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Form <b>990</b>  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>	OMB No 1545-0047 <div> <div>2010</div> <div>Open to Public Inspection</div> </div>
	▶ The organization may have to use a copy of this return to satisfy state reporting requirements	

**A For the 2010 calendar year, or tax year beginning 10-01-2010 and ending 09-30-2011**

<b>B</b> Check if applicable <input 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 THE WESTERLY HOSPITAL		<b>D</b> Employer identification number 05-0259100
	Doing Business As		<b>E</b> Telephone number (401) 596-6000
	Number and street (or P O box if mail is not delivered to street address) 25 WELLS STREET	Room/suite	<b>G</b> Gross receipts \$ 96,842,128
	City or town, state or country, and ZIP + 4 WESTERLY, RI 028912934		
	<b>F</b> Name and address of principal officer CHARLES KINNEY 25 WELLS STREET WESTERLY, RI 028912934		
<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>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>J</b> Website: ▶ WWW.WESTERLYHOSPITAL.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 1921	<b>M</b> State of legal domicile RI
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## Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities THE WESTERLY HOSPITAL PROVIDES INPATIENT AND OUTPATIENT MEDICAL CARE TO ADULTS, CHILDREN, AND NEWBORNS IN THE WESTERLY, RHODE ISLAND COMMUNITY AND IN SURROUNDING TOWNS		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a) . . . . .	3	16
	4 Number of independent voting members of the governing body (Part VI, line 1b) . . . . .	4	12
	5 Total number of individuals employed in calendar year 2010 (Part V, line 2a) . . . . .	5	922
	6 Total number of volunteers (estimate if necessary) . . . . .	6	265
Activities & Governance	7a Total unrelated business revenue from Part VIII, column (C), line 12 . . . . .	7a	9,865
	b Net unrelated business taxable income from Form 990-T, line 34 . . . . .	7b	0
Revenue		Prior Year	Current Year
	8 Contributions and grants (Part VIII, line 1h) . . . . .	1,212,000	2,406,556
	9 Program service revenue (Part VIII, line 2g) . . . . .	90,848,994	91,484,564
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d ) . . . . .	893,619	1,574,658
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,332,824	1,300,436
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .	94,287,437	96,766,214
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3 ) . . . . .	0	0
	14 Benefits paid to or for members (Part IX, column (A), line 4) . . . . .	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	51,358,840	52,154,387
	16a Professional fundraising fees (Part IX, column (A), line 11e) . . . . .	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f) . . . . .	41,362,146	45,491,498
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	92,720,986	97,645,885
	19 Revenue less expenses Subtract line 18 from line 12 . . . . .	1,566,451	-879,671
	Net Assets or Fund Balances		Beginning of Current Year
20 Total assets (Part X, line 16) . . . . .		80,297,074	76,275,007
21 Total liabilities (Part X, line 26) . . . . .		55,944,823	67,564,057
22 Net assets or fund balances Subtract line 21 from line 20 . . . . .		24,352,251	8,710,950

## Part II Signature Block

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

<b>Sign Here</b>	***** Signature of officer			2012-08-15 Date	
	W MARK RUSSO SPECIAL MASTER Type or print name and title				
<b>Paid Preparer Use Only</b>	Print/Type preparer's name ELIZABETH SOLECKI		Preparer's signature ELIZABETH SOLECKI		Date
	Check if self-employed <input type="checkbox"/>				PTIN
	Firm's name ▶ BLUM SHAPIRO & COMPANY PC CPA'S				Firm's EIN ▶
	Firm's address ▶ 29 S MAIN STREET PO BOX 272000 WEST HARTFORD, CT 061272000				Phone no ▶ (860) 561-4000

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

THE WESTERLY HOSPITAL PROVIDES INPATIENT AND OUTPATIENT MEDICAL CARE TO ADULTS, CHILDREN AND NEWBORNS IN THE WESTERLY, RHODE ISLAND COMMUNITY AND IN SURROUNDING TOWNS

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 \$ 77,110,204 including grants of \$ ) (Revenue \$ 91,484,564 )

THE WESTERLY HOSPITAL IS A NOT-FOR-PROFIT ACUTE CARE HOSPITAL PROVIDING MEDICAL CARE TO ADULTS, CHILDREN, AND NEWBORNS IN THE WESTERLY, RHODE ISLAND COMMUNITY AND SURROUNDING TOWNS DURING THE FISCAL YEAR ENDED 09/30/2011 THE HOSPITAL ADMITTED 4,301 PATIENTS AND HAD 23,510 VISITS TO THE EMERGENCY ROOM THERE WERE 546,123 AMBULATORY/OUTPATIENT VISITS, 514,057 LABORATORY PROCEDURES, 40,951 PATHOLOGY PROCEDURES, 599 DIAGNOSTIC CARDIAC CATHETERIZATIONS, 68,911 PHYSICAL THERAPY PROCEDURES, 21,101 OR AND AMBULATORY VISITS FOR TOTAL DAYS OF PATIENT CARE OF 16,716, THE AVERAGE DAILY CENSUS WAS 45 8 THE RADIOLOGY DEPARTMENT PERFORMED THE FOLLOWING 27,483 DIAGNOSTIC PROCEDURES 1,281 NUCLEAR MEDICINE PROCEDURES10,777 CT SCANS 9,146 ULTRASOUND PROCEDURES 2,704 MAGNETIC RESONANCE IMAGING (MRI)

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 \$ 77,110,204

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see 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? If "Yes," complete Schedule C, Part 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? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	
6 Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10 Yes	
11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI. 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII. 	11b Yes	
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII. 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX. 	11d Yes	
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X. 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X. 	11f	No
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional 	12b	No
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospitals? If "Yes," complete Schedule H 	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		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22		No
23	Did the organization answer "Yes" to Part VII, Section A, 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	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, 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	Yes	
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> . . . . . <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
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>	67
<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>	922
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	<b>2b</b>	Yes
<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</b>	<b>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</b>	<b>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</b>	<b>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</b>	<b>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</b>	<b>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
<b>1a</b> Enter the number of voting members of the governing body at the end of the tax year . . . . .	<b>1a</b> 16		
<b>b</b> Enter the number of voting members included in line 1a, above, who are independent . . . . .	<b>1b</b> 12		
<b>2</b> Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .	<b>2</b>		No
<b>3</b> Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . . . . .	<b>3</b>		No
<b>4</b> Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .	<b>4</b>		No
<b>5</b> Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .	<b>5</b>		No
<b>6</b> Does the organization have members or stockholders? . . . . .	<b>6</b>		No
<b>7a</b> Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body? . . . . .	<b>7a</b>		No
<b>b</b> Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . . . . .	<b>7b</b>		No
<b>8</b> Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following . . . . .			
<b>a</b> The governing body? . . . . .	<b>8a</b>	Yes	
<b>b</b> Each committee with authority to act on behalf of the governing body? . . . . .	<b>8b</b>	Yes	
<b>9</b> 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 . . . . .	<b>9</b>		No

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

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

Section C. Disclosure

<b>17</b> List the States with which a copy of this Form 990 is required to be filed▶	
<b>18</b> 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	
<b>19</b> 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.	
<b>20</b> State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ THE ORGANIZATION 25 WELLS STREET WESTERLY, RI 028912934 (401) 348-3711	

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) FRED A ALLARDYCE THIRD VICE CHAIRMAN	1 00	X		X				0	0	0
(2) GEORGE BOURGANOS MD DIRECTOR	1 00	X						0	0	0
(3) JOHN P CASEY DIRECTOR	1 00	X						0	0	0
(4) DAVID D'ERAMO PHD DIRECTOR	1 00	X						0	0	0
(5) JOHN T GORBY DIRECTOR	1 00	X						0	0	0
(6) MARTHA MCQ HOSP FIRST VICE CHAIRMAN	1 00	X		X				0	0	0
(7) ALLEN W LEADBETTER MD SECOND VICE CHAIRMAN	1 00	X		X				0	0	0
(8) LEONARD C EDWARDS DIRECTOR	1 00	X						0	0	0
(9) WILLIAM G MCKENDREE CHAIRMAN	1 00	X		X				0	0	0
(10) DAVID V DEVAULT DIRECTOR	1 00	X						0	0	0
(11) MARY JO ORSINGER DIRECTOR	1 00	X						0	0	0
(12) MAUREEN N FITZGERALD DIRECTOR	1 00	X						0	0	0
(13) RICHARD C HOLLIDAY DIRECTOR	1 00	X						0	0	0
(14) DAVID J NELSON DIRECTOR	1 00	X						0	0	0
(15) CHRISTOPHER LEHRACH MD DIRECTOR/ER PHYSICIAN	40 00	X			X			404,077	0	32,418
(16) CHARLES KINNEY PRESIDENT/CEO	40 00	X		X				328,076	0	46,603



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) BARBARA J PERINO DIRECTOR	1 00	X						0	0	0
(18) JENNIFER SCHWINDT DIRECTOR	1 00	X						0	0	0
(19) JEANNE M LACHANCE TREASURER	40 00			X				227,683	0	42,211
(20) MAUREEN L CARBONI SECRETARY	1 00			X				0	0	0
(21) MARGARET AUSTIN NURSING/CNO	40 00				X			185,143	0	33,242
(22) WILLIAM CONLIN E/R PHYSICIAN	40 00					X		263,140	0	21,285
(23) FRED JACCARINO E/R PHYSICIAN	40 00					X		255,178	0	21,285
(24) WHITNEY FISHER E/R PHYSICIAN	40 00					X		150,010	0	16,181
(25) KEVIN TORRES E/R PHYSICIAN	40 00					X		290,495	0	21,285
(26) NANCY BARISANO IT DIRECTOR	40 00					X		145,488	0	638
1b Sub-Total . . . . .										
c Total from continuation sheets to Part VII, Section A . . . . .										
d Total (add lines 1b and 1c) . . . . .								2,249,290	0	235,148

2

Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization▶17

		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
CARDINAL HEALTH PHARMACY MANAGEMENT 21377 NETWORK PLACE CHICAGO, IL 60673	PHARMACY SERVICES	2,047,326
ARAMARK HEALTHCARE 40 ACCORD PARK DRIVE NORWELL, MA 02601	BIOMED SERVICES	1,408,666
CARPEDIA 75 NAVY STREET OAKVILLE, ONTARIO CA	CONSULTING SERVICE	1,181,400
NURSEFINDERS PO BOX 910738 DALLAS, TX 753910738	NURSING SERVICE	771,066
QUEST DIAGNOSTICS 12436 COLLECTIONS CENTER DRIVE CHICAGO, IL 60693	LAB SERVICES	651,225
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 ▶23		

