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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2010

Open to Public Inspection

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
SHELTERING ARMS HOSPITAL

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
8254 ATLEE ROAD

City or town, state or country, and ZIP + 4
MECHANICSVILLE, VA 23116

D Employer identification number
54-0505955

E Telephone number
(804) 342-4340

G Gross receipts $ 66,562,326

F Name and address of principal officer
JAMES E SOK
8254 ATLEE ROAD
MECHANICSVILLE, VA 23116

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 SHELTERINGARMS COM

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1941 | **M** State of legal domicile VA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
TO PROVIDE COMPREHENSIVE PHYSICAL REHABILIATION OF THE HIGHEST CALIBER WITH COMPASSION AND RESPECT, TO ENHANCE THE QUALITY OF LIFE TO THOSE PERSONS EXPERIENCING DISABILITIES, AND TO OFFER FINANCIAL ASSISTANCE TO THOSE IN NEED

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**	20
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	19
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	780
6	Total number of volunteers (estimate if necessary)	**6**	20
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	111,667
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	-55,912

		Prior Year	Current Year
Revenue			
8	Contributions and grants (Part VIII, line 1h)	8,824,327	11,152,461
9	Program service revenue (Part VIII, line 2g)	46,771,750	49,598,719
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-56,512	3,718,121
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	634,869	688,148
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	56,174,434	65,157,449
Expenses			
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	241,250	388,561
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	28,725,064	31,077,037
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶100,000		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	25,243,812	35,476,891
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	54,210,126	66,942,489
19	Revenue less expenses Subtract line 18 from line 12	1,964,308	-1,785,040
Net Assets or Fund Balances		**Beginning of Current Year**	**End of Year**
20	Total assets (Part X, line 16)	24,500,064	22,514,027
21	Total liabilities (Part X, line 26)	3,482,021	3,281,024
22	Net assets or fund balances Subtract line 21 from line 20	21,018,043	19,233,003

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

****** | 2012-08-10
Signature of officer | Date

JAMES E SOK PRESIDENT/CEO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ▶ ☐	PTIN
SAMUEL E JOHNSON	SAMUEL E JOHNSON	2012-08-10		

Firm's name ▶ CHERRY BEKAERT & HOLLAND LLP | Firm's EIN ▶

Firm's address ▶ P O BOX 1119
LYNCHBURG, VA 245051119 | Phone no ▶ (434) 847-6643

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

THE MISSION OF SHELTERING ARMS HOSPITAL IS TO PROVIDE COMPREHENSIVE PHYSICAL REHABILITATION OF THE HIGHEST CALIBER WITH COMPASSION AND RESPECT, TO ENHANCE THE QUALITY OF LIFE TO THOSE PERSONS EXPERIENCING DISABILITIES, AND TO OFFER FINANCIAL ASSISTANCE TO THOSE IN NEED

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 $ 52,890,722 including grants of $) (Revenue $ 53,328,912)

PHYSICAL REHABILITATION SERVICES INPATIENT PHYSICAL REHABILITATION SERVICES SHELTERING ARMS HOSPITAL OPERATES A 40 BED ACUTE PHYSICAL REHABILITATION INPATIENT HOSPITAL IN MECHANICSVILLE, VIRGINIA THE PRIMARY SERVICE AREA IS CENTRAL VIRGINIA ALTHOUGH PATIENTS ARE ADMITTED FROM VIRGINIA AND SURROUNDING STATES DURING FISCAL YEAR 2011, 999 PATIENTS WERE ADMITTED RESULTING IN 13,466 PATIENT DAYS IN ADDITION, SHELTERING ARMS HOSPITAL PROVIDES INPATIENT THERAPY SERVICES TO LOCAL ACUTE CARE HOSPITALS ON A CONTRACT BASIS OUTPATIENT PHYSICAL REHABILITATION SERVICES SHELTERING ARMS HOSPITAL PROVIDES OUTPATIENT PHYSICAL REHABILITATION SERVICES AT THE HOSPITAL CAMPUS AND NINE ADDITIONAL LOCATIONS IN THE RICHMOND AREA THE OUTPATIENT CONTINUUM OF SERVICES INCLUDES A DAY REHABILITATION PROGRAM, ORTHOPEDIC REHABILITATION SERVICES, NEUROLOGICAL REHABILITATION SERVICES, PHYSICIANS' REHABILITATION SERVICES, AND OUTPATIENT REHABILITATION THERAPIES DURING FISCAL YEAR 2011, SHELTERING ARMS HOSPITAL PROVIDED OUTPATIENT THERAPY AND PHYSICIAN SERVICES RESULTING IN 128,230 PATIENT VISITS

4b (Code) (Expenses $ 1,790,456 including grants of $ 388,561) (Revenue $)

CHARITY CARE/FINANCIAL ASSISTANCE SHELTERING ARMS HOSPITAL ACCEPTS PATIENTS REGARDLESS OF THEIR ABILITY TO PAY AND PROVIDES FINANCIAL ASSISTANCE FOR MEDICAL BILLS TO QUALIFIED PATIENTS LACKING ADEQUATE FINANCIAL RESOURCES FINANCIAL ASSISTANCE IS ALSO OFFERED FOR THE PARTNERS FOR LIFE PROGRAM DURING FISCAL YEAR 2011, 839 OCCURRENCES RESULTED IN CHARITY CARE AND/OR FINANCIAL ASSISTANCE BEING ACCEPTED THE DISCOUNTED CHARGES FOREGONE BY SHELTERING ARMS HOSPITAL FOR THIS ASSISTANCE WAS $1,282,021 IN FISCAL YEAR 2011, SHELTERING ARMS ALSO TRANSPORTED 120 PATIENTS PARTICIPATING IN THE OUTPATIENT THERAPY DAY REHAB PROGRAM AT AN UNREIMBURSED COST OF $72,609 SHELTERING ARMS ALSO PROVIDED FREE MOBILITY AND THERAPY EQUIPMENT AND PHARMACY ASSISTANCE TO THOSE PATIENTS WHO QUALIFIED, FOR USE DURING THEIR RECOVERY AT HOME THE COST OF PROVIDING THIS ASSISTANCE WAS $47,238 SHELTERING ARMS ALSO CONTRIBUTED $388,561 TO SUPPORT COMMUNITY ORGANIZATIONS

4c (Code) (Expenses $ 1,612,798 including grants of $) (Revenue $ 443,514)

PARTNERS 4 LIFE/COMMUNITY REC PROGRAM SHELTERING ARMS HOSPITAL OPERATES A PARTNERS 4 LIFE PROGRAM WHICH ENCOMPASSES THE SPECIALIZED COMMUNITY RECREATIONAL PROGRAM TO ADDRESS THE LEISURE AND RECREATIONAL NEEDS OF INDIVIDUALS WITH DISABILITIES ON A DAILY BASIS THE COMMUNITY REC PROGRAM WAS DESIGNED AS AN EXTENSION OF THE REHABILITATION CONTINUUM OF SERVICES OFFERED BY SHELTERING ARMS HOSPITAL THE PROGRAM PROMOTES WELLNESS AND COMMUNITY INTEGRATION THAT DIRECTLY IMPACTS THE QUALITY OF LIFE FOR INDIVIDUALS WITH DISABILITIES SERVICES OFFERED ARE GROUP CLINICS, CLASSES, TOURNAMENTS, AND SEMINARS PROMOTING LEISURE SKILL DEVELOPMENT, COMMUNITY INTEGRATION, AND SOCIALIZATION ALL CLUB REC PROGRAMS ARE PLANNED AND IMPLEMENTED BY A CERTIFIED THERAPEUTIC RECREATION SPECIALIST WHO IS AVAILABLE TO PROVIDE AND ASSIST THE PARTICIPANTS WITH RESOURCES, INSTRUCTION ON THE USE OF ADAPTIVE LEISURE EQUIPMENT, INSTRUCTION ON MODIFICATIONS/ADAPTIVE TECHNIQUES TO PARTICIPATE IN THE ACTIVITY, PROVIDE ENCOURAGEMENT AND FOSTER SOCIALIZATION THE CLUB RECREATION PROGRAM OFFERS MEMBERS ACCESS TO VARIOUS RESOURCES INCLUDING A SPIRITUALITY GROUP, A COMPUTER LAB, LIBRARY RESOURCES AND A FITNESS CENTER THIS PROGRAM ENJOYED 7,375 VISITS IN FY 2011 FROM INDIVIDUALS WITH DISABILITIES PARTNERS 4 LIFE ALSO FOCUSES ON THERAPEUTIC RECOVERY AND MAINTAINING PHYSICAL WELLNESS AFTER DISCHARGE ON A BROADER SPECTRUM THIS PROGRAM HELD 1,495 SPECIAL EVENTS WHICH INCLUDED EXERCISE CLASSES, EDUCATIONAL PROGRAMS, AND SPECIAL RECREATION WITH A TOTAL OF 8,304 PARTICIPANTS THERE ARE TWO WARM WATER THERAPEUTIC POOLS FOR THERAPHY AND THERAPEUTIC CLASSES THESE POOLS ALLOW PATIENTS WITH DISABILITIES TO PERFORM THERAPEUTIC EXERCISE AND IMPROVE AND MAINTAIN THEIR MOBILITY INDIVIDUALS MAY PURCHASE POOL MEMBERSHIPS THAT ALLOW THEM TO UTILIZE THE POOL FACILITITIES TO CONTINUE THEIR FITNESS PROGRAMS AFTER DISCHARGE FROM THE HOSPITAL OR OUTPATIENT CLINICS DURING FISCAL YEAR 2011, THERE WERE 34,352 VISITS TO THE POOL AND FITNESS CENTERS SHELTERING ARMS HOSPITAL PROVIDES THESE PROGRAMS TO THE COMMUNITY FOR FEES AND UNDERWRITES THE REMAINING COST FOR FY 2011, THE COST UNDERWRITTEN WAS $1,169,284

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ $ 56,293,976

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		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *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		No
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)*

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**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**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**	Yes	
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**	Yes	
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	**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	91		
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		
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	780		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?		2b		No
	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	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*		3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
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		No
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h		No
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8		
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	20		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	19		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . .		3		No
4	Did the organization make any significant changes to its 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		No
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?		7a		No
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . .		7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a	Yes	
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	Yes	
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 ▶

