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Form 990 Return of Organization Exempt From Income Tax

OMB No 1545-0047

2010

Open to Public Inspection

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

Department of the Treasury
Internal Revenue Service

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

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

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

C Name of organization
Carilion Franklin Memorial Hospital

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
PO Box 12385

City or town, state or country, and ZIP + 4
Roanoke, VA 240252385

D Employer identification number
54-0480606

E Telephone number
(540) 224-5112

G Gross receipts $ 38,310,622

F Name and address of principal officer
William Jacobsen
PO Box 12385
Roanoke, VA 24025

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

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

H(c) Group exemption number ▶

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

J **Website:** ▶ www carilionclinic org

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | L Year of formation 1956 | M State of legal domicile VA

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities
Carilion Franklin Memorial Hospital, part of Carilion Clinic, is a not-for-profit healthcare organization committed to improving health outcomes for every patient while advancing the quality of care in the community it serves Carilion Franklin Memorial Hospital, part of Carilion Clinic, is a not-for-profit healthcare organization committed to improving health outcomes for every patient while advancing the quality of care in the community it serves

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

3	Number of voting members of the governing body (Part VI, line 1a)	3	11
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	8
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	363
6	Total number of volunteers (estimate if necessary)	6	116
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
b	Net unrelated business taxable income from Form 990-T, line 34	7b	

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	180,661	10,221
	9	Program service revenue (Part VIII, line 2g)	36,669,870	34,561,621
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-192,213	-122,992
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	407,084	2,104,025
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	37,065,402	36,552,875
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)		62,142
	14	Benefits paid to or for members (Part IX, column (A), line 4)		0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	16,260,451	15,704,403
	16a	Professional fundraising fees (Part IX, column (A), line 11e)		0
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	23,664,517	22,396,576
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	39,924,968	38,163,121
	19	Revenue less expenses Subtract line 18 from line 12	-2,859,566	-1,610,246
			Beginning of Current Year	**End of Year**
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	19,013,083	16,246,347
	21	Total liabilities (Part X, line 26)	19,427,010	21,196,503
	22	Net assets or fund balances Subtract line 21 from line 20	-413,927	-4,950,156

Part II Signature Block

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

Sign Here

▶ Signature of officer | Date 2012-08-14

▶ Donald Lorton Assistant Treasurer
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ▶ ☐	PTIN
Francis Bedard	Francis Bedard	2012-08-14		

Firm's name ▶ Deloitte Tax LLP | Firm's EIN ▶

Firm's address ▶ 424 Church Street
Nashville, TN 37219 | Phone no ▶ (615) 259-1811

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

Carilion Franklin Memorial Hospital, part of Carilion Clinic, is a not-for-profit healthcare organization committed to improving health outcomes for every patient while advancing the quality of care in the community it serves

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 $ 31,035,222 including grants of $ 62,142) (Revenue $ 36,262,500)

See Schedule O

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** ▶$ 31,035,222

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	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent,or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	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, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, 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	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, 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? **Note.** 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)*

			Yes	No
21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25*	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	28c		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	33		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	34	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	35		No
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2* ☐ **Yes** ☑ **No**			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a 0			
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b 0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a 363			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?		2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?		3a		No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*		3b		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a	Yes	
b	If "Yes," enter the name of the foreign country ▶CA , CJ , IC , UK See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?		5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?		6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b		
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?		7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8		
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?		9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		9b		
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?		12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O		13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?		14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*		14b		

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

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

Section A. Governing Body and Management

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

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

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

Section C. Disclosure

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

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you make these available Check all that apply

☐ Own website ☑ Another's website ☑ Upon request

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

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

The Organization
213 S Jefferson Street Suite 827
Roanoke, VA 24011
(540) 224-5112

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): Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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
(1) Larry Heaton Director	2 00	X						0	0	0
(2) Florella Johnson Director	2 00	X						0	0	0
(3) Billy Kingery Director	2 00	X						0	0	0
(4) David Peters Director	2 00	X						0	0	0
(5) Susan Irby MD Director	50 00	X						0	134,961	22,584
(6) Mack Longmire III MD Director	50 00	X						0	152,396	32,045
(7) Jeff Powell Director	2 00	X						0	0	0
(8) Chris Aylesworth PhD Director	2 00	X						0	0	0
(9) Ronald Evans President	2 00	X		X				0	0	0
(10) Victoria Gardner Vice President	2 00	X		X				0	0	0
(11) William Jacobsen CEO/Secreatry/Treasurer	50 00	X		X				166,216	0	38,513
(12) Donald Lorton Assistant Treasurer	50 00			X				0	521,051	332,850
(13) Rachel Mabe Assistant Secretary	50 00			X				0	70,949	17,506
(14) Charles Lane MD Chief of Staff	50 00	X						0	263,579	50,872
(15) Sharon Scott Pharmacist	50 00					X		131,185	0	26,640
(16) Lori McClure Pharmacy Manager	50 00					X		125,466	0	32,074

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): Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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
(17) Darrell Van Ness Senior Director	50 00					X		109,877	0	31,561

1b	Sub-Total . . . . ▶			
c	Total from continuation sheets to Part VII, Section A . . . . . ▶			
d	Total (add lines 1b and 1c) . . . . ▶	532,744	1,142,936	584,645

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 ▶4

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Carilion Labs LLC 213 S Jefferson 1202 Roanoke, VA 24011	Laboratory services	1,518,226
Siemens Medical Solutions 51 Valley Stream Pkwy Malvern, PA 19355	Equipment and software maintenance	370,924

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 ▶2

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . . 1a					
	b Membership dues 1b					
	c Fundraising events 1c					
	d Related organizations . . . 1d					
	e Government grants (contributions) 1e	9,071				
	f All other contributions, gifts, grants, and similar amounts not included above 1f	1,150				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . ▶		10,221			
Program Service Revenue		Business Code				
	2a Net Patient Service Revenues	900099	34,561,621	34,561,621		
	b					
	c					
	d					
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . ▶		34,561,621			
Other Revenue	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		-156,701			-156,701
	4 Income from investment of tax-exempt bond proceeds . . ▶		91			91
	5 Royalties . . . . ▶					
		(i) Real / (ii) Personal				
	6a Gross Rents	(i) 318,894				
	b Less rental expenses					
	c Rental income or (loss)	(i) 318,894				
	d Net rental income or (loss) . . . . ▶		318,894			318,894
		(i) Securities / (ii) Other				
	7a Gross amount from sales of assets other than inventory	(i) 1,791,365				
	b Less cost or other basis and sales expenses	(i) 1,711,381 / (ii) 46,366				
	c Gain or (loss)	(i) 79,984 / (ii) -46,366				
	d Net gain or (loss) . . . . ▶		33,618			33,618
	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 EHR Incentive Payment	900099	1,698,035	1,698,035		
	b Other Affiliate Income	900099	2,844	2,844		
	c Miscellaneous Income	900099	84,252			84,252
	d All other revenue					
	e **Total.** Add lines 11a–11d . . . . . . ▶		1,785,131			
	12 **Total revenue.** See Instructions . . . ▶		36,552,875	36,262,500		280,154

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	62,142	62,142		
2 Grants and other assistance to individuals in the U S See Part IV, line 22	0			
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4 Benefits paid to or for members	0			
5 Compensation of current officers, directors, trustees, and key employees	169,237	169,237		
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7 Other salaries and wages	12,300,815	12,041,990	258,825	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	826,514	826,514		
9 Other employee benefits	1,518,516	1,445,373	73,143	
10 Payroll taxes	889,321	889,321		
a Fees for services (non-employees) Management	5,196,796		5,196,796	
b Legal	500		500	
c Accounting	0			
d Lobbying	3,954	3,954		
e Professional fundraising services *See Part IV, line 17* . .				
f Investment management fees	1,913		1,913	
g Other	4,439,076	4,367,487	71,589	
12 Advertising and promotion	318	318		
13 Office expenses	3,164,202	3,132,764	31,438	
14 Information technology	171,466	168,548	2,918	
15 Royalties . .	0			
16 Occupancy	657,746	657,746		
17 Travel	210,583	201,773	8,810	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	0			
20 Interest	669,172	669,172		
21 Payments to affiliates	0			
22 Depreciation, depletion, and amortization	1,449,847	1,449,847		
23 Insurance	286,769	190,128	96,641	
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 Bad Debt	3,884,301	3,884,301		
b Practice Subsidy	2,124,266	771,554	1,352,712	
c Dues Subscriptions	67,889	40,396	27,493	
d Court Costs	58,124	58,124		
e Education	7,072	3,468	3,604	
f All other expenses	2,582	1,065	1,517	
25 **Total functional expenses.** Add lines 1 through 24f	38,163,121	31,035,222	7,127,899	0
26 **Joint costs.** Check here ▶ ☐ 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

Section	Line	Description			(A) Beginning of year	Line	(B) End of year
Assets	1	Cash—non-interest-bearing			1,360	1	1,399
	2	Savings and temporary cash investments			10,619	2	1,080
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			4,948,062	4	5,172,321
	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				7	
	8	Inventories for sale or use				8	
	9	Prepaid expenses and deferred charges			73,942	9	149,167
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a	34,455,922			
	b	Less accumulated depreciation	10b	24,045,225	11,553,445	10c	10,410,697
	11	Investments—publicly traded securities			1,030,363	11	48,468
	12	Investments—other securities See Part IV, line 11			653,897	12	43,308
	13	Investments—program-related See Part IV, line 11				13	
	14	Intangible assets				14	
	15	Other assets See Part IV, line 11			741,395	15	419,907
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)			19,013,083	16	16,246,347
Liabilities	17	Accounts payable and accrued expenses			3,280,145	17	2,911,707
	18	Grants payable				18	
	19	Deferred revenue			68,252	19	76,649
	20	Tax-exempt bond liabilities			11,674,519	20	11,339,497
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*				22	
	23	Secured mortgages and notes payable to unrelated third parties				23	
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities Complete Part X of Schedule D			4,404,094	25	6,868,650
	26	**Total liabilities.** Add lines 17 through 25			19,427,010	26	21,196,503
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**					
	27	Unrestricted net assets			-459,135	27	-4,993,192
	28	Temporarily restricted net assets			45,208	28	43,036
	29	Permanently restricted net assets				29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			-413,927	33	-4,950,156
	34	Total liabilities and net assets/fund balances			19,013,083	34	16,246,347

Part XI Reconcilliation 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	36,552,875
2	Total expenses (must equal Part IX, column (A), line 25)	2	38,163,121
3	Revenue less expenses Subtract line 2 from line 1	3	-1,610,246
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	-413,927
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-2,925,983
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	-4,950,156

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

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SCHEDULE A
(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Carilion Franklin Memorial Hospital

Employer identification number
54-0480606

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?

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

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section **(see instructions)**)	(iv) Is the organization in col (i) listed in your governing document?		(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**	0 %
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 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 section501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15	Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	**15**	0 %
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**	0 %
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 **stop here.** 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 **stop here.** The organization qualifies as a publicly supported organization ▶☐

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

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the 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).

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SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
Carilion Franklin Memorial Hospital	54-0480606

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? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ 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 **Form 1120-POL** for this year? ☐ Yes ☐ 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		

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

	(a)	**(b)**
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? ☐ **Yes** ☐ **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) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		3,954
j	Total lines 1c through 1i			3,954
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
I-B	1 i	Portion of dues paid to American Hospital Assn and Virginia Hospital and Healthcare Assn spent on lobbying

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Carilion Franklin Memorial Hospital

Employer identification number
54-0480606

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

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

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

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

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

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

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

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

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

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

4 Number of states where property subject to conservation easement is located ▶ ______________

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

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

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

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No

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

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

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

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

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

(ii) Assets included in Form 990, Part X ▶ $ ______________

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

a Revenues included in Form 990, Part VIII, line 1 ▶ $ ______________

b Assets included in Form 990, Part X ▶ $ ______________

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a Board designated or quasi-endowment ▶

b Permanent endowment ▶

c Term endowment ▶

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

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

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

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

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		226,092		226,092
b Buildings		18,093,330	10,197,206	7,896,124
c Leasehold improvements		16,939	16,939	
d Equipment		15,229,280	13,167,232	2,062,048
e Other		890,281	663,848	226,433
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				10,410,697

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

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

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

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

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

(a) Description	(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 15.) . . . . ▶	

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
Qualifed Pension Liability	5,870,228
2001 Swap Unrealized Losses	164,487
2005 Fixed Payor Swap Unreal	816,855
2010 Barclays Swap Unreal Losses	17,080
Total. (Column (b) should equal Form 990, Part X, col (B) line 25) ▶	6,868,650

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

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

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

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

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

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
X	2	Carilion had no material unrecognized tax benefits and no adjustments to its consolidated financial statements were required as of and for the years ended September 30, 2011 and 2010 Carilion does not expect that unrecognized tax benefits will materially increase within the next 12 months

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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
Carilion Franklin Memorial Hospital

Employer identification number
54-0480606

Part I Financial Assistance and Certain Other Community Benefits at Cost

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			4,324,259		4,324,259	11 330 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			4,289,796	3,491,294	798,502	2 090 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			8,614,055	3,491,294	5,122,761	13 420 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	204	12,851	103,876	258	103,618	0 270 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)	6	588	52,792		52,792	0 140 %
j **Total** Other Benefits	210	13,439	156,668	258	156,410	0 410 %
k **Total.** Add lines 7d and 7j	210	13,439	8,770,723	3,491,552	5,279,171	13 830 %

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	1		750		750	
3	Community support						
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building	2	20	793		793	
7	Community health improvement advocacy						
8	Workforce development						
9	Other						
10	**Total**	3	20	1,543		1,543	

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 Heathcare Financial Management Association Statement No 15?		1		No
2	Enter the amount of the organization's bad debt expense (at cost)	2	1,291,945		
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	486,427		
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	8,908,071
6	Enter Medicare allowable costs of care relating to payments on line 5	6	8,955,014
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-46,943

8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used

☐ Cost accounting system ☐ Cost to charge ratio ☐ Other

Section C. Collection Practices

			Yes	No
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	Yes	

Part IV **Management Companies and Joint Ventures**

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities
(list in order of size, measured by total revenue per facility, from largest to smallest)

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Carilion Franklin Memorial Hospital 180 Floyd Avenue Rocky Mount, VA 24151	X	X					X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Name of Hospital Facility: Imaging Services

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	**1**		
If "Yes," indicate what the Needs Assessment describes (check all that apply) **a** ☐ A definition of the community served by the hospital facility **b** ☐ Demographics of the community **c** ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community **d** ☐ How data was obtained **e** ☐ The health needs of the community **f** ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups **g** ☐ The process for identifying and prioritizing community health needs and services to meet the community health needs **h** ☐ The process for consulting with persons representing the community's interests **i** ☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs **j** ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		
5 Did the hospital facility make its Needs Assessment widely available to the public?	**5**		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) **a** ☐ Hospital facility's website **b** ☐ Available upon request from the hospital facility **c** ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) **a** ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community **b** ☐ Execution of the implementation strategy **c** ☐ Participation in the development of a community-wide community benefit plan **d** ☐ Participation in the execution of a community-wide community benefit plan **e** ☐ Inclusion of a community benefit section in operational plans **f** ☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment **g** ☐ Prioritization of health needs in the community **h** ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community **i** ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	**7**		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**8**		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals?	**9**		
If "Yes," indicate the FPG family income limit for eligibility for free care __%			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10		
	If "Yes," indicate the FPG family income limit for eligibility for discounted care __%			
11	Explained the basis for calculating amounts charged to patients?	11		
	If "Yes," indicate the factors used in determining such amounts (check all that apply) a ☐ Income level b ☐ Asset level c ☐ Medical indigency d ☐ Insurance status e ☐ Uninsured discount f ☐ Medicaid/Medicare g ☐ State regulation h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12		
13	Included measures to publicize the policy within the community served by the hospital facility?	13		
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a ☐ The policy was posted at all times on the hospital facility's web site b ☐ The policy was attached to all billing invoices c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms d ☐ The policy was posted in the hospital facility's admissions offices e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility f ☐ The policy was available upon request g ☐ Other (describe in Part VI)			

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14		
15	Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year a ☐ Reporting to credit agency b ☐ Lawsuits c ☐ Liens on residences d ☐ Body attachments e ☐ Other (describe in Part VI)			
16	Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year?	16		
	If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply) a ☐ Reporting to credit agency b ☐ Lawsuits c ☐ Liens on residences d ☐ Body attachments e ☐ Other (describe in Part VI)			
17	Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply) a ☐ Notified patients of the financial assistance policy upon admission b ☐ Notified patients of the financial assistance policy prior to discharge c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d ☐ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**		

