to-Maturity Securities:		
Money market funds and cash equivalents	\$ 29,565	\$ 73,995
Corporate and foreign bonds	3,981,768	3,862,909
Municipal bonds	177,868	100,000
	<u>\$ 4,189,201</u>	<u>\$ 4,036,904</u>

No debt security within the held-to-maturity portfolio had been at an unrealized loss position for over one year as of June 30, 2011. The contractual maturities of held-to-maturity securities are \$29,565 due in less than one year, \$2,149,824 due in one to five years and \$2,009,812 due after five years.

Additionally, the Hospital held a U.S. government treasury security maturing in 2027 in a separate held-to-maturity portfolio designated as assets limited as to use with amortized cost of \$1,795,279 at June 30, 2011 and 2010. Subsequent to June 30, 2011, the Hospital entered into an agreement with a third party to sell the security at its cost basis.

At June 30, 2011 and 2010, the Hospital held trading securities in a certain hedged equity fund of approximately \$5,242,000 and \$4,907,000, respectively. To eliminate the differences in various measurement basis of instruments in the investment portfolio, the Hospital elected to report all investments in the investment portfolio at fair value. On July 1, 2008 the Hospital elected the fair value option, pursuant to FASB ASC 825, for its investments in the hedged equity fund. The objective of this election was to report the entire portfolio on the same measurement basis, thereby eliminating the mixed-attribute approach and better reflecting the overall economic position and result of the investment portfolio. The fair value of these instruments is estimated by the fund manager, based upon estimated market prices of the underlying assets.

Investment fees of approximately \$161,000 and \$131,000 were incurred during the years ended June 30, 2011 and 2010, respectively, and are deducted from interest and dividends in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

## JOHNSTON MEMORIAL HOSPITAL, INC.

### Notes to Consolidated Financial Statements - Continued

#### Years Ended June 30, 2011 and 2010

#### NOTE C--TRADING SECURITIES, HELD-TO-MATURITY SECURITIES AND ASSETS LIMITED AS TO USE - Continued

Total net unrealized losses related to trading securities and assets limited as to use (excluding held-to-maturity securities) as of June 30, 2011 and 2010 were approximately \$1,829,000 and \$6,509,000, respectively. Total net unrealized losses in the held-to-maturity portfolio as of June 30, 2011 and 2010 were approximately \$573,000 and \$691,000, respectively.

At June 30, 2011, the Hospital held the following position in trading securities which individually exceeded 10% of the trading security portfolio:

<i>Fund</i>	<i>Percentage Held</i>
GMO Global Balanced Asset	11.9%
PIMCO Total Return Fund Class I	20.8%
PIMCO Short Term Fund	20.9%

#### NOTE D--PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30:

	<i>2011</i>	<i>2010</i>
Land	\$ 7,326,142	\$ 7,326,142
Buildings and leasehold improvements	52,072,073	51,957,864
Equipment	56,651,670	54,565,032
Buildings and equipment held under capital leases	38,672,727	18,632,155
	154,722,612	132,481,193
Less: Allowances for depreciation and amortization	(102,778,646)	(89,110,751)
	51,943,966	43,370,442
Construction in progress (Note J)	129,675,787	65,655,240
	<u>\$ 181,619,753</u>	<u>\$ 109,025,682</u>

The net book value of buildings and equipment held under capital leases is \$35,022,482 and \$16,152,760 at June 30, 2011 and 2010, respectively. In 2009, the Hospital began accelerating the depreciation on the current hospital facility and certain equipment over a three year period due to the construction of a new replacement hospital (Note J), which increased depreciation expense by \$4,973,330 and \$5,890,280 for the years ended June 30, 2011 and 2010, respectively.

## JOHNSTON MEMORIAL HOSPITAL, INC.

### *Notes to Consolidated Financial Statements - Continued*

#### *Years Ended June 30, 2011 and 2010*

#### NOTE D--PROPERTY, PLANT AND EQUIPMENT - Continued

Subsequent to June 30, 2011, the Hospital relocated to the new replacement hospital and sold the old hospital facility and adjacent land to a third party for \$1,000,000 and recognized a net gain on sale of approximately \$43,000.

Interest capitalized related to the construction in progress, which primarily consists of the new replacement hospital, is recorded by the Alliance, as the debt associated with the proceeds used for the construction is the obligation of the Alliance.