MICHAEL E DACUS VP OF FINANCE AND CFO
8254 ATLEE RD
MECHANICSVILLE, VA 23116
(804) 342-4340

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

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

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

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
See Additional Data Table										
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								3,841,182	0	272,336

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 ▶ 24

			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
BON SECOURS MEMORIAL REGIONAL MEDICAL CE 8260 ATLEE ROAD MECHANICSVILLE, VA 23116	HOSPITAL ANCILLARY & SUPPORT	1,562,844
FREE AGENTS MARKETING LLC 10124 WEST BROAD STREET SUITE N GLEN ALLEN, VA 23059	ADVERTISING & MARKETING	481,799
LAWSON SOFTWARE AMERICAS C/O CITIBANK PO BOX 2395 CAROL STREAM, IL 60132	PAYROLL SYSTEM & SUPPORT	384,092
CROTHALL 955 CHESTERBROOK BLVD SUITE 800 WAYNE, PA 19087	HOUSEKEEPING	345,981
INTERACTIVE DATA SYSTEMS 203 BURNING LAMP LANE FOREST, VA 24551	IT EQUIPMENT AND SUPPORT	288,503

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 11

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . . 1a					
	b Membership dues 1b					
	c Fundraising events 1c					
	d Related organizations . . . 1d	10,333,218				
	e Government grants (contributions) 1e					
	f All other contributions, gifts, grants, and similar amounts not included above 1f	819,243				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . . ▶		11,152,461			
Program Service Revenue		Business Code				
	2a PATIENT SERVICE REVENU	621400	42,173,921	42,173,921		
	b THERAPY SERVICE - CONT	621400	6,981,284	6,981,284		
	c THERAPEUTIC RECREATION	621400	443,514	443,514		
	d					
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		49,598,719			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		3,166			3,166
	4 Income from investment of tax-exempt bond proceeds . . ▶					
	5 Royalties . . . . . ▶					
		(i) Real / (ii) Personal				
	6a Gross Rents	108,191 /				
	b Less rental expenses	/				
	c Rental income or (loss)	108,191 /				
	d Net rental income or (loss) . . . . . ▶		108,191			108,191
		(i) Securities / (ii) Other				
	7a Gross amount from sales of assets other than inventory	/ 4,780,850				
	b Less cost or other basis and sales expenses	/ 1,065,895				
	c Gain or (loss)	/ 3,714,955				
	d Net gain or (loss) . . . . . ▶		3,714,955			3,714,955
Other Revenue	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a	456,711				
	b Less direct expenses . . . b	338,982				
	c Net income or (loss) from fundraising events . . ▶		117,729			117,729
	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 MISC REAL ESTATE INCOM	621400	343,383	343,383		
	b SPORTS ACCELERATION PR	713940	111,667		111,667	
	c MISCELLANEOUS	621400	7,178	7,178		
	d All other revenue					
	e **Total.** Add lines 11a–11d . . . . . ▶		462,228			
	12 **Total revenue.** See Instructions . . . ▶		65,157,449	49,949,280	111,667	3,944,041

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	388,561	388,561		
2 Grants and other assistance to individuals in the U S See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	2,547,317	1,069,873	1,477,444	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	23,790,604	22,375,902	1,414,702	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	869,069	851,563	17,506	
9 Other employee benefits	1,658,932	1,590,873	68,059	
10 Payroll taxes	2,211,115	2,056,337	154,778	
a Fees for services (non-employees) Management				
b Legal	276,568	13,246	263,322	
c Accounting	88,584	14,547	74,037	
d Lobbying				
e Professional fundraising services *See Part IV, line 17*				
f Investment management fees				
g Other	1,024,909	616,181	408,728	
12 Advertising and promotion	389,801	69,154	320,647	
13 Office expenses	1,353,904	1,003,624	250,280	100,000
14 Information technology	671,659	335,898	335,761	
15 Royalties	14,759	14,759		
16 Occupancy	1,986,661	1,800,201	186,460	
17 Travel	179,808	100,919	78,889	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	58,862	43,540	15,322	
20 Interest				
21 Payments to affiliates	8,833,929	4,054,079	4,779,850	
22 Depreciation, depletion, and amortization	1,904,450	1,558,936	345,514	
23 Insurance	197,619	177,857	19,762	
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 CONTRACTUAL ADJUSTMENTS	15,086,845	15,086,845		
b PURCHASED SERVICES	2,993,497	2,993,497		
c BAD DEBT	265,572		265,572	
d MEMBERSHIPS	149,464	77,584	71,880	
e				
f All other expenses				
25 **Total functional expenses.** Add lines 1 through 24f	66,942,489	56,293,976	10,548,513	100,000
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

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		1,830,957	1	322,909
	2	Savings and temporary cash investments		1,582,173	2	1,789,720
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		5,586,539	4	5,593,975
	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		48,074	8	44,816
	9	Prepaid expenses and deferred charges		390,727	9	411,581
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 32,405,849			
	b	Less accumulated depreciation	10b 18,660,511	13,451,475	10c	13,745,338
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	446,480
	15	Other assets See Part IV, line 11		1,610,119	15	159,208
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		24,500,064	16	22,514,027
Liabilities	17	Accounts payable and accrued expenses		3,462,021	17	3,281,024
	18	Grants payable			18	
	19	Deferred revenue		20,000	19	
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D			25	
	26	**Total liabilities.** Add lines 17 through 25		3,482,021	26	3,281,024
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		20,900,960	27	19,116,531
	28	Temporarily restricted net assets		17,083	28	16,472
	29	Permanently restricted net assets		100,000	29	100,000
		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		21,018,043	33	19,233,003
	34	Total liabilities and net assets/fund balances		24,500,064	34	22,514,027

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	65,157,449
2	Total expenses (must equal Part IX, column (A), line 25)	2	66,942,489
3	Revenue less expenses Subtract line 2 from line 1	3	-1,785,040
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	21,018,043
5	Other changes in net assets or fund balances (explain in Schedule O)	5	0
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	19,233,003

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		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits . .	3b		

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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
SHELTERING ARMS HOSPITAL

Employer identification number
54-0505955

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? Yes	(iv) No	(v) Did you notify the organization in col (i) of your support? Yes	(v) No	(vi) Is the organization in col (i) organized in the U S ? Yes	(vi) No	(vii) Amount of support
Total									

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

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

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (See instructions) **12**

13 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2009 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2010.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2009.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

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

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

Part 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**	
16	Public support percentage from 2009 Schedule A, Part III, line 15	**16**	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f))	**17**	
18	Investment income percentage from **2009** Schedule A, Part III, line 17	**18**	

19a **33 1/3% support tests—2010.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **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).

Additional Data

Software ID:
Software Version:
EIN: 54-0505955
Name: SHELTERING ARMS HOSPITAL

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
CHARLES M CARAVATI III CHAIRMAN	4 00	X		X				0	0	0
LISA T POWELL FIRST VICE CHAIRMAN	4 00	X		X				0	0	0
LAWRENCE E GIBSON SECOND VICE CHAIRMAN	4 00	X		X				0	0	0
JOHN L MCELROY III DIRECTOR	4 00	X						0	0	0
WILLIAM T CLARKE JR DIRECTOR	4 00	X						0	0	0
JOYCE F NASH DIRECTOR	4 00	X						0	0	0
EVANS B BRASFIELD DIRECTOR	4 00	X						0	0	0
BARBARA H DUNN DIRECTOR	4 00	X						0	0	0
WILLIAM E HARDY DIRECTOR	4 00	X						0	0	0
DIANNE V JEWELL DIRECTOR	4 00	X						0	0	0
THEODORE W PRICE DIRECTOR	4 00	X						0	0	0
CORBIN K RANKIN DIRECTOR	4 00	X						0	0	0
SUSAN J RAWLES DIRECTOR	4 00	X						0	0	0
AMES RUSSELL DIRECTOR	4 00	X						0	0	0
JAMES A SLABAUGH SR DIRECTOR	4 00	X						0	0	0
KATHRYN M BARLEY DIRECTOR	4 00	X						0	0	0
ANNE H BENNETT DIRECTOR	4 00	X						0	0	0
PETER BOWLES DIRECTOR	4 00	X						0	0	0
DAVID CONSTINE DIRECTOR	4 00	X						0	0	0
W BATES CHAPPELL DIRECTOR	4 00	X						0	0	0
JAMES E SOK PRESIDENT/CEO	40 00			X				439,878	0	66,566
MICHAEL A BOEMMEL CFO/VP OF FINANCE/TREASURER	40 00			X				344,709	0	13,660
JAMES A BRAITH VP OF BUSINESS DEVELOPMENT/SECRETARY	40 00			X				215,933	0	28,509
HILLARY S HAWKINS MEDICAL DIRECTOR	40 00				X			372,438	0	20,722
TIMOTHY M SILVER MEDICAL DIRECTOR	40 00				X			385,083	0	27,832

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
MICHAEL J MCDONNELL V P /COO	40 00				X			233,232	0	0
CHERYL LEE V P OF PATIENT CARE SERVICES	40 00				X			186,935	0	0
ELLEN VANCE V P /CHIEF HUMAN RESOURCES OFFICER	40 00				X			163,687	0	0
JOHN E GIBBS II PHYSICIAN	40 00					X		242,552	0	13,451
CHARLES M GIBELLATO PHYSICIAN	40 00					X		218,980	0	23,785
ALBERT M JONES PHYSICIAN	40 00					X		274,227	0	25,062
GREGORY LEGHART PHYSICIAN	40 00					X		299,185	0	26,357
SCOTT N SCHIMPFF PHYSICIAN	40 00					X		464,343	0	26,392

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
SHELTERING ARMS HOSPITAL

Employer identification number
54-0505955

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		416,370		416,370
b Buildings		11,688,079	5,493,917	6,194,162
c Leasehold improvements		2,081,641	576,192	1,505,449
d Equipment		16,007,355	12,202,283	3,805,072
e Other		2,212,404	388,119	1,824,285
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				13,745,338

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	
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	

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
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	GAAP REQUIRES THE CORPORATION'S MANAGEMENT TO EVALUATE TAX POSITIONS TAKEN BY THE CORPORATION AND RECOGNIZE A TAX LIABILITY (OR ASSET) IF THE CORPORATION HAS TAKEN AN UNCERTAIN TAX POSITION THAT MORE THAN LIKELY WOULD NOT BE SUSTAINED UPON EXAMINATION BY THE IRS THE CORPORATION'S MANAGEMENT HAS ANALYZED THE TAX POSITIONS TAKEN BY THE CORPORATION, AND HAS CONCLUDED THAT AS OF SEPTEMBER 30, 2011, THERE ARE NO UNCERTAIN POSITIONS TAKEN OR EXPECTED TO BE TAKEN THAT WOULD REQUIRE RECOGNITION OF A LIABILITY (OR ASSET) OR DISCLOSURE IN THE CONSOLIDATED FINANCIAL STATEMENTS THE CORPORATION IS SUBJECT TO AUDIT BY TAXING JURISDICTIONS, HOWEVER, THERE ARE CURRENTLY NO AUDITS FOR ANY TAX PERIODS IN PROGRESS THE CORPORATION'S MANAGEMENT BELIEVES IT IS NO LONGER SUBJECT TO INCOME TAX EXAMINATIONS FOR TAX YEARS PRIOR TO THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

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SCHEDULE G (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than $15,000 on Form 990-EZ, line 6a.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
SHELTERING ARMS HOSPITAL

Employer identification number
54-0505955

Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17.