If "No," indicate the reasons why (check all that apply)

a ☐ The hospital facility did not provide care for any emergency medical conditions

b ☐ The hospital facility did not have a policy relating to emergency medical care

c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)

d ☐ Other (describe in Part VI)

Charges for Medical Care

19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)

a ☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility

b ☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility

c ☐ The hospital facility used the Medicare rate for those services

d ☐ Other (describe in Part VI)

		Yes	No
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient?	**21**		
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Name of Hospital Facility: Imaging Services

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 2

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply) a ☐ A definition of the community served by the hospital facility b ☐ Demographics of the community c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community d ☐ How data was obtained e ☐ The health needs of the community f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g ☐ The process for identifying and prioritizing community health needs and services to meet the community health needs h ☐ The process for consulting with persons representing the community's interests i ☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a ☐ Hospital facility's website b ☐ Available upon request from the hospital facility c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community b ☐ Execution of the implementation strategy c ☐ Participation in the development of a community-wide community benefit plan d ☐ Participation in the execution of a community-wide community benefit plan e ☐ Inclusion of a community benefit section in operational plans f ☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment g ☐ Prioritization of health needs in the community h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals?	9		
If "Yes," indicate the FPG family income limit for eligibility for free care __%			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10		
	If "Yes," indicate the FPG family income limit for eligibility for discounted care __%			
11	Explained the basis for calculating amounts charged to patients?	11		
	If "Yes," indicate the factors used in determining such amounts (check all that apply) a ☐ Income level b ☐ Asset level c ☐ Medical indigency d ☐ Insurance status e ☐ Uninsured discount f ☐ Medicaid/Medicare g ☐ State regulation h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12		
13	Included measures to publicize the policy within the community served by the hospital facility?	13		
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a ☐ The policy was posted at all times on the hospital facility's web site b ☐ The policy was attached to all billing invoices c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms d ☐ The policy was posted in the hospital facility's admissions offices e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility f ☐ The policy was available upon request g ☐ Other (describe in Part VI)			

Billing and Collections

			Yes	No
14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14		
15	Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year a ☐ Reporting to credit agency b ☐ Lawsuits c ☐ Liens on residences d ☐ Body attachments e ☐ Other (describe in Part VI)			
16	Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year?	16		
	If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply) a ☐ Reporting to credit agency b ☐ Lawsuits c ☐ Liens on residences d ☐ Body attachments e ☐ Other (describe in Part VI)			
17	Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply) a ☐ Notified patients of the financial assistance policy upon admission b ☐ Notified patients of the financial assistance policy prior to discharge c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d ☐ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

			Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**		
	If "No," indicate the reasons why (check all that apply)			
a	☐ The hospital facility did not provide care for any emergency medical conditions			
b	☐ The hospital facility did not have a policy relating to emergency medical care			
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d	☐ Other (describe in Part VI)			

Charges for Medical Care

			Yes	No
19	Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a	☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b	☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c	☐ The hospital facility used the Medicare rate for those services			
d	☐ Other (describe in Part VI)			
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		
	If "Yes," explain in Part VI			
21	Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient?	**21**		
	If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

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? 2

	Name and address	Type of Facility (Describe)
1	Imaging Services 35 Medical Court Hardy, VA 24101	0
2	Imaging Services 35 Medical Court Hardy, VA 24101	0
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
Part I line 3c		N/A

Identifier	ReturnReference	Explanation
Part I line 6a		Information on community benefit is reported annually through a consolidated report prepared by Carilion Clinic Printed copies of this report are distributed throughout communities served by hospitals affiliated with Carilion Clinic Additionally, the community benefit report is available on Carilion Clinics website

Identifier	ReturnReference	Explanation
Part I line 7g		N/A

Identifier	ReturnReference	Explanation
Part I line 7 column f		Bad debt expense subtracted from total expenses for the calculation is 3,884,301

Identifier	ReturnReference	Explanation
Part I line 7		Ratio of cost-to-charges was used to calculate the expense

Identifier	ReturnReference	Explanation
Part III line 4		The financial statements do not include a footnote on bad debt The audited financial statements include a provision for bad debt The provision is calculated based on historical bad debt experience and managements evaluation of the collectibility of the accounts receivable Balances are written off after all reasonable collection efforts have been made

Identifier	ReturnReference	Explanation
Part III line 4		Contd The bad debt expense reported on line 2 was calculated using the cost-to-charges ratio applied to the provision for bad debt reported in the financial statements

Identifier	ReturnReference	Explanation
Part III line 4		Contd The estimated amount of bad debt expense, reported on line 3, attributable to patients eligible for charity care was determined using external credit reporting data to identify the patients that were eligible and applying the cost-to-charges ratio to the charges of the patients so identified Sufficient information was not available to make a definitive determination of their eligibility

Identifier	ReturnReference	Explanation
Part III line 4		Contd Patient account balances are reduced by discounts allowed and payments

Identifier	ReturnReference	Explanation
Part III line 8		Medicare allowable costs are determined from the Medicare cost report using the cost-to-charges ratio The Hospital does not consider a Medicare shortfall as a community benefit

Identifier	ReturnReference	Explanation
Part III line 9b		When an uninsured self pay patient registers for medically necessary services, the patients account is electronically marked as being potentially eligible for charity care Carilion Clinics Eligibility Assistance Service EAS screens the patient to determine if charity care is appropriate The patient must apply for all entitlement programs for which he or she may be eligible i e Medicaid, Social Security Disability, etc EAS assists the patient with the applications

Identifier	ReturnReference	Explanation
Part III line 9b		Contd If the patient does not qualify for one of the programs then the Federal Poverty Guidelines FPG are used to determine eligibility for charity care A patient whose account balance is less than 1,500 and is at or below 100 of FPG is automatically given a 100 discount of their account

Identifier	ReturnReference	Explanation
Part III line 9b		Contd For balances greater than 1,500 the patient must complete a Financial Assistance Application and provide appropriate documentation A sliding scale of discounts is available for patients with incomes up to 400 of FPG

Identifier	ReturnReference	Explanation
Part III line 9b		Contd An underinsured patient can apply for charity care Applications are available at all Patient Access/Registration points, offices of EAS, Carilion Clinics Internet website or by calling for an application

Identifier	ReturnReference	Explanation
Part V		N/A

Identifier	ReturnReference	Explanation
Part VI Line 3		The charity care policy is posted in all patient registration areas At the time of registration all uninsured self pay patients are given a brochure explaining the charity care policy and how to apply Also, see comments for Part III line 9b

Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Carilion Franklin Memorial Hospital

Employer identification number
54-0480606

Part I General Information on Grants and Assistance

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

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

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

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Part II can be duplicated if additional space is needed. . . . . ▶ ☐

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) CARILION CLINIC FOUNDATION213 S JEFFERSON ST 807 ROANOKE, VA 24011	54-1190773	501c3	53,990				Community grants

2 Enter total number of section 501(c)(3) and government organizations . . . . ▶ 1

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

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

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

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

Identifier	**Return Reference**	**Explanation**
1	2	As part of the Carilion Clinic system, the organization donates funds to Carilion Clinic Foundation, which provides grants to other organizations in the Hospitals service area intended to further the health and well-being of the community Expenditure of such funds is overseen and monitored by the Foundations independent community board

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
Carilion Franklin Memorial Hospital

Employer identification number
54-0480606

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

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) Susan Irby MD	(i)							
	(ii)	134,992		-31	14,569	8,015	157,545	
(2) Mack Longmire III MD	(i)							
	(ii)	140,445	16,033	-4,082	9,367	22,678	184,441	
(3) William Jacobsen	(i)	164,727	8,220	-6,731	19,110	19,403	204,729	
	(ii)							
(4) Donald Lorton	(i)							
	(ii)	436,800	21,491	62,760	316,614	16,236	853,901	61,212
(5) Charles Lane MD	(i)							
	(ii)	250,729	18,077	-5,227	31,795	19,077	314,451	
(6) Sharon Scott	(i)	131,082	130	-27	24,660	1,980	157,825	
	(ii)							
(7) Lori McClure	(i)	122,453	7,219	-4,206	18,164	13,910	157,540	
	(ii)							
(8)								
(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
I	7	The organization pays annual bonus compensation to management based on scorecard performance While the scorecard contains a formula as a basis for determining overall performance, senior managers have discretion to include additional elements in their assessment of managers reporting to them In addition, for top management, the actual bonus awarded is in the discretion of the Carilion Clinic Compensation Committee, although it is based on the scorecard measures
I	4b	Donald Lorton - 131,084

Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Carilion Franklin Memorial Hospital

Employer identification number
54-0480606

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased Yes	(g) Defeased No	(h) On Behalf of Issuer Yes	(h) On Behalf of Issuer No	(i) Pool financing Yes	(i) Pool financing No
A	Industrial Development Authority of the City of Roanoke VA	54-1106038	770084EK3	10-13-2010	1,986,000	Redemptioof Series 2003A-C bonds Costs of issuance		X		X		X
B	Industrial Development Authority of the City of Roanoke VA	54-1106038	770084EQ0	12-14-2005	5,605,000	Capital projects, current refunding of Series 2002 B-E bonds Costs of issuance, bond insurance		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased				
3	Total proceeds of issue	1,986,000			
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	26,036			
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds				
11	Other spent proceeds	2,075,000			
12	Other unspent proceeds				
13	Year of substantial completion				

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

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

Part IV Arbitrage

		A Yes	A No	B Yes	B No	C Yes	C No	D Yes	D No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?	X		X					
2	Is the bond issue a variable rate issue?		X	X					
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X	X					
b	Name of provider	UBS & Citicorp		UBS & Citicorp					
c	Term of hedge	0000000027 000000000000		0000000027 000000000000					
d	Was the hedge superintegrated?		X		X				
e	Was a hedge terminated?		X		X				
4a	Were gross proceeds invested in a GIC?		X	X					
b	Name of provider	AIG		AIG					
c	Term of GIC	0000000000 300000000000		0000000000 300000000000					
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X		X					
5	Were any gross proceeds invested beyond an available temporary period?		X		X				
6	Did the bond issue qualify for an exception to rebate?	X		X					

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule K (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
Carilion Franklin Memorial Hospital

Employer identification number
54-0480606

Identifier	Return Reference	Explanation
Form 990 Part VI	11b	The final Form 990 was emailed or delivered in hard copy to each member of the Board of Directors several days prior to filing and Board members were encouraged to call with any questions they might have

Identifier	Return Reference	Explanation
Form 990 Part VI	12c	A Conflict of Interest Questionnaire, along with a copy of the Policy, is sent out annually to all officers, directors and key employees In addition, such individuals are instructed to inform the organization of potential conflicts which arise during the year Answers to the Questionnaires are reviewed by the Internal Audit Department Potential conflicts for officers and key employees are reviewed by an internal Conflict of Interest Committee, which follows up on any potential issues to ensure compliance with all policies of the organization The answers for Directors are reviewed by the Carilion Clinic Audit and Compliance Committee

Identifier	Return Reference	Explanation
Form 990 Part VI	12c Contd	In addition, the governing body of the organization is provided with a list of the answers annually to make all Board members aware of potential conflicts in order to ensure compliance with policies on how to handle transactions with Board members that may involve potential conflict situations

Identifier	Return Reference	Explanation
Form 990 Part VI	15a and 15b	Executive compensation is reviewed annually by the Carilion Clinic Compensation Committee This committee is made up of Board members of Carilion Clinic who do not have a conflict of interest with any of the executives being reviewed With respect to Carilion Clinic, the Compensation Committee reviews the compensation of the President and Chief Executive Officer, Executive Vice Presidents, which include the Chief Financial Officer and the Chief Medical Officer For the fiscal year covered by this return, the Compensation Committee also used the same process to review the compensation of other Disqualified Individuals, including the Hospital Vice Presidents This review was performed in October 2010 A similar review was last performed in October 2011

Identifier	Return Reference	Explanation
Form 990 Part VI	15a and 15b Contd	This review included a comprehensive report from an outside compensation consultant specializing in healthcare organizations The report included a detailed comparison of total compensation and each element thereof, including base salary, bonuses and other cash compensation, and benefits, including deferred and retirement benefits Compensation was compared to a peer group of organizations similar in size and structure to the organization, which list was reviewed by the Compensation Committee Detailed minutes of the meetings of the Compensation Committee are kept and approved at the next meeting of the Committee, setting forth the deliberations and decisions regarding the compensation of these executives

Identifier	Return Reference	Explanation
Form 990 Part VI	15a and 15b Contd	In addition, the Compensation Committee annually reviews the compensation plan and philosophy for all vice presidents and senior vice presidents, as well as all employed physicians and physicians in leadership roles

Identifier	Return Reference	Explanation
Form 990 Part VI	19	The organizations governing documents, conflict of interest statement and financial statements are not generally available to the public, but are released from time to time upon request The Articles of Incorporation are available from the Virginia State Corporation Commission The consolidated audited financial statements of Carilion Clinic and of the Obligated Group are released annually to the local newspaper Limited financial information is available on our web site

Identifier	Return Reference	Explanation
Form 990 Part VI	3	Certain management and related services for the organization are provided by the management and employees of Carilion Services, Inc , a related organization and supporting organization of the organization

Identifier	Return Reference	Explanation
Form 990 Part VI	6	The organization has a single member The sole member is Carilion Clinic, a charitable tax-exempt organization which serves as the parent company of the Carilion Clinic integrated health care delivery system The sole member elects the directors of the organization and has certain other reserved powers

Identifier	Return Reference	Explanation
Form 990 Part VI	7a	The sole member of the organization, Carilion Clinic, elects the members of the governing body of the organization periodically as terms expire The sole member also has the right to remove directors and fill any vacancies on the board that may occur for any reason

Identifier	Return Reference	Explanation
Form 990 Part VI	7b	The sole member of the organization, Carilion Clinic, holds reserved powers with respect to certain enumerated actions, including appointment of CEO, approval of borrowings, budgets and strategic plans and amendments of Articles of Incorporation and Bylaws Approval by the Board of Directors of Carilion Clinic is required for such actions In addition to the reserved powers, under the laws of the Commonwealth of Virginia certain extraordinary actions require member approval, such as mergers, consolidations, liquidations and the sale of substantially all of the assets of the organization

Identifier	Return Reference	Explanation
Form 990	Lines 1-10	Carilion Franklin Memorial Hospital provided in-kind support of the local United Way campaign and the After Five Jive fundraiser Additionally, financial and in-kind support was provided to The Community Partnership for Revitalization, a private, nonprofit organization whose mission is to improve the visual aspects, to increase the economic strengths, and to promote the unique assets of Rocky Mount and Franklin County by utilizing a preservation-based approach to community development Carilion Franklin Memorial Hospital is working to reduce the overall carbon footprint through its recycling effort that includes light bulbs, batteries, printer cartridges, mixed paper and even cooking grease

Identifier	Return Reference	Explanation
Form 990	2	Carilion Franklin Memorial Hospital uses demographic information and data on patients treated to determine community health needs Additionally, information from public databases compiled on the Virginia Atlas of Community Health website is reviewed for the entire geographic area served by Carilion Franklin Memorial Hospital With the large growth of uninsured seeking primary care through the hospital Emergency Room, Carilion Franklin Memorial Hospital contracted with the Virginia Tech Center for Public Health Practice and Research Institute for Society, Culture and Environment to provide an independent baseline assessment for coordinated care that was completed in January 2011 Additionally, a comprehensive community health needs assessment is scheduled for completion by September 30, 2013 along with a strategic implementation plan to address identified needs

Identifier	Return Reference	Explanation
Form 990	4	Carilion Franklin Memorial Hospital, located in Rocky Mount, Virginia, primarily serves the 56,159 residents of Franklin County The County is 712 square miles and situated in the foothills of the Blue Ridge Mountains of Central Virginia While much of the County is rural, recreational interests are met with more than 24,000 acres comprised of public lakes Approximately 16 of adults under age 64 and 9 of children who live in the County are uninsured Additionally, 14 of residents live below the poverty level and 19 did not graduate from high school 18 of residents are 65 years of age or older Carilion Franklin Memorial Hospital has a very busy emergency room, treating more than 26,000 patients each year

Identifier	Return Reference	Explanation
Form 990	5	Carilion Franklin Memorial Hospital serves all patients regardless of their ability to pay The Hospitals governing Board is elected annually and the majority of members are neither employees nor contractors of the Hospital Medical staff privileges are extended to qualified providers In addition to clinical care, the hospital works to achieve its mission through the education of health professionals and the community Any surplus funds are reinvested in new technology, clinical initiatives, education and charitable efforts This includes providing free, discounted and subsidized care as well as critical medical services that operate at a loss