#### NOTE E--LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Long-term debt and capital lease obligations consist of the following at June 30:

<i>Description</i>	<i>Maturities</i>	<i>Rates</i>	<i>Outstanding Balance</i>	
			<i>2011</i>	<i>2010</i>
1998 Hospital Facility Revenue and Refunding Bonds	\$6,495,000 term bonds, due July 1, 2016 \$7,620,000 term bonds, due July 1, 2028	5 25% 5 375%	\$ 14,115,000	\$ 15,240,000
Capital lease obligation secured by buildings	Monthly principal and interest payments of \$128,961, maturing through June 2027	8 26%	13,655,817	14,057,618
Capital lease obligation secured by medical office building	Monthly principal and interest payments of \$126,504, maturing through June 2026	9 72%	15,497,846	-
Capital lease obligations secured by equipment	Monthly principal and interest payments ranging from \$355 to \$45,700, maturing through December 2016	3 18% to 13 01%	2,497,713	2,657,323
			45,766,376	31,954,941
Less current portion			(2,540,258)	(1,967,892)
			<u>\$ 43,226,118</u>	<u>\$ 29,987,049</u>

The 1998 Hospital Facility Revenue and Refunding Bonds (1998 Bonds) are subject to mandatory sinking fund redemption on July 1 in each of the years 2011 through 2028 in amounts ranging from \$345,000 to \$1,370,000 at a redemption price of 100% of the principal amount so redeemed. Such mandatory sinking fund payments are reflected in the schedule of debt maturities below, in the period due. Accrued interest is paid semi-annually. The 1998 Bonds maturing on and after July 1, 2016 are subject to optional redemption prior to maturity, in whole or in part, at a redemption price ranging between 100% to 102% of the principal amount plus accrued interest to the redemption date, see Note N. The 1998 Bonds are secured by the pledged gross receipts of the Hospital, as defined in the Master Trust Indenture.

The Master Trust Indenture contains certain requirements regarding maintenance of certain financial ratios, deposits to trustee funds, permitted indebtedness, use of facilities and disposals of property. These covenants also require that failure to meet certain debt service coverage tests and liquidity ratios will require the Hospital, at its expense, to retain a consultant to make recommendations with respect to the rates, fees and charges of the Hospital, along with other

## JOHNSTON MEMORIAL HOSPITAL, INC.

### *Notes to Consolidated Financial Statements - Continued*

#### *Years Ended June 30, 2011 and 2010*

#### NOTE E--LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS - Continued

operating factors affecting the financial condition of the Hospital. Management believes the Hospital is in compliance with all such covenants at June 30, 2011.

The scheduled principal maturities and mandatory sinking fund payment of the long-term debt and capital lease obligations at June 30, 2011 are as follows:

<i>Year Ending June 30,</i>	
2012	\$ 2,540,258
2013	2,513,066
2014	2,725,017
2015	2,932,519
2016	2,194,242
Thereafter	32,861,274
	<u>\$ 45,766,376</u>

#### NOTE F--NET PATIENT SERVICE REVENUE

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the accompanying Consolidated Statements of Operations and Changes in Net Assets is as follows for the years ended June 30:

	<i>2011</i>	<i>2010</i>
Inpatient service charges	\$ 156,771,985	\$ 126,005,689
Outpatient service charges	320,118,498	283,246,000
Gross patient service charges	476,890,483	409,251,689
Less:		
Estimated contractual adjustments and other discounts	335,245,041	267,134,736
Estimated uncollectible self-pay - Note B	12,221,806	18,776,996
Charity care	7,603,193	8,328,407
	<u>355,070,040</u>	<u>294,240,139</u>
Net patient service revenue	<u>\$ 121,820,443</u>	<u>\$ 115,011,550</u>

The Hospital renders services to patients under contractual arrangements with Medicare, Medicaid, Blue Cross and various other commercial payors. The Medicare program pays for inpatient services on a prospective basis. Payments are based upon diagnosis related group assignments, which are determined by the patient's clinical diagnosis and medical procedures utilized. The Hospital also receives additional payments from Medicare based on the provision

## JOHNSTON MEMORIAL HOSPITAL, INC.

### *Notes to Consolidated Financial Statements - Continued*

#### *Years Ended June 30, 2011 and 2010*

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#### NOTE F--NET PATIENT SERVICE REVENUE - Continued

of services to a disproportionate share of Medicaid and other low income patients. Most Medicare outpatient services are reimbursed on a prospectively determined payment methodology. The Medicare program also reimburses certain other services on the basis of reasonable cost, subject to various prescribed limitations and reductions.