1 Indicate whether the organization raised funds through any of the following activities Check all that apply

- **a** ☐ Mail solicitations
- **b** ☐ Internet and e-mail solicitations
- **c** ☐ Phone solicitations
- **d** ☐ In-person solicitations
- **e** ☐ Solicitation of non-government grants
- **f** ☐ Solicitation of government grants
- **g** ☐ Special fundraising events

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? ☐ **Yes** ☐ **No**

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least $5,000 by the organization Form 990-EZ filers are not required to complete this table

(i) Name and address of individual or entity (fundraiser)	**(ii)** Activity	**(iii)** Did fundraiser have custody or control of contributions? Yes	No	**(iv)** Gross receipts from activity	**(v)** Amount paid to (or retained by) fundraiser listed in col **(i)**	**(vi)** Amount paid to (or retained by) organization
Total . . . . . ▶						

3 List all states in which the organization is registered or licensed to solicit funds or has been notified it is exempt from registration or licensing

Part II **Fundraising Events.** Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than $15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than $5,000.

		(a) Event #1 BAL-DU-BOIS (event type)	(b) Event #2 (event type)	(c) Other Events (total number)	(d) Total Events (Add col (a) through col (c))
Revenue	1 Gross receipts	456,711			456,711
	2 Less Charitable contributions				
	3 Gross income (line 1 minus line 2)	456,711			456,711
Direct Expenses	4 Cash prizes				
	5 Non-cash prizes				
	6 Rent/facility costs	208,055			208,055
	7 Food and beverages				
	8 Entertainment				
	9 Other direct expenses	130,927			130,927
	10 Direct expense summary Add lines 4 through 9 in column (d) ▶				338,982
	11 Net income summary Combine lines 3 and 10 in column (d) ▶				117,729

Part III **Gaming.** Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than $15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (Add col (a) through col (c))
Revenue	1 Gross revenue				
Direct Expenses	2 Cash prizes				
	3 Non-cash prizes				
	4 Rent/facility costs				
	5 Other direct expenses				
	6 Volunteer labor	☐ Yes ____% ☐ No	☐ Yes ____% ☐ No	☐ Yes ____% ☐ No	
	7 Direct expense summary Add lines 2 through 5 in column (d) ▶				
	8 Net gaming income summary Combine lines 1 and 7 in column (d) ▶				

9 Enter the state(s) in which the organization operates gaming activities _____

a Is the organization licensed to operate gaming activities in each of these states? ☐ Yes ☐ No

b If "No," Explain _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? ☐ Yes ☐ No

b If "Yes," Explain _____

11 Does the organization operate gaming activities with nonmembers? . . . . . ☐ Yes ☐ No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? . . . . . ☐ Yes ☐ No

13 Indicate the percentage of gaming activity operated in

a The organization's facility	**13a**	
b An outside facility	**13b**	

14 Provide the name and address of the person who prepares the organization's gaming/special events books and records

Name ▶ ----------

Address ▶ ----------

15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? . . . . . ☐ Yes ☐ No

b If "Yes," enter the amount of gaming revenue received by the organization ▶ $ _____ and the amount of gaming revenue retained by the third party ▶ $ _____

c If "Yes," enter name and address

Name ▶ ----------

Address ▶ ----------

16 Gaming manager information

Name ▶ ----------

Gaming manager compensation ▶ $ ----------

Description of services provided ▶ ----------

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? . . . . . ☐ Yes ☐ No

b Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ $

Part IV Complete this part to provide additional information for responses to question on Schedule G (see instructions.)

Identifier	ReturnReference	Explanation

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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
SHELTERING ARMS HOSPITAL

Employer identification number
54-0505955

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☑ 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		No
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		
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)			1,401,895		1,401,895	2 090 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			433,562		433,562	0 650 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			1,835,457		1,835,457	2 740 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	3		1,612,798	443,514	1,169,284	1 750 %
f Health professions education (from Worksheet 5)		2	157,757		157,757	0 240 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)	9		341,265		341,265	0 510 %
j **Total** Other Benefits	12	2	2,111,820	443,514	1,668,306	2 500 %
k **Total.** Add lines 7d and 7j	12	2	3,947,277	443,514	3,503,763	5 240 %

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building	8	2	819		819	0 %
7 Community health improvement advocacy	28	2,327	4,838		4,838	0 010 %
8 Workforce development						
9 Other						
10 **Total**	36	2,329	5,657		5,657	0 010 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense (at cost)	2	233,983		
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	46,797		
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	10,413,009
6	Enter Medicare allowable costs of care relating to payments on line 5	6	9,296,239
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	1,116,770
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?		9a	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? **11**

	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	SHELTERING ARMS HOSPITAL 8254 ATLEE ROAD MECHANICSVILLE,VA 23116	X								PHYSICAL REHABILITATION HOSPITAL
2	SHELTERING ARMS HANOVER REHABILITATION C 8226 MEADOWBRIDGE ROAD MECHANICSVILLE,VA 23116									OUTPATIENT THERAPY AND PHYSICIANS
3	SHELTERING ARMS SOUTH PHYSICANS CLINIC 13700 ST FRANCES BLVD MIDLOTHIAN,VA 23114									OUTPATIENT THERAPY AND PHYSICIANS
4	SHLETERING ARMS BON AIR CENTER 206 TWINRIDGE LANE RICHMOND,VA 23235									OUTPATIENT THERAPY AND PHYSICIANS
5	SHELTERING ARMS CHESTER CENTER 11601 IRONBRIDGE ROAD SUITE 110 CHESTER,VA 23831									OUTPATIENT THERAPY AND PHYSICIANS
6	SHELTERING ARMS LABURNUM CENTER 4730 S LABURNUM AVENUE RICHMOND,VA 23231									OUTPATIENT THERAPY AND PHYSICIANS
7	SHELTERING ARMS MAPLE CENTER 1501 MAPLE AVENUE SUITE 100 RICHMOND,VA 23226									OUTPATIENT THERAPY AND PHYSICIANS
8	SHELTERING ARMS MIDTOWN CLUB REC 2805 WEST BROAD STREET RICHMOND,VA 23230									OUTPATIENT DAY PROGRAM AND FITNESS CENTER
9	SHELTERING ARMS HANOVER NEURO CTR 8254 ATLEE ROAD MECHANICSVILLE,VA 23116									OUTPATIENT THERAPY AND PHYSICIANS
10	PT WORKS CENTER 2296 JOHN ROLFE PARKWAY RICHMOND,VA 23233									OUTPATIENT THERAPY AND PHYSICIANS
11	SHELTERING ARMS HULL STREET CENTER 13530 HULL STREET ROAD MIDLOTHIAN,VA 23114									OUTPATIENT THERAPY AND PHYSICIANS

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? **10**

Name and address	Type of Facility (Describe)

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 II THE COMMUNITY BUILDING ACTIVITIES INCLUDE COALITION BUILDING THROUGH PARTICIPATION IN TASK FORCES SUCH AS THE VIRGINIA ARTHRITIS ACTION COALITION AND THE HEALTH PROMOTIONS FOR PEOPLE WITH DISABILITIES PROJECT RUN THROUGH THE VIRGINIA COMMONWEALTH UNIVERSITY PARTNERSHIP FOR PEOPLE WITH DISABILITIES THESE TASK FORCES WORK WITH AGENCIES AND ORGANIZATIONS ACROSS THE STATE TO PROMOTE HEALTHY LIFESTYLES, EDUCATIONAL OPPORTUNITIES, AND TRAINING PROGRAMS IN AN EFFORT TO DECREASE FUTURE LONG TERM DISABILITIES BY OFFERING WORKSHOPS AND TRAINING COURSES THE COMMUNITY HEALTH IMPROVEMENT ADVOCACY IS ACCOMPLISHED BY PARTICIPATION IN CENTRALLY ACCESSIBLE LOCATIONS TO PROVIDE STROKE SCREENINGS, SEMINARS ON LIVING WITH FIBROMYALGA, DIABETES EDUCATION,AS WELL AS HEALTH FAIRS SPONSORED BY OTHER LOCAL HOSPITALS THIS EDUCATION AND SEMINAR PARTICIPATION FOLLOWS THE GOAL OF PROVIDING THE GREATER PUBLIC WITH THE INFORMATION THEY NEED TO IMPROVE THEIR FITNESS AND AWARENESS OF DEBILITATING ILLNESSES

Identifier	ReturnReference	Explanation
		PART III, LINE 4 DOUBTFUL ACCOUNTS GENERALLY ARISE BASED UPON A PATIENT'S INABILITY TO PAY THEIR PORTION OF THE AMOUNT BILLED FOR SERVICES MANAGEMENT'S ESTIMATES ARE BASED UPON AN ANALYSIS OF HISTORICAL COLLECTION TRENDS, CURRENT PAYER MIX, INDUSTRY FACTORS, CURRENT ANTICIPATED ECONOMIC CONDITIONS AND OTHER RISKS INHERENT IN THE ACCOUNTS RECEIVABLE BALANCE