Identifier	Return Reference	Explanation
Form 990	5 Contd	Additionally, Carilion Franklin Memorial Hospital provided grant funding to support operations of the Free Clinic of Franklin County, a non-profit organization with mission to provide quality primary medical care for uninsured families of the poor, the working poor and elderly on fixed incomes and Southern Virginia Child Advocacy Center for the Child and Caretaker Interaction Program, a 15 hour hands-on, comprehensive approach to identifying strengths within caretaker/child relationships for reports that provide additional insight for Judges, Department of Social Service, or other agencies that consider placements for children

Identifier	Return Reference	Explanation
Form 990	5 Contd	Carilion Franklin Memorial Hospital provides support of the local EMS crews through replenishment of medications used for patient care or product with an expired use by date Carilion Franklin Memorial Hospitals Emergency Department has specially trained nurses who deliver immediate crisis intervention to victims of sexual assaults and/or abuse They offer victims a unique, thorough and objective medical and legal examination, comprised of both a physical examination and forensic evidence collection and documentation Clinical Forensic Nurse Examiners are the link between the judicial system, law enforcement, community resources, and the laboratories that process the evidence In addition, they educate colleagues and the community regarding issues and treatment of violence while upholding the mission of their facility

Identifier	Return Reference	Explanation
Form 990	5 Contd	As part of its mission to educate the public about health risks and steps that can be taken to improve health, in fiscal year 2011 Carilion Franklin Memorial Hospital touched 12,851 people during 204 events offered throughout the community Individualized health information is provided through community screenings at several public locations, many in localities experiencing high unemployment such as Ferrum Additionally health fairs and presentations are offered at various locations throughout the County

Identifier	Return Reference	Explanation
Form 990	5 Contd	Another way that Carilion Franklin Memorial Hospital touches the community is through Med Talk, a weekly radio program, providing listeners with an opportunity to learn more about a variety of health topics through a call in show that provides answers to their specific questions Coordinated by local health educator, guests of the show include health professionals as well as representatives of local community service organizations Additional health improvement services include assistance with enrollment in public medical programs such as Medicaid and interpreter services for non-English speaking patients

Identifier	Return Reference	Explanation
Form 990	6	Carilion Franklin Memorial Hospital is a wholly owned hospital of Carilion Clinic, a not-for-profit healthcare organization serving nearly one million people in Virginia through a physician specialty group, advanced primary care practices, hospitals and outpatient centers Led by clinical teams with a shared philosophy that puts the patient first, Carilion is committed to improving the communitys health while advancing the quality of care through medical education and research Carilion Clinic is based in Roanoke, Virginia and serves the residents of 18 counties and six cities in Western Virginia and southern West Virginia Carilion Clinic employees 575 physicians representing more than 60 specialties who provide care at 160 practice sites

Identifier	Return Reference	Explanation
Form 990	6 Contd	To advance the coordination of care and quality, an electronic medical record has been implemented in all Carilion Clinic affiliated hospitals and physician practices, allowing physicians to easily and efficiently collaborate through the use of shared patient records

Identifier	Return Reference	Explanation
Form 990	6 Contd	Additional improvements in medical programs and services include a nationally certified Stroke Alert protocol that speeds lifesaving care to stroke patients hypothermia therapy for the treatment of cardiac arrest patients a neonatal pediatric mobile ICU outfitted with life-saving, state of the art medical technology certification by the National Committee for Quality Assurance NCQA of 11 Carilion Clinic Family Medicine practices as Patient-Centered Medical Homes, a new model of care designed to keep patients healthy and prevent illness and MyChart, an online tool that gives patients secure access to their health information

Identifier	Return Reference	Explanation
Form 990	6 Contd	To advance education of health professionals, Jefferson College of Health Sciences, within Carilion Medical Center, is a professional health sciences college offering the Master of Science in Nursing, Physician Assistant and Occupational Therapy and 10 baccalaureate and associate healthcare programs As one of few private healthcare colleges in the Southern United States, the students have demonstrated excellent licensure pass rates in professional programs Approximately 1,000 undergraduate students and 80 graduate students are enrolled annually with 87 receiving some type of financial aid Through a unique public-private partnership, in 2010 Virginia Tech and Carilion Clinic opened Virginia Tech Carilion School of Medicine and Research Institute in Roanoke 84 students are enrolled in the first two classes and there are 421 appointed faculty members

Identifier	Return Reference	Explanation
Form 990	6 Contd	Additionally, graduate medical education is provided for 190 residents and 16 fellows Included are ten residency programs, eight sponsored by Carilion Clinic Emergency Medicine, Family Medicine, Internal Medicine, Neurosurgery, Obstetrics/Gynecology, Psychiatry, Surgery, and Transitional Year and two by the University of Virginia Orthopaedics and Otolaryngology Twelve fellowship programs include Addiction Psychology, Adult Joint Reconstruction, Advanced Endoscopy, Cardiovascular Disease, Child and Adolescent Psychiatry, Hospice and Palliative Care, Infectious Disease, Medical Informatics, Pulmonary Critical Care and Surgery Critical Care

Identifier	Return Reference	Explanation
Form 990	6 Contd	At the Vırgınıa Tech Carılıon VTC Research Institute, senior researchers recruıted from across the country are w orkıng to unlock the secrets of the human braın as part of the Roanoke Braın Study, w hich examınes the neural basıs of human decısıon-makıng and ıts ımpact on health over a lıfetıme The projects goal ıs to predıct ıllnesses such as Alzheımers and other braın dıseases An addıtıonal benefıt to the communıty ıs Carılıon Clınıcs economıc contrıbutıon to the regıon As the areas largest employer, jobs are provıded for nearly 11,000 resıdents of the regıon, w ıth a payroll of more than 600 mıllıon ın 2011

Identifier	Return Reference	Explanation
Form 990 Part XI	5	Increase for unrealized gains on investments of 1,339 decrease for transfer of cash to related organization of 675,000, decrease for transfer to Carilion Clinic for effect of pension related changes of 2,252,322

Identifier	Return Reference	Explanation
Form 990 Part III	4a	Carilion Franklin Memorial Hospital exists to serve the health care needs of its community, regardless of patient ability to pay Franklins acute hospital admitted 1,752 patients and provided 5,947 days of care during the year Hospital programs include provision of nursing care extensive outpatient and inpatient surgical and endoscopic services and diagnostic imaging services including CT, MRI, and mammography Franklin provides a number of services targeting the specific health needs of its population, including diabetes management home health and hospice physical, speech, and occupational therapy programs and cardiac and respiratory rehab

Identifier	Return Reference	Explanation
Form 990 Part III	4a Contd	Franklin also provides an emergency department with 24-hour care, emergency transportation, and a chest pain and stroke program With 23,111 visits, Franklins emergency services are a critical component of the health safety net in its service area, acting as a primary health provider for a significant number of uninsured patients, who comprise 21 percent of ED visits Franklin also supports community screenings and education on chronic disease prevention and management, sponsoring over 200 events touching 12,851 people In furtherance of its mission, Franklin provides extensive uncompensated care Stated at cost, charity, charity-eligible bad debt, and unreimbursed Medicaid costs for the year exceeded 5 6 million

Identifier	Return Reference	Explanation
		Form 990 Part VI Section B Line 11b The final Form 990 was emailed or delivered in hard co py to each member of the Board of Directors several days prior to filing and Board members were encouraged to call with any questions they might have Form 990 Part VI Section B Li ne 12c A Conflict of Interest Questionnaire, along with a copy of the Policy, is sent out annually to all officers, directors and key employees In addition, such individuals are i nstructed to inform the organization of potential conflicts which arise during the year A nswers to the Questionnaires are reviewed by the Internal Audit Department Potential conf licts for officers and key employees are reviewed by an internal Conflict of Interest Comm ittee, which follows up on any potential issues to ensure compliance with all policies of the organization The answers for Directors are reviewed by the Carilion Clinic Audit and Compliance Committee Form 990 Part VI Section B Line 12c Contd In addition, the governin g body of the organization is provided with a list of the answers annually to make all Boa rd members aware of potential conflicts in order to ensure compliance with policies on how to handle transactions with Board members that may involve potential conflict situations Form 990 Part VI Section B Line 15a and 15b Executive compensation is reviewed annually b y the Carilion Clinic Compensation Committee This committee is made up of Board members o f Carilion Clinic who do not have a conflict of interest with any of the executives being reviewed With respect to Carilion Clinic, the Compensation Committee reviews the compensa tion of the President and Chief Executive Officer, Executive Vice Presidents, which includ e the Chief Financial Officer and the Chief Medical Officer For the fiscal year covered b y this return, the Compensation Committee also used the same process to review the compens ation of other Disqualified Individuals, including the Hospital Vice Presidents This revi ew was performed in October 2010 A similar review was last performed in October 2011 For m 990 Part VI Section B Line 15a and 15b Contd This review included a comprehensive repor t from an outside compensation consultant specializing in healthcare organizations The re port included a detailed comparison of total compensation and each element thereof, includ ing base salary, bonuses and other cash compensation, and benefits, including deferred and retirement benefits Compensation was compared to a peer group of organizations similar i n size and structure to the organization, which list was reviewed by the Compensation Comm ittee Detailed minutes of the meetings of the Compensation Committee are kept and approve d at the next meeting of the Committee, setting forth the deliberations and decisions rega rding the compensation of these executives Form 990 Part VI Section B Line 15a and 15b Co ntd In addition, the Compensation Committee annually reviews the compensation plan and ph ilosophy for all vice presidents and senior vice presidents, as well as all employed physi cians and physicians in leadership roles Form 990 Part VI Section C Line 19 The organizat ions governing documents, conflict of interest statement and financial statements are not generally available to the public, but are released from time to time upon request The Ar ticles of Incorporation are available from the Virginia State Corporation Commission The consolidated audited financial statements of Carilion Clinic and of the Obligated Group ar e released annually to the local newspaper Limited financial information is available on our web site Form 990 Part VI Section A Line 3 Certain management and related services fo r the organization are provided by the management and employees of Carilion Services, Inc , a related organization and supporting organization of the organization Form 990 Part VI Section A Line 6 The organization has a single member The sole member is Carilion Clinic , a charitable tax-exempt organization which serves as the parent company of the Carilion Clinic integrated health care delivery system The sole member elects the directors of the organization and has certain other reserved powers Form 990 Part VI Section A Line 7a Th e sole member of the organization, Carilion Clinic, elects the members of the governing bo dy of the organization periodically as terms expire The sole member also has the right to remove directors and fill any vacancies on the board that may occur for any reason Form 990 Part VI Section A Line 7b The sole member of the organization, Carilion Clinic, holds reserved powers with respect to certain enumerated actions, including appointment of CEO, approval of borrowings, budgets and strategic plans and amendments of Articles of Incorpor ation and Bylaws Approval by the Board of Directors of Carilion Clinic is required for su ch actions In addition to the reserved powers, under the laws of the Commonwealth of Virg inia certain extraordinary actions require member

Identifier	Return Reference	Explanation
		approval, such as mergers, consolidations, liquidations and the sale of substantially all of the assets of the organization Form 990 Section Schedule H, Part II Line Lines 1-10 Ca rilion Franklin Memorial Hospital provided in-kind support of the local United Way campaig n and the After Five Jive fundraiser Additionally, financial and in-kind support w as prov ided to The Community Partnership for Revitalization, a private, nonprofit organization w h ose mission is to improve the visual aspects, to increase the economic strengths, and to p romote the unique assets of Rocky Mount and Franklin County by utilizing a preservation-ba sed approach to community development Carilion Franklin Memorial Hospital is w orking to r educe the overall carbon footprint through its recycling effort that includes light bulbs, batteries, printer cartridges, mixed paper and even cooking grease Form 990 Section Sche dule H, Part VI Line 2 Carilion Franklin Memorial Hospital uses demographic information an d data on patients treated to determine community health needs Additionally, information from public databases compiled on the Virginia Atlas of Community Health w ebsite is review ed for the entire geographic area served by Carilion Franklin Memorial Hospital With the large grow th of uninsured seeking primary care through the hospital Emergency Room, Carili on Franklin Memorial Hospital contracted w ith the Virginia Tech Center for Public Health P ractice and Research Institute for Society, Culture and Environment to provide an independ ent baseline assessment for coordinated care that w as completed in January 2011 Additiona lly, a comprehensive community health needs assessment is scheduled for completion by Sept ember 30, 2013 along w ith a strategic implementation plan to address identified needs For m 990 Section Schedule H, Part VI Line 4 Carilion Franklin Memorial Hospital, located in R ocky Mount, Virginia, primarily serves the 56,159 residents of Franklin County The County is 712 square miles and situated in the foothills of the Blue Ridge Mountains of Central Virginia While much of the County is rural, recreational interests are met w ith more than 24,000 acres comprised of public lakes Approximately 16 of adults under age 64 and 9 of children w ho live in the County are uninsured Additionally, 14 of residents live below th e poverty level and 19 did not graduate from high school 18 of residents are 65 years of age or older Carilion Franklin Memorial Hospital has a very busy emergency room, treating more than 26,000 patients each year Form 990 Section Schedule H, Part VI Line 5 Carilion Franklin Memorial Hospital serves all patients regardless of their ability to pay The Ho spitals governing Board is elected annually and the majority of members are neither employ ees nor contractors of the Hospital Medical staff privileges are extended to qualified pr oviders In addition to clinical care, the hospital w orks to achieve its mission through t he education of health professionals and the community Any surplus funds are reinvested i n new technology, clinical initiatives, education and charitable efforts This includes pr oviding free, discounted and subsidized care as w ell as critical medical services that ope rate at a loss Form 990 Section Schedule H, Part VI Line 5 Contd Additionally, Carilion Franklin Memorial Hospital provided grant funding to support operations of the Free Clinic of Franklin County, a non-profit organization w ith mission to provide quality primary med ical care for uninsured families of the poor, the w orking poor and elderly on fixed income s and Southern Virginia Child Advocacy Center for the Child and Caretaker Interaction Prog ram, a 15 hour hands-on, comprehensive approach to identifying strengths w ithin caretaker/ child relationships for reports that provide additional insight for Judges, Department of Social Service, or other agencies that consider placements for children Form 990 Section Schedule H, Part VI Line 5 Contd Carili

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Carilion Franklin Memorial Hospital

Employer identification number
54-0480606

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

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

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate 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

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

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

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

	(a) Name of other organization	**(b)** Transaction type(a-r)	**(c)** Amount involved	**(d)** Method of determining amount involved
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

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

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

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

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data

Return to Form

Software ID: 10000149
Software Version: 2010.2.15
EIN: 54-0480606
Name: Carilion Franklin Memorial Hospital

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization Yes	No
Carilion Clinic PO Box 12385 Roanoke, VA 24025 54-1190771	Supporting organization	VA	501c3	11 Type I	N/A		No
Carilion Clinic Foundation PO Box 12385 Roanoke, VA 24025 54-1190773	Supporting organization	VA	501c3	11 Type I	N/A		No
Carilion Giles Community Hospital PO Box 12385 Roanoke, VA 24025 54-0549603	Healthcare	VA	501c3	3	N/A		No
Carilion Medical Center PO Box 12385 Roanoke, VA 24025 54-0506332	Healthcare	VA	501c3	3	N/A		No
Carilion New River Valley Medical Center PO Box 12385 Roanoke, VA 24025 54-0553805	Healthcare	VA	501c3	3	N/A		No
Carilion Services Inc PO Box 12385 Roanoke, VA 24025 54-1190879	Supporting organization	VA	501c3	11 Type I	N/A		No
Carilion Stonewall Jackson Hospital PO Box 12385 Roanoke, VA 24025 54-0568001	Healthcare	VA	501c3	3	N/A		No
Carilion Tazewell Community Hospital PO Box 12385 Roanoke, VA 24025 54-6074580	Healthcare	VA	501c3	3	N/A		No
Hugh Trout Memorial Foundation PO Box 12385 Roanoke, VA 24025 51-0236357	Supporting organization	VA	501c3	11 Type I	N/A		No

Carilion Clinic and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended September 30, 2011 and 2010, and Independent Auditors' Report

CARILION CLINIC AND SUBSIDIARIES

Roanoke, Virginia
A Nonstock, Nonprofit Corporation
Chartered by the Commonwealth of Virginia

OFFICERS OF THE BOARD OF DIRECTORS

James A Hartley	Chairman
Nancy H Agee	President
Donald E Lorton	Treasurer
Briggs W Andrews	Secretary