The Virginia Medicaid program reimbursement for inpatient hospital services is also based on a prospective payment system using both a per case and per diem methodologies. Additional payments are made for the allowable costs of capital. Payments for outpatient services are based on Medicare cost reimbursement principles and settled through the filing of an annual Medicaid cost report.

Amounts earned under the contractual agreements with the Medicare and Medicaid programs are subject to review and final determination by the Medicare Administrative Contractor and other appropriate governmental authorities or their agents. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Activity with respect to audits and reviews of governmental programs has increased and is expected to increase in the future. No additional specific reserves or allowances have been established with regard to these increased audits and reviews as management is not able to estimate such amounts. Management believes that any adjustments from these increased audits and reviews will not have a material adverse impact on the consolidated financial statements. However, due to uncertainties in the estimation, it is at least reasonably possible that management's estimate will change in 2012, although the amount of any change cannot be estimated. During the years ended June 30, 2011 and 2010, net patient service revenue increased (decreased) by approximately \$387,000 and \$(39,000), respectively, relating to adjustments of prior years' estimates and final settlements of prior periods.

Participation in the Medicare and Medicaid programs subjects the Hospital to significant rules and regulations; failure to adhere to such could result in fines, penalties or expulsion from the program. Management believes that adequate provision has been made for any adjustments, fines or penalties which may result from final settlements or violations of other rules or regulations. Management has represented that the Hospital is in substantial compliance with these rules and regulations as of June 30, 2011.

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

#### NOTE G--EMPLOYEE BENEFIT PLANS

The Hospital sponsored a defined contribution plan for the benefit of certain employees of the Hospital. The Hospital contributed 4% of eligible employee compensation annually. Eligible employees who contributed at least 3% of eligible compensation would receive an additional



## JOHNSTON MEMORIAL HOSPITAL, INC.

### *Notes to Consolidated Financial Statements - Continued*

#### *Years Ended June 30, 2011 and 2010*

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#### NOTE G--EMPLOYEE BENEFIT PLANS - Continued

contribution of 1% of eligible compensation from the Hospital. The Hospital's Board of Trustees amended this Plan to terminate effective July 14, 2010. Effective May 1, 2009, certain employees of the Hospital are eligible to participate in defined contribution plans sponsored by the Alliance. Employees of APP are eligible to participate in a defined contribution plan sponsored by APP effective May 1, 2009.

Contribution expense related to these plans totaled approximately \$1,588,000 and \$1,599,000 during the years ended June 30, 2011 and 2010, respectively.

#### NOTE H--CONCENTRATIONS OF RISK

The Hospital is located in Washington County, Virginia, and also provides services to Smyth and Russell Counties of Virginia, which is a geographic concentration. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors based on charges at established rates is as follows as of June 30:

	<i>2011</i>	<i>2010</i>
Medicare	48%	44%
Medicaid	11%	18%
Commercial	23%	21%
Other third-party payors	3%	3%
Patients	15%	14%
	<u>100%</u>	<u>100%</u>

Approximately 99% of the consolidated total revenue, gains and support were related to the provision of healthcare services for the years ended June 30, 2011 and 2010. Admitting physicians are primarily practitioners in the local area.

The Hospital routinely invests in investment vehicles as listed in Note C. The Hospital's investment portfolio (other than held-to-maturity securities) is managed by outside investment management companies. Investments in money market funds, mutual funds, corporate bonds and other vehicles that are held by safekeeping agents are not insured or guaranteed by the U.S. government; however, management believes that credit risk related to these investments is minimal.

At June 30, 2011, the Hospital has deposits in financial institutions in excess of the Federal Deposit Insurance Corporation's (FDIC) limits. Management believes that credit risk related to these deposits is minimal.