Part VIII

Statement of Revenue

		(A)	(B)	(C)	(D)
		Total revenue	Related or exempt function revenue	Unrelated business revenue	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	1,715,000			
	e Government grants (contributions) 1e				
	f All other contributions, gifts, grants, and similar amounts not included above 1f	691,556			
	g Noncash contributions included in lines 1a-1f \$				
	h Total. Add lines 1a-1f . . . . .	2,406,556			
	Program Service Revenue	2a	Business Code		
PATIENT SERVICE REV		900099	87,590,990	87,590,990	
b FREE BED INCOME		900099	3,796,659	3,796,659	
c LIFELINE		900099	96,915	96,915	
d					
e					
f All other program service revenue					
g Total. Add lines 2a-2f . . . . .		91,484,564			
Other Revenue		3 Investment income (including dividends, interest and other similar amounts) . . . . .			
		1,378,865			1,378,865
	4 Income from investment of tax-exempt bond proceeds . . . . .				
	5 Royalties . . . . .				
	6a Gross Rents	(i) Real	(ii) Personal		
		494,204			
	b Less rental expenses	75,914			
	c Rental income or (loss)	418,290			
	d Net rental income or (loss) . . . . .			9,865	408,425
	7a Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other		
		195,793			
	b Less cost or other basis and sales expenses				
	c Gain or (loss)	195,793			
	d Net gain or (loss) . . . . .				195,793
	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 SETTLEMENT INCOME	900099	325,000			325,000
b OTHER INCOME	900099	314,784			314,784
c CAFETERIA SALES	900099	211,345			211,345
d All other revenue . . . . .		31,017			31,017
e Total. Add lines 11a-11d . . . . .		882,146			
12 Total revenue. See Instructions . . . . .		96,766,214	91,484,564	9,865	2,865,229

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				
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 . . . . .	969,601	736,898	232,703	
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	37,126,680	28,216,276	8,910,404	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	3,469,191	2,636,585	832,606	
9	Other employee benefits . . . . .	7,887,147	5,994,231	1,892,916	
10	Payroll taxes . . . . .	2,701,768	2,053,344	648,424	
a	Fees for services (non-employees)				
	Management . . . . .				
b	Legal . . . . .	1,227,712	933,061	294,651	
c	Accounting . . . . .	210,673	160,111	50,562	
d	Lobbying . . . . .				
e	Professional fundraising services See Part IV, line 17 . . . . .				
f	Investment management fees . . . . .				
g	Other . . . . .	398,572	302,915	95,657	
12	Advertising and promotion . . . . .	64,601	49,097	15,504	
13	Office expenses . . . . .	89,108	67,722	21,386	
14	Information technology . . . . .				
15	Royalties . . . . .				
16	Occupancy . . . . .	2,103,896	1,598,961	504,935	
17	Travel . . . . .	5,081	3,862	1,219	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
19	Conferences, conventions, and meetings . . . . .				
20	Interest . . . . .	1,383,295	1,051,303	331,992	
21	Payments to affiliates . . . . .				
22	Depreciation, depletion, and amortization . . . . .	4,685,286	3,560,817	1,124,469	
23	Insurance . . . . .	1,365,030	1,291,318	73,712	
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	SUPPLIES	11,104,442	8,439,376	2,665,066	
b	PURCHASED SERVICES	8,275,855	6,289,650	1,986,205	
c	BAD DEBTS	6,782,130	6,782,130		
d	LICENSING FEE	4,240,522	4,240,522		
e	DRUGS	2,511,756	1,908,935	602,821	
f	All other expenses	1,043,539	793,090	250,449	
25	Total functional expenses. Add lines 1 through 24f	97,645,885	77,110,204	20,535,681	0
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	1	Cash—non-interest-bearing . . . . .					1	
	2	Savings and temporary cash investments . . . . .				2,274,270	2	3,083,667
	3	Pledges and grants receivable, net . . . . .					3	
	4	Accounts receivable, net . . . . .				7,336,470	4	8,914,587
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .					5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), 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) Schedule L . . . . .					6	
	7	Notes and loans receivable, net . . . . .				16,356	7	
	8	Inventories for sale or use . . . . .				1,611,752	8	1,556,917
	9	Prepaid expenses and deferred charges . . . . .				1,568,252	9	1,550,853
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D . . . . .	10a	116,567,219				
	b	Less: accumulated depreciation . . . . .	10b	80,205,711	36,501,015	10c	36,361,508	
	11	Investments—publicly traded securities . . . . .			21,855,856	11	15,827,019	
	12	Investments—other securities. See Part IV, line 11 . . . . .			7,556,551	12	3,874,529	
	13	Investments—program-related. See Part IV, line 11 . . . . .				13		
	14	Intangible assets . . . . .				14		
	15	Other assets. See Part IV, line 11 . . . . .			1,576,552	15	5,105,927	
	16	Total assets. Add lines 1 through 15 (must equal line 34) . . . . .			80,297,074	16	76,275,007	
Liabilities	17	Accounts payable and accrued expenses . . . . .			9,660,439	17	16,957,031	
	18	Grants payable . . . . .				18		
	19	Deferred revenue . . . . .			1,469,601	19	1,344,327	
	20	Tax-exempt bond liabilities . . . . .			8,610,000	20	7,860,000	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .				21		
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .				22		
	23	Secured mortgages and notes payable to unrelated third parties . . . . .			5,163,197	23	4,734,858	
	24	Unsecured notes and loans payable to unrelated third parties . . . . .				24		
	25	Other liabilities. Complete Part X of Schedule D . . . . .			31,041,586	25	36,667,841	
	26	Total liabilities. Add lines 17 through 25 . . . . .			55,944,823	26	67,564,057	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.							
	27	Unrestricted net assets . . . . .			8,468,193	27	-2,318,909	
	28	Temporarily restricted net assets . . . . .			3,583,415	28	2,343,893	
	29	Permanently restricted net assets . . . . .			12,300,643	29	8,685,966	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.							
	30	Capital stock or trust principal, or current funds . . . . .				30		
	31	Paid-in or capital surplus, or land, building or equipment fund . . . . .				31		
	32	Retained earnings, endowment, accumulated income, or other funds . . . . .				32		
	33	Total net assets or fund balances . . . . .			24,352,251	33	8,710,950	
	34	Total liabilities and net assets/fund balances . . . . .			80,297,074	34	76,275,007	

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	96,766,214
2	Total expenses (must equal Part IX, column (A), line 25)	2	97,645,885
3	Revenue less expenses Subtract line 2 from line 1	3	-879,671
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	24,352,251
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-14,761,630
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	8,710,950

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?		No
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		
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 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  
THE WESTERLY HOSPITAL

Employer identification number  
05-0259100

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 C  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527  
▶ **Complete if the organization is described below.**  
▶ **Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.**

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

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

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

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

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

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

Name of the organization THE WESTERLY HOSPITAL	Employer identification number 05-0259100
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**Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.**

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

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

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

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

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

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

Part II-A

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

A

Check

☐

if the filing organization belongs to an affiliated group

B

Check

☐

if the filing organization checked box A and "limited control" provisions apply

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?	Yes		2,847
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV		No	
j	Total lines 1c through 1i			2,847
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
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SCHEDULE D  
(Form 990)

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 THE WESTERLY HOSPITAL	Employer identification number 05-0259100
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Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div>YesNo</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>YesNo</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)

☐ Protection of natural habitat

☐ Preservation of open space

☐ Preservation of an historically importantly land area

☐ Preservation of a certified historic structure

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?

YesNo

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)?

YesNo

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
- |    |        |
|----|--------|
|    | 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 . . . . .                     | 20,625,747      | 19,347,393    | 20,261,776        |                     |                    |
| b Contributions . . . . .                                  |                 |               |                   |                     |                    |
| c Investment earnings or losses . . . . .                  | 816,000         | 1,278,354     | -4,771            |                     |                    |
| d Grants or scholarships . . . . .                         |                 |               |                   |                     |                    |
| e Other expenditures for facilities and programs . . . . . | 6,900,000       |               | 909,612           |                     |                    |
| f Administrative expenses . . . . .                        |                 |               |                   |                     |                    |
| g End of year balance . . . . .                            | 14,541,747      | 20,625,747    | 19,347,393        |                     |                    |
- 2

Provide the estimated percentage of the year end balance held as
- a

Board designated or quasi-endowment ▶ 51 270 %
- b

Permanent endowment ▶ 33 090 %
- c

Term endowment ▶ 15 640 %
- 3a

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

unrelated organizations . . . . .