BOARD OF DIRECTORS

Nancy H Agee	James A Hartley
John A Bond	Daniel R Jones, MD
J Alexander Boone	Raymond D Smoot, Jr , PhD
Abney S Boxley, III	James C Thompson
George B Cartledge, Jr	James M Turner, Jr
David L Caudill	William White, Sr
Warner N Dalhouse	Danielle H Yarber
Ronald C Evans	

CARILION CLINIC AND SUBSIDIARIES

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Carilion Clinic
Roanoke, Virginia

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 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 Clinic'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, such consolidated financial statements present fairly, in all material respects, the financial position of the Clinic as of September 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

As discussed in Notes 1 and 4 to the consolidated financial statements, the consolidated financial statements include investments valued at $278,869,000 (18% of total assets) and $242,914,000 (15% of total assets) as of September 30, 2011 and 2010, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values In addition, the defined benefit postretirement plan assets disclosed in Note 9 include investments of $188,929,000 and $163,892,000 as of September 30, 2011 and 2010, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values Management's estimates are based on net asset values reported by the fund managers or the general partners

As discussed in Note 1 to the consolidated financial statements, the Clinic adopted amendments to the accounting and disclosure for noncontrolling interests effective October 1, 2010 The amendments are to be applied prospectively, except for the presentation and disclosure requirements, which were applied retrospectively

Deloitte & Touche LLP

January 19, 2012

CARILION CLINIC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2011 AND 2010
(In thousands)

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,560	$ 11,993
Assets whose use is limited	658	659
Accounts receivable — net of allowance for doubtful accounts of $73,162 in 2011 and $57,435 in 2010	180,414	162,008
Inventories	12,481	12,135
Prepaid expenses and other current assets	12,507	20,213
Total current assets	209,620	207,008
INVESTMENTS	132,119	155,739
INTEREST RATE SWAPS	208	10
ASSETS WHOSE USE IS LIMITED — Net of current portion	541,172	516,301
PROPERTY AND EQUIPMENT — Net	640,459	681,218
OTHER ASSETS	33,103	64,054
TOTAL	$1,556,681	$1,624,330
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 41,925	$ 41,621
Accounts payable	41,058	45,432
Due to third-party payors	24,870	23,959
Accrued salaries and wages	37,110	44,356
Accrued vacation	32,116	30,968
Other current liabilities	70,527	62,671
Total current liabilities	247,606	249,007
LONG-TERM DEBT — Net of current portion	610,831	620,989
INTEREST RATE SWAPS	85,548	63,148
PENSION AND OTHER LIABILITIES	292,426	193,170
Total liabilities	1,236,411	1,126,314
COMMITMENTS AND CONTINGENCIES (Notes 4, 5, 8, 14, and 15)		
NET ASSETS		
Unrestricted		
Carilion Clinic and subsidiaries	298,105	476,859
Noncontrolling interests	2,409	2,316
Total unrestricted net assets	300,514	479,175
Temporarily restricted	7,871	6,956
Permanently restricted	11,885	11,885
Total net assets	320,270	498,016
TOTAL	$1,556,681	$1,624,330

See notes to consolidated financial statements.

CARILION CLINIC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In thousands)

	2011	2010
UNRESTRICTED OPERATING REVENUES AND GAINS		
Net patient service revenue	$1,190,352	$1,137,938
Medical supplies and services	11,791	40,715
Other operating revenue	74,867	62,618
Net assets released from restrictions	1,847	2,241
Total unrestricted operating revenues and gains	1,278,857	1,243,512
OPERATING EXPENSES		
Salaries and outside labor	606,016	609,270
Benefits	124,445	135,362
Supplies and other expenses	377,683	376,439
Depreciation and amortization	78,286	79,341
Provision for bad debts	66,722	64,802
Interest expense	31,939	24,188
Total operating expenses	1,285,091	1,289,402
OPERATING LOSS	(6,234)	(45,890)
NONOPERATING LOSS		
Investment loss	(55,637)	(16,275)
Other nonoperating loss	(21,822)	(3,884)
Total nonoperating loss	(77,459)	(20,159)
DEFICIT OF UNRESTRICTED REVENUES AND GAINS OVER EXPENSES	(83,693)	(66,049)
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	(95,017)	(3,203)
CONTRIBUTION OF NONCONTROLLING INTEREST IN CARILION LABS AND OTHER		(10,611)
NET ASSETS RELEASED FROM RESTRICTIONS FOR PURCHASES OF PROPERTY AND EQUIPMENT	49	101
DECREASE IN UNRESTRICTED NET ASSETS FROM CONSOLIDATED OPERATIONS	(178,661)	(79,762)
CHANGE IN UNRESTRICTED NET ASSETS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	93	(11,095)
CHANGE IN UNRESTRICTED NET ASSETS ATTRIBUTABLE TO CARILION CLINIC AND SUBSIDIARIES	$ (178,754)	$ (68,667)

See notes to consolidated financial statements.

CARILION CLINIC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In thousands)

	2011	2010
UNRESTRICTED NET ASSETS		
Deficit of unrestricted revenues and gains over expenses attributable to Carilion Clinic and subsidiaries	$ (83,693)	$ (66,049)
Pension-related changes other than net periodic pension cost	(95,017)	(3,203)
Contribution of noncontrolling interest in Carilion Labs and other		(10,611)
Net assets released from restrictions for purchases of property and equipment	49	101
Decrease in unrestricted net assets	(178,661)	(79,762)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	2,187	2,157
Investment income	624	1,108
Net assets released from restrictions for purchase of property and equipment	(49)	(101)
Net assets released from restrictions used for operations	(1,847)	(2,241)
Increase in temporarily restricted net assets	915	923
DECREASE IN NET ASSETS	(177,746)	(78,839)
NET ASSETS — Beginning of year	498,016	576,855
NET ASSETS — End of year	$ 320,270	$ 498,016

See notes to consolidated financial statements

CARILION CLINIC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In thousands)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	$ (177,746)	$ (78,839)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Depreciation and amortization	78,286	79,341
Deferred compensation	(745)	2,116
Provision for bad debts	66,722	64,802
Net realized and unrealized losses (gains) on investments and interest rate swaps	38,247	(2,109)
Equity in losses of affiliates	30,505	32,951
Gain on sale of assets	(365)	(14)
Gain on deconsolidation of Carilion Labs, LLC		(1,932)
Contribution of noncontrolling interest in Carilion Labs and other		10,611
Restricted contributions and restricted investment income	(2,811)	(3,265)
Pension-related changes other than net periodic pension cost	95,017	3,203
Net periodic pension cost in (deficit) excess of funding	(2,680)	8,354
Loss on extinguishment of debt	2,584	
Changes in		
Accounts receivable — net	(85,128)	(70,286)
Inventories, prepaid expenses, and other current assets	7,360	4,629
Other assets	(1,082)	(1,871)
Accounts payable and accrued expenses	(11,461)	6,794
Due to third-party payors	911	4,335
Other current liabilities	9,454	5,754
Other liabilities	7,371	(867)
Net cash provided by operating activities	54,439	63,707
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(38,757)	(60,311)
Proceeds from sale of property and equipment	1,112	160
VHSAX distributions		26,655
Acquisitions	(1,708)	(2,370)
Purchases of investments and assets whose use is limited	(4,623,983)	(4,836,106)
Proceeds from sale of investments and assets whose use is limited	4,609,919	4,828,117
Net cash used in investing activities	(53,417)	(43,855)

(Continued)

CARILION CLINIC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In thousands)

	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted contributions and restricted investment income	$ 2,811	$ 3,265
Deferred financing costs	(2,704)	
Proceeds from issuance of long-term debt	257,301	
Principal payments and retirements of long-term debt	(266,863)	(12,441)
Net cash used in financing activities	(9,455)	(9,176)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,433)	10,676
CASH AND CASH EQUIVALENTS — Beginning of year	11,993	1,317
CASH AND CASH EQUIVALENTS — End of year	$ 3,560	$ 11,993

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION
Cash paid for interest (net of amount capitalized) in 2011 and 2010 was $29,464 and $23,508, respectively
Capital leases entered into during 2010 totaled $4,000
Other noncash acquisitions of property and equipment in 2011 and 2010 totaled $1,992 and $1,003, respectively

See notes to consolidated financial statements (Concluded)

1. CORPORATE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — Carilion Clinic is the sole member of Carilion Medical Center (CMC) (t/a Carilion Roanoke Memorial Hospital and Carilion Roanoke Community Hospital), Carilion New River Valley Medical Center, Carilion Franklin Memorial Hospital, Carilion Giles Community Hospital, Carilion Tazewell Community Hospital, Carilion Clinic Properties, LLC (formerly known as Carilion Clinic Physicians, LLC), Carilion Clinic Foundation, and Carilion Services, Inc (collectively, "Carilion")

Carilion and the entities for which it serves as sole member are not-for-profit, nonstock membership corporations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) Carilion Services, Inc , is the sole stockholder of CHS, Inc (CHSI) CHSI is the holding company for the other taxable Carilion entities

Carilion owns an 80% interest in Carilion Stonewall Jackson Hospital ("Stonewall"), with the noncontrolling interest remaining with a community-based foundation Carilion and Centra Health ("Centra") have a joint ownership agreement with Bedford Memorial Hospital ("Bedford") Under the terms of the agreement, Carilion and Centra each have a 50% equity interest in Bedford (see Note 6)

During March 2010, Carilion contributed Carilion Labs, LLC, a formerly consolidated subsidiary, to Laboratories Group Holding, LLC (LGH), a previously unrelated lab company, in exchange for an equity interest in LGH As a result of this transaction, Carilion deconsolidated Carilion Labs, LLC, and recognized an investment in LGH that is accounted for under the equity method of accounting (see Note 6)

Effective October 1, 2009, Carilion formed a new captive insurance company, Blue Ridge Indemnity Company, LLC (BRIC) BRIC is licensed as a captive insurance company by the Vermont Commissioner of Banking, Insurance, Securities and Health Care Administration, pursuant to the provisions of the Vermont Statutes Annotated Carilion was previously a member in a joint risk financing initiative with two other health care providers in a Vermont-based risk retention group, Virginia Health Systems Alliance Interinsurance Exchange, RRG (VHSAX) On October 1, 2009, VHSAX was dissolved by agreement of the members, upon which Carilion received a cash distribution for its assets held by VHSAX and assumed the liability for medical malpractice claims made against Carilion Through various independent carriers, BRIC carries reinsurance coverage of up to $50,000 per occurrence and annual aggregate to cover claims in excess of $2,000 per occurrence and $14,000 in annual aggregate Carilion continues to be self-insured for claims incurred but not reported

During 2009, Carilion formed Carilion Clinic Medicare Resources LLC, a health maintenance organization that began offering Medicare Advantage health plans to residents of southwest Virginia as of October 1, 2009

The accounts of CMC, Bedford, Carilion New River Valley Medical Center, Carilion Franklin Memorial Hospital, Carilion Giles Community Hospital, and Carilion Clinic Properties, LLC, are collectively referred to as the Obligated Group as a result of the Master Trust Indenture executed by and among the members of the Obligated Group in connection with the issuance of certain long-term debt obligations

Presentation of Consolidated Financial Statements — The consolidated financial statements of Carilion have been prepared under the accrual basis in accordance with accounting principles generally accepted in the United States of America as set forth in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC)

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions Accordingly, net assets of Carilion and changes therein are classified and reported as follows

Unrestricted Net Assets — Net assets that are not subject to donor-imposed stipulations

Temporarily Restricted Net Assets — Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose Temporarily restricted net assets held by Carilion as of September 30, 2011 and 2010, were restricted primarily for indigent care, clinical research, trauma operations, and neonatal and pediatric care

Permanently Restricted Net Assets — Permanently restricted net assets have been restricted by donors to be maintained by Carilion in perpetuity Permanently restricted net assets held by Carilion as of September 30, 2011 and 2010, were restricted primarily for neonatal and pediatric care

In the accompanying consolidated statements of operations, all revenues have been reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions Expenses are reported as decreases in unrestricted net assets Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions Cash and noncash contributions are recorded at fair value when made with the exception of unconditional promises, which are recognized on the date the promise is made

The consolidated statements of operations include deficit of unrestricted revenues and gains over expenses Changes in unrestricted net assets, which are excluded from deficit of unrestricted revenues and gains over expenses, include net assets released from restrictions for purchase of property and equipment and pension-related changes other than net periodic pension costs

Consolidation — The consolidated financial statements include all subsidiaries for which Carilion has a controlling financial interest All significant intercompany accounts and transactions have been eliminated in consolidation

Net Patient Service Revenue — Carilion has agreements with third-party payors that provide for payments to Carilion 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

HITECH Incentive Funding for Meaningful Use of Electronic Health Records (EHR) — The American Recovery and Reinvestment Act of 2009 (ARRA) established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that meaningfully use certified EHR technology. These provisions of ARRA are referred to as the Health Information Technology for clinical and Economic Health (HITECH) Act. Incentive payments under the HITECH Act will be paid out over four years on a transitional schedule. To qualify for incentives, hospitals and physicians must meet designated EHR meaningful use criteria (through three stages), as defined by The Centers for Medicare and Medicaid Services (CMS). While Stage 1 criteria are well defined by CMS, Stage 2 and 3 requirements are still being developed. Incentive payments are awarded to hospitals and physicians based on attestation to CMS of achievement of applicable EHR meaningful use criteria. Attestations are subject to audit by the federal government or its designee. The EHR incentive payments to hospitals include a base amount, plus a discharge-related portion, which is calculated by CMS based on the hospital's most recently filed cost report and are subject to adjustment upon settlement of the cost report for the hospital's fiscal year that begins after the beginning of the payment year. A hospital may receive incentive payments for up to four years, provided that it successfully demonstrates meaningful use for each applicable EHR reporting period.

Carilion recognizes revenue for HITECH incentive payments in the period in which it is reasonably assured that it will comply with the applicable EHR meaningful use requirements. Incentive revenues are recognized ratably over the applicable EHR reporting period. Certain Carilion hospitals completed their attestation to CMS of compliance with the Medicare Program Stage 1 criteria during fiscal year 2011 and, accordingly, recognized other operating revenues of $9,015 for year one incentives in the accompanying consolidated statement of operations for the year ended September 30, 2011.

Charity Care — Carilion provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because Carilion does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue or included in patient accounts receivable.

Cash and Cash Equivalents — Cash and cash equivalents consist primarily of demand deposits, temporary investments in bank repurchase agreements, certificates of deposit, and overnight master notes with banks. Carilion considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Carilion's cash deposits are held at local and regional banks. Carilion had short-term investments of approximately $46,207 and $50,843 at September 30, 2011 and 2010, respectively, at a regional bank, which are included in the system-wide investment pool (see Note 4) and, therefore, are classified as noncurrent assets. At September 30, 2011 and 2010, total Carilion deposits exceeded federally insured limits by approximately $11,194 and $2,654, respectively.

Inventories — Inventories are stated at the lower of cost (first-in, first-out) or market.

Investments and Assets Whose Use is Limited — Carilion combines its investments in a system-wide investment pool, which includes investments and assets whose use is limited. Assets whose use is limited primarily includes assets held by trustees under a Master Trust Indenture agreement and assets designated by the board of directors (the "Board") for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Carilion's investments and assets whose use is limited, excluding alternative investments, are classified as trading securities and measured at fair value on the consolidated balance sheets with the related interest and dividends and realized and unrealized holding gains and losses reported in investment income (loss) in the consolidated statements of operations, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Management determined that the trading security category is appropriate based on Carilion's investment strategy and policies. Investment managers may execute individual purchases and sales of investments without prior approval from Carilion, as long as they comply with Carilion's investment strategy and policies.

Alternative investments, which are not readily marketable and are less liquid compared to Carilion's other investments, are classified as available-for-sale securities and include hedge funds, limited partnerships, limited liability corporations, and offshore investment funds and represent 41% and 36% of total investments and assets whose use is limited as of September 30, 2011 and 2010, respectively (see Note 4). These instruments may contain elements of both credit and market risk. Such risks could include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments (both interest rate swaps and nonmarketable investments), and nondisclosure of portfolio composition. Investments of the limited partnerships include certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments, which involve varying degrees of off-balance-sheet risk for the limited partnerships, limited liability corporations, and offshore investment funds, may result in a loss due to changes in the market (market risk).

Carilion has elected the fair value option to account for its investments in limited partnerships and limited liability corporations. Management determined the fair value option is appropriate based on Carilion's investment strategy and policies with respect to investments in limited partnerships and limited liability corporations. Management estimates the fair value of its investments in limited partnerships and limited liability corporations based on information provided by the fund managers.