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE MEDICARE GAIN WAS OBTAINED FROM THE MEDICARE COST REPORT

Identifier	ReturnReference	Explanation
		PART III, LINE 9B ANY PATIENT WHO QUALIFIES FOR CHARITY CARE AND/OR FINANCIAL ASSISTANCE MUST FOLLOW THE GUIDELINES INCORPORATED IN THE CHARITY CARE AND FINANCIAL ASSISTANCE SIGNED DOCUMENTS LEGAL ACTION MAY ONLY BE PURSUED IF IT IS DETERMINED THAT THE PATIENT HAS ASSETS OR INCOME NOT REPORTED ON THE APPLICATION FOR CHARITY AND FINANCIAL ASSISTANCE, HAS FAILED TO COMPLETE THE REQUIRED FINANCIAL ASSISTANCE OR CHARITY APPLICATION, OR IF THE PATIENT FAILS TO COMPLY WITH THE PREVIOUS AGREED UPON TERMS AND HAS FAILED TO NOTIFY SHELTERING ARMS OF A CHANGE IN THEIR FINANCIAL STATUS ALL PATIENTS MAY RE-APPLY FOR FINANCIAL ASSISTANCE OR CHARITY IF THEIR FINANCIAL CONDITION WORSENS AT WHICH TIME NEW PAYMENT ARRANGEMENTS OR FULL CHARITY OR FINANCIAL ASSISTANCE MAY BE GRANTED ONLY WHEN THE PATIENT FAILS TO NOTIFY SHELTERING ARMS OF THE HARDSHIP OR REFUSES TO COOPERATE WITH THE WRITTEN AGREEMENTS WILL SHELTERING ARMS TURN UNPAID PATIENT BALANCES OVER TO A COLLECTION AGENCY

Identifier	ReturnReference	Explanation
		PART 1, LINE 6A SHELTERING ARMS PRODUCES AN ANNUAL REPORT SUMMARIZING THE ACCOMPLISHMNETS OF THE ORGANIZATION OVER THE CURRENT FISCAL YEAR IT IS MAILED TO THE BOARD OF DIRECTORS, AND ALL EMPLOYEES AND COPIES ARE LEFT IN THE WAITING ROOMS OF ALL INPATIENT AND OUTPATIENT FACILITIES HIGHLIGHTS INCLUDE OUR COMMUNITY INVOLVEMENT WITH ASSOCIATIONS DEDICATED TO COMMUNITY HEALTH AND FITNESS AWARENESS, ADVANCED CERTIFICATIONS OF OUR STAFF TO PROVIDE OUR SERVICE AREA WITH THE MOST ADVANCED PHYSICAL THERAPY BEST PRACTICES, INFORMATION REGARDING OUR EXPANSION THROUGHOUT THE AREA TO SERVE MORE PEOPLE, REPORTING THE NUMBER OF LIVES TOUCHED THROUGHOUT THE YEAR THROUGH INPATIENT AND OUTPATIENT REHABILITATION SERVICES, AND TO ACKNOWLEDGE THE COMMUNITY PUBLIC SUPPORT SO IMPORTANT TO OUR MISSION IT ALSO DISCLOSES THE OUTREACH EFFORTS WHICH INCLUDE STROKE RECOVERY SEMINARS, HEALTH SCREENINGS, PARTICIPATION IN HEALTH FAIRS, AND PARTICIPATION AND SPONSORSHIP IN LOCAL FUNDRAISING EVENTS SUCH AS THE MS WALK, ARTHRITIS FOUNDATION, AND THE VIRGINIA HOME PART 1, LINE 7, COLUMN F COLUMN F REFLECTS THE CHARITY AND OTHER COMMUNITY BENEFITS AS A PERCENTAGE OF THE TOTAL FUNCTIONAL EXPENSES IN COLUMN A, LINE 25 OF PART IX OF THE FORM 990

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 SHELTERING ARMS,THROUGH THE RESEARCH OF THE COMMUNITY FOUNDATION AND RECOMMENDED ASSISTANCE TO THOSE COMMUNITY PROGRAMS IN NEED OF SUPPORT, OUR INVOLVEMENT WITH THE VIRGINIA INJURY COMMUNITY PLANNING GROUP, THE AMERICAN HEART ASSOCIATION, THE DISABILITY TASKFORCE, THE VIRGINIA ARTHRITIS ACTION COALITION, THE SPINAL CORD INJURY ASSOCIATION OF VIRGINIA, AND THE VARIOUS SPEAKING ENGAGEMENTS WE PARTICIPATE IN SUCH AS THE AMERICAN PHYSICAL THERAPY ASSOCIATION, AND THE AMERICAN OCCUPATIONAL ASSOCIATION, AND THROUGH OUR STRATEGIC PARTNERSHIPS FOR RESEARCH, WE STRIVE TO PROVIDE THE MOST INNOVATIVE AND BROAD SPECTRUM OF SERVICES AND SUPPORT POSSIBLE TO OUR COMMUNITY

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 NEW INPATIENT ADMISSIONS RECEIVE A FORM UPON ARRIVAL DISCLOSING THE FINANCIAL AGREEMENT TO PAY WHICH INCLUDES OFFERING MONTHLY PAYMENT ARRANGEMENTS OR APPLICATION FOR FINANCIAL ASSISTANCE THE FORM REQUIRES SIGNATURE OUTPATIENT AND PHYSICIANS SERVICES APPOINTMENT VERIFICATION LETTERS FOR NEW PATIENTS DISCLOSES AVAILABLITY OF FINANCIAL ASSISTANCE IF THE PATIENT WISHES TO APPLY PATIENT ACCESS STAFF VERBALLY DISCLOSE THIS INFORMATION TO PATIENTS IN PERSON AND/OR OVER THE PHONE, AND IT IS ALSO DISCLOSED ON OUR WEBSITE

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 SHELTERING ARMS SERVES THE RICHMOND METROPOLITAN AREA AND SURROUNDING COUNTIES THE REGION IS ALSO KNOWN AS REGION IV OF CENTRAL VIRGINIA AND SOME POINTS IN OTHER ADJOINING REGIONS OVER THE LAST 10 YEARS THE POPULATION HAS GROWN IN THIS AREA AN AVERAGE OF 12% SHELTERING ARMS SERVES THE CITY OF RICHMOND WITH A POPULATION OF 204,214, CHESTERFIELD COUNTY WITH A POPULATION OF 316,236, HENRICO COUNTY WITH A POPULATION OF 306,935, HANOVER COUNTY WITH A POPULATION OF 99,863, PETERSBURG CITY WITH A POPULATION OF 32,420 AND 7-10 OTHER SURROUNDING COUNTIES WITH A MORE RURAL GEOGRAPHIC REGION IV HAS A POPULATION ESTIMATE OVER AGE 65 OF 167,972

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 SHELTERING ARMS REPRESENTATIVES HAVE BEEN APPOINTED TO THE AMERICAN PHYSICAL THERAPY ASSOCIATION, THE RICHMOND ACADEMY OF MEDICINE, THE MULTIPLE SCLEROSIS SOCIETY AS WELL AS FACULTY APPOINTMENTS TO THE VCU PHYSICAL THERAPY AND MEDICAL SCHOOLS WE ALSO HAVE MADE PRESENTATIONS AND SPEAKING ENGAGEMENTS TO THE AMERICAN PHYSICAL THERAPY ASSOCIATION, THE AMERICAN OCCUPATIONAL THERAPY ASSOCIATION, AND THE VIRGINIA OCCUPATIONAL THERAPY ASSOCIATION

Identifier	ReturnReference	Explanation
		PART VI, LINE 7 N/A

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
SHELTERING ARMS HOSPITAL

Employer identification number
54-0505955

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) BON SECOURS RICHMOND FOUNDATION 5875 BREMO ROAD SUITE 305 RICHMOND,VA 23226	54-1201346	501(C)(3)	203,728				TO SUPPORT THE BON SECOUR CHARITABLE INITIATIVES
(2) THE COMMUNITY FOUNDATION SERVING RICHMOND AND CENTRAL VIRGINIA7501 BOULDERS VIEW DRIVE SUITE 110 RICHMOND,VA 23225	23-7009135	501(C)(3)	137,280				TO SUPPORT EIGHT PROGRAMS IDENTIFIED IN THE COMMUNITY SERVING POPULATIONS IN NEED OF ASSISTANCE
(3) AMERICAN HEART ASSOCIATION7272 GREENVILLE AVENUE DALLAS,TX 75231	13-5613797	501(C)(3)	10,000				TO SUPPORT THE FUNDRAISING INITIATIVE FOR THE AMERICAN HEART ASSOCIATION IN RAISING AWARENESS OF HEART RELATED CONDITIONS AND PREVENTATIVE AWARENESS
(4) NATIONAL MULTIPLE SCLEROSIS SOCIETY - CENTRAL VIRGINIA CHAPTER4200 INNSLAKE DRIVE SUITE 301 GLEN ALLEN,VA 23060	54-0633474	501(C)(3)	37,553				SPONSORSHIP OF THE RICHMOND MS WALK AND RECOGNITION CEREMONY IN 2011

2 Enter total number of section 501(c)(3) and government organizations . . . . . ▶ 4

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

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

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

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

Identifier	Return Reference	Explanation

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

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Name of the organization
SHELTERING ARMS HOSPITAL