## JOHNSTON MEMORIAL HOSPITAL, INC.

### *Notes to Consolidated Financial Statements - Continued*

#### *Years Ended June 30, 2011 and 2010*

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#### NOTE I--RELATED PARTY TRANSACTIONS

Effective April 1, 2009, the Alliance acquired a 50.1% interest in the Hospital and agreed to provide \$132,000,000 to the Hospital (designated primarily for capital) of which \$27,428,571 was due from the Alliance as of June 30, 2010 and is included as part of assets limited as to use in the accompanying Consolidated Balance Sheets.

The Hospital had amounts due from Member and other affiliates totaling \$4,985 and \$1,796,176 at June 30, 2011 and 2010, respectively. The Hospital had amounts due to Member and other affiliates totaling \$2,640,435 and \$369,847 at June 30, 2011 and 2010, respectively. The payable amounts relate primarily to costs incurred by the Alliance, or affiliates of the Alliance, on behalf of the Hospital. Corporate allocation expense recognized, related to the Alliance, or affiliates, by the Hospital during the years ended June 30, 2011 and 2010 were approximately \$4,386,000 and \$1,418,000, respectively.

#### NOTE J--COMMITMENTS AND CONTINGENCIES

*Professional Liability and Workers' Compensation:* The Hospital is covered for professional liability claims under the Alliance's claims made \$25,000,000 umbrella liability policy that attaches over the 2011 self-insurance limits of \$10,000,000 per claim and a \$15,000,000 annual aggregate retention. At June 30, 2011, the Hospital is involved in litigation relating to medical malpractice, workers' compensation and other claims arising in the ordinary course of business. There are also known incidents occurring through June 30, 2011 that may result in the assertion of additional claims, and other unreported claims may be asserted arising from services provided in the past. The Hospital has estimated and accrued for the cost of these unreported claims based on historical data and actuarial assumptions. The discount rate utilized was 5% at June 30, 2011 and 2010. The Hospital has established accruals for both reported and unreported claims totaling approximately \$642,000 and \$832,000 as of June 30, 2011 and 2010, respectively. The Hospital maintained an unsecured letter of credit of up to \$250,000 open from a previous self-insurance policy. As of June 30, 2011 and 2010, no amounts were drawn on the letter of credit which expired in October 2011 and was not renewed. The Hospital is not self-insured for workers' compensation claims and insures benefits for bodily injury caused by accident or by disease with a policy with 2011 coverage limits of \$1,000,000 per accident or employee.

Additionally, the Hospital is self-insured for employee health claims and recognizes expense each year based upon actual claims paid and an estimate of claims incurred but not yet paid.

*Operating Leases:* The Hospital leases certain equipment and facilities under operating lease arrangements. For the years ended June 30, 2011 and 2010, the Hospital incurred approximately \$2,398,000 and \$2,515,000, respectively, in rent expense under these leasing arrangements. Future minimum lease payments for each of the next five years and in the aggregate for leases with noncancellable terms greater than one year are as follows:

## JOHNSTON MEMORIAL HOSPITAL, INC.

### *Notes to Consolidated Financial Statements - Continued*

#### *Years Ended June 30, 2011 and 2010*

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#### NOTE J--COMMITMENTS AND CONTINGENCIES - Continued

##### *Year Ending June 30,*

2012	\$ 919,629
2013	743,232
2014	695,802
2015	648,372
2016	648,372
Thereafter	<u>3,158,249</u>
	<u><u>\$ 6,813,656</u></u>

*Other Long-term Commitments:* Estimated future minimum payments under various noncancellable maintenance contracts with remaining terms in excess of one year at June 30, 2011 totals in the aggregate approximately \$430,000 through 2018.

*Construction in Progress:* During 2008, the Hospital filed a Certificate of Public Need (COPN) application to build a new replacement hospital in Abingdon, Virginia. The COPN was approved by the applicable Commonwealth of Virginia agencies and during 2009, the Hospital began construction of the replacement hospital. Estimated costs from outstanding contracts and other commitments related to the completion of this and other ongoing projects are approximately \$9,900,000 at June 30, 2011 (see Note N).

During 2010, the Hospital entered into a capital leasing arrangement with a third party and agreed to escrow \$4,500,000 toward the construction of a medical office building in exchange for a reduction in future lease payments. Amounts in escrow of approximately \$2,776,000 is included in assets limited as to use in the accompanying 2010 Consolidated Balance Sheets at June 30, 2010. Substantially all amounts have been utilized from the escrow account upon commencement of the lease in 2011. The lease of the medical office building commenced upon substantial completion of the facility which occurred in 2011.