Accounting principles generally accepted in the United States of America permit, as a practical expedient, a reporting entity to measure the fair value of certain investments without readily determinable fair values by using the reported net asset value (NAV) per share of the investment without further adjustment if the investment is in an entity that meets the description of an investment company whose underlying investments are measured at fair value as set forth in the ASC. Accordingly, Carilion generally estimates the fair value of its investments in limited partnerships and limited liability corporations using the NAV per share reported by the respective fund managers or the general partners.

The estimated fair value of certain alternative investments, such as private equity interests, is based on valuations performed prior to the balance sheet date by the external investment managers and adjusted for cash receipts, cash disbursements, and securities distributions through September 30. Because alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

Equity Method Investments — The equity method of accounting is used for investments in entities for which Carilion has the ability to exercise significant influence over the operating and financial policies of the investee, but does not have a controlling financial interest via majority voting rights, sole corporate membership, or by other means. The carrying value of equity method investments is adjusted for Carilion's proportionate share of changes in net assets of the investee, with adjustments as applicable for intraentity profit and losses, amortization of basis differences, investee capital transactions, and the effect of investee cumulative preferred stock.

Carilion's proportionate share of the earnings of equity method investees is reported in investment income (loss) in the consolidated statements of operations. Carilion's proportionate share of the investee's extraordinary items, changes in accounting principle, and pension-related changes other than pension expense are recognized within the corresponding line item in Carilion's consolidated statements of operations and statements of changes in net assets (as applicable).

Equity method investments are initially measured at cost, with the exception of a retained investment in a deconsolidation transaction for which the equity method investment is initially measured based on the fair value of the retained interest. Carilion evaluates the carrying value of equity method investments for other-than-temporary impairment. If the equity method investment is determined to be other-than-temporarily impaired, an impairment charge would be recognized for the amount by which the carrying amount exceeds fair value.

Property and Equipment — Property and equipment is stated at cost less accumulated depreciation. Donated property and equipment is recorded at fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the depreciable assets, except for leasehold improvements, which are amortized over the shorter of the expected useful life of the improvement or the term of the related lease. The estimated useful life of buildings is 39 years. The estimated useful life of fixed equipment is 10 to 20 years. The estimated useful life of movable equipment is 3 to 15 years.

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable. The recoverability of long-lived assets is evaluated by comparing the carrying amount to the estimated undiscounted cash flows. If the carrying amount exceeds the estimated undiscounted cash flows, an impairment charge would be recognized for the amount by which the carrying amount exceeds the fair value of the long-lived asset. Management determined there was no impairment of long-lived assets as of or during the years ended September 30, 2011 and 2010.

Interest Costs — Interest costs incurred on borrowed funds, net of interest income earned on the unexpended bond proceeds during the period of construction of capital assets, are capitalized as a component of the costs of acquiring those assets. Such amounts were not material to the consolidated financial statements as of and for the years ended September 30, 2011 and 2010.

Bond Issue Costs and Original Issue Bond Premium and Discount — Unamortized bond issue costs of $7,875 and $8,183 at September 30, 2011 and 2010, respectively, are included in other assets in the accompanying consolidated balance sheets. Unamortized original issue premium on bonds payable of $9,846 and $779 at September 30, 2011 and 2010, respectively, and unamortized original issue discount on bonds payable of $464 and $486 at September 30, 2011 and 2010, respectively, are netted against long-term indebtedness in the accompanying consolidated balance sheets. Bond issue costs, original issue premium, and original issue discount are amortized over the period the obligation is outstanding.

Goodwill and Other Intangible Assets — Goodwill represents acquisition costs in excess of the fair value of net identifiable tangible and intangible assets of businesses purchased. Goodwill and other intangible assets are classified into three categories: (1) intangible assets with definite lives subject to amortization, (2) intangible assets with indefinite lives not subject to amortization, and (3) goodwill. Carilion determines the useful lives of its identifiable intangible assets after considering the specific facts and circumstances related to each intangible asset. Intangible assets that are deemed to have definite lives are amortized, on a straight-line basis, over their useful lives. Other intangible assets consist of noncompete agreements and customer relationships that have estimated useful lives of five years and 20 years, respectively.

Intangible assets with indefinite lives and goodwill reported in the accompanying consolidated balance sheets are held by Carilion's taxable subsidiaries and, accordingly, are not amortized. Carilion tests goodwill and indefinite-lived intangible assets for impairment annually on September 30, or more frequently if events or circumstances indicate that such intangible assets or goodwill might be impaired. Goodwill was $203 and $174 at September 30, 2011 and 2010, respectively.

Substantially all goodwill and other intangible assets were derecognized in March 2010 as a result of the deconsolidation of Carilion Labs, LLC (see Note 6).

Derivative Instruments — Carilion uses interest rate swap instruments to manage its exposure to movements in interest rates. Interest rate swaps are contractual agreements between two parties for the exchange of interest payments on a notional principal amount at agreed-upon fixed or floating rates for defined periods. Interest rate swaps are measured at fair value in the accompanying consolidated balance sheets, with the change in fair value recorded as realized gains (losses) and included in investment income (loss) in the accompanying consolidated statements of operations. Carilion does not enter into derivative financial instruments for trading purposes.

Income Taxes — The Internal Revenue Service has determined that Carilion Clinic, the members of the Obligated Group, Stonewall, Carilion Tazewell Community Hospital, Carilion Clinic Foundation, and Carilion Services, Inc., qualify under Section 501(c)(3) of the IRC and are, therefore, not generally subject to income taxes under present tax laws. CHSI and its subsidiaries are taxable corporations.

Carilion recognizes a tax liability or asset for the estimated taxes payable or refundable on tax returns for current and prior years. Deferred tax assets and liabilities are recognized for the estimated future tax effects attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A tax benefit from an uncertain tax position is recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Uncertain tax positions may include the characterization of income, such as a characterization of income as passive, a decision to exclude reporting taxable income in a tax return, or a decision to classify a transaction, entity, or other position in a tax return as tax exempt.

Carilion had no material unrecognized tax benefits and no adjustments to its consolidated financial statements were required as of and for the years ended September 30, 2011 and 2010. Carilion does not expect that unrecognized tax benefits will materially increase within the next 12 months.

Interest and penalties related to uncertain tax positions, if any, would be reported in the consolidated financial statements as income tax expense. Fiscal years from 2008 through 2010 are subject to examination by the federal and state taxing authorities. There are no income tax examinations currently in process.

Conditional Asset Retirement Obligations — Carilion recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred if a reasonable estimate of the fair value of the obligation can be made. The obligation is accreted to its present value each period. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of operations. Liabilities for conditional asset retirement obligations related to the abatement of asbestos in clinical and administrative facilities are $2,027 and $2,103 at September 30, 2011 and 2010, respectively, and are included in pension and other liabilities in the accompanying consolidated balance sheets

Physician Guarantees — Consistent with its policy on physician relocation and recruitment, Carilion has provided income guarantee agreements to certain physicians who agree to relocate to its communities to fill a need in Carilion's service area and commit to remain in practice there Under such agreements, Carilion is required to make payments to the physicians in excess of the amounts they earn in their practice up to the amount of the income guarantee The income guarantee periods are typically 12 months Such payments are recoverable from the physicians if they do not fulfill their commitment period to the community, which is typically three years Carilion forgives the payments if the physician completes the full commitment period Physician guarantees are not material to the consolidated financial statements

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 and assumptions are used for, but not limited to, recognition of net patient service revenue, valuation of accounts receivable, including contractual allowances and provisions for doubtful accounts, liabilities for losses and expenses related to employee health care and professional and general liability risks, valuation of investments and interest rate swap instruments, depreciation of property and equipment, and estimated third-party settlements Future events and their effects cannot be predicted with certainty, accordingly, management's accounting estimates require the exercise of judgment The accounting estimates used in the preparation of the accompanying consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained, and as the operating environment changes Management regularly evaluates the accounting policies and estimates it uses In general, management relies on historical experience and on other assumptions believed to be reasonable under the circumstances and may employ outside experts to assist in the evaluation, as considered necessary Although management believes all adjustments considered necessary for fair presentation have been included, actual results may vary from those estimates

Subsequent Events — Carilion has evaluated subsequent events from the end of the most recent fiscal year through January 19, 2012, the date of issuance of the consolidated financial statements

Adoption of New Accounting Pronouncements — Effective October 1, 2010, Carilion adopted the provisions of ASC 958-810, *Not-for-Profit Entities — Consolidation* ASC 958-810 amended FASB Statement No 160, *Noncontrolling Interests in Consolidated Financial Statements*, to make its provisions applicable to not-for-profit entities The provisions of ASC 958-810 are to be applied prospectively, except for presentation and disclosure requirements related to noncontrolling interests, which are to be applied retrospectively ASC 958-810 requires the noncontrolling interests to be presented as a separate component of the appropriate class of net assets ASC 958-810 also requires the excess of revenues over expenses attributable to noncontrolling interests to be presented separately on the consolidated statements of operations These provisions have been reflected in the consolidated balance sheets, statements of operations, statements of changes in net assets, statements of cash flows, and the notes to the consolidated financial statements as of and for the years ended September 30, 2011 and 2010

Effective October 1, 2010, Carilion adopted the provisions of ASC 958-805, *Business Combinations*, relating to goodwill Prior to the adoption of ASC 958-805, goodwill was amortized on a straight-line basis Beginning October 1, 2010, and upon the adoption of ASC 958-805, goodwill is no longer amortized and is now subject to at least an annual assessment for impairment by applying a fair value-based test The adoption of this guidance did not have a material impact on the consolidated financial statements

In January 2010, the FASB issued Accounting Standards Update (ASU) No 2010-06, *Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements* ASU No 2010-06 adds additional disclosure requirements related to transfers of Level 1 and Level 2 fair value measurements as well as additional disclosure around activity in Level 3 fair value measurements The ASU also provides amendments to existing disclosures by adding clarification around the level of disaggregation and disclosures about inputs and valuation techniques The disclosure requirements in ASU No 2010-06 are effective for reporting periods beginning after December 15, 2009, except for the requirement to present the Level 3 rollforward on a gross basis, which is effective for reporting periods beginning after December 15, 2010 The adoption of this guidance was limited to the form and content of disclosures and did not have a material effect on the consolidated financial statements Carilion will adopt the requirement to present the Level 3 rollforward on a gross basis in fiscal year 2012

Recently Issued Accounting Guidance — In August 2010, the FASB issued ASU No 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries* The objective of this ASU is to address the current diversity in practice related to the accounting by health care entities for medical malpractice claims and similar liabilities and their related anticipated insurance recoveries The amendments of this ASU clarify that a health care entity should not net insurance recoveries against a related claim liability The amendments in this ASU are effective for fiscal years beginning after December 15, 2010 Carilion is currently evaluating the provisions of this update and their impact on its consolidated financial statements

In August 2010, the FASB issued ASU No 2010-23, *Health Care Entities (Topic 954) Measuring Charity Care for Disclosure* This ASU provides amendments to require that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing charity care This update also requires disclosure of the methodology used to determine such costs This ASU is effective for fiscal years beginning after December 15, 2010 Carilion is currently evaluating the provisions of this update and their impact on its consolidated financial statements

In July 2011, the FASB issued ASU No 2011-07, *Health Care Entities (Topic 954) Presentation and Disclosure of Patient Services Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* ASU No 2011-07 requires certain health care entities to change the presentation of their statements of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts) Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts ASU No 2011-07 also requires disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts ASU No 2011-07 is effective for nonpublic entities for fiscal years ending after December 15, 2012, with early adoption permitted Carilion is currently evaluating the provisions of this update and their impact on its consolidated financial statements

In December 2011, the FASB issued ASU No 2011-11, *Disclosures about Offsetting Assets and Liabilities (Topic 210)* ASU No 2011-11 requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement This scope includes derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The requirements of ASU No. 2011-07 are required for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. Carilion is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

2. CHARITY CARE AND COMMUNITY SERVICES

Carilion is committed to providing quality health care to all, regardless of ability to pay. Under Carilion's charity care policy, patients meeting certain criteria receive care without charge or at a significant discount. Approved charity care determined at established rates was $179,432 and $163,083 for the years ended September 30, 2011 and 2010, respectively.

Carilion established the Carilion Community Health Fund ("Health Fund") program to serve its mission through contributions to public and private agencies. The contributions are targeted for projects that demonstrate innovative models for the delivery of care, improve access to health care, motivate and educate individuals to improve their health, or champion community initiatives to reduce health risks. Carilion's contributions through the Health Fund were $483 and $476 for 2011 and 2010, respectively.

To support its mission to improve the health of the communities it serves, Carilion also operates emergency rooms open 24 hours per day, seven days a week, sponsors community health screenings and educational classes, and promotes health and provides preventive care through partnerships with schools, community centers, and medical clinics in underserved areas. Carilion also provides facilities and subsidizes operations to train medical personnel through support of the Jefferson College of Health Sciences, the CMC School of Clinical Laboratory Science, and the Virginia Tech Carilion School of Medicine.

3. NET PATIENT SERVICE REVENUE

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

Medicare — Inpatient acute care services and exempt rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge for all hospitals, except Carilion Giles Community Hospital and Stonewall, which are reimbursed based on reasonable cost. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. When the estimated cost of treatment for certain patients is higher than the average, Carilion receives additional "outlier" payments. Inpatient nonacute services and defined medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. Certain outpatient service costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology, subject to certain limitations. Pursuant to federal legislation, the Medicare program makes payments for outpatient services on a prospective basis for certain hospitals of Carilion. This payment system classifies outpatient procedures into predetermined groups, ambulatory payment classifications (APCs), with each APC having a predetermined payment amount. Capital costs are paid on a prospective basis based on a predetermined rate per discharge. Carilion is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The hospitals' Medicare cost reports have been audited and final settled by the Medicare fiscal intermediary through September 30, 2006, except for Carilion Giles Community Hospital and Stonewall, which have been settled through September 30, 2008.

Medicaid — Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors Outpatient services and certain other costs are reimbursed based on a percentage of reasonable cost Carilion is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by Medicaid All hospitals' Medicaid cost reports have been final settled through September 30, 2007

Anthem — Services rendered to Anthem subscribers are paid at prospectively determined rates per discharge These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term Net patient service revenue for the years ended September 30, 2011 and 2010, increased by $850 and $1,000, respectively, due to the effect of settlement adjustments

Carilion also has agreements with Medicare, Medicaid, and Anthem to provide physician services, which are primarily reimbursed based on established fee schedules and/or predetermined percentages of covered charges, within certain limitations, and are not subject to retroactive adjustment

In addition, Carilion has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations, and other third-party payors The basis for payment to Carilion under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined rates

Net patient service revenue for the years ended September 30, 2011 and 2010, is summarized as follows

	2011	**2010**
Net inpatient service revenue	$ 541,680	$ 513,984
Net outpatient service revenue	443,908	420,126
Net professional fees	204,764	203,828
Total net patient service revenue	$ 1,190,352	$ 1,137,938

4. INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

Carilion combines its investments in a system-wide investment pool, which includes investments and assets whose use is limited Bedford's investments totaling $10,349 and $9,319 and assets whose use is limited totaling $1,764 and $1,735 as of September 30, 2011 and 2010, respectively, are also included in the investment pool The carrying values of the components of the system-wide investment pool at September 30, 2011 and 2010, are summarized as follows

	2011	**2010**
Investments	$ 142,468	$ 165,058
Assets whose use is limited	543,594	518,695
	$ 686,062	$ 683,753

The assets in the system-wide investment pool at September 30, 2011 and 2010, are summarized as follows

	2011	2010
Short-term money market investments	$ 62,603	$ 51,711
U S Treasury notes		834
U S government agency securities		5,467
Asset-backed securities		688
Corporate obligations		4,140
Mutual funds		
Fixed income	86,559	124,375
Domestic equity	18,651	
Global equity	40,419	82,603
International common stocks	82,566	34,373
Domestic common stocks	38,056	63,347
Alternative investments (Note 1)		
Core hedge funds	94,597	100,266
Low volatility hedge funds	13,734	19,723
Real estate and commodities funds limited partnerships	77,409	38,140
Inflation sensitive funds	29,182	5,966
Macro trading funds	29,118	45,268
Private equity limited partnerships and limited liability corporations	34,829	33,551
Total investment pool	607,723	610,452
Less amounts held for Bedford	(12,113)	(11,054)
Total investment pool — net of amounts held for Bedford	595,610	599,398
Assets whose use is limited under bond indenture agreements	3,272	3,276
Assets whose use is limited under interest rate swap agreements	11,988	8,986
Assets held by BRIC	22,821	25,629
Assets whose use is limited under rabbi trust agreement	28,778	30,024
Assets on deposit with regulatory authorities	2,000	2,000
Assets held by CCMR	9,480	3,386
Investments and assets whose use is limited	$ 673,949	$ 672,699

At September 30, 2011, Carilion was committed to invest an additional $7,227 in limited partnership funds at an unspecified future date There were no other unfunded investment commitments at September 30, 2011

Assets whose use is limited that are available for obligations classified as current liabilities are reported as current assets The fair values of Carilion's assets whose use is limited at September 30, 2011 and 2010, are summarized as follows

	2011	2010
Assets whose use is limited under board designations	$ 472,971	$ 447,045
Assets whose use is limited under bond indenture agreements	3,272	3,276
Assets whose use is limited under interest rate swap agreements	11,988	8,986
Assets whose use is limited for BRIC	22,821	25,629
Assets whose use is limited under rabbi trust agreement	28,778	30,024
CCMR assets on deposit with regulatory authorities	2,000	2,000
	541,830	516,960
Less portion required for current liabilities	658	659
Assets whose use is limited — net of current portion	$ 541,172	$ 516,301

Unrestricted investment income (loss) for the years ended September 30, 2011 and 2010, is summarized as follows

	2011	2010
Dividends and interest	$ 13,189	$ 8,592
Net realized gains on sales of investments	18,263	15,729
Net change in unrealized (losses) gains in investments	(35,811)	5,953
Gains on investments in hedge funds, limited partnerships, and limited liability companies	5,306	13,972
Equity in losses of affiliates	(34,382)	(32,951)
Net change in unrealized losses in interest rate swaps	(22,202)	(27,570)
Unrestricted investment loss	$ (55,637)	$ (16,275)

5. PROPERTY AND EQUIPMENT — NET

Property and equipment — net at September 30, 2011 and 2010, consists of the following:

	2011	2010
Land and improvements	$ 39,413	$ 40,313
Buildings and fixed equipment	884,035	881,982
Movable equipment	732,230	714,398
	1,655,678	1,636,693
Less accumulated depreciation and amortization	(1,032,526)	(966,552)
	623,152	670,141
Construction in progress	17,307	11,077
Property and equipment — net	$ 640,459	$ 681,218

Depreciation expense totaled $78,244 and $78,609 for the years ended September 30, 2011 and 2010, respectively.