Employer identification number
54-0505955

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax idemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply			
	☑ 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?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or 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) JAMES E SOK	(i)	316,128	123,750	0	47,862	18,704	506,444	0
	(ii)	0	0	0	0	0	0	0
(2) MICHAEL A BOEMMEL	(i)	256,909	87,800	0	7,900	5,760	358,369	0
	(ii)	0	0	0	0	0	0	0
(3) JAMES A BRAITH	(i)	166,293	49,640	0	10,795	17,714	244,442	0
	(ii)	0	0	0	0	0	0	0
(4) HILLARY S HAWKINS	(i)	265,077	107,361	0	4,900	15,822	393,160	0
	(ii)	0	0	0	0	0	0	0
(5) TIMOTHY M SILVER	(i)	297,478	87,605	0	4,900	22,932	412,915	0
	(ii)	0	0	0	0	0	0	0
(6) MICHAEL J MCDONNELL	(i)	182,232	51,000	0	0	0	233,232	0
	(ii)	0	0	0	0	0	0	0
(7) CHERYL LEE	(i)	140,650	46,285	0	0	0	186,935	0
	(ii)	0	0	0	0	0	0	0
(8) ELLEN VANCE	(i)	137,877	25,810	0	0	0	163,687	0
	(ii)	0	0	0	0	0	0	0
(9) JOHN E GIBBS II	(i)	193,489	49,063	0	4,881	8,570	256,003	0
	(ii)	0	0	0	0	0	0	0
(10) CHARLES M GIBELLATO	(i)	205,307	13,673	0	4,466	19,319	242,765	0
	(ii)	0	0	0	0	0	0	0
(11) ALBERT M JONES	(i)	254,677	19,550	0	4,900	20,162	299,289	0
	(ii)	0	0	0	0	0	0	0
(12) GREGORY LEGHART	(i)	205,332	93,853	0	7,940	18,417	325,542	0
	(ii)	0	0	0	0	0	0	0
(13) SCOTT N SCHIMPFF	(i)	272,027	192,316	0	4,900	21,492	490,735	0
	(ii)	0	0	0	0	0	0	0
(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
	PART I, LINE 4B	JAMES E SOK - $40,295

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
SHELTERING ARMS HOSPITAL

Employer identification number
54-0505955

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV **Business Transactions Involving Interested Persons.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) TROUTMAN SANDERS LLP	DAVID CONSTINE, A BOARD MEMBER, IS A PARTNER IN THIS LAW FIRM	348,975	LEGAL SERVICES THE SERVICES ARE NEGOTIATED AT ARM'S LENGTH AND ARE AT FAIR MARKET VALUE		No

Part V **Supplemental Information**

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

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
SHELTERING ARMS HOSPITAL

Employer identification number
54-0505955

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		FORM 990 AND APPLICABLE ATTACHMENTS WERE PROVIDED TO THE FINANCE COMMITTEE OF THE BOARD OF DIRECTORS OF SHELTERING ARMS HOSPITAL AND TO ALL OTHER BOARD MEMBERS, EITHER IN ELECTRONIC FORMAT OR BY MAIL AN OPEN COMMENT AND QUESTION PERIOD WAS WELCOMED TO DIRECT ANY QUESTIONS OR COMMENTS BEFORE FILING THE FORM 990 AND ITS RELATED ATTACHMENTS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	BOARD MEMBERS ARE REQUIRED TO REVIEW AND SIGN A COPY OF THE CONFLICT OF INTEREST POLICY ANNUALLY ANY CONFLICTS ARE DISCLOSED AT THAT TIME, AND THE SIGNED POLICY IS KEPT ON FILE BY THE ORGANIZATION THE DIRECTOR WITH THE CONFLICT MUST ABSTAIN FROM VOTING ON ANY MATTER THAT RELATES TO THE IDENTIFIED CONFLICT

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	SHELTERING ARMS HOSPITAL UTILIZED THE SERVICES OF AN INDEPENDENT, EXTERNAL COMPENSATION FIRM TO CONDUCT A REVIEW OF ITS EXECUTIVE COMPENSATION PROGRAM TO ENSURE THE EXECUTIVE COMPENSATION LEVELS ARE COMPETITIVE AND REASONABLE. SHELTERING ARMS' COMPENSATION WAS MEASURED AGAINST HEALTHCARE ORGANIZATIONS SIMILAR IN SCOPE AND SCALE USING DATA FROM SIX EXTERNAL MARKET SURVEY SOURCES AS THE COMPARATIVE BASIS, BOTH BASE SALARY AND TOTAL CASH COMPENSATION WERE EVALUATED. THE COMPETITIVE ANALYSIS FINDINGS WERE PRESENTED TO THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS WHO EXAMINED AND APPROVED THEM. IN ADDITION, THE COMPENSATION COMMITTEE EVALUATES PERFORMANCE, COMPENSATION SURVEYS, AND CONTRACT TERMS AND CONDITIONS ANNUALLY BEFORE DETERMINING AND RECOMMENDING COMPENSATION. ALL COMPENSATION COMMITTEE DISCUSSIONS ARE DOCUMENTED IN FORMAL MINUTES

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	UPON REQUEST, SHELTERING ARMS HOSPITAL WILL MAKE AVAILABLE FOR PUBLIC INSPECTION GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICIES, AND FINANCIAL STATEMENTS SUCH REQUESTS MUST BE PRESENTED TO EITHER THE PRESIDENT/CEO AND/OR THE VICE PRESIDENT OF FINANCE/CFO

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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
SHELTERING ARMS HOSPITAL

Employer identification number
54-0505955

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
(1) SHELTERING ARMS PHYSICAL REHABILITATION ASSOCIATES LLC 8254 ATLEE ROAD MECHANICSVILLE, VA 23116 26-0402064	PHYSICAL REHABILITATION	VA	9,419,176	562,834	SHELTERING ARMS HOSPITAL
(2) SHELTERING ARMS THERAPY CLINICS LLC DBA PT WORKS 8254 ATLEE ROAD MECHANICSVILLE, VA 23116 27-1939022	PHYSICAL REHABILITATION	VA	1,629,840	742,689	SHELTERING ARMS HOSPITAL

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) SHELTERING ARMS FOUNDATION 8254 ATLEE ROAD MECHANICSVILLE, VA 23116 54-1615599	PHYSICAL REHABILITATION	VA	501(C)(3)	509(A)(2)	SHELTERING ARMS CORPORATION		No
(2) SHELTERING ARMS HOSPITAL SOUTH 8254 ATLEE ROAD MECHANICSVILLE, VA 23116 35-2258075	PHYSICAL REHABILITATION	VA	501(C)(3)	170(B)(1)(A)(III)	SHELTERING ARMS CORPORATION		No
(3) PALMYRA REHABILITATION CORPORATION 8254 ATLEE ROAD MECHANICSVILLE, VA 23116 54-1615601	PHYSICAL REHABILITATION	VA	501(C)(3)	509(A)(3)	SHELTERING ARMS CORPORATION		No
(4) SHELTERING ARMS CORPORATION 8254 ATLEE ROAD MECHANICSVILLE, VA 23116 54-1615598	PHYSICAL REHABILITATION	VA	501(C)(3)	170(B)(1)(A)(III)	N/A		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

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	Yes	
d Loans or loan guarantees to or for other organization(s)	1d		No
e Loans or loan guarantees by other organization(s)	1e		No
f Sale of assets to other organization(s)	1f		No
g Purchase of assets from other organization(s)	1g		No
h Exchange of assets	1h		No
i Lease of facilities, equipment, or other assets to other organization(s)	1i		No
j Lease of facilities, equipment, or other assets from other organization(s)	1j		No
k Performance of services or membership or fundraising solicitations for other organization(s)	1k		No
l Performance of services or membership or fundraising solicitations by other organization(s)	1l		No
m Sharing of facilities, equipment, mailing lists, or other assets	1m		No
n Sharing of paid employees	1n		No
o Reimbursement paid to other organization for expenses	1o		No
p Reimbursement paid by other organization for expenses	1p		No
q Other transfer of cash or property to other organization(s)	1q		No
r Other transfer of cash or property from other organization(s)	1r		No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) SHELTERING ARMS FOUNDATION	C	6,260,695	ACTUAL DOLLAR VALUE
(2) SHELTERING ARMS HOSPITAL SOUTH	C	3,848,237	ACTUAL DOLLAR VALUE
(3) PALMYRA REHABILITATION CORPORATION	C	224,285	ACTUAL DOLLAR VALUE
(4) SHELTERING ARMS HOSPITAL SOUTH	B	3,543,492	ACTUAL DOLLAR VALUE
(5) PALMYRA REHABILITATION CORPORATION	B	510,588	ACTUAL DOLLAR VALUE
(6) SHELTERING ARMS FOUNDATION	B	4,779,850	ACTUAL DOLLAR VALUE

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:
Software Version:
EIN: 54-0505955
Name: SHELTERING ARMS HOSPITAL

Form 990, Schedule R, Part V - Transactions With Related Organizations

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	SHELTERING ARMS FOUNDATION	C	6,260,695	ACTUAL DOLLAR VALUE
(2)	SHELTERING ARMS HOSPITAL SOUTH	C	3,848,237	ACTUAL DOLLAR VALUE
(3)	PALMYRA REHABILITATION CORPORATION	C	224,285	ACTUAL DOLLAR VALUE
(4)	SHELTERING ARMS HOSPITAL SOUTH	B	3,543,492	ACTUAL DOLLAR VALUE
(5)	PALMYRA REHABILITATION CORPORATION	B	510,588	ACTUAL DOLLAR VALUE
(6)	SHELTERING ARMS FOUNDATION	B	4,779,850	ACTUAL DOLLAR VALUE

THE SHELTERING ARMS CORPORATION

AND SUBSIDIARIES

Consolidated Financial Statements and Accompanying Information

Years Ended September 30, 2011 and 2010 with Report of Independent Auditors

The Sheltering Arms Corporation and Subsidiaries

Board of Directors

As of September 30, 2011

Charles Caravati III, Chairman
Lisa Powell, First Vice Chairman
Lawrence Gibson, Second Vice Chairman

Kathryn Barley
Anne Bennett
Peter Bowles
Evans Brasfield
William Clarke, Jr
David Constine
Barbara Dunn
W Bates Chappell
William Hardy
Dianne Jewell
John McElroy, III
Joyce Nash
Theodore Price
Corbin Rankin
Susan Rawles
Ames Russell
James Slabaugh, Sr

Women's Council Representative
Anne Lynde

Officers
James Sok, President
Michael Boemmel, Treasurer
James Braith, Secretary

Consolidated Financial Statements and Accompanying Information

Years ended September 30, 2011 and 2010

Contents

CHERRY BEKAERT& HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Report of Independent Auditors

Board of Directors
The Sheltering Arms Corporation and Subsidiaries
Mechanicsville, Virginia

We have audited the accompanying consolidated balance sheets of The Sheltering Arms Corporation and Subsidiaries (the "Corporation") 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 Corporation'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 consolidated financial statements are free of material misstatement An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Sheltering Arms Corporation and Subsidiaries at September 30, 2011 and 2010 and the results of their operations, changes in their net assets, and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