(ii)

related organizations . . . . .
- b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?
- |        |     |    |
|--------|-----|----|
|        | Yes | No |
| 3a(i)  |     | No |
| 3a(ii) | Yes |    |
| 3b     | Yes |    |
- 4

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

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

Description of investment	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .				
b Buildings . . . . .		43,905,405	30,724,319	13,181,086
c Leasehold improvements . . . . .				
d Equipment . . . . .		70,184,560	47,794,426	22,390,134
e Other . . . . .		2,477,254	1,686,966	790,288
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . . ▶				36,361,508



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	96,766,214
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	97,645,885
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	-879,671
4	Net unrealized gains (losses) on investments	4	-3,560,001
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-11,201,629
9	Total adjustments (net) Add lines 4 - 8	9	-14,761,630
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-15,641,301

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	82,080,497
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments . . . . .	2a	-3,560,001
b	Donated services and use of facilities . . . . .	2b	
c	Recoveries of prior year grants . . . . .	2c	
d	Other (Describe in Part XIV) . . . . .	2d	-11,201,630
e	Add lines 2a through 2d . . . . .	2e	-14,761,631
3	Subtract line 2e from line 1 . . . . .	3	96,842,128
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	-75,914
c	Add lines 4a and 4b . . . . .	4c	-75,914
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12 ) . . . . .	5	96,766,214

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements . . . . .	1	97,721,799
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	75,914
e	Add lines 2a through 2d . . . . .	2e	75,914
3	Subtract line 2e from line 1 . . . . .	3	97,645,885
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	0
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18 ) . . . . .	5	97,645,885

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 INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	THE ENDOWMENT FUNDS ARE USED TO SUPPORT THE MISSION OF THE WESTERLY HOSPITAL
PART XI, LINE 8 - OTHER ADJUSTMENTS		CAPITAL TRANSACTIONS WITH AFFILIATES -4,957,194 CHANGES IN ACCRUED MINIMUM PENSION LIABILITY - 6,244,436 ROUNING 1
PART XII, LINE 2D - OTHER ADJUSTMENTS		CAPITAL TRANSACTIONS WITH AFFILIATES -4,957,194 CHANGES TO ACCRUED PENSION LIABILITY -6,244,436
PART XII, LINE 4B - OTHER ADJUSTMENTS		RENTAL EXPENSES -75,914
PART XIII, LINE 2D - OTHER ADJUSTMENTS		RENTAL EXPENSES 75,914



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**  
THE WESTERLY HOSPITAL

**Employer identification number**  
05-0259100

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 . . . . .	Yes	
1b	If "Yes," is it a written policy? . . . . .	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  <div><input type="checkbox"/> Applied uniformly to all hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div> <div><input type="checkbox"/> Generally tailored to individual hospitals</div>		
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  <b>a</b> 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 <div><input type="checkbox"/> 100%<input type="checkbox"/> 150%<input checked="" type="checkbox"/> 200%<input type="checkbox"/> Other _____%</div> <b>b</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 . . . . . <div><input type="checkbox"/> 200%<input type="checkbox"/> 250%<input checked="" type="checkbox"/> 300%<input type="checkbox"/> 350%<input type="checkbox"/> 400%<input type="checkbox"/> Other _____%</div> <b>c</b> 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  <b>4</b> 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"? . . . . .	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	Yes	
5b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .	Yes	
5c	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? . . . . .		No
6a	Does the organization prepare a community benefit report during the tax year? . . . . .		No
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		

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)			1,157,269	408,117	749,152	0 770 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			9,319,533	8,335,972	983,561	1 010 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs . . . . .			10,476,802	8,744,089	1,732,713	1 780 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			17,961	6,144	11,817	0 010 %
f Health professions education (from Worksheet 5)			127,430	8,000	119,430	0 120 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			24,083		24,083	0 020 %
j Total Other Benefits . . . . .			169,474	14,144	155,330	0 150 %
k Total. Add lines 7d and 7j . . . . .			10,646,276	8,758,233	1,888,043	1 930 %

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					
10	Total					

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	2,844,713
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	
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	20,993,096
6	Enter Medicare allowable costs of care relating to payments on line 5 . . . . .	6	22,433,200
7	Subtract line 6 from line 5. This is the surplus or (shortfall) . . . . .	7	-1,440,104
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 type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other		

Section C. Collection Practices

9a	Does the organization have a written debt collection policy? . . . . .	9a	Yes
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI . . . . .	9b	No

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				

**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 III, LINE 8 COSTING METHODOLOGY - (TOTAL ALLOWABLE MEDICAL COST PLUS BAD DEBT COSTS) TIMES RATIO OF MEDICAL REVENUE TO TOTAL PATIENT REVENUE

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 2 THE HOSPITAL DID NOT PERFORM A FORMAL COMMUNITY HEALTH NEEDS ASSESSMENT IN FY 2011, BUT PLANS ARE UNDERWAY AND RESOURCES ALLOCATED FOR A FY 2013 COMMUNITY HEALTH NEEDS ASSESSMENT CURRENTLY, THE HOSPITAL USES A VARIETY OF INFORMATION GATHERING UPON WHICH TO ASSESS COMMUNITY NEED AS WELL AS PAST INFORMATION SUPPLIED THROUGH A VARIETY OF COMMUNITY RESOURCES THE FOLLOWING DATA WERE USED TO DETERMINE COMMUNITY NEED IN FY 2011 HOSPITAL PATIENT DISCHARGE DATA WERE USED TO LOOK AT RECURRING DIAGNOSES AND REASONS FOR ADMISSIONS, DEPARTMENT OF HEALTH AND HUMAN SERVICES COMMUNITY HEALTH STATUS INDICATORS FOR WASHINGTON COUNTY, RI, WERE EXAMINED TO DETERMINE AREAS IN NEED OF IMPROVEMENT, HEALTHY PEOPLE 2020 WAS USED AS A RESOURCE TO ALIGN ONGOING COMMUNITY EDUCATION AND COMMUNITY BENEFIT PROGRAMS WITH NATIONAL HEALTH GOALS, AND ALL COMMUNITY HEALTH EDUCATION PROGRAM PARTICIPANTS WERE SURVEYED TO DETERMINE PRESENTATION TOPICS DESIRED BY THE COMMUNITY TO DETERMINE HEALTH EDUCATION PROGRAM TOPICS IN FY 2011, AN ONLINE SURVEY WAS ALSO AVAILABLE ON HOSPITAL WEBSITE TO SOLICIT INFORMATION REGARDING HEALTH PROMOTION TOPICS TO INCLUDE IN THE HOSPITALS FREE HEALTHY FOR LIFE COMMUNITY EDUCATION PROGRAM</p>

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 6 THE HOSPITAL CONTINUES TO PARTICIPATE IN LOCAL GROUPS CONCERNED WITH THE HEALTH AND WELFARE OF THE COMMUNITY IT SERVES AS RESOURCES AND STAFF TIME AFFORDS WITH LIMITED RESOURCES, THE HOSPITAL CHOSE TO PARTICIPATE IN THE NEW WESTERLY PARENT ACADEMY (WPA) THAT FORMED IN FY 2011 WITH INITIAL MEETING IN THE SUMMER OF 2011 THIS NEW ACADEMY BOASTS BROAD REPRESENTATION WITHIN THE COMMUNITY FROM BANKING TO SCHOOLS TO LOCAL BUSINESSES AND HEALTH AGENCIES THE ACADEMY IS COMMUNITY-DRIVEN INITIATIVE DESIGNED TO PROVIDE EDUCATIONAL RESOURCES, COURSE WORK AND OTHER OPPORTUNITIES TO BUILD THE SKILLS, KNOWLEDGE AND KNOW-HOW OF PARENTS AND FAMILIES TO BECOME FULL PARTNERS IN THEIR CHILDS EDUCATION THE HOSPITAL IS A PARTNER IN THIS NEW COMMUNITY INITIATIVE PROVIDING HEALTH EDUCATION OPPORTUNITIES FOR PARENTS IN THE COMMUNITY COURSES WILL BEGIN AT THE HOSPITAL IN FALL 2012 HOSPITAL COURSES WILL PROMOTE HEALTH-RELATED GOALS DETERMINED TO BE OF NEED AND INTEREST BY THE WPA ALTHOUGH THE WESTERLY INFANT AND CHILD HEALTH PARTNERSHIP IS NO LONGER MEETING, THE HOSPITAL CONTINUES TO SUPPORT EFFORTS TO REDUCE TEEN PREGNANCY RATES IN WASHINGTON COUNTY BY ISSUING LETTERS OF SUPPORT FOR SOUTH COUNTY COMMUNITY ACTION WHICH IS SEEKING A GRANT TO INITIATE NEW PROGRAMS THE HOSPITAL HAS VOWED TO SUPPORT AS IT CAN WITH LIMITED RESOURCES ANY PROGRAMS FOR TEENS AND FOR PARENTS TO HELP REDUCE THE TEEN PREGNANCY RATES IN THE COUNTY AND WILL CONTINUE TO PARTNER WITH ANY OTHER COMMUNITY STAKEHOLDERS INVOLVED WITH THIS INITIATIVE INCLUDING PUBLIC SCHOOLS AND LOCAL HEALTH AGENCIES</p>

Schedule J  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization  
THE WESTERLY HOSPITAL

Employer identification number  
05-0259100

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> <div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div></div> <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> <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	
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	
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 checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Written employment contract</div></div> <div><div><input type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Compensation survey or study</div></div> <div><div><input checked="" 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	No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in 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) CHRISTOPHER LEHRACH MD	(i) (ii)	404,077 0	0 0	0 0	10,798 0	21,620 0	436,495 0	0 0
(2) CHARLES KINNEY	(i) (ii)	328,076 0	0 0	0 0	29,506 0	17,097 0	374,679 0	0 0
(3) JEANNE M LACHANCE	(i) (ii)	227,683 0	0 0	0 0	20,296 0	21,915 0	269,894 0	0 0
(4) MARGARET AUSTIN	(i) (ii)	185,143 0	0 0	0 0	16,547 0	16,695 0	218,385 0	0 0
(5) WILLIAM CONLIN	(i) (ii)	263,140 0	0 0	0 0	0 0	21,285 0	284,425 0	0 0
(6) FRED JACCARINO	(i) (ii)	255,178 0	0 0	0 0	0 0	21,285 0	276,463 0	0 0
(7) WHITNEY FISHER	(i) (ii)	150,010 0	0 0	0 0	0 0	16,181 0	166,191 0	0 0
(8) KEVIN TORRES	(i) (ii)	290,495 0	0 0	0 0	0 0	21,285 0	311,780 0	0 0
( 9 )								
( 10 )								
( 11 )								
( 12 )								
( 13 )								
( 14 )								
( 15 )								
( 16 )								

**Part III**   **Supplemental Information**

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

Identifier	Return Reference	Explanation
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Schedule L  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization  
THE WESTERLY HOSPITAL

Employer identification number  
  
05-0259100

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

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

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected?	
			Yes	No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 . . . . . ▶ \$ \_\_\_\_\_

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

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c)Original principal amount	(d)Balance due	(e) In default?		(f) Approved by board or committee?		(g)Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
Total . . . . . ▶ \$ _____										

Part III Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b)Relationship between interested person and the organization	(c)Amount of grant or type of assistance

**Part IV**

**Business Transactions Involving Interested Persons.**  
Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) WASHINGTON TRUST	BOARD MEMBERS B PERINO AND D DEVAULT ARE OFFICERS AT WASHINGTON TRUST	460,251	THE ORGANIZATION HAS A LOAN OUTSTANDING TO WASHINGTON TRUST INTEREST INCURRED ON THE LOAN DURING THE FISCAL YEAR WAS \$460,251		No