Unexpended contractual commitments for projects under construction at September 30, 2011, approximate $7,292. The commitments include costs to replace the exterior hospital building wall at Carilion New River Medical Center and an electrical system upgrade at CMC.

6. EQUITY INVESTMENTS IN AFFILIATES

Bedford and Carilion have a joint ownership agreement with Centra. Under the terms of the agreement, Carilion has a 50% equity interest in Bedford that is accounted for under the equity method. Carilion's investment in Bedford was $4,579 and $5,216 at September 30, 2011 and 2010, respectively, and is included in other assets in the accompanying consolidated balance sheets.

At September 30, 2011 and 2010, Carilion owned approximately 16% of the common stock of Luna Innovations, Inc. ("Luna"), which is accounted for under the equity method. Luna filed for Chapter 11 bankruptcy during July 2009 and emerged from bankruptcy on January 12, 2010. Carilion's investment in Luna was reduced to zero as of September 30, 2009, as a result of recording its share of Luna's losses under the equity method of accounting. In connection with Luna's emergence from bankruptcy on January 12, 2010, Carilion agreed to exchange its notes receivable due from Luna for 1,321,514 shares of Luna Series A convertible preferred stock and warrants to purchase 356,000 shares of Luna common stock for $2.50 per share, exercisable beginning February 1, 2013, and continuing until December 31, 2020. The Series A convertible preferred stock carries a dividend of 6% payable in shares of common stock and maintains a liquidation preference up to $6.2 million. Carilion has not recorded an asset for any of its interests in the common stock of Luna, the Series A convertible preferred stock, or the warrants to purchase shares of Luna common stock at September 30, 2011 and 2010, due to Luna's continued operating and cash flow losses. The quoted market price of Luna's common stock was $1.21 and $2.00 per share as of September 30, 2011 and 2010, respectively.

As described in Note 1, effective March 5, 2010, Carilion contributed Carilion Labs, LLC, a formerly consolidated subsidiary, to LGH, a previously unrelated lab company, in exchange for 86,483,000 common units of LGH, subject to closing adjustments, which represents approximately 86.5% of the LGH common units outstanding as of September 30, 2010. The remaining equity interests in LGH at September 30, 2010, consisted of 147,512,894 Series A preferred units held primarily by a private equity investor. Carilion's ownership interest was reduced to 83.5% of the common units outstanding at September 30, 2011, as a result of additional equity transactions by LGH. The preferred units carry a 10% cumulative accretion compounded quarterly and maintain a liquidation preference over the common units. Both the common units and the Series A preferred units are nonvoting. Carilion's investment in LGH is accounted for under the equity method as it has the ability to exercise significant influence over the entity through its right to appoint three of nine members of LGH's board of managers, but does not have a controlling financial interest.

Carilion recorded a gain upon the deconsolidation of Carilion Labs, LLC, of $1,932 representing the excess of (i) the fair value of common units received of $67,467 ($0.78 per unit) and (ii) the carrying value of the noncontrolling interest in Carilion Labs, LLC, of $10,558 over the carrying value of assets and liabilities contributed to LGH of $70,596, less transaction costs of $5,487. The gain is included in other nonoperating (loss) income for the year ended September 30, 2010, in the accompanying consolidated statement of operations.

The fair value of Carilion's common units at March 5, 2010, was estimated with the assistance of a third-party valuation specialist using a combination of income (discounted cash flow) and market valuation approaches, adjusted for the Series A preferred unit preferences and a discount for the lack of marketability.

Carilion's share of LGH's losses and the Series A preferred unit accretion for the year ended September 30, 2011, and for the period from March 5, 2010 to September 30, 2010, was $34,336 and $33,121, respectively, and is included in investment income (loss) in the accompanying consolidated statements of operations. The carrying amount of Carilion's investment in LGH was $34,336 at September 30, 2010, and was reduced to zero at September 30, 2011, and is included in other assets in the accompanying consolidated balance sheets.

Additional losses are not recognized for equity method investments unless Carilion has guarantee obligations of the investee or is otherwise committed to provide further financial support for the investee. Carilion is not further obligated or committed to the investee.

The cash and noncash effects of the deconsolidation of Carilion Labs, LLC, and the initial recognition of Carilion's equity investment in LGH reflected in the accompanying consolidated statement of cash flows for the year ended September 30, 2010, are summarized as follows

Fair value of LGH common units	$ 67,457
Noncontrolling interest in Carilion Labs, LLC	10,558
	78,015
Less —	
Carrying value of assets (liabilities) of Carilion Labs, LLC	
Cash	6,771
Accounts receivable	8,414
Prepaid expenses and other current assets	2,619
Goodwill and other intangible assets — net	54,823
Property and equipment — net	7,627
Accounts payable and accrued expenses	(7,926)
Other current liabilities	(987)
Other liabilities	(745)
Cash paid for closing costs	5,487
Deconsolidation gain	$ 1,932

Cash contributed to LGH is included in purchases of investments and assets whose use is limited in the accompanying consolidated statement of cash flows for the year ended September 30, 2010

7. NET ASSETS

A summary of changes in consolidated unrestricted net assets attributable to Carilion Clinic and subsidiaries and to the noncontrolling interest for the year ended September 30, 2011, is as follows

	Total	Carilion Clinic and Subsidiaries	Noncontrolling Interests
Balance — beginning of year	$479,175	$476,859	$ 2,316
(Deficit) excess of unrestricted revenues and gains over expenses	(83,693)	(83,786)	93
Pension-related changes other than net periodic pension cost	(95,017)	(95,017)	
Net assets released from restrictions for purchases of property and equipment	49	49	
Balance — end of year	$300,514	$298,105	$ 2,409

A summary of changes in consolidated unrestricted net assets attributable to Carilion Clinic and subsidiaries and to the noncontrolling interests for the year ended September 30, 2010, is as follows

	Total	Carilion Clinic and Subsidiaries	Noncontrolling Interests
Balance — beginning of year	$558,937	$545,526	$ 13,411
(Deficit) excess of unrestricted revenues and gains over expenses	(66,049)	(65,565)	(484)
Contribution of noncontrolling interest in Carilion Labs, LLC	(10,558)		(10,558)
Other	(53)		(53)
Pension-related changes other than net periodic pension cost	(3,203)	(3,203)	
Net assets released from restrictions for purchases of property and equipment	101	101	
Balance — end of year	$479,175	$476,859	$ 2,316

8. LONG-TERM DEBT

Long-term debt at September 30, 2011 and 2010, consists of the following

	2011	2010
Hospital Revenue Bonds — Series 2010 — Term Bonds, 5.0% fixed rate interest, maturing from 2021 to 2033	$ 95,740	$ -
Hospital Revenue Bonds — Series 2008A — Variable Rate Demand Bonds, variable rate interest (0.15% at September 30, 2011), maturing from 2027 to 2042	50,000	50,000
Hospital Revenue Bonds — Series 2008B — Variable Rate Demand Bonds, variable rate interest (0.11% at September 30, 2011), maturing from 2027 to 2042	110,000	110,000
Hospital Revenue Bonds — Series 2005A — Variable Rate Demand Bonds, variable rate interest (0.15% at September 30, 2011), maturing from 2028 to 2036	125,000	125,000
Hospital Revenue Bonds — Series 2005B — Serial Bonds, 3.0% to 5.0% fixed rate interest, maturing from 2012 to 2020	30,345	
Hospital Revenue Bonds — Series 2005B — Term Bonds, 4.375% to 5.0% fixed rate interest, maturing from 2026 to 2038	66,340	
Hospital Revenue Bonds — Series 2005B — Variable Rate Demand Bonds, converted to fixed rate bonds, matured on October 13, 2010		101,425
Hospital Revenue Bonds — Series 2005C — Serial Bonds, 5.0% fixed rate interest, maturing from 2012 to 2020	23,880	
Hospital Revenue Bonds — Series 2005C — Term Bonds, 4.0% to 5.0% fixed rate interest, maturing from 2024 to 2027	26,039	
Hospital Revenue Bonds — Series 2005C — Variable Rate Demand Bonds, converted to fixed rate bonds, matured on October 13, 2010		55,275
Hospital Revenue Bonds — Series 2003A, B, and C — Serial Bonds, refunded October 13, 2010		97,250
Hospital Revenue Bonds — Series 2002A — Serial Bonds 4.25% to 5.75% fixed rate interest, maturing from 2012 to 2021	50,879	54,635
Hospital Revenue Bonds — Series 2002A — Term Bonds, 5.0% fixed rate interest, maturing from 2022 to 2023	13,825	13,825
Hospital Revenue Bonds — Series 2000 — Serial Bonds, 6.35% to 6.625% fixed rate interest, maturing from 2012 to 2015	3,235	3,925
Hospital Revenue Bonds — Series 2000 — Term Bonds, 6.875% to 7.00% fixed rate interest, maturing from 2020 to 2030	24,260	24,260
Other long-term debt	23,831	26,722
	643,374	662,317
Unamortized bond premium	9,846	779
Unamortized bond discount	(464)	(486)
Scheduled payments due within one year	(13,425)	(13,121)
Additional current portion of Series 2008A and B Bonds	(16,000)	(16,000)
Additional current portion of Series 2005A Bonds	(12,500)	(12,500)
Long-term debt — net of current portion	$610,831	$620,989

On October 13, 2010, the Obligated Group issued $95,740 of Hospital Revenue Bonds ("Series 2010 Bonds") through the Economic Development Authority of the City of Roanoke, Virginia The proceeds of the issue were used to refund all of the outstanding Series 2003A, B, and C Hospital Revenue Bonds then outstanding The Series 2010 Bonds are term bonds with a fixed interest rate of 5 0% and mature from 2021 to 2033

On October 13, 2010, the Obligated Group converted the Series 2005B and C variable rate demand bonds to fixed rate bonds with interest ranging from 3 0% to 5 0%, maturing from 2011 to 2038 The repayment of principal and interest on the converted 2005B and C bonds is guaranteed by a municipal insurance policy issued in connection with the original delivery of the Series 2005B and C variable rate demand bonds

The resulting loss on extinguishment of debt was $2,584 for the year ended September 30, 2011, and is included in other nonoperating (loss) income in the consolidated statement of operations

With the exception of the Series 2000 Hospital Revenue Bonds, each member of the Obligated Group is jointly and severally liable for the repayment of the principal and interest as they become due on the Hospital Revenue Bonds (collectively, the "Bonds"), including $4,221 of the Series 2005 A, B, and C Bonds and $3,766 of the Series 2002A Bonds related to Bedford that is not included in the debt of Carilion at September 30, 2011 The Bonds are governed by a master trust indenture, as amended and restated (the "Indenture"), by and among the members of the Obligated Group and U S Bank (the "Master Trustee") The repayment of principal and interest on the Series 2005A, B, and C Bonds and the Series 2002A Bonds (the "Insured Bonds") is guaranteed by a municipal bond insurance policy issued in connection with the delivery of the Insured Bonds The principal amounts outstanding related to Carilion's portion of the Insured Bonds were $336,308 and $447,410 at September 30, 2011 and 2010, respectively, and included $97,250 of the Series 2003A, B, and C Bonds at September 30, 2010

The Bonds are collateralized by a pledge of revenues of the Obligated Group, and the Master Trustee holds a security interest in the gross receipts of the Obligated Group During 2010, a deed of trust was established for the benefit of the Master Trustee to secure all current and future obligations issued under the Indenture with substantially all land, buildings, and fixtures of CMC The deed of trust is supported by $45,000 of title insurance acquired by CMC Carilion New River Valley Medical Center has pledged that it will not create, or permit to exist, a lien against its land, buildings, and fixtures

Stonewall is solely responsible for the Series 2000 Hospital Revenue Bonds, which are collateralized by a deed of trust of Stonewall's real and personal property and a pledge of the gross receipts of Stonewall

The Series 2008A and B Bonds and Series 2005A Bonds are puttable variable rate demand obligations and are remarketed daily The Obligated Group has entered into two separate standby bond purchase agreements for the Series 2008A and 2005A bonds and a letter of credit for the 2008B bonds (collectively, the "Liquidity Facilities") to provide credit and liquidity support for the respective bonds In the event the bonds are tendered for purchase and cannot be remarketed, the Liquidity Facilities provide that the respective bank will provide funds to purchase the unremarketed bonds Bonds purchased with Liquidity Facility funds bear interest at variable rates determined based on the London InterBank Offered Rate (LIBOR) index plus 100 to 200 basis points and are payable to the bank in equal quarterly installments over five years Principal payments are due beginning the first business day of the seventh calendar month following the bank purchase Accordingly, Carilion has included $16,000 of the Series 2008A and B Bonds and $12,500 of the Series 2005A Bonds within the current portion of long-term debt as of September 30, 2011, to reflect the principal that would be payable to the liquidity facility providers if the bonds were tendered for purchase as of the balance sheet date and not remarketed during fiscal year 2012 The Obligated Group may prepay Liquidity Facility funds at any time without penalty

The Liquidity Facilities supporting the Series 2008A and B Bonds and the Series 2005A Bonds expire on July 16, 2015, June 30, 2014, and August 31, 2012, respectively. In the event the Liquidity Facility agreements are not extended or replaced with an alternative liquidity facility prior to expiration, the Indenture provides for mandatory tender of the bonds for purchase with Liquidity Facility funds repayable to the respective bank in equal quarterly installments over five years.

The aggregate principal maturities of long-term debt, including the additional current portion of Series 2008A and B Bonds and Series 2005A Bonds at September 30, 2011, are as follows:

Years Ending September 30	
2012	$ 41,925
2013	69,416
2014	69,571
2015	69,621
2016	69,850
Thereafter	322,991
	$643,374

Sinking Fund Requirements — The Series 2010 Bonds are subject to mandatory annual sinking fund requirements beginning in 2021 through 2033 in varying amounts ranging from $5,025 to $13,435. The Series 2008A and B Bonds are subject to mandatory annual sinking fund requirements beginning in 2027 through 2042 in varying amounts ranging from $425 to $32,870. The Series 2005A, B, and C Bonds are subject to mandatory annual sinking fund requirements through 2038 in varying amounts ranging from $2,370 to $22,700. The Series 2002A Serial Bonds are subject to mandatory annual sinking fund requirements through 2021 in varying amounts ranging from $3,950 to $6,398. The Series 2002A Term Bonds are subject to mandatory sinking fund requirements of $6,742 and $7,083 in 2022 and 2023, respectively.