Cherry, Bekaert + Holland, LLP

Lynchburg, Virginia
December 22, 2011

The Sheltering Arms Corporation and Subsidiaries

Consolidated Balance Sheets

	September 30, 2011	2010
Assets		
Current assets		
Cash and cash equivalents	**$ 1,858,325**	$ 3,310,792
Patient accounts receivable, less allowance for doubtful accounts of $2,934,332 in 2011 and $2,888,466 in 2010	**6,923,608**	6,836,667
Other	**597,972**	528,930
Total current assets	**9,379,905**	10,676,389
Investments		
Unrestricted	**159,636,638**	159,877,169
Donor restricted		
Externally restricted under temporary donor restriction	**946,836**	1,001,310
Externally restricted under permanent donor restriction	**17,190,885**	18,228,118
	18,137,721	19,229,428
	177,774,359	179,106,597
Property, plant, and equipment		
Building	**11,156,636**	11,076,727
Leasehold improvements	**4,399,506**	4,050,211
Fixed equipment	**4,923,889**	4,769,991
Movable equipment	**14,396,272**	11,857,700
	34,876,303	31,754,629
Less allowances for depreciation	**20,060,354**	17,988,181
	14,815,949	13,766,448
Land	**416,370**	416,370
Construction in progress	**219,552**	889,334
	15,451,871	15,072,152
Other assets		
Intangible assets, net of amortization	**46,667**	-
Goodwill	**399,813**	-
Other	**409,208**	1,610,118
	855,688	1,610,118
Total assets	**$ 203,461,823**	$ 206,465,256

See notes to consolidated financial statements

The Sheltering Arms Corporation and Subsidiaries

Consolidated Balance Sheets

	September 30, 2011	2010
Liabilities and net assets		
Current liabilities		
Accounts payable	**$ 585,539**	$ 1,126,789
Accrued salaries and benefits	**2,306,446**	2,083,351
Unclaimed property and refunds	**16,209**	4,411
Deferred revenue	**-**	20,000
Pension liability	**56,496**	134,970
Due to Memorial Regional and St Francis Medical Centers	**524,112**	425,242
Total current liabilities	**3,488,802**	3,794,763
Net assets		
Unrestricted	**181,835,300**	183,441,065
Temporarily restricted	**946,836**	1,001,310
Permanently restricted	**17,190,885**	18,228,118
Total net assets	**199,973,021**	202,670,493
Total liabilities and net assets	**$ 203,461,823**	$ 206,465,256

See notes to consolidated financial statements

The Sheltering Arms Corporation and Subsidiaries

Consolidated Statements of Operations

	Year ended September 30, 2011	2010
Operating revenues:		
Net patient service revenue	**$ 46,570,969**	$ 41,752,559
Medicare patient revenue recovery	**-**	624,963
Sports Acceleration	**111,667**	116,997
Other	**419,258**	335,133
Total operating revenue	**47,101,894**	42,829,652
Operating expenses:		
Salaries	**31,994,930**	29,213,117
Employee benefits	**6,197,497**	5,515,411
Supplies and other	**8,070,429**	7,742,858
Professional fees	**892,717**	880,149
Provision for depreciation and amortization	**2,115,126**	1,914,753
Provision for doubtful accounts	**307,050**	282,195
Loss on disposal of equipment	**13,434**	109
Purchased services	**4,427,075**	3,648,987
Total operating expenses	**54,018,258**	49,197,579
Operating loss	**(6,916,364)**	(6,367,927)
Nonoperating gains and losses:		
Investment income	**1,286,829**	1,907,369
Bequests	**879,285**	164,757
Donations revenue	**247,810**	255,545
Donations expense	**(471,339)**	(212,050)
Net realized gain on sale of investments	**7,852,376**	665,192
Net realized gain on sale of other assets	**3,728,940**	-
Total nonoperating gain	**13,523,901**	2,780,813
Excess (deficit) of revenues and gains over expenses and losses	**6,607,537**	(3,587,114)
Other changes in unrestricted net assets:		
Unrealized gains (losses) on investments	**(8,230,385)**	10,587,571
Net assets released from restriction for the acquisition of property, plant, and equipment	**17,083**	-
Total other changes in unrestricted net assets	**(8,213,302)**	10,587,571
Increase (decrease) in unrestricted net assets	**$ (1,605,765)**	$ 7,000,457

See notes to consolidated financial statements

The Sheltering Arms Corporation and Subsidiaries

Consolidated Statements of Changes in Net Assets

	Net Assets			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balances at September 30, 2009	$ 176,440,608	$ 939,635	$ 18,117,163	$ 195,497,406
Deficit of revenues and gains over expenses and losses	(3,587,114)	-	-	(3,587,114)
Change in present value of trust funds	-	61,675	110,955	172,630
Net unrealized gains on investments	10,587,571	-	-	10,587,571
Change in net assets	7,000,457	61,675	110,955	7,173,087
Balances at September 30, 2010	183,441,065	1,001,310	18,228,118	202,670,493
Excess of revenues and gains over expenses and losses	**6,607,537**	-	-	**6,607,537**
Change in present value of trust funds	-	**(37,391)**	**(1,037,233)**	**(1,074,624)**
Net unrealized losses on investments	**(8,230,385)**	-	-	**(8,230,385)**
Net assets released from restriction for the purchase of property, plant, and equipment	**17,083**	**(17,083)**		-
Change in net assets	**(1,605,765)**	**(54,474)**	**(1,037,233)**	**(2,697,472)**
Balances at September 30, 2011	**$ 181,835,300**	**$ 946,836**	**$ 17,190,885**	**$ 199,973,021**

See notes to consolidated financial statements

The Sheltering Arms Corporation and Subsidiaries

Consolidated Statements of Cash Flows

	Year ended September 30, 2011	2010
Cash flows from operating activities		
Changes in net assets	**$ (2,697,472)**	$ 7,173,087
Adjustments to reconcile change in net assets to net cash used in operating activities and non-operating gains		
Net unrealized (gain) loss on investments	**8,230,385**	(10,587,571)
Net realized gain on investments	**(7,852,376)**	(665,192)
Net realized gain on sale of other assets	**(3,728,940)**	-
Provision for depreciation and amortization	**2,115,126**	1,914,753
Provision for doubtful accounts	**307,050**	282,195
Loss on disposal of assets	**13,434**	109
Change in present value of trust funds	**1,074,624**	(172,630)
Change in accounts receivable and settlements to third party programs	**(393,991)**	(685,010)
(Increase) decrease in other current assets	**(69,042)**	111,288
Increase in other assets	-	(396,940)
Increase in amount due to Memorial Regional Medical Center and St Francis Medical Center	**98,870**	188,119
Increase in Settlements Due to Third Parties	**11,798**	4,334
Decrease in pension liability	**(78,474)**	(135,392)
(Decrease) increase in deferred revenue	**(20,000)**	20,000
(Decrease) increase in accounts payable and accrued expenses	**(318,155)**	81,869
Net cash used in operating activities	**(3,307,163)**	(2,866,981)
Cash flows from investing activities		
Purchase of property, plant, and equipment	**(2,105,946)**	(1,827,029)
Proceeds from the sale of property, plant, and equipment	**1,000**	-
Purchase of other assets	**(250,000)**	-
Proceeds from the sale of other assets	**4,779,850**	-
Increase in goodwill	**(399,813)**	-
Purchase of intangible assets	**(50,000)**	-
Proceeds from the sale of investments	**51,517,643**	85,699,818
Purchases of investments	**(51,638,038)**	(79,850,408)
Net cash provided by investing activities	**1,854,696**	4,022,381
Increase (decrease) in cash and cash equivalents	**(1,452,467)**	1,155,400
Cash and cash equivalents at beginning of year	**3,310,792**	2,155,392
Cash and cash equivalents at end of year	**$ 1,858,325**	$ 3,310,792

See notes to consolidated financial statements

1. Summary of Significant Accounting Policies

Organization

Effective September 30, 1992, the Board of Directors of The Sheltering Arms Hospital (SAH) voted to form The Sheltering Arms Corporation (the Corporation), a parent organization, and for the Sheltering Arms Hospital to become a subsidiary of the Corporation Additionally, The Sheltering Arms Foundation (the Foundation) was formed as a wholly-owned subsidiary of the Corporation as a result of the reorganization of certain activities of the Sheltering Arms Hospital In April 2005, the Board of Directors of The Sheltering Arms Corporation established a new wholly-owned subsidiary named "The Sheltering Arms Hospital South" (SAHS) SAH and SAHS are referred to in the notes to consolidated financial statements as "the Hospitals", collectively The Corporation received approval for tax exempt status under Section 501(c)(3) of the Internal Revenue code for the new subsidiary in September 2006 The Corporation, SAH, SAHS, and the Foundation are non-stock, tax-exempt organizations

In December 2007, with approval of the Board of Directors of The Sheltering Arms Corporation, Sheltering Arms Physical Rehabilitation Associates, L L C (SAPRA) began operations as a subsidiary of The Sheltering Arms Hospital SAPRA is a non-stock, tax-exempt organization and for tax reporting purposes is considered a disregarded subsidiary of SAH Physician and Psychology services were transferred from SAH to SAPRA

In February 2010, with approval of the Board of Directors of The Sheltering Arms Corporation, Sheltering Arms Therapy Solutions, L L C (SATS) was formed and began operations as a subsidiary of The Palmyra Rehabilitation Corporation, a wholly owned subsidiary of The Sheltering Arms Corporation, with a tax exempt status under Section 501(c)(3) of the Internal Revenue Code SATS is a non-stock, single-member L L C organized to provide therapy services to skilled nursing facilities and other therapy initiatives

In February of 2010, with approval of the Board of Directors of The Sheltering Arms Corporation, Sheltering Arms Therapy Clinics, L L C, (SATC) was formed On February 3, 2010, the Board of Directors approved the purchase of PT Works, a privately owned therapy clinic in Henrico County (see Note 9) In September 2010, the purchase of PT Works was finalized and SATC began operations October 1, 2010 SATC is a non-stock, tax exempt organization and for tax reporting purposes is considered a disregarded subsidiary of SAH