**Part V**

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

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2010

Open to Public  
Inspection

Name of the organization THE WESTERLY HOSPITAL	Employer identification number 05-0259100
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Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		THE ORGANIZATION IS CURRENTLY IN RECEIVERSHIP, AND THEREFORE, THERE IS NO BOARD OF DIRECTORS THE 990 WAS REVIEWED BY THE INTERIM CFO BEFORE FILING

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	EACH BOARD MEMBER SIGNS A CONFLICT OF INTEREST STATEMENT ANNUALLY. THEY ARE REQUIRED TO DISCLOSE ANY RELATIONSHIP THEY, THEIR BUSINESSES, OR THEIR FAMILY MEMBERS MAY HAVE WITH THE HOSPITAL. IF A DISCUSSION OR VOTE OCCURS ON A TRANSACTION WITH A POTENTIAL CONFLICT, THE BOARD MEMBER EXCUSES THEMSELVES FROM THE DISCUSSION AND VOTE.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	SUBCOMMITTEE OF THE GOVERNING BOARD MEETS TO DETERMINE ALL COMPENSATION ARRANGEMENTS OF THE TOP EXECUTIVE, OFFICERS AND KEY EMPLOYEES

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	THE CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE PROVIDED UPON REQUEST



Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -3,560,001 CAPITAL TRANSACTIONS WITH AFFILIATES -4,957,194 CHANGES IN ACCRUED MINIMUM PENSION LIABILITY -6,244,436 ROUNDING 1 TOTAL TO FORM 990, PART XI, LINE 5 -14,761,630

Identifier	Return Reference	Explanation
	FORM 990, PART VII, SECTION A - COMPENSATION OF OFFICERS	MAUREEN L. CARBONI IS COMPENSATED AS AN EMPLOYEE OF THE WESTERLY HOSPITAL. SHE RECEIVES NO COMPENSATION FOR HER POSITION AS SECRETARY OF THE BOARD.

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  
THE WESTERLY HOSPITAL

Employer identification number  
05-0259100

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
(1) THE WESTERLY HOSPITAL FOUNDATION INC  25 WELLS STREET  WESTERLY, RI 028912934 05-0508064	SUPPORT THE WESTERLY HOSPITAL	RI	501(C)(3)	509(A)(3) - TYPE I	N/A	Yes	
(2) WESTERLY HOSPITAL HEALTHCARE INC  25 WELLS STREET  WESTERLY, RI 028912934 22-2490227	SUPPORT THE WESTERLY HOSPITAL AND AFFILIATES	RI	501(C)(3)	509(A)(3) - TYPE II	N/A		No
(3) ATLANTIC MEDICAL GROUP INC  25 WELLS STREET  WESTERLY, RI 028912934 32-0250865	SUPPORT THE WESTERLY HOSPITAL	RI	501(C)(3)	509(A)(3) - TYPE II	N/A		No
(4) THE WESTERLY HOSPITAL AUXILIARY INC  25 WELLS STREET  WESTERLY, RI 028912934 22-2507181	SUPPORT THE WESTERLY HOSPITAL	RI	501(C)(3)		N/A		No
(5) NORTH STONINGTON HEALTH CENTER INC  183 PROVIDENCE NEW LONDON TPKE  NORTH STONINGTON, CT 06359 27-1833030	OPERATE A HEALTH CENTER	CT	501(C)(3)		N/A		No

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	

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) MASTUXET REALTY 25 WELLS STREET WESTERLY, RI02891 22-2501886	INACTIVE	RI	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

Yes

Yes

Yes

No

No

No

No

No

No

No

Yes

No

No

No

No

No

No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) THE WESTERLY HOSPITAL FOUNDATION	C	1,715,000	AMOUNT TRANSFERRED
(2) THE WESTERLY HOSPITAL FOUNDATION	D	679,902	AMOUNT LOANED
(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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**THE WESTERLY HOSPITAL AND SUBSIDIARY**  
**(A Controlled Affiliate of Westerly Hospital Health Care, Inc.)**

**COMBINED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2010 AND 2009**



**THE WESTERLY HOSPITAL AND SUBSIDIARY**  
**(A Controlled Affiliate of Westerly Hospital Health Care, Inc.)**

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Accounting | Tax | Business Consulting

## Independent Auditors' Report

The Board of Trustees  
The Westerly Hospital and Subsidiary

We have audited the accompanying combined balance sheets of The Westerly Hospital and Subsidiary (the Hospital) (a controlled affiliate of Westerly Hospital Health Care, Inc.) as of September 30, 2010 and 2009, and the related combined statements of operations and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 combined financial statements referred to above present fairly, in all material respects, the financial position of The Westerly Hospital and Subsidiary as of September 30, 2010 and 2009, and the results of their operations and changes in net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Blum, Shapiro & Company, P.C.*

March 3, 2011

**THE WESTERLY HOSPITAL AND SUBSIDIARY**  
(A Controlled Affiliate of Community Health of Westerly, Inc.)  
**COMBINED BALANCE SHEETS**  
SEPTEMBER 30, 2010 AND 2009

		ASSETS		LIABILITIES AND NET ASSETS	
		2010	2009	2010	2009
<b>Current Assets</b>					
Cash and cash equivalents	\$	2,413,242	\$	2,951,166	
Patient accounts receivable, net		7,336,470		7,459,592	
Inventories		1,611,752		1,469,759	
Other current assets		1,166,569		876,919	
Total current assets		<u>12,528,033</u>		<u>12,757,436</u>	
<b>Assets Limited as to Use</b>					
Promises to give, net		11,950		108,554	
By Board to function as endowment		12,368,211		11,296,158	
Under loan agreement, funds invested by trustee		1,963,370		1,896,847	
Accumulated earnings on permanent endowment funds		3,513,444		3,379,358	
By donors or grantors for specific purposes		301,614		364,595	
By donors for permanent endowment funds		4,744,092		4,671,877	
Funds held in trust		7,556,551		7,290,244	
Total assets limited as to use		<u>30,459,432</u>		<u>29,007,633</u>	
<b>Other Assets</b>					
Property, plant and equipment, net		36,501,015		38,296,354	
Deferred financing costs, net		209,899		233,389	
Due from related party, long-term		869,589		1,119,299	
Other long-term assets		513,420		598,371	
Total other assets		<u>38,093,923</u>		<u>40,247,413</u>	
Total Assets	\$	<u>\$ 81,081,388</u>	\$	<u>\$ 82,012,482</u>	
<b>Current Liabilities</b>					
Lines of credit	\$	4,566,767	\$	2,433,264	
Current installments of long-term debt		984,831		925,659	
Current installments of capital lease obligations		2,326,753		1,612,283	
Accounts payable and accrued expenses		5,739,354		5,149,870	
Deferred revenue		1,489,601		1,118,545	
Accrued payroll, benefits and related taxes		3,927,424		5,087,264	
Estimated third-party payor settlements		872,367		879,073	
Total current liabilities		<u>19,887,097</u>		<u>16,205,958</u>	
<b>Long-Term Liabilities</b>					
Long-term debt, net of current portion		12,788,366		13,768,276	
Long-term portion of capital lease obligations		1,406,509		2,932,268	
Noncurrent accrued pension cost		20,456,320		16,237,162	
Asset retirement obligation		1,412,870		1,339,257	
Total liabilities		<u>55,951,162</u>		<u>50,552,921</u>	
<b>Net Assets</b>					
Unrestricted		9,002,516		15,644,933	
Temporarily restricted		3,827,067		3,852,507	
Permanently restricted		12,300,643		11,962,121	
Total net assets		<u>25,130,226</u>		<u>31,459,561</u>	
Total Liabilities and Net Assets	\$	<u>\$ 81,081,388</u>	\$	<u>\$ 82,012,482</u>	

The accompanying notes are an integral part of the combined financial statements

**THE WESTERLY HOSPITAL AND SUBSIDIARY**  
**(A Controlled Affiliate of Community Health of Westerly, Inc.)**  
**COMBINED STATEMENTS OF OPERATIONS AND**  
**CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Unrestricted Revenue</b>		
Net patient revenue	\$ 90,460,251	\$ 87,786,337
Other revenue	1,809,187	1,356,297
Total revenues	<u>92,269,438</u>	<u>89,142,634</u>
<b>Expenses</b>		
Salaries and benefits	51,825,334	48,398,951
Supplies and other expenses	29,384,660	28,549,604
Depreciation	4,592,213	4,450,501
Provision for uncollectible accounts, net	5,962,284	7,249,449
Interest	1,306,259	1,377,482
Total expenses	<u>93,070,750</u>	<u>90,025,987</u>
<b>Loss From Operations</b>	<u>(801,312)</u>	<u>(883,353)</u>
<b>Nonoperating Income</b>		
Interest and investment income	448,102	(400,439)
Unrestricted gifts and bequests	819,506	594,091
Total nonoperating income	<u>1,267,608</u>	<u>193,652</u>
<b>Excess (Deficiency) of Revenues and Gains over Expenses</b>	466,296	(689,701)

(Continued on next page)

**THE WESTERLY HOSPITAL AND SUBSIDIARY**  
**(A Controlled Affiliate of Community Health of Westerly, Inc.)**  
**COMBINED STATEMENTS OF OPERATIONS AND**  
**CHANGES IN NET ASSETS (CONTINUED)**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Other Changes in Unrestricted Net Assets</b>		
Net assets released from restrictions	\$ 552,981	\$ 642,793
Capital transactions with affiliates	(4,915,318)	(3,121,653)
Change in unrealized gains on investments	443,946	386,985
Changes in additional minimum pension liability	(3,190,322)	(4,854,582)
Cumulative effect of change in accounting principle	-	(1,953,342)
Decrease in unrestricted net assets	<u>(6,642,417)</u>	<u>(9,589,500)</u>
<b>Temporarily Restricted Net Assets</b>		
Investment income	1,015	1,018
Net realized gains on investments	109,469	192,048
Net unrealized gains (losses) on investments	345,450	(168,208)
Gifts and bequests	41,840	95,153
Pledges	29,767	84,452
Net assets released from restrictions	(552,981)	(642,793)
Cumulative effect of change in accounting principle	-	3,765,129
Change in temporarily restricted net assets	<u>(25,440)</u>	<u>3,326,799</u>
<b>Permanently Restricted Net Assets</b>		
Net realized gains on investments	347,236	279,719
Net unrealized losses on investments	(8,714)	(474,329)
Cumulative effect of change in accounting principle	-	(1,811,787)
Change in permanently restricted net assets	<u>338,522</u>	<u>(2,006,397)</u>
<b>Change in Net Assets</b>	(6,329,335)	(8,269,098)
<b>Net Assets - Beginning of Year</b>	<u>31,459,561</u>	<u>39,728,659</u>
<b>Net Assets - End of Year</b>	<u>\$ 25,130,226</u>	<u>\$ 31,459,561</u>