Debt Service Reserve Fund — The Obligated Group is required to maintain with the Master Trustee a debt service reserve fund to secure all obligations under the Indenture in the event that (a) the Obligated Group's day's cash on hand falls below 120 days at any semiannual test date or (b) the Obligated Group's long-term debt service coverage ratio is below 1.30 for fiscal year 2011, 1.35 for fiscal year 2012, and 1.40 for fiscal year 2013 and thereafter. The debt service reserve fund amount, if required, would be equal to the maximum annual debt service for the obligations then outstanding under the Indenture and must be deposited within 90 days of the applicable test date or constitute an event of default under the Indenture, unless such requirement is waived by the bond insurers.

Debt Covenants — The Obligated Group is subject to certain covenants under the Indenture, the municipal bond insurance policies, and the Liquidity Facility agreements that, among other covenants, place restrictions on the members of the Obligated Group relative to operating ratios, the incurrence of additional indebtedness, and limitations on transfers from the Obligated Group. The Indenture requires that the Obligated Group maintain a debt-to-capitalization ratio of not more than 67% for fiscal year 2011, stepping down by one percent for each succeeding fiscal year until reaching 65% for fiscal year 2013 and thereafter. In addition, the Liquidity Facility agreements require that the Obligated Group maintain a minimum long-term debt service coverage ratio of not less than 1.0 to 1.0, with fiscal year-to-date testing performed quarterly. The Obligated Group has maintained compliance with these covenants as of and during the year ended September 30, 2011.

Stonewall is subject to certain financial covenants and other restrictions related to the Series 2000 Hospital Revenue Bonds. Stonewall has maintained compliance with such covenants during the applicable periods as of and during the year ended September 30, 2011.

Interest Rate Swap Agreements — At September 30, 2011 and 2010, Carilion had interest rate swap agreements with financial institutions to hedge a portion of the interest rate risk related to certain Hospital Revenue Bonds. Under the terms of the interest rate swap agreements in place at September 30, 2011, Carilion receives and pays interest based on the following:

Current Notional Amount (In Thousands)	Hedged Bonds	Maturity Date	Type of Derivative	Pay Rate	Receive Rate	Collateral Posting Threshold
$62,500	2005A	2036	Fixed payor	3.43%	67% 1m LIBOR(1)	
62,500	2005A	2036	Fixed payor	3.43%	67% 1m LIBOR(1)	
49,475	2005B	2031	Fixed payor	3.22%	67% 1m LIBOR(1)	
62,500	2008A B	2042	Fixed payor	3.29%	67% 1m LIBOR(1)	10,000
62,500	2008A B	2042	Fixed payor	3.29%	67% 1m LIBOR(1)	10,000
26,300	2005C	2020	Fixed payor	4.25%	68% 3m LIBOR + 0.23%(2	5,000
34,235	2002A	2023	Basis swap	SIFMA Municipal Swap Index (3)	67% 3m LIBOR + 0.43%(2)	
34,235	2002A	2023	Basis swap	SIFMA Municipal Swap Index (3)	67% 3m LIBOR + 0.43%(2)	
73,364	2005B-C, 2010	2038	Basis swap	SIFMA Municipal Swap Index (3)	67% 3m LIBOR + 0.57%(2)	
99,837	2005B-C, 2010	2038	Basis swap	SIFMA Municipal Swap Index (3)	67% 3m LIBOR + 0.62%(2)	
15,655	2000	2012	Floating rate payor	SIFMA Municipal Swap Index + 0.30%(4)	6.35% to 7.0%(4)	

(1) The 1m LIBOR was 0.24% and 0.26% at September 30, 2011 and 2010, respectively.
(2) The 3m LIBOR was 0.37% and 0.29% at September 30, 2011 and 2010, respectively.
(3) The SIFMA Municipal Swap Index was 0.16% and 0.27% at September 30, 2011 and 2010, respectively.
(4) Tied to coupon rate of Series 2000 Bonds.

At September 30, 2011 and 2010, the Obligated Group posted $11,988 and $8,986, respectively, in collateral as part of the fixed-payor swap agreements associated with the Series 2008 bonds (see Note 4).

The interest rate swap used to hedge a portion of the interest rate risk on the Series 2005A Bonds was terminated on August 31, 2010. The Obligated Group received $5,940 from the counterparty upon termination. The interest rate swap used to hedge a portion of the interest rate risk on the Series 2005B Bonds was terminated on September 29, 2010. The Obligated Group paid $7,905 to the counterparty on October 1, 2010. This amount is recorded in other current liabilities at September 30, 2010, in the accompanying consolidated balance sheet.

The estimated fair values of the interest rate swap agreements at September 30, 2011 and 2010, are as follows:

Type of Derivative	Fair Value of Asset Derivatives 2011	Fair Value of Asset Derivatives 2010	Fair Value of Liability Derivatives 2011	Fair Value of Liability Derivatives 2010	Amount of (Loss) Gain Recognized 2011	Amount of (Loss) Gain Recognized 2010
Fixed payor	$ -	$ -	$ 84,718	$ 62,905	$ (21,813)	$ (27,449)
Basis swap	90	10	830		(750)	311
Constant maturity						880
Floating rate payor	118			243	361	(1,312)
	$208	$ 10	$ 85,548	$ 63,148	$ (22,202)	$ (27,570)

9. EMPLOYEE BENEFIT PLANS

Carilion maintains a funded, defined benefit pension plan (the "Plan"), which covers substantially all employees of Carilion and Bedford The benefits are based on years of service and the employee's highest average of total earnings for five consecutive Plan years or the employee's compensation during 5 of the last 10 years of employment Carilion contributes to the Plan annually based on actuarially determined funding guidelines 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

Carilion maintains two nonqualified pension plans, a restoration plan for key members of management, and a supplemental plan for certain retired employees of CMC Net periodic pension cost for the nonqualified plans was $1,234 and $992 for the years ended September 30, 2011 and 2010, respectively The net pension liability for the plans was $8,060 and $9,291 as of September 30, 2011 and 2010, respectively, and is included in pension and other liabilities in the accompanying consolidated balance sheets

The amounts reported in the accompanying consolidated financial statements related to Carilion's defined benefit plans reflect the net periodic pension cost, pension-related changes other than net periodic pension cost, the effect of pension measurement date change, and the funded status of the three plans described above, excluding amounts related to employees of Bedford (as applicable)

The Plan's change in benefit obligation, change in plan assets, current funded status, components of net periodic benefit cost, and pension-related changes other than net periodic pension cost as of and for the years ended September 30, 2011 and 2010, are as follows

	2011	2010
Change in benefit obligation		
Benefit obligation — beginning	$ 608,908	$ 562,246
Assumption changes	54,612	(14,684)
Service cost	27,690	28,368
Interest cost	34,840	33,301
Actuarial loss	7,181	13,495
Effect of acquisitions	658	571
Benefit payments	(17,460)	(14,389)
Benefit obligation — ending	$ 716,429	$ 608,908
Change in plan assets		
Fair value of plan assets — beginning	$ 455,284	$ 419,416
Actual return on plan assets	(3,804)	30,257
Employer contributions	32,835	20,000
Benefit payments	(17,460)	(14,389)
Fair value of plan assets — ending	$ 466,855	$ 455,284
Funded status	$ (249,574)	$ (153,624)
Components of net periodic pension cost		
Service cost	$ 27,690	$ 28,368
Interest cost	34,840	33,301
Expected return on plan assets	(39,015)	(38,879)
Prior service benefit recognized	14	(52)
Recognized actuarial losses	6,570	5,095
Net periodic pension cost	$ 30,099	$ 27,833
Other changes in plan assets and benefit obligations not yet recognized in net periodic pension cost		
Net loss arising during the period	$ 104,611	$ 7,433
Prior service cost	659	571
Amortization of loss	(6,570)	(5,095)
Amortization of prior service credit	(14)	52
Pension-related changes other than net periodic pension cost	$ 98,686	$ 2,961
Total recognized in net periodic pension cost and other pension-related changes	$ 128,785	$ 30,794

The accumulated benefit obligation was $630,571 and $526,748 at September 30, 2011 and 2010, respectively

Carilion's portion of the Plan liability, net of the liability recorded by Bedford, was $243,333 and $149,778 as of September 30, 2011 and 2010, respectively, and is included in pension and other liabilities in the accompanying consolidated balance sheets

During 2011 and 2010, Carilion contributed $32,835 and $20,000, respectively, to the Plan Carilion expects to contribute approximately $27,000 to the Plan in 2012

Amounts recognized as changes in unrestricted net assets but not yet reclassified as components of net periodic pension cost at September 30, 2011, consist of net loss and prior service cost of $275,602 and $411, respectively

The estimated net loss and prior service credit recognized as changes in unrestricted net assets that will be amortized to net periodic pension cost over the next fiscal year are $14,324 and $14, respectively

Significant assumptions used in determining the actuarial present value of the projected benefit obligation of the Plan for the years ended September 30, 2011 and 2010, are as follows

	2011	**2010**
Weighted-average discount rate	5 3 %	5 8 %
Expected long-term rate of return on assets	7 7	7 7
Rate of compensation increase	3 0	3 0

The weighted-average discount rates used to determine net periodic pension cost for the years ended September 30, 2011 and 2010, were 5 8% and 6 0%, respectively

The investment policy for the Plan is structured to maintain a diversified portfolio of equity securities, debt securities, cash equivalents, and alternative investment strategies, including real estate, private equity, fund-of-fund hedge funds, and global trading The structure is designed to reduce risk and generate absolute returns in various market conditions The portfolio is rebalanced periodically throughout the year

Plan assets include alternative investments of $188,929 and $163,892 at September 30, 2011 and 2010, respectively, whose fair values have been estimated by management based on the NAV per share reported by the fund managers or the general partners (see Note 16)

Carilion's overall expected long-term rate of return on assets is 7.0% to 8.0% for equity securities and other investments, 3.0% for cash, 5.0% for fixed-income securities, 10.0% for real estate investments, and 12.0% for private equities. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The expected long-term rate of return reflects management's estimate of future returns for the target asset allocation and is based primarily on historical returns. The Plan's target allocation for 2011 and plan asset allocation at September 30, 2011 and 2010, is as follows:

Asset Category	Target Allocation 2011	Percentage of Plan Assets at September 30, 2011	Percentage of Plan Assets at September 30, 2010
Equity securities	30 %	34 %	30 %
Hedge funds	20	21	26
Fixed-income securities	25	22	34
Inflation sensitive	20	20	
Real estate			7
Other investments	5	3	3
	100 %	100 %	100 %

The Plan benefits expected to be paid in fiscal years 2012 to 2016 are $18,484, $20,616, $22,889, $25,806, and $28,497, respectively. The aggregate benefits expected to be paid in the five years from 2017 to 2021 are $201,833. The expected benefits are based on the same assumptions used to measure Carilion's benefit obligation at September 30 and include estimated future employee service.

Carilion also maintains three defined contribution retirement plans, which cover substantially all Carilion employees. Carilion matches a percentage of contributions made by the employees. Carilion's matching contributions were $2,617 and $5,693 for the years ended September 30, 2011 and 2010, respectively, and are included in benefits in the accompanying consolidated statements of operations. The plans qualify under Section 403(b) or Section 401(k) of the IRC.

Carilion has a nonqualified deferred compensation plan for certain members of management and physicians to defer a portion of their compensation until retirement. The deferred amounts are invested in accordance with the participant's designation. The deferred compensation liability of $28,778 and $30,024, respectively, is included in pension and other liabilities in the September 30, 2011 and 2010, consolidated balance sheets. Carilion has placed certain assets in a rabbi trust to be used to pay benefits to certain deferred compensation plan participants. The carrying amount of the trusteed assets was $28,778 and $30,024 at September 30, 2011 and 2010, respectively, and is included in assets whose use is limited in the accompanying consolidated balance sheets. Plan assets consist of investments in fixed-income mutual funds, domestic equity mutual funds, and international equity mutual funds (see Note 4).

10. OTHER OPERATING REVENUE

Other operating revenue for the years ended September 30, 2011 and 2010, is summarized as follows

	2011	2010
Grants to reimburse operating costs	$ 2,169	$ 2,657
Rental revenue	4,715	5,526
College revenue	18,419	16,225
Athletic clubs revenue	4,899	5,061
In-kind contributions to Virginia Tech Carilion Medical School	2,036	2,344
Laundry services	952	3,559
Management services to equity affiliates	4,566	3,691
Collection services income	5,504	5,003
Cafeteria sales	2,761	2,327
EHR meaningful use	9,015	
Medicare Advantage plan premiums	4,278	1,426
Other	15,553	14,799
	$ 74,867	$ 62,618

Other includes revenue from gift shop sales, management services, health care-related equity interests, and various health care services provided on a contract basis

11. INCOME TAXES

Due to the losses incurred by Carilion's taxable subsidiaries, there was no income tax expense or benefit for the years ended September 30, 2011 and 2010 The primary differences between the expected income tax benefit at the statutory federal rate with the reported income tax benefit for the years ended September 30, 2011 and 2010, were due to the effect of state income taxes and the increase in the balance of the valuation allowance for deferred tax assets Deferred income taxes at September 30, 2011 and 2010, relate to temporary differences in the asset and liability basis for financial and income tax reporting purposes and were calculated at income tax rates currently in effect Temporary differences have primarily resulted from differences in the accounting for allowances for accounts and notes receivable, accrued expenses, depreciation, and net operating losses

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment Based upon the level of historical taxable losses and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that Carilion will not realize the benefits of these deductible differences and loss carryforwards in excess of the amount that can be offset by the reversal of future taxable items Accordingly, at September 30, 2011 and 2010, the net deferred tax asset has been reduced to zero by a valuation allowance

At September 30, 2011, CHSI and its subsidiaries had net operating loss carryforwards of approximately $316,820, which expire on various dates from 2012 to 2031

12. FUNCTIONAL EXPENSES

Carilion provides various health care services to patients within its geographic location. Expenses related to providing these services for the years ended September 30, 2011 and 2010, are as follows:

	2011	2010
Health care services	$ 1,109,691	$ 1,104,557
General and administrative	175,400	184,845
	$ 1,285,091	$ 1,289,402

13. CONCENTRATION OF CREDIT RISK

Carilion provides health care services through its inpatient and outpatient care facilities located primarily in southwest Virginia. The facilities grant credit to patients, substantially all of whom are local residents. The facilities generally do not receive collateral or other security in extending credit to patients; however, they routinely obtain assignment of patients' benefits payable under their health insurance programs, plans, or policies. The mix of receivables from patients and third-party payors at September 30, 2011 and 2010, was as follows:

	2011	2010
Medicare	30 %	28 %
Medicaid	14	16
Anthem	16	17
Other third-party payors	21	22
Patients	19	17
	100 %	100 %

14. COMMITMENTS AND CONTINGENCIES

Litigation — Carilion is involved in litigation arising in the ordinary course of business. It is the opinion of management and Carilion's legal counsel that these cases will be resolved without material effect on Carilion's consolidated financial position, results of operations, or cash flows.

Other Industry Risks — The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for amounts previously received for patient services. Carilion believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material impact on its financial position or results of operations. Compliance with these and other laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

In recent years, legislative and regulatory changes have resulted in limitations on and, in some cases, reductions in levels of payments to health care providers for certain services under the Medicare program. The Budget Control Act of 2011 (BCA) provides for deficit reduction. These reductions will be in addition to the Health Reform Law, which provides for material reductions in the growth of Medicare program spending, including reductions in Medicare market basket updates and Medicare disproportionate share hospital (DSH) funding. From time to time, CMS revises the reimbursement systems used to reimburse health care providers, which may include additional changes to the MS-DRG system and other payment systems. These changes may result in reduced Medicare payments.

The Commonwealth of Virginia must operate with balanced budgets and since the Medicaid program is one of the state's largest programs, it is possible that Virginia will enact or consider enacting legislation designed to reduce its Medicaid expenditures.

The 2010 Health Reform Law requires states to at least maintain Medicaid eligibility standards established prior to the enactment of the law for adults until January 1, 2014, and for children until October 1, 2019. The Health Reform Law provides for significant expansions to the Medicaid program, but these changes are not required until 2014. In addition, the Health Reform Law will result in increased state legislative and regulatory changes in order for states to comply with new federal mandates, such as the requirement to establish exchanges and to participate in grants and other incentive opportunities. The Health Reform Law also provides for reductions to Medicaid DSH funding.

Carilion is unable at this time to predict what impact these legislative and regulatory changes will have on its consolidated financial position, results of operations, or cash flows.

Lease Commitments — Certain Carilion entities are parties to operating leases for various property and medical and other equipment. Total rental expense was approximately $8,240 and $9,451 for the years ended September 30, 2011 and 2010, respectively.