On April 19, 2011, with approval of the Board of Directors of The Sheltering Arms Corporation, Sheltering Arms Home Health Care, L L C (SAHHC) was formed and began operations as a subsidiary of The Palmyra Rehabilitation Corporation, a wholly owned subsidiary of The Sheltering Arms Corporation, with a tax exempt status under Section 501 (c)(3) of the Internal Revenue Code Under SAHHC, a joint venture and operating agreement with CHMG, Inc was formed Operations began in June 2011 to extend the continuum of care to patients in home settings

Basis for Consolidation

The consolidated financial statements include the accounts of The Sheltering Arms Corporation and its wholly-owned subsidiaries Significant intercompany accounts and transactions are eliminated in consolidation

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements Estimates also affect the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates

Mission Statement and Non-operating Gains and Losses

The primary purpose of the Corporation and its subsidiaries are to provide needed rehabilitative health care and to enhance the quality of life of persons experiencing disabilities by providing comprehensive physical rehabilitation services These services are provided to residents of Central Virginia Only those activities directly associated with the furtherance of this purpose are considered to be operating activities As such, operating revenues include only those revenues generated from direct patient care Other activities that result in gains or losses unrelated to the Corporation's primary mission are considered to be non-operating Non-operating gains and losses include investment income, gifts, other-than-temporary declines in the value of investments and net gains and losses on the sale of investments

Cash

The Corporation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents

Community Benefit

Sheltering Arms is committed to enhancing the quality of life to persons experiencing disabilities The Hospitals accept patients regardless of their ability to pay and provide financial assistance for medical bills to any indigent or other qualified patient lacking adequate financial resources The Hospitals also provide equipment, pharmaceuticals, and transportation to those patients who qualify for these additional services The Hospitals utilize the generally recognized poverty income levels set by the U S Department of Health and Human Services to classify a patient as charity care The Hospitals also provide financial assistance to qualified patients who are above the poverty income levels but require financial assistance in paying their hospital bills

Community benefit also includes a broader outreach to the community through cash support of other community groups who share the same compassion and similar values of the Hospitals Sheltering Arms Hospitals also support health professions education through internships and scholarships In addition to this, many health education programs, clinics and screenings are offered free or with a nominal fee

Sheltering Arms Partners 4 Life and Community Recreation Programs allow patients to continue their rehabilitation after they are released from hospital, doctor or therapist care The unreimbursed costs associated with these community benefit therapy programs are underwritten by the Hospitals

1. Summary of Significant Accounting Policies (continued)

Community Benefit (continued)

A summary of the community benefit provided through charity care and other broader community benefits are as follows

	Year Ended September 30,	
	2011	**2010**
Cost of charity care and financial assistance	**$ 1,696,517**	$ 1,108,954
Other services	**134,524**	124,014
Community benefit program operations	**1,169,284**	889,682
Health professors education	**157,757**	96,436
Support of other community groups	**469,028**	205,000
Total cost of community benefit	**$ 3,627,110**	$ 2,424,086

The summary above is measured based on actual direct and indirect costs, net of any offsetting program revenue, donations or other support Community benefit also encompasses any unpaid Medicare and Medicaid program costs but those amounts are not included in this summary Community Benefit Program Operations for the years ended September 30, 2011 and 2010 are reported net of program related revenue of $455,487 and $471,094, respectively The cost of community benefit represents 7 6% and 6 1%, respectively, of operating expenses related to patient services

Net Patient Service Revenue

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payers, and others for services rendered, which includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations

Revenue from the Medicare and Medicaid programs accounted for approximately 70% and 2%, respectively, of the Hospitals' net patient service revenue for the year ended September 30, 2011 (67% and 1%, respectively, for the year ended September 30, 2010) 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 2011 includes $26,543,770, $4,017,633 and $597,506 for services provided to beneficiaries of the Centers for Medicare and Medicaid Services (Medicare), Anthem, and the Virginia Medical Assistance Program (Medicaid), respectively, under the provisions of reimbursement formulas that in effect provide for payments to the Hospitals at amounts different from its established rates For 2010, net patient service revenue was $23,510,054, $2,890,072, and $365,549 respectively

1. Summary of Significant Accounting Policies (continued)

Net Patient Service Revenue (continued)

A summary of the payment arrangements with major third-party payers follows

1 *Medicare* Inpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge Outpatient services are generally reimbursed at prospectively determined rates The Hospitals are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospitals and audits thereof by Medicare The Medicare cost reports have been audited by Medicare through September 30, 2009.

2 *Anthem* Inpatient and outpatient services rendered to Anthem subscribers are reimbursed on a per diem rate or fee schedule

3 *Medicaid* Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology The Hospitals are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospitals and audits by Medicaid The Medicaid cost reports have been audited by Medicaid through September 30, 2010

Third Party Contractual Adjustments

The Corporation has agreements with third-party payers that provide for payments at amounts different from its established rates The basis for payment under these agreements includes prospectively determined rates as well as discounts from established charges Contractual adjustments are accrued on an estimated basis in the period related services are rendered Net patient service revenue is adjusted as required in subsequent periods based upon actual payment

Patient Accounts Receivable

Accounts receivable consist of amounts billed to patients and insurance carriers for services rendered and are stated at invoiced amount less management's estimate of the contractual allowance and an allowance for doubtful accounts Contractual allowances result from differences between standard billing amounts for services and amounts allowable for such services by insurance carriers and others Doubtful accounts generally arise based upon a patient's inability to pay their portion of the amount billed for services Management's estimates are based upon an analysis of historical collection trends, current payer mix, industry factors, current and anticipated economic conditions, and other risks inherent in the accounts receivable trial balance

Investments

Investments are carried at fair value The fair value of marketable equity securities, bonds and other investments are based on quoted market prices Cost used in the determination of gains and losses on sales of investments is based on the specific cost of the investment sold, adjusted for any other-than-temporary declines in value of the investment

1. Summary of Significant Accounting Policies (continued)

Investments (continued)

The Corporation periodically evaluates whether any declines in the fair value of investments are other-than-temporary This evaluation consists of a review of several factors, including but not limited to length of time and extent that a security has been in an unrealized loss position, the existence of an event that would impair the issuer's future earnings potential, the near term prospects for recovery of the fair value of a security, and the intent and ability of the Corporation to hold the security until fair value recovers Declines in fair value below cost that are deemed to be other-than-temporary are included in the accompanying statements of operations

Property, Plant, and Equipment

Property, plant, and equipment purchased are reported on the basis of cost Donated items are recorded at fair market value at the date of contribution

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets and, for leasehold improvements, over the shorter of the estimated useful lives or the term of the related lease The general range of estimated useful lives for buildings and leasehold improvements is twenty to forty-five years and the general range for fixed and moveable equipment is three to fifteen years

Goodwill and other intangible assets

Intangible assets with finite lives are amortized on a straight-line basis over their estimated periods to be benefited, and the Corporation has estimated that period to be 15 years Intangible assets at September 30, 2011, consisted of $50,000 in a covenant not to compete, less $3,333 related accumulated amortization Amortization expense for the year ended September 30, 2011 was $3,333 There were no intangible assets at September 30, 2010, and no amortization expense taken on intangible assets for the fiscal year ended September 30, 2010 Pursuant to FASB guidance on Goodwill and Other Intangible Assets, the Corporation does not amortize goodwill or indefinite-lived intangible assets This guidance requires the Corporation to assess goodwill for impairment annually There was no impairment of goodwill for the year ended September 30, 2011

Donor-Restricted Gifts

The Corporation receives gifts of cash and other assets that are reported at estimated fair market value at the time of the gift The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as other income Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements

1. Summary of Significant Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose Permanently restricted net assets are restricted in perpetuity, the income from which is expendable to support general operations of the Hospitals

Included in temporarily and permanently restricted net assets is the Corporation's beneficial interest in trust funds which are externally restricted under donor restrictions Those trust funds are administered by independent trustees and generally consist of cash and cash equivalents, mutual funds, and debt and equity securities, which are carried at fair value Under the terms of the trusts, the donors have established and funded the trusts with specified distributions to be made to the Corporation Under the terms of certain trusts, distributions of income are to be made in perpetuity Because those trusts are perpetual, the funds are reported as permanently restricted net assets Distributions from these trusts are recorded as nonoperating gains, while any appreciation (depreciation) in the trust value is recorded as a change in permanently restricted net assets Under the terms of certain other trusts, upon the death of certain beneficiaries, the principal of the trusts will be distributed to the remaining beneficiaries, including the Corporation Due to that provision, those funds are reported as temporarily restricted net assets Distributions from those trusts are recorded as non-operating gains, while any appreciation (depreciation) in the Corporation's share of the trust value is recorded as a change in temporarily restricted net assets

Fair Value of Financial Instruments

The carrying amounts of the Corporation's financial instruments approximate their fair values

Excess (Deficit) of Revenues and Gains over Expenses and Losses

The consolidated statements of operations include excess (deficit) of revenues and gains over expenses and losses Changes in unrestricted net assets, which are excluded from operating income, consistent with industry practice, includes unrealized gains on investments and net assets released from restriction for the acquisition of property, plant, and equipment

Income Taxes

The Corporation has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes pursuant to Section 501(a) of the IRC

GAAP requires the Corporation's management to evaluate tax positions taken by the Corporation and recognize a tax liability (or asset) if the Corporation has taken an uncertain tax position that more than likely would not be sustained upon examination by the IRS The Corporation's management has analyzed the tax positions taken by the Corporation, and has concluded that as of September 30, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements The Corporation is subject to audit by taxing jurisdictions, however, there are currently no audits for any tax periods in progress The Corporation's management believes it is no longer subject to income tax examinations for tax years prior to the fiscal year ended September 30, 2008

1. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

The Corporation follows the Fair Value Measurements topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) which defines 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 value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value The guidance describes three levels of inputs that may be used to measure fair value

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as the reporting date, and fair value can be determined through the use of models or other valuation methodologies, and

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement

Recent Accounting Pronouncements

FASB recently issued Accounting Standards Update (ASU) 2010-23, Measuring Charity Care for Disclosure This update requires 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 It also requires the disclosure of the method used to identify or determine costs This update is effective for the Corporation for the year ending September 30, 2012, but early implementation was elected by management These financial statements include the disclosures required by ASU 2010-23