*Healthcare Industry:* The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, Medicare fraud and abuse, and most recently under provisions of the Health Insurance Portability and Accountability Act of 1996, patient records privacy and security. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers, such as the Medicare Recovery Audit Contractor program. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

## JOHNSTON MEMORIAL HOSPITAL, INC.

### *Notes to Consolidated Financial Statements - Continued*

#### *Years Ended June 30, 2011 and 2010*

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#### NOTE J--COMMITMENTS AND CONTINGENCIES - Continued

Management does not believe the increase in government activity will have a material adverse impact on the consolidated financial statements. However, due to uncertainties in the estimation, it is at least reasonably possible that management's estimate will change in 2012, although the amount of any change cannot be estimated.

In March 2010, Congress adopted comprehensive healthcare insurance legislation, Patient Care Protection and Affordable Act and Health Care Reconciliation Act. The legislation, among other matters, is designated to expand access to substantially all citizens by 2019 through a combination of public program expansion and private industry health insurance. Implementing regulations are generally required for these legislative acts which are to be adopted over a period of years and, accordingly, the specific impact of any future regulations is not determinable.

#### NOTE K--OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

Direct expenses by functional classification are as follows for the years ended June 30:

	<i>2011</i>	<i>2010</i>
Healthcare services	\$ 104,534,114	\$ 103,638,538
Administrative and general	19,206,500	14,658,953
	<u>\$ 123,740,614</u>	<u>\$ 118,297,491</u>

#### NOTE L--FAIR VALUE MEASUREMENT

FASB ASC 820, *Fair Value Measurements and Disclosure*, emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, FASB ASC 820 establishes a fair value hierarchy.

*Valuation Hierarchy:* FASB ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.

# JOHNSTON MEMORIAL HOSPITAL, INC.

## Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2011 and 2010

### NOTE L--FAIR VALUE MEASUREMENT - Continued

- Level 3 - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Hospital's own assumptions.

In instances where the determination of the fair value hierarchy measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Hospital's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table sets forth, by level within the fair value hierarchy, the financial assets recorded at fair value on a recurring basis as of June 30:

		<i>Quoted Prices in Active Markets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
<b>Assets Measured at Fair Value on a Recurring Basis as of June 30, 2011</b>				
<b><u>Trading Securities:</u></b>				
Money market funds and cash equivalents	\$ 1,603,932	\$ 1,603,932	\$ -	\$ -
Commercial paper	7,495,066	7,495,066	-	-
Mutual funds	76,063,429	76,063,429	-	-
Corporate and foreign bonds	6,165,230	6,165,230	-	-
U.S. government and agency securities	10,949,149	10,949,149	-	-
Asset-backed securities	4,513,570	4,513,570	-	-
Municipal bonds	451,208	451,208	-	-
Other	5,241,594	-	-	5,241,594
<b><u>Assets Limited as to Use:</u></b>				
Cash and cash equivalents	7,987,559	7,987,559	-	-
	<b>\$ 120,470,737</b>	<b>\$ 115,229,143</b>	<b>\$ -</b>	<b>\$ 5,241,594</b>

# JOHNSTON MEMORIAL HOSPITAL, INC.

## Notes to Consolidated Financial Statements - Continued

### Years Ended June 30, 2011 and 2010

#### NOTE L--FAIR VALUE MEASUREMENT - Continued

	<i>Carrying Value</i>	<i>Quoted Prices in Active Markets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
<b>Assets Measured at Fair Value on a Recurring Basis as of June 30, 2010</b>				
<b><u>Trading Securities:</u></b>				
Money market funds and cash equivalents	\$ 320,157	\$ 320,157	\$ -	\$ -
Certificates of deposit	1,545,175	1,545,175	-	-
Mutual funds	60,743,568	60,743,568	-	-
Corporate and foreign bonds	6,806,485	6,806,485	-	-
U.S. government and agency securities	3,136,659	3,136,659	-	-
Asset-backed securities	3,647,866	3,647,866	-	-
Municipal bonds	233,245	233,245	-	-
Other	4,906,895	-	-	4,906,895
<b><u>Assets Limited as to Use:</u></b>				
Cash and cash equivalents	47,260,257	47,260,257	-	-
	<u>\$ 128,600,307</u>	<u>\$ 123,693,412</u>	<u>\$ -</u>	<u>\$ 4,906,895</u>

Trading securities and assets limited as to use classified as Level 1 are measured using quoted market prices. Trading securities classified as Level 3 are estimated by the fund manager, based upon estimated market prices of the underlying assets.