A schedule of future minimum lease payments under operating leases at September 30, 2011, is as follows:

Years Ending September 30	**Amount**
2012	$ 3,895
2013	2,357
2014	1,518
2015	644
2016	437
Thereafter	735
Total	$ 9,586

Virginia Tech Carilion School of Medicine and Research Institute — Carilion and Virginia Polytechnic Institute and State University ("Virginia Tech") entered into a memorandum of understanding (MOU) agreement during fiscal year 2008 to establish a medical school (the "Virginia Tech Carilion School of Medicine" or the "Medical School") and a research institute in order to address long-term regional health care needs and advance medical research in southwest Virginia. Under the original agreement, Carilion and Virginia Tech each agreed to contribute up to $35,000 to fund start-up costs for the Medical School and research institute and up to $2,000 annually (subject to adjustment based on the consumer price index) to fund operating deficits of the Medical School, if any. In addition, Carilion agreed to facilitate funding for excess annual operating deficits in the form of a nonrecourse loan to the Medical School made directly by Carilion or a loan arranged through a financial institution and guaranteed by Carilion. Carilion would have no claim to repayment of such loans except to the extent that there are future operating surpluses generated by the Medical School. Carilion has agreed that such surpluses shall first be used to accumulate cash reserves by the Medical School up to the amount of $5,000 prior to loan repayment.

The facility housing the Medical School and research institute was paid for by Virginia Tech with funding from the Commonwealth of Virginia and is located on CMC's campus in Roanoke, Virginia. Virginia Tech owns the facility and leases the underlying land from Carilion under a long-term ground lease. Carilion's prepaid expenses and other current assets in the accompanying consolidated balance sheet as of September 30, 2010, include a $6,150 construction receivable due from Virginia Tech that was paid in full during 2011. The Medical School admitted its first class of students in August 2010. The research institute opened in September 2010. The Medical School is a nonstock, nonprofit corporation. The research institute is constituted as a center of Virginia Tech.

Carilion contributed $3,951 and $4,888 to fund start-up costs for the medical school and research institute during the years ended September 30, 2011 and 2010, respectively. In addition, Carilion contributed $2,000 and $1,002 to fund the Medical School's operating deficits for the years ended September 30, 2011 and 2010, respectively. These contributions are included in other nonoperating loss in the accompanying consolidated statements of operations. At September 30, 2011, Carilion had contributed approximately $14,500 of its $35,000 commitment to fund start-up costs.

During fiscal year 2011, the MOU was amended to include the Medical School as a party to the agreement and to restructure the Medical School's board composition to include two members each appointed by Carilion and Virginia Tech and six independent members. Under the revised MOU, Carilion's funding will solely support the Medical School and Virginia Tech's funding will solely support the research institute. There was no change in the amount of Carilion's commitment to provide funding for up to $35,000 of start-up costs and operating deficits of up to $2,000 annually; however, Carilion's commitment to provide excess funding, through nonrecourse loans to the Medical School or loans arranged through a financial institution and guaranteed by Carilion, was limited to a maximum of $1,000 annually. The amended MOU also made Carilion's commitments to fund the Medical School's start-up costs and operating deficits unconditional through June 30, 2014, at which time the MOU will terminate if the Medical School has not received accreditation. The amended MOU provides for termination prior to June 30, 2014, if certain other events or circumstances occur that are not solely under Carilion's control.

Accordingly, Carilion has recognized a liability and contribution expense for the estimated contributions to the Medical School for start-up and operating costs through June 30, 2014, of approximately $7,200 and $6,600, respectively. The total contribution expense of $13,800 is included in other nonoperating loss in the accompanying consolidated statements of operations. The portion of the estimated funding to be paid during fiscal year 2012 is $5,000 and is recorded in other current liabilities. The amount estimated to be paid in fiscal years 2013 and 2014 is $8,800 and is recorded in pension and other liabilities.

The remaining unrecognized portion of Carilion's commitment to fund start-up costs was $13,300 at September 30, 2011. Carilion has not recognized a liability or contribution expense for this amount in its consolidated financial statements because the funding is conditional upon several factors set forth in the MOU, including the accreditation of the Medical School by June 30, 2014.

15. MEDICAL MALPRACTICE CLAIMS

Carilion was self-insured for medical malpractice claims incurred but not reported as of and during the years ended September 30, 2011 and 2010, and became self-insured for medical malpractice claims made effective with the dissolution of VHSAX and the formation of BRIC on October 1, 2009 Carilion has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims The liability for medical malpractice losses, discounted at 4%, was $26,859 and $29,104 as of September 30, 2011 and 2010, respectively, and is included in other current liabilities in the accompanying consolidated balance sheets The liability at September 30, 2011 and 2010, includes estimated losses for unsettled claims made that were held by VHSAX at September 30, 2009 In the opinion of management, adequate liabilities for claims incurred but not reported have been established

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with accounting principles generally accepted in the United States of America, certain assets and liabilities are required to be measured at fair value on a recurring basis For Carilion, the assets and liabilities that are adjusted at fair value on a recurring basis are investments, assets whose use is limited, and interest rate swap agreements

Accounting principles generally accepted in the United States of America define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs The three levels of inputs used to measure fair value are as follows

Level 1 — Valuations based on unadjusted quoted prices for identical instruments in active markets that are available as of the measurement date

Level 2 — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly

Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement

Investments and Assets Whose Use is Limited — Valuations classified as Level 1 include investments in U S Treasury notes, corporate obligations, common stocks, and publicly traded mutual funds for which unadjusted quoted market prices for identical securities are available as of the measurement date Valuations classified as Level 2 include short-term investments, such as certain money market funds, certificates of deposit, and U S government agency securities, for which fair values are determined based on observable inputs Valuations classified as Level 3 include alternative investments, for which fair values are determined based on inputs that are unobservable and significant to the overall fair value measurement (see Note 1)

The fair value hierarchy classification of assets in the system-wide investment pool and assets whose use is limited at September 30, 2011, is summarized in the table below

	Fair Value Measurement at September 30, 2011			
	September 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term money market investments	$ 62,603	$ 62,603	$ -	$ -
Mutual funds	145,629	145,629		
Domestic and international equity securities	120,622	120,622		
Alternative investments (Note 1)	278,869			278,869
Assets whose use is limited	76,339	76,339		
Assets on deposit with regulatory authorities	2,000	2,000		
Total	$686,062	$407,193	$ -	$278,869

The fair value hierarchy classification of assets in the system-wide investment pool and assets whose use is limited at September 30, 2010, is summarized in the table below

	Fair Value Measurement at September 30, 2010			
	September 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term money market investments	$ 51,711	$ 51,711	$ -	$ -
U S Treasury notes	834	834		
U S government agency securities	5,467		5,467	
Asset-backed securities	688		688	
Corporate obligations	4,140	4,140		
Mutual funds	206,978	206,978		
Domestic and international equity securities	97,720	97,720		
Alternative investments (Note 1)	242,914			242,914
Assets whose use is limited	71,301	71,301		
Assets on deposit with regulatory authorities	2,000	2,000		
Total	$683,753	$434,684	$ 6,155	$242,914

The tables below disclose the redemption frequency and redemption notice period for each applicable investment class as of September 30, 2011 and 2010, for which fair value is measured using the reported NAV per share of the investment. Such investments are classified within Level 3 of the fair value hierarchy because they cannot be redeemed by Carilion at the reported NAV as of the measurement date, but, rather, are subject to the redemption frequency and notice periods described in the table below.

	2011	2010	Redemption Frequency	Redemption Notice Period
Core hedge funds	$ 57,321	$ 80,397	Quarterly	60–91 days
Core hedge funds	37,276	19,869	Annually	105 days
Low volatility hedge funds	13,734	19,723	Scheduled liquidation	n/a
Private equity funds	34,829	33,551	n/a	n/a
Real estate funds	77,409	38,140	Quarterly	45–90 days
Inflation sensitive funds	24,713		Monthly	10 days
Inflation sensitive funds	4,469	5,966	Scheduled liquidation	n/a
Macro trading funds	29,118	45,268	Monthly-quarterly	10–90 days
Total	$ 278,869	$ 242,914		

Pension Plan Assets — The fair value hierarchy classification of pension plan assets at September 30, 2011 and 2010, is summarized in the table below:

	Fair Value Measurement at September 30, 2011			
	September 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term money market investments	$ 34,157	$ 34,157	$ -	$ -
Mutual funds				
Fixed income	84,977	84,977		
Domestic equity	14,670	14,670		
Global equity	113,005	113,005		
Domestic and international equity securities	31,117	31,117		
Alternative investments (Note 1)				
Private equity securities	12,904			12,904
Core hedge funds	72,100			72,100
Low volatility hedge funds	8,891			8,891
Real estate funds	51,535			51,535
Inflation sensitive funds	23,527			23,527
Macro trading funds	19,972			19,972
Total	$466,855	$277,926	$ -	$188,929

	Fair Value Measurement at September 30, 2010			
	September 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term money market investments	$ 28,612	$ 28,612	$ -	$ -
U.S. government agency securities	6,257		6,257	
Asset-backed securities	668		668	
Corporate obligations	5,166	5,166		
Mutual funds				
Fixed income	118,247	118,247		
Domestic equity	31,685	31,685		
Global equity	32,300	32,300		
Domestic and international equity securities	68,457	68,457		
Alternative investments (Note 1)				
Private equity securities	11,272			11,272
Core hedge funds	84,717			84,717
Low volatility hedge funds	13,332			13,332
Real estate funds	30,188			30,188
Inflation sensitive funds	3,181			3,181
Macro trading funds	21,202			21,202
Total	$455,284	$284,467	$ 6,925	$163,892

A reconciliation of changes in beginning and ending balances for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended September 30, 2011 and 2010, is as follows:

	Fair Value Measurements Using Significant Unobservable Inputs Level 3						
	Private Equity Securities (a)	Core Hedge Funds (b)	Low Volatility Hedge Funds (c)	Real Estate (d)	Inflation Sensitive (e)	Macro Trading (f)	Total
Beginning balance — September 30, 2009	$32,257	$ 82,366	$27,915	$24,660	$ 5,508	$ 43,834	$216,540
Total gains realized unrealized	3,520	3,391	1,499	3,930	458	1,434	14,232
Purchases and sales	(2,226)	14,509	(9,691)	9,550			12,142
Ending balance — September 30, 2010	33,551	100,266	19,723	38,140	5,966	45,268	242,914
Total gains (losses) realized unrealized	2,618	860	(703)	9,106	(4,361)	(1,900)	5,620
Purchases and sales	(1,340)	(6,529)	(5,286)	30,163	27,577	(14,250)	30,335
Ending balance — September 30, 2011	$34,829	$ 94,597	$13,734	$77,409	$29,182	$ 29,118	$278,869

A reconciliation of changes in beginning and ending balances for Plan investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended September 30, 2011 and 2010, is as follows

	Fair Value Measurements Using Significant Unobservable Inputs Level 3						
	Private Equity Securities (a)	Core Hedge Funds (b)	Low Volatility Hedge Funds (c)	Real Estate (d)	Inflation Sensitive (e)	Macro Trading (f)	Total
Beginning balance — September 30, 2009	$ 9,370	$ 60,218	$33,888	$27,249	$ 3,147	$20,828	$154,700
Total gains realized unrealized	1,501	4,964	668	3,389	34	374	10,930
Purchases and sales	401	19,535	(21,224)	(450)			(1,738)
Ending balance — September 30, 2010	11,272	84,717	13,332	30,188	3,181	21,202	163,892
Total gains (losses) realized unrealized	2,116	1,283	(675)	4,849	(3,662)	(1,230)	2,681
Purchases and sales	(484)	(13,900)	(3,766)	16,498	24,008		22,356
Ending balance — September 30, 2011	$12,904	$ 72,100	$ 8,891	$51,535	$23,527	$19,972	$188,929

a) This class includes several private equity funds and cannot be directly redeemed Instead, the nature of the investments in this category class is that distributions are received through the liquidation of the underlying assets of the fund If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over five to eight years

b) This class includes investments in fund-of-fund hedge funds that invest both long and short primarily in domestic common stocks The funds' strategy is to maintain a low correlation to the market and low volatility

c) This class includes investments in fund-of-fund hedge funds that seek to achieve long-term, nonmarket directional returns with low relative volatility by utilizing a variety of defensive hedge fund strategies

d) This class includes a real estate investment trust, which is core in nature with relatively low leverage, and a fund made up of participating mortgages

e) This class invests primarily in liquid asset categories that offer negative correlation in a rising-inflation environment

f) This class invests in a global macro hedge fund strategy that combines both systematic and discretionary trading in global asset classes and financial markets and also invests in the leveraged bank loan market

Interest Rate Swap Agreements — The fair values of Carilion's interest rate swap agreements are determined using a standard valuation model based on observable inputs, including interest rate indices, and unobservable inputs, including extrapolations of observable inputs over the unobservable portion of the duration of the instrument Interest rate swap agreements are classified as Level 3 fair value measurements because the unobservable inputs are significant to the overall fair value measurement

Long-Term Debt — Fair values of Carilion's long-term debt are estimated using standard valuation models and/or quoted market prices for its bonds available close to the measurement date and were $635,713 and $640,968 as of September 30, 2011 and 2010, respectively

Other Assets and Liabilities — The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, and accrued expenses and other liabilities approximate fair value because of the short maturity of these instruments

Nonrecurring Fair Value Measurements — In addition to assets and liabilities that are recorded at fair value on a recurring basis, Carilion records assets and liabilities at fair value on a nonrecurring basis as required by accounting principles generally accepted in the United States of America. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges. Carilion's measurement of the fair value of its retained interest in LGH upon deconsolidation of Carilion Labs, LLC, in March 2010 is described in Note 6.

17. RELATED-PARTY TRANSACTIONS

Expenses for lab services provided by LGH, formerly Carilion Labs, LLC, were $35,362 and $18,936 for the years ended September 30, 2011 and 2010, and are included in supplies and other expenses in the accompanying consolidated statements of operations.

Revenues for services provided to Bedford were $4,770 and $4,387 for the years ended September 30, 2011 and 2010, respectively, and are included in other operating revenue in the accompanying consolidated statements of operations.

Carilion paid $760 and $284 to a related party for construction services during the years ended September 30, 2011 and 2010, respectively, which is included in property and equipment, net in the accompanying consolidated balance sheets.

Revenues for lab services provided by Carilion Labs, LLC, to Novant Health, a minority owner in Carilion Labs, LLC, were $1,836 for the year ended September 30, 2010, and are included in medical supplies and services revenue in the accompanying consolidated statement of operations.

Expenses for patient billing services provided by a related party were $1,434 during the year ended September 30, 2010, and are included in supplies and other expenses in the accompanying consolidated statement of operations.

Expenses for reference laboratory and information technology services provided to Carilion Labs, LLC, by Novant Health were $940 during the year ended September 30, 2010, and are included in supplies and other expenses in the accompanying consolidated statement of operations.

18. ENDOWMENT FUNDS

Carilion's permanently restricted net assets consist primarily of one endowment fund. The income derived from the endowment fund is required by donor stipulations to be used for neonatal and pediatric care. Management has determined that assets whose use is limited that have been designated by the board for future capital improvements are not endowments for purposes of FSP FAS 117-1 because such assets are not required to be maintained permanently or for a specified term.

Management has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, Carilion classifies as permanently restricted net assets at the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment funds that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Carilion consistent with the donor's wishes. Losses on the investments of donor-restricted endowment funds are recorded as a reduction of temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets and are excluded from the deficit of unrestricted revenues and gains over expenses.

In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of 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, and other resources of Carilion.

Endowment net assets are held in the system-wide investment pool (see Note 4) and are subject to Carilion's investment policies. The endowment net asset composition at September 30, 2011 and 2010, is composed of the following:

	2011	**2010**
Endowment net asset composition		
Temporarily restricted	$ 1,077	$ 1,296
Permanently restricted	11,885	11,885
Total	$ 12,962	$ 13,181

Changes in endowment assets for the year ended September 30, 2011, consisted of the following:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets — beginning of year	$ -	$ 1,296	$ 11,885	$ 13,181
Investment income		245		245
Appropriations of endowment assets for expenditure		(464)		(464)
Endowment net assets — end of year	$ -	$ 1,077	$ 11,885	$ 12,962

Changes in endowment assets for the year ended September 30, 2010, consisted of the following

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets — beginning of year	$ -	$ 899	$ 11,885	$ 12,784
Investment income		818		818
Appropriations of endowment assets for expenditure		(421)		(421)
Endowment net assets — end of year	$ -	$ 1,296	$ 11,885	$ 13,181

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