The accompanying notes are an integral part of the combined financial statements

**THE WESTERLY HOSPITAL AND SUBSIDIARY**  
**(A Controlled Affiliate of Community Health of Westerly, Inc.)**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (6,329,335)	\$ (8,269,098)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,592,213	4,450,501
Amortization	23,490	23,489
Contributions restricted for long-term investment	(41,839)	(264,051)
Provision for uncollectible accounts	5,962,284	7,249,449
Increase in additional minimum pension liability	3,190,322	4,854,582
Net realized and unrealized (gains) losses on permanently restricted investments	(338,522)	194,610
Net unrealized gains on unrestricted investments	(443,946)	(386,985)
Investment income and unrealized gains on temporarily restricted net assets	(455,934)	(24,858)
(Increase) decrease in operating assets:		
Patient accounts receivable	(5,839,162)	(5,334,569)
Inventories	(141,993)	(62,155)
Other assets	(289,650)	109,282
Promises to give	96,604	84,446
Due from related party	249,710	(358,047)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(570,356)	974,982
Deferred revenue	1,351,056	1,898
Accrued pension cost	1,008,836	679,787
Estimated third-party payor settlements	(6,706)	(124,890)
Asset retirement obligation	23,613	35,177
Net cash provided by operating activities	<u>2,040,685</u>	<u>3,833,550</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(2,796,874)	(979,002)
Sale (purchase) of investments, net	(268,162)	1,611,017
Decrease in other long-term assets, net	84,951	143,313
Net cash provided by (used in) investing activities	<u>(2,980,085)</u>	<u>775,328</u>
<b>Cash Flows from Financing Activities</b>		
Repayments of long-term debt	(920,738)	(867,319)
Capital lease payments, net	(811,289)	(1,010,624)
Line of credit borrowings (payments), net	2,133,503	(2,010,617)
Net cash provided by (used in) financing activities	<u>401,476</u>	<u>(3,888,560)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(537,924)	720,318
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>2,951,166</u>	<u>2,230,848</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 2,413,242</u>	<u>\$ 2,951,166</u>
<b>Cash Paid During the Year for Interest</b>	\$ 1,316,834	\$ 1,387,457

The accompanying notes are an integral part of the combined financial statements

**THE WESTERLY HOSPITAL AND SUBSIDIARY**  
**(A Controlled Affiliate of Westerly Hospital Health Care, Inc.)**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 1 - ORGANIZATION**

The Westerly Hospital and Subsidiary (the Hospital) is a not-for-profit acute care hospital under corporate governance of Westerly Hospital Health Care, Inc. (C.H.O.W.), a not-for-profit holding company. The Westerly Hospital Foundation (the Foundation) is a not-for-profit corporation formed to promote the charitable, educational and scientific purposes of the Hospital, under corporate governance of the Hospital. The Foundation is a subsidiary of the Hospital. Other affiliated entities under the corporate governance of C.H.O.W. include Mastuxet Realty, Inc., The Westerly Hospital Auxiliary, Inc., Women's Health of Westerly, LLC, Westerly Hospital Energy Co., LLC, Atlantic Medical Group, Inc. (formerly C.H.O.W. NewCo, Inc.), North Stonington Health Center, Inc., and Eldereval, LLC.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** - The combined financial statements reflect the accounts of the Hospital and the Foundation and have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America (GAAP). All significant intercompany balances and transactions have been eliminated in combination.

The Hospital reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Unrestricted Net Assets** - Unrestricted net assets represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. The Board of Trustees has designated a portion of unrestricted net assets as described in Note 21.

**Temporarily Restricted Net Assets** - Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure and also includes accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure. Temporarily restricted net assets are available for the following:

	<u>2010</u>	<u>2009</u>
Women's Initiative Campaign	\$ 11,950	\$ 108,554
Charity care	9,872	8,863
Physician education	53,644	66,733
Capital expenditures	231,643	282,551
Available for appropriation by Board of Trustees	3,513,444	3,379,358
Other	<u>6,514</u>	<u>6,448</u>
	<u>\$ 3,827,067</u>	<u>\$ 3,852,507</u>

**THE WESTERLY HOSPITAL AND SUBSIDIARY**  
**(A Controlled Affiliate of Westerly Hospital Health Care, Inc.)**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Permanently Restricted Net Assets** - Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Hospital to expend the income earned thereon for general operating purposes (except for the Morgan trust, which specifies that income is restricted for charity care). Such assets are included in the Hospital's endowment funds.

**Funds Held in Trust by Others** - The Hospital is the sole beneficiary of the income from the Louise D. Hoxsey Foundation and the Estate of Charles A. Morgan trusts, which are held in perpetuity by an independent trustee. These trusts are recorded at market value and are included in assets limited as to use and permanently restricted net assets. The income from the Hoxsey trust is unrestricted, and Morgan trust income is restricted for charity care.

Annual distributions from the trusts are reported as other revenue that increases unrestricted net assets.

**Income Taxes** - The Hospital and the Foundation are organizations as described in Section 501(c)(3) of the Internal Revenue Code and are generally exempt from federal income taxes on related income under the Code.

The tax returns of the Hospital and the Foundation for the years ended September 30, 2007 through 2010 are subject to examination by the Internal Revenue Service (IRS) and various state jurisdictions.

**Excess of Revenues and Gains over Expenses** - The combined statements of operations and changes in net assets include excess (deficiency) of revenues and gains over expenses. Changes in unrestricted net assets, which are excluded from excess (deficiency) of revenues and gains over expenses, consistent with industry practice, include unrealized gains and losses on investments, capital transactions with C.H.O.W. and affiliated entities, and changes in additional minimum pension liability).

**Use of Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include third-party payor reserves, contractual allowances on patient revenue, accrued pension costs and the reserve for uncollectible accounts. Actual results could differ from those estimates.

**Change in Accounting Principle** - In 2009, the Hospital was required to change its accounting for donor-restricted endowments due to the issuance of Financial Accounting Standards Board Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds (FAS 117-1)*. Previously, accumulated gains and income on donor-restricted endowment assets were classified either as unrestricted or permanently



**THE WESTERLY HOSPITAL AND SUBSIDIARY**  
**(A Controlled Affiliate of Westerly Hospital Health Care, Inc.)**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

restricted net assets. In accordance with GAAP, accumulated gains and income on donor-restricted endowment assets are classified as temporarily restricted net assets until appropriated for expenditure. This change in accounting principle had no effect on total net assets. The reclassification of net assets from unrestricted and permanently restricted to temporarily restricted is disclosed in Note 3 and Note 21.

**Cash and Cash Equivalents** - Cash and cash equivalents include investments in certain instruments with an original maturity of three months or less, excluding amounts whose use is limited by donor designation or other arrangements under trust agreements that, at times, may exceed federally insured limits. In addition, cash equivalents may, at times, be invested in instruments not covered by federal insurance. The Hospital's deposits exceeded federal depository insurance limits as of September 30, 2010 and 2009. However, the Hospital has not experienced any losses in such accounts or instruments, and management believes the Hospital is not exposed to any significant credit risk on cash and cash equivalents.

**Inventories** - Inventories, consisting principally of supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out) or market.

**Promises to Give** - Unconditional promises to give cash and other assets to the Foundation are reported at fair value at the date the promise is received. Unconditional promises to give are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

**Investments** - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the combined balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues and gains over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess (deficiency) of revenues and gains over expenses unless the investments are trading securities. None of the Hospital's investments are trading securities.

A decline in the market value of an investment security below its cost that is designated to be other than temporary is recognized through an impairment charge. The impairment charge is included in the excess of expenses over revenues and gains in the combined statements of operations and changes in net assets, and a new cost basis is established (see Note 9).

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect the investment balances and activity reflected in the combined financial statements. The Hospital maintains a diversified portfolio of investments and is actively monitoring the financial markets.

**THE WESTERLY HOSPITAL AND SUBSIDIARY**  
**(A Controlled Affiliate of Westerly Hospital Health Care, Inc.)**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets Limited as to Use** - Assets limited as to use primarily include assets restricted by donors, assets held by trustees under indenture agreements and designated assets set aside by the Board of Trustees to function as endowment, over which the Board retains control and at its discretion may use for other purposes.

**Property, Plant and Equipment** - Property, plant and equipment acquisitions that individually exceed \$1,500 are recorded at cost. Depreciation is provided over the estimated useful lives of the assets, 3-30 years, on a straight-line basis. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or estimated useful life of the equipment. Such amortization is included in depreciation in the combined financial statements. Maintenance and repairs are charged to expense as incurred, and renovations that extend the original expected life of the related assets are capitalized.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support and are excluded from the excess of revenues and gains over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Without explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

**Deferred Financing Costs** - Deferred financing costs are amortized over the lives of the related revenue bonds.

**Net Patient Service Revenue** - The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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.

**Restricted and Unrestricted Revenue and Support** - Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of operations and changes in net assets as net assets released from restrictions.

**THE WESTERLY HOSPITAL AND SUBSIDIARY**  
**(A Controlled Affiliate of Westerly Hospital Health Care, Inc.)**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assessments** - During 2010 and 2009, the State of Rhode Island assessed a licensing fee to all Rhode Island hospitals based on each hospital's gross patient revenue. The licensing fee expense included in supplies and other expenses in the accompanying combined statements of operations and changes in net assets was \$3,807,403 and \$3,539,944 for 2010 and 2009, respectively.

**Malpractice Insurance Coverage and Estimated Malpractice Costs** - The Hospital maintains its malpractice coverage on a claims-made basis and has renewed its policy for fiscal year 2011. The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

**Charity Care and Provision for Bad Debts** - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.

The Hospital grants credit without collateral to patients, most of whom are local residents and are insured under third-party arrangements. Additions to the allowance for uncollectible accounts are made by means of the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance and subsequent recoveries are added. The amount of the provision for bad debts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in federal and state governmental healthcare coverage and other collection indicators.