The following table sets forth a summary of changes in the fair value of the Hospital's Level 3 assets for the years ended June 30:

	<i>2011</i>	<i>2010</i>
Balance, beginning of year	\$ 4,906,895	\$ 4,533,418
Total net realized and unrealized gains (losses)	334,699	373,477
Balance, end of year	<u>\$ 5,241,594</u>	<u>\$ 4,906,895</u>

#### NOTE M--FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments has been estimated by the Hospital using available market information as of June 30, 2011 and 2010, and valuation methodologies considered appropriate. The estimates presented are not necessarily indicative of amounts the Hospital could realize in a current market exchange. The carrying value of substantially all financial instruments approximates fair value due to the nature or term of the instruments, except as described below.

## JOHNSTON MEMORIAL HOSPITAL, INC.

### *Notes to Consolidated Financial Statements - Continued*

***Years Ended June 30, 2011 and 2010***

#### NOTE M--FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

*Long-Term Debt and Capital Leases:* The fair value of long-term debt is estimated based upon quotes obtained from brokers for bonds. The Hospital's capital lease obligations secured by buildings and equipment were negotiated with various entities and are considered unique. It is not practical to estimate the fair value of these obligations under current conditions.

The estimated fair value of the Hospital's financial instruments that have carrying values different from fair value is as follows at June 30:

	<b>2011</b>		<b>2010</b>	
	<b><i>Carrying Value</i></b>	<b><i>Estimated Fair Value</i></b>	<b><i>Carrying Value</i></b>	<b><i>Estimated Fair Value</i></b>
FINANCIAL LIABILITIES:				
Long-term debt	\$ 14,115,000	\$ 14,457,692	\$ 15,240,000	\$ 15,240,419

#### NOTE N--SUBSEQUENT EVENTS

The Hospital entered into a Joint Operating Agreement (JOA) with Smyth County Community Hospital (SCCH), an affiliate hospital with the Alliance, to fund and jointly operate a Cathertization Laboratory at the Hospital. SCCH invested \$660,000 in August 2011 as required by the JOA, which represents 25% of the estimated budget for the start-up costs. On an annual bases, the Hospital shall distribute 25% of the net positive cash flow, as defined by the JOA, to SCCH. In the event that negative net cash flow exist, SCCH shall pay the Hospital 25% of the difference between zero and the negative net cash flow.

Subsequent to June 30, 2011, the Hospital exercised their purchase option of a capital lease of a cancer center for \$16,051,433, of which \$2,093,409 was paid directly to the lessor and the remaining \$13,958,524 consisted of the assumption of an outstanding promissory note with a lender on the property. The promissory note requires monthly principal and interest payments of \$37,699 on July 15, 2011, \$18,075 on August 15, 2011 and \$19,890 on September 15, 2011 through January 15, 2013. On January 15, 2013, the Hospital will be required to pay the remaining principal balance and unpaid interest. The promissory note bears interest at a variable rate of 1.5% in excess of the London Interbank Offered Rate (LIBOR). Additionally, the Hospital assumed a related interest rate swap with a bank at a fixed rate of 7.46% which extends to August 15, 2012.

On November 16, 2011, the Hospital issued Series 2011 Bonds in the amount of \$24,870,000 through the Industrial Development Authority of Smyth County. The proceeds from the Series 2011 Bonds were used to refund the outstanding Series 1998 Bonds and to refinance the loan assumed from the cancer center lease purchase option discussed above. The Series 2011 Bonds

**JOHNSTON MEMORIAL HOSPITAL, INC.**

***Notes to Consolidated Financial Statements - Continued***

***Years Ended June 30, 2011 and 2010***

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**NOTE N--SUBSEQUENT EVENTS - Continued**

are privately placed with a bank with a term of five years and bear interest at a rate equal to 75% of 1-month LIBOR plus 0.99%. At the end of the five year term, a bank has the right to put the bonds; however, management anticipates the transaction will be extended or refinanced prior to this date.