**Nonoperating Gains and Losses** - The Hospital records unrestricted investment income from endowment funds and board-designated assets as nonoperating gains within the combined statements of operations and changes in net assets. All gifts and grants are considered to be available for general use, unless specifically restricted by the donor, and are recorded at fair market value at the date received.

**Donated Services** - A substantial number of unpaid volunteers have made significant contributions of their time to the Hospital's programs and supporting services. These contributed services are not recorded as contributions in the combined financial statements.

**State Unemployment Compensation Method** - The Hospital uses the self-insurance method for unemployment insurance under which the Hospital reimburses the State of Rhode Island for actual unemployment benefits paid by the State.

**Asset Retirement Obligations** - The Hospital has recognized a liability related to certain of the Hospital's pipe coverings and floor tiles that contain asbestos that must be removed upon demolition or upon extensive renovation. An asset retirement obligation of \$1,412,870 and \$1,389,257 has been included on the accompanying combined balance sheets as of September 30, 2010 and 2009, respectively. Accretion expense of \$23,613 was recognized by the Hospital during 2010. The Hospital expects to, and has the ability to, continue to maintain and operate its remaining buildings without undertaking any activities that would require removal of the asbestos.

**THE WESTERLY HOSPITAL AND SUBSIDIARY**  
**(A Controlled Affiliate of Westerly Hospital Health Care, Inc.)**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Subsequent Events** - In preparing these combined financial statements, management has evaluated subsequent events through March 3, 2011, which represents the date the combined financial statements were available to be issued.

**NOTE 3 - RESTATEMENT OF ENDOWMENT NET ASSETS**

In 2009, the Rhode Island Prudent Management of Institutional Funds Act (RIPMIFA) became effective and applies to the Hospital.

Accordingly, the Hospital adopted the principles of FAS 117-1 effective as of the beginning of the fiscal year ended September 30, 2009. This resulted in the reclassification of accumulated unspent investment returns of \$1,953,342 from unrestricted net assets to temporarily restricted net assets, as more fully described in Note 21. The adoption of RIPMIFA also resulted in a reclassification of \$1,811,787 from permanently restricted net assets to temporarily restricted net assets. The amount of this reclassification represented the amount by which the permanently restricted funds were increased in order to maintain the purchasing power of the fund, as previously required by the Uniform Management of Institutional Funds Act.

These reclassifications are shown as a cumulative effect of change in accounting principle in the accompanying combined financial statements.

**NOTE 4 - CHARITY CARE**

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics.

The following information summarizes charity care provided during the years ended September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Charges Foregone, Based on Established Rates	\$ 2,204,887	\$ 1,091,713

The Hospital also subsidizes the cost of treating patients who are on government assistance where reimbursement is below cost.

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**NOTE 5 - NET PATIENT SERVICE REVENUE**

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

**Medicare** - Inpatient acute care and certain outpatient services rendered to Medicare program beneficiaries are reimbursed at prospectively determined rates. Inpatient rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Payments for outpatient services are based on ambulatory payment classifications.

The Hospital is paid for certain cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare Prospective Payment System and the appropriateness of their admissions are subject to an independent review by a pcr review organization under contract with the Medicare program. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2008. Management does not believe that future settlements will have a material impact on operations.

**Blue Cross** - The Hospital is reimbursed at prospectively determined rates for inpatient services provided to Blue Cross patients. Outpatient services are reimbursed in accordance with a negotiated fee. Both inpatient and outpatient services are reimbursed on predetermined volumes.

**Medicaid** - The Hospital is reimbursed for charges to Medicaid patients under the terms of a prospective rating contract. Under the contract, reimbursement rates are determined in advance based on budgeted costs and anticipated patient care statistics for the applicable year, as negotiated and agreed to by the third-party contractual agencies. Adjustments to anticipated patient care statistics are made at year end in accordance with provisions in the contract that recognize actual volume and intensity statistics. Settlements have been reached with Medicaid through September 30, 2004. Management does not believe that future settlements will have a material impact on operations.

**United Health Plans of New England, Inc.** - The Hospital is reimbursed for inpatient services provided to United Health patients on a negotiated per diem rate. Outpatient services are reimbursed in accordance with a predetermined fee schedule.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with laws and regulations can be subject to future government review and interpretation as well as significant regulatory action. Failure to comply with such laws and regulations can result in fines, penalties and exclusion from the Medicare and Medicaid programs. The Hospital believes it is in compliance with all applicable laws and regulations.

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**NOTE 6 - OTHER REVENUE**

Other revenue for the years ended September 30, 2010 and 2009, comprises the following:

	<u>2010</u>	<u>2009</u>
Morgan trust income	\$ 301,296	\$ 307,625
Cafeteria sales	199,382	177,733
Pharmacy sales	1,520	1,142
Rental income, service fees and other	<u>1,306,989</u>	<u>869,797</u>
	<u>\$ 1,809,187</u>	<u>\$ 1,356,297</u>

**NOTE 7 - PATIENT ACCOUNTS RECEIVABLE**

Accounts receivable are presented in the combined balance sheets net of an allowance for doubtful accounts of \$5,146,027 and \$6,635,205 at September 30, 2010 and 2009, respectively. The Hospital provided \$5,962,284 and \$7,249,449 for uncollectible patient accounts during the years ended September 30, 2010 and 2009, respectively. Accounts are written off when all collection efforts have been exhausted. Recoveries of approximately \$1,100,000 and \$1,200,000 were netted against the provision for uncollectible accounts for the years ended September 30, 2010 and 2009, respectively.

**NOTE 8 - PROMISES TO GIVE**

Unconditional promises to give as of September 30, 2010 and 2009, are expected to be collected as follows:

	<u>2010</u>	<u>2009</u>
Within one year	\$ 11,950	\$ 113,231
Within two to five years	<u>-</u>	<u>7,465</u>
Total contributions receivable	11,950	120,696
Less discounts to net present value and reserve for uncollectible pledges	<u>-</u>	<u>(12,142)</u>
Net Unconditional Promises to Give	<u>\$ 11,950</u>	<u>\$ 108,554</u>

The discount rate used in calculating the present value of promises to give for the years ended September 30, 2010 and 2009, was 3.4%.

Of the promises to give, \$-0- and \$74,000 is due from The Westerly Hospital Auxiliary, Inc., a related party, as of September 30, 2010 and 2009, respectively.

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**NOTE 9 - ASSETS LIMITED AS TO USE**

The following information is presented as of September 30, 2010 and 2009, regarding assets whose use is restricted by donors or limited by the board:

	<u>2010</u>	<u>2009</u>
Cash and short-term investments	\$ 1,925,462	\$ 1,962,780
Marketable equity securities	13,635,129	10,638,635
Other investments, primarily bonds	<u>5,366,770</u>	<u>7,110,573</u>
	<u>\$ 20,927,361</u>	<u>\$ 19,711,988</u>

The following information is presented as of September 30, 2010 and 2009, regarding assets invested by trustee under loan agreement:

	<u>2010</u>	<u>2009</u>
Cash and short-term investments	\$ 1,316,657	\$ 1,277,983
Other investments, primarily bonds	<u>646,913</u>	<u>618,864</u>
	<u>\$ 1,963,570</u>	<u>\$ 1,896,847</u>

The following information is presented as of September 30, 2010 and 2009, regarding assets held in trust:

	<u>2010</u>	<u>2009</u>
Cash and short-term investments	\$ 128,888	\$ 284,721
Marketable equity securities	4,268,042	3,763,021
Other investments, primarily bonds	<u>3,159,621</u>	<u>3,242,502</u>
	<u>\$ 7,556,551</u>	<u>\$ 7,290,244</u>

Included in interest and investment income is an investment impairment charge totaling \$10,608 and \$461,557 for the years ended September 30, 2010 and 2009, respectively, to reflect other than temporary declines in the fair market value of certain equity securities.

Investment income is stated net of management fees and expenses, which were \$72,241 and \$69,626 for the years ended September 30, 2010 and 2009, respectively.

At September 30, 2010, investments with market value below cost for 12 months or more included certain equity and bond securities with market values of \$3,680,683 and \$10,194, respectively, and unrealized losses of \$1,540,842 and \$160, respectively. Investments with market value below cost for less than 12 months at September 30, 2010 included certain equity and bond securities with a market value of \$3,408,104 and \$175,593, respectively, and an unrealized loss of \$425,272 and \$4,811, respectively.

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**NOTE 10 - PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment at September 30, 2010 and 2009, comprises the following:

	<u>2010</u>	<u>2009</u>
Land and land improvements	\$ 2,450,129	\$ 2,428,957
Building and building improvements	43,905,405	43,510,583
Equipment	63,691,732	63,178,602
Construction in progress	1,965,142	122,865
	<u>112,012,408</u>	<u>109,241,007</u>
Less accumulated depreciation and amortization	<u>75,511,393</u>	<u>70,944,653</u>
Net Property and Equipment	<u>\$ 36,501,015</u>	<u>\$ 38,296,354</u>

**NOTE 11 - LONG-TERM DEBT AND FUNDS INVESTED BY TRUSTEE**

The Hospital has a 6.25% secured promissory note payable in monthly installments of \$40,493 until June 15, 2014. After June 15, 2014, the interest rate will be adjusted to either 150 basis points greater than the bank's five- or ten-year cost of funds or the then 30-day LIBOR rate. It is the Hospital's option which rate to choose. The final payment is due June 15, 2024.

In January 1994, the Rhode Island Health and Educational Building Corporation issued \$20,485,000 of Hospital Financing Revenue Bonds - The Westerly Hospital Issue - Series 1994 (the Bonds) on behalf of the Hospital pursuant to the Loan and Trust Agreement dated January 15, 1994 (the Bond Agreement). The terms of the Bond Agreement stipulate that interest will be paid at rates between 2.75% and 6% per annum, with semiannual principal installment payments commencing July 1, 1994 and through July 1, 2019.

The terms of the Bond Agreement require that the Hospital make quarterly deposits to the trustee that are sufficient to provide for the payment of principal and interest due on the bonds. Such deposits are included in assets limited as to use. The Bond Agreement also requires the Hospital to maintain a certain debt coverage ratio.



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**NOTE 11 - LONG-TERM DEBT AND FUNDS INVESTED BY TRUSTEE (Continued)**

Long-term debt is comprised of the following at September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
6.25% secured promissory note, principal maturing June 15, 2024, monthly installments are \$40,493, interest is 6.25% until June 15, 2014	\$ 4,451,767	\$ 4,648,709
Series 1994 Tax-Exempt Revenue Bonds, principal maturing in varying annual amounts, due July 1, 2019, collateralized by a lien on certain equipment	8,610,000	9,315,000
7.72% mortgage loan, payable in monthly installments of \$6,274, including interest, collateralized by a mortgage on certain property	711,430	730,226
	<u>13,773,197</u>	<u>14,693,935</u>
Less current installments	<u>984,831</u>	<u>925,659</u>
Total Long-Term Debt	<u>\$ 12,788,366</u>	<u>\$ 13,768,276</u>

The aggregate maturities of long-term debt for the next five years and thereafter are as follows:

**Year Ending September 30**

2011	\$ 984,831
2012	1,045,266
2013	1,106,721
2014	1,174,262
2015	1,247,963
Thereafter	<u>8,214,154</u>
	<u>\$ 13,773,197</u>

The Hospital has a \$3,500,000 secured line-of-credit agreement with a bank as of September 30, 2010 and 2009. The Hospital had outstanding borrowings of \$3,066,767 and \$2,433,264 against the line of credit as of September 30, 2010 and 2009, respectively. This amount is included within lines of credit on the accompanying combined balance sheets. Interest is payable on the outstanding balance at 150 basis points in excess of the 30-day LIBOR rate. Interest was 1.75% and 1.70% at September 30, 2010 and 2009, respectively. This line-of-credit agreement expires on June 1, 2012.

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**NOTE 11 - LONG-TERM DEBT AND FUNDS INVESTED BY TRUSTEE (Continued)**

The Hospital has a \$1,500,000 secured line-of-credit agreement with a bank as of September 30, 2010 and 2009. The Hospital had outstanding borrowings of \$1,500,000 and \$-0- against the line of credit as of September 30, 2010 and 2009, respectively. This amount is included within lines of credit in the accompanying combined balance sheets. Interest is payable on the outstanding balance at 150 basis points in excess of the 30-day LIBOR rate. Interest was 1.75% and 1.70% at September 30, 2010 and 2009, respectively. This line of credit expires March 1, 2012.

Approximately \$11,400,000 in investments and cash collateralizes the promissory note and the two lines of credit.

**Under Loan Agreement, Funds Invested by Trustee** - Funds invested by trustee consisted of the following accounts at September 30, 2010 and 2009, which were established in connection with the long-term debt discussed above:

	<u>2010</u>	<u>2009</u>
Debt service reserve fund	\$ 1,621,542	\$ 1,555,496
Principal and interest funds	339,470	338,795
Other	<u>2,558</u>	<u>2,556</u>
Total Funds Invested by Trustee	\$ <u>1,963,570</u>	\$ <u>1,896,847</u>

The principal and interest funds are used to make semiannual principal and interest payments. The debt service reserve fund represents additional funds that the Hospital is required to set aside under the Bond Agreement.

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**NOTE 12 - LEASES - CAPITAL**

The Hospital leases various equipment under capital leases. The present value of future minimum capital lease payments is as follows:

**Year Ending September 30**

2011	\$ 2,551,443
2012	788,480
2013	565,169
2014	<u>120,259</u>
Total minimum lease payments	4,025,351
Less amount representing interest at interest rates ranging from 1.30% to 7.94%	<u>(292,089)</u>
Present value of net minimum capital lease payments	3,733,262
Less current portion of capital lease obligations	<u>(2,326,753)</u>
 Long-Term Capital Lease Obligations	 <u><u>\$ 1,406,509</u></u>

The net book value of equipment under capital lease obligations is \$6,808,294.

**NOTE 13 - PENSION PLAN**

The Hospital sponsors a noncontributory defined benefit retirement plan covering substantially all employees called The Westerly Hospital Retirement Plan (the Plan). The Plan provides pension benefits, which are based on years of service and compensation throughout the term of employment, and certain death benefits. It is the Hospital's policy to fund the minimum allowed contribution, taking into effect the IRS full-funding limitation. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

In November 2006, the Plan was amended such that new employees hired after January 30, 2007 will not be eligible to participate in the Plan. New employees hired after that date will receive a 5% contribution to the Tax Sheltered Annuity Plan (TSA) once qualified under such plan. Existing employees (and those hired before January 30, 2007) will remain in (or eligible for) the Plan and will be eligible for a 1% match under the TSA once qualified under such plan. Existing employees may elect to transfer from the Plan to the TSA and receive an employer contribution of 5% of their salary once qualified under the Plan.

GAAP requires companies to record a liability on the combined balance sheets for the underfunded portion of postretirement plans, defined as the amount by which the projected benefit obligation exceeds the fair value of plan assets.

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**NOTE 13 - PENSION PLAN (Continued)**

The following table sets forth the Plan's funded status and amounts recognized in the Hospital's combined financial statements at September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Change in benefit obligation:		
Projected benefit obligation at beginning of year	\$ 46,630,499	\$ 40,592,391
Service cost	1,722,030	1,507,179
Interest cost	2,790,199	2,609,371
Benefits paid	(1,478,491)	(1,387,741)
Actuarial loss	4,339,731	3,309,299
Projected Benefit Obligation at End of Year	<u>54,003,968</u>	<u>46,630,499</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	30,373,337	29,869,598
Actual return on plan assets	2,713,514	396,977
Contributions and transfers	1,939,288	1,494,503
Benefits paid	<u>(1,478,491)</u>	<u>(1,387,741)</u>
Fair Value of Plan Assets at End of Year	<u>33,547,648</u>	<u>30,373,337</u>
Accrued Pension Cost	<u>\$ 20,456,320</u>	<u>\$ 16,257,162</u>

The following table sets forth the unrecognized items impacting the Plan:

	<u>2010</u>	<u>2009</u>
Unrecognized loss from past experience different from that assumed and effects of changes in assumptions	\$ 20,695,927	\$ 17,461,924

The accumulated benefit obligation at the end of 2010 and 2009 was \$48,350,539 and \$41,583,268, respectively. The measurement dates are September 30, 2010 and 2009.

The following weighted average assumptions were used to determine end of year benefit obligations:

	<u>2010</u>	<u>2009</u>
Discount rate	5.50%	6.00%
Rate of compensation increase	3.00	3.00

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**NOTE 13 - PENSION PLAN (Continued)**

Net periodic pension cost for 2010 and 2009 included the following components:

	<u>2010</u>	<u>2009</u>
Service cost - benefits earned during the period	\$ 1,722,030	\$ 1,507,179
Interest cost on projected benefit obligation	2,790,199	2,609,371
Expected return on assets	(2,578,906)	(2,472,901)
Recognized net actuarial loss	<u>971,120</u>	<u>530,641</u>
Net Periodic Pension Cost	<u>\$ 2,904,443</u>	<u>\$ 2,174,290</u>

The following weighted average assumptions were used to determine net periodic pension cost:

	<u>2010</u>	<u>2009</u>
Discount rate	6.00%	6.75%
Expected return on plan assets	8.50	8.50
Rate of compensation increase	3.00	4.50

The Hospital expects to contribute approximately \$3,700,000 to the Plan during the upcoming year.

Expected benefit payments:

2011	\$ 1,731,574
2012	1,862,730
2013	2,121,255
2014	2,373,581
2015	2,472,505
2016-2020	16,144,488

The asset allocation for the Plan at the end of 2010 and 2009, and the target allocation for 2010 by asset category, are as follows:

<u>Asset Category</u>	<u>Target Allocations</u>	<u>Percentage of Plan Assets at September 30</u>	
	<u>2010</u>	<u>2010</u>	<u>2009</u>
Equity	50%	54%	52%
Fixed income	40	42	40
Cash equivalents	10	4	8

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**NOTE 13 - PENSION PLAN (Continued)**

The Plan's investment policy includes a mandate to diversify assets and invest in a variety of asset classes to achieve a goal of three-year average of 10%. The Plan's assets are currently invested in a variety of funds representing most standard equity and debt security classes. While no significant changes in the asset allocation are expected during the upcoming year, the Hospital may make changes at any time.

GAAP has established a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. Highest rank is given to unadjusted quoted prices in active markets for identical assets (Level 1) and lowest rank to unobservable inputs (Level 3). Investments are ranked based on the lowest level of input that is significant to their fair value measurement.

The fair values of all Plan assets of the Hospital are determined using quoted prices in active markets for identical assets (Level 1, as defined in the fair value hierarchy established by GAAP - see Note 20).

The fair values of the Hospital's pension plan assets at September 30, 2010 by asset class are as follows:

Asset classes:	
Equity investments - common stock	\$ 17,914,711
Fixed income	13,913,697
Cash and cash equivalents	1,547,224
Convertible securities and other	<u>172,016</u>
Total Pension Plan Assets	<u>\$ 33,547,648</u>

The Hospital also provides an employer funded annuity plan covering substantially all employees. Hospital contributions to the annuity plan totaled \$189,178 and \$256,366 during 2010 and 2009, respectively.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

The Hospital is presently a defendant in several pending medical malpractice and other suits. All of these suits are being defended by counsel of the Hospital's insurance carriers. In the opinion of the Hospital's management, any settlements or judgments of these suits will be covered by insurance and will have no significant adverse effect on the financial position or results of operations of the Hospital.

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**NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)**

The Hospital has made a \$3,500,000 line of credit available to Atlantic Medical Group, an affiliated organization under common management and control. The line of credit expires on June 30, 2013. Outstanding balances on the line of credit bear interest at Prime minus 1%. There were no balances outstanding as of September 30, 2010.

The Hospital has also guaranteed a building and equipment lease entered into by North Stonington Health Center, Inc., an affiliated organization under common management and control. The lease has a 25- year term and provides for annual base rental payments of \$686,400 for the building and equipment, plus reimbursement of certain operating expenses of approximately \$180,000 per year. The equipment portion of the lease provided for the purchase of equipment valued at approximately \$730,000, and is amortized over a 10-year period, at which time the base rental payments will be reduced accordingly.

**NOTE 15 - OPERATING LEASES**

Rental expense under all significant operating leases was \$735,153 and \$750,502 for the years ended September 30, 2010 and 2009, respectively. At September 30, 2010, future minimum lease payments under noncancelable operating leases are as follows:

**Year Ending September 30**

2011	\$ 380,544
2012	235,000
2013	235,000
2014	<u>235,000</u>
	<u>\$ 1,085,544</u>

**NOTE 16 - DISPROPORTIONATE SHARE**

The Federal government has long recognized the financial burdens that are borne by hospitals that serve an unusually large number or "disproportionate share" of low-income patients. The Hospital received disproportionate share payments of \$3,008,630 and \$3,556,998 for the years ended September 30, 2010 and 2009, respectively. These amounts are included in net patient revenue on the accompanying combined statements of operations and changes in net assets.

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**NOTE 17 - CONCENTRATION OF CREDIT RISK**

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. Revenues from patients and third-party payors were as follows:

	<u>2010</u>	<u>2009</u>
Medicare	37%	39%
Medicaid	2	2
Blue Cross	23	23
Other third-party payors	34	33
Patients	<u>4</u>	<u>3</u>
	<u>100%</u>	<u>100%</u>

**NOTE 18 - RELATED PARTIES**

The following amounts were due to the Hospital from related parties at September 30, 2010:

C.H.O.W.	\$ 52,357
Women's Health of Westerly, LLC	102,152
Atlantic Medical Group, Inc.	350,000
North Stonington Health Center, Inc.	<u>365,080</u>
	<u>\$ 869,589</u>

During 2010, the Hospital incurred \$4,915,318 in capital transactions with affiliates, which is reflected on the accompanying combined statement of operations and changes in net assets. These capital transactions occurred with the following affiliates:

Atlantic Medical Group, Inc.	\$ 3,676,242
Women's Health of Westerly, LLC	1,228,076
Eldereval, LLC	<u>11,000</u>
	<u>\$ 4,915,318</u>



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**NOTE 19 - FUNCTIONAL EXPENSES**

The Hospital provides general healthcare services to residents within its geographic location. Expenses related to providing these services are as follows:

	<u>2010</u>	<u>2009</u>
Healthcare services	\$ 60,038,899	\$ 56,466,938
Provision for uncollectible accounts	5,962,284	7,249,449
General and administrative	21,171,095	20,481,617
Interest	1,306,259	1,377,482
Depreciation and amortization	<u>4,592,213</u>	<u>4,450,501</u>
	<u>\$ 93,070,750</u>	<u>\$ 90,025,987</u>

**NOTE 20 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

GAAP has established a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. Highest rank is given to unadjusted quoted prices in active markets for identical assets (Level 1) and lowest rank to unobservable inputs (Level 3). Investments are ranked based on the lowest level of input that is significant to their fair value measurement. The three levels of the fair value hierarchy are described below:

**Level 1** - Quoted market prices (unadjusted) in active markets for identical assets or liabilities to which the Hospital has the ability to access at the measurement date.

**Level 2** - Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly, and the Hospital has the ability to redeem the asset or liability in the near term subsequent to the measurement date.

**Level 3** - Unobservable inputs are used to measure the fair value to the extent that observable inputs are not available, and the Hospital does not have the ability to redeem the asset or liability in the near term subsequent to the measurement date.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

**Cash and Cash Equivalents** - The carrying amount approximates fair value because of the short maturity of these instruments.

**Investments** - The fair value of certain investments is estimated based on quoted market prices or estimates of fair value for those or similar investments.

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**NOTE 20 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

**Bonds and Notes Payable** - The estimated fair market value of the Hospital's long-term debt at September 30, 2010 is approximately \$13,825,000, estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

**Assets Measured at Fair Value on a Recurring Basis** - The following is a summary of the source of fair value measurements for assets that are measured at fair value on a recurring basis as of September 30, 2010:

Description	September 30, 2010	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 2,413,242	\$ 2,413,242	\$ -	\$ -
Assets whose use is restricted by donors or limited by the Board	20,927,361	20,927,361	-	-
Promises to give, net	11,950	-	-	11,950
Under loan agreement, funds invested by trustee	1,963,570	1,963,570	-	-
Funds held in trust	7,556,551	-	-	7,556,551
Total	\$ 32,872,674	\$ 25,304,173	\$ -	\$ 7,568,501

**Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)** - The following is a summary of the changes in the balances of investments and promises to give measured at fair value on a recurring basis using significant unobservable inputs:

	Funds Held in Trust	Promises to Give, Net
Balance - beginning of year	\$ 7,290,244	108,554
Net realized gains	280,625	-
Net unrealized losses	(14,318)	-
Collections	-	(96,604)
Balance - End of Year	\$ 7,556,551	11,950

Funds held in trust represent the right to receive a future stream of payments from the trust. The underlying assets in the trust would be classified as Level 1 if the Hospital held them directly.

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**NOTE 21 - ENDOWMENT**

The Hospital's endowment consists of approximately 10 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law** - The Hospital has interpreted RIPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Hospital classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Hospital in a manner consistent with the standard of prudence prescribed by RIPMIFA. In accordance with RIPMIFA, the Hospital considers the following factors in making a determination to appropriate from accumulated donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Hospital and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Hospital
- The investment policies of the Hospital
- The expected tax consequences, if any, of investment decisions or strategies
- The role that each investment or course of action plays within the overall investment portfolio of the fund
- The needs of the Hospital and the fund to make distributions to preserve capital
- An asset's special relationship or special value, if any, to the charitable purposes of the Hospital

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**NOTE 21 - ENDOWMENT (Continued)**

Endowment net asset composition by type of fund is as follows as of September 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 3,513,444	\$ 4,744,092	\$ 8,257,536
Board-designated endowment funds	<u>12,368,211</u>	<u>-</u>	<u>-</u>	<u>12,368,211</u>
Total	<u>\$ 12,368,211</u>	<u>\$ 3,513,444</u>	<u>\$ 4,744,092</u>	<u>\$ 20,625,747</u>

Changes in endowment net assets are as follows for the year ended September 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ <u>11,296,158</u>	\$ <u>3,379,358</u>	\$ <u>4,671,877</u>	\$ <u>19,347,393</u>
Investment return:				
Investment income	307,274	109,469	66,612	483,355
Unrealized investment gain	<u>443,946</u>	<u>345,450</u>	<u>5,603</u>	<u>794,999</u>
Total investment return	<u>751,220</u>	<u>454,919</u>	<u>72,215</u>	<u>1,278,354</u>
Appropriation of endowment assets for expenditure/transfer	<u>320,833</u>	<u>(320,833)</u>	<u>-</u>	<u>-</u>
Endowment Net Assets - End of Year	<u>\$ 12,368,211</u>	<u>\$ 3,513,444</u>	<u>\$ 4,744,092</u>	<u>\$ 20,625,747</u>

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**NOTE 21 - ENDOWMENT (Continued)**

Endowment net asset composition by type of fund is as follows as of September 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 3,379,358	\$ 4,671,877	\$ 8,051,235
Board-designated endowment funds	<u>11,296,158</u>	<u>-</u>	<u>-</u>	<u>11,296,158</u>
Total	\$ <u>11,296,158</u>	\$ <u>3,379,358</u>	\$ <u>4,671,877</u>	\$ <u>19,347,393</u>

Changes in endowment net assets are as follows for the year ended September 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 13,831,134	\$ -	\$ 6,430,642	\$ 20,261,776
Net asset reclassifications based on change in law	<u>(1,953,342)</u>	<u>3,765,129</u>	<u>(1,811,787)</u>	<u>-</u>
	<u>11,877,792</u>	<u>3,765,129</u>	<u>4,618,855</u>	<u>20,261,776</u>
Investment return:				
Investment income	272,570	192,049	69,685	534,304
Unrealized investment loss	<u>(354,204)</u>	<u>(168,208)</u>	<u>(16,663)</u>	<u>(539,075)</u>
Total investment return	<u>(81,634)</u>	<u>23,841</u>	<u>53,022</u>	<u>(4,771)</u>
Appropriation of endowment assets for expenditure	<u>(500,000)</u>	<u>(409,612)</u>	<u>-</u>	<u>(909,612)</u>
Endowment Net Assets - End of Year	\$ <u>11,296,158</u>	\$ <u>3,379,358</u>	\$ <u>4,671,877</u>	\$ <u>19,347,393</u>

**Funds with Deficiencies** - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or RIPMIFA requires the Hospital to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were approximately \$81,100 and \$104,500 as of September 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

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**NOTE 21 - ENDOWMENT (Continued)**

**Return Objectives and Risk Parameters** - The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Hospital must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Board of Trustees, fund managers are expected to produce a total return exceeding the median of a universe of managers with similar asset allocation objectives. On an annualized, net-of-fees basis, the total return of the portfolio will be expected to equal or exceed inflation plus 3% over a rolling three-year period. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives** - The fund shall be allocated across a number of investment classes to provide diversification and achieve the fund's investment objectives. The following table defines the fund's target asset allocation and range for each asset class:

<b>Asset Class</b>	<b>Min Wt.</b>	<b>Target Wt.</b>	<b>Max Wt.</b>	<b>Representative Index</b>
Equities	40%	50%	65%	70% Standard & Poor's 500 15% Russell 2000 Value 15% Europe Australia Far East
Fixed income	25%	40%	60%	100% Lehman Bros Govt./Corp
Cash and equivalents	0%	10%	20%	100% Salomon 30-day US T-bills

This asset allocation plan provides for diversification of assets in an effort to maximize the investment return and manage the risk of the fund consistent with market conditions. Due to the fluctuation of market values, allocations within a specified range constitute compliance within the policy. An extended period of time may be required to fully implement the asset allocation plan, and periodic revisions will be required.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** - Distributions from the endowment are specifically approved by the Board of Trustees as deemed fit to meet the operating and capital needs of the Hospital. In implementing this spending policy, and subject to the intent of a donor expressed in a gift instrument, the Hospital may appropriate for expenditure or accumulate so much of its fund as it determines to be prudent for the uses, benefits, purposes and duration for which its fund is established. In making a determination to appropriate or accumulate, the Hospital shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances.

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**NOTE 21 - ENDOWMENT (Continued)**

The investment program shall invest according to an asset allocation plan that is designed to meet the goals of the Fund. The plan will be based on a number of factors, including:

- The projected spending needs;
- The maintenance of sufficient liquidity to meet spending payments; and
- The return objectives and risk tolerances of the fund as defined in the Investment Philosophy