In addition, FASB recently issued ASU 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities This update changes the classification of bad debt expense from patient service revenue from an operating expense to a deduction from patient service revenue, and also adds new disclosures about management's methodology for estimating bad debts This update is effective for the Corporation for the year ending September 30, 2013 The potential impact it will have on the financial statements has not been determined

Subsequent Events

Subsequent events have been evaluated through December 22, 2011, which is the date the consolidated financial statements were available to be issued No transactions requiring disclosure have occurred through this date

2. Investments

Investments are summarized as follows at September 30

	2011		2010	
	Fair Value	**Cost**	Fair Value	Cost
Unrestricted				
Cash and cash equivalents	**$ 7,012,274**	**$ 7,012,274**	$ 5,338,739	$ 5,338,739
Investments				
Marketable equity securities	**31,319,347**	**32,193,731**	26,734,748	23,779,093
Mutual funds	**26,796,813**	**31,034,840**	91,114,101	83,765,336
Other	**94,508,204**	**87,983,247**	36,689,581	37,351,071
	152,624,364	**151,211,818**	154,538,430	144,895,500
Total Unrestricted	**159,636,638**	**158,224,092**	159,877,169	150,234,239
Donor-restricted				
Externally restricted under temporary donor restriction				
Cash and cash equivalents	-	-	17,083	17,083
Beneficial interest in trust funds	**946,836**	**946,836**	984,227	984,227
	946,836	**946,836**	1,001,310	1,001,310
Externally restricted under permanent donor restriction				
Beneficial interest in perpetual trust funds	**17,190,885**	**17,190,885**	18,228,118	18,228,118
Total Donor-restricted	**18,137,721**	**18,137,721**	19,229,428	19,229,428
	$ 177,774,359	**$ 176,361,813**	$ 179,106,597	$ 169,463,667

2. Investments (continued)

Investment income, excluding net gains or losses on the sale of investments, is as follows for the years ended September 30

	2011	2010
Interest	**$ 892**	$ 3,543
Dividends	**1,232,810**	1,851,958
Other trust funds	**738,118**	662,539
Custodian fees	**(694,961)**	(693,655)
Other expenses and transfers	**9,970**	82,984
	$ 1,286,829	$ 1,907,369

Investments with impairments that management has evaluated as temporary are presented below for the years ended September 30

	2011					
	Less Than 12 Months		12 Months or Greater		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mutual funds	$29,181,836	$ 3,747,066	$15,016,416	$ 3,701,151	$44,198,252	$ 7,448,217
Marketable equity securities	12,404,643	2,684,233	3,608,677	1,172,740	16,013,320	3,856,973
Total	$41,586,479	$ 6,431,299	$18,625,093	$ 4,873,891	$60,211,572	$11,305,190

	2010					
	Less Than 12 Months		12 Months or Greater		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mutual funds	$ 1,894,522	$ 126,578	$28,240,423	$ 4,625,594	$30,134,945	$ 4,752,172
Marketable equity securities	3,294,381	385,396	3,256,004	1,001,024	6,550,385	1,386,420
Total	$ 5,188,903	$ 511,974	$31,496,427	$ 5,626,618	$36,685,330	$ 6,138,592

3. Fair Value Measurements

See "Fair value measurements" in Note 1 above for discussions of methodologies and assumptions used to determine the fair value of the Corporation's investments The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy

Cash and cash equivalents Valued at the net asset value ("NAV") of units held by the Corporation at year end Investments in cash and cash equivalents are included in Level 1 of the fair value hierarchy

Marketable Equity Securities Valued at the closing price reported on the active market on which the individual securities are traded Investments in marketable equity securities are included in Level 1 of the fair value hierarchy

Mutual Funds Valued using the market approach, or at the net asset value ("NAV") of shares held by the Corporation at year end Investments in mutual funds are included in Level 2 of the fair value hierarchy

Other Investments Other investments include investments in hedge funds, or alternative investment companies, which are typically valued utilizing the net asset valuations provided by the underlying private investment companies and/or their administrators Fund management use the market approach and consider subscription and redemption rights, including any restrictions on the disposition of the interest in its determination of fair value Investments in private investment companies are included in Level 3 of the fair value hierarchy

Beneficial Interest in Perpetual Trust Valued using the market approach, or at the Corporation's percentage interest in the quoted market prices or net asset value of investments held by the trusts at year end Beneficial interests in perpetual trusts are included in Level 3 of the fair value hierarchy

3. Fair Value Measurements (continued)

The following table summarizes the valuation of the Corporation's financial assets measured at fair value on a recurring basis at September 30, based on the level of input utilized to measure fair value

	2011			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Cash and cash equivalents	$ 7,012,274	$ -	$ -	$ 7,012,274
Marketable equity securities				
U S common stocks	28,777,303	-	-	28,777,303
International equities	2,527,382	-	-	2,527,382
Real estate investment trusts	14,662	-	-	14,662
Mutual funds and other investments				
International equities	-	26,796,813	-	26,796,813
Hedge funds	-	-	94,508,204	94,508,204
Beneficial interest in perpetual trust funds	-	-	18,137,721	18,137,721
	$ 38,331,621	$ 26,796,813	$ 112,645,925	$ 177,774,359

	2010			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Cash and cash equivalents	$ 5,355,822	$ -	$ -	$ 5,355,822
Marketable equity securities	26,734,748	-	-	26,734,748
Mutual funds and other investments	-	37,114,902	90,688,780	127,803,682
Beneficial interest in perpetual trust funds	-	-	19,212,345	19,212,345
	$ 32,090,570	$ 37,114,902	$ 109,901,125	$ 179,106,597

3. Fair Value Measurement (continued)

The table below sets forth a summary of changes in the fair value of the Corporation's Level 3 investment assets for the years ended September 30

	2011			
	Beginning Fair Value	Interest and Realized and Unrealized Gains (Losses)	Change in Present Value of Trust Funds	Ending Fair Value
Hedge funds	$ 90,688,780	$ 3,819,424	$ -	$ 94,508,204
Beneficial interest in perpetual trust funds	19,212,345	-	(1,074,624)	18,137,721
	$ 109,901,125	$ 3,819,424	$ (1,074,624)	$ 112,645,925

	2010			
	Beginning Fair Value	Interest and Realized and Unrealized Gains (Losses)	Change in Present Value of Trust Funds	Ending Fair Value
Hedge funds	$ 84,988,205	$ 5,700,575	$ -	$ 90,688,780
Beneficial interest in perpetual trust funds	19,039,715	-	172,630	19,212,345
	$ 104,027,920	$ 5,700,575	$ 172,630	$ 109,901,125

For investments in entities that calculate net asset value or its equivalent whose fair value is not readily determinable, the following table provides information about the relative liquidity of these investments The fair values of these investments have been estimated using net asset value per share of the investments, unless noted Management is not aware of any factors that would impact net asset value as of September 30, 2011 and 2010

	Fair Value	Unfunded Commitments	Redemption Frequency (if applicable)	Redemption Notice Period
International equity mutual funds[a]	$ 26,796,813	$ -	Daily	-
Hedge funds[b]	$ 94,508,204	$ 8,542,531	Daily-Annually	30-100 days

3. Fair Value Measurement (continued)

(a) Includes investments in broadly diversified funds that invest in equity securities in emerging foreign markets The funds seek long-term growth and returns through capital appreciation

(b) Includes investments in hedge funds-of-funds Each fund-of-fund invests assets in limited partnerships which invest in hedge funds that employ diversified styles and strategies that include long/short equity, event driven, relative value, and global asset allocation

4. Operating Agreements

Under the terms of separate operating agreements, Bon Secours Memorial Regional Medical Center (MRMC) and Bon Secours St Francis Medical Center (SFMC) provide certain goods, services and patient care for the Hospitals' patients and the Hospitals provide certain patient care for MRMC and SFMC patients for which each is reimbursed their costs of rendering such services For the years ended September 30, 2011 and 2010, the cost of services provided by MRMC and SFMC was $3,493,798 and $2,883,030 respectively For the years ended September 30, 2011 and 2010, the services provided by the Hospitals to MRMC and SFMC patients were $3,556,134 and $3,250,501, respectively At September 30, 2011 and 2010, $716,805 and $848,178, respectively, due from MRMC and SFMC was included in patient accounts receivable

Under terms of an operating agreement dated January 2010 between Sheltering Arms Hospital and Lucy Corr Village, a skilled nursing facility in Chesterfield County, therapy services were provided on an as needed basis Under terms of an operating agreement dated October, 1, 2010 between Sheltering Arms Hospital and Ashland Nursing Home, a skilled nursing facility in Hanover County, therapy services were provided on an as needed basis Both contracts terminated in fiscal year 2011 For the year ended September 30, 2011, the therapy services provided under these contracts was $1,202,148 At September 30, 2011 and 2010, $117,524 and $140,831, respectively, was included in patient accounts receivable

5. Defined Contribution Plan

Effective October 1, 1997, the Sheltering Arms Hospital established a defined contribution plan for qualified employees of the Hospital In November of 2006, this defined contribution plan was opened to employees at Sheltering Arms Hospital South Matching contributions made to the plan by the Hospitals equal 50% of the first 6% of an employee's contribution Additional contributions may be made at the discretion of the Board of Directors as determined annually The Hospitals' incurred expenses of $954,028 and $822,620 during the years ended September 30, 2011 and 2010, respectively, related to this plan

6. Leases

The land for the inpatient hospital in Hanover Medical Park is leased from Bon Secours MRMC under a non-cancelable lease that extends to 2073 The Hospitals also lease clinical and office facilities at various locations under non-cancelable operating leases expiring on various dates through 2020

Future minimum lease payments under leases are as follows

Year ending September 30	Operating Leases
2012	$ 1,985,129
2013	1,918,312
2014	1,223,677
2015	1,021,790
2016	679,891
Thereafter	8,163,006
	$ 14,991,805

Total rental expense under operating leases for the years ended September 30, 2011 and 2010 was $2,154,160 and $1,972,541 respectively

7. Functional Expenses

The Hospitals provide physical rehabilitation and health care services to residents within its geographic location including speech, occupational and physical therapy Expenses related to providing these services are as follows for the years ended September 30

	2011	2010
Health care services	**$ 50,035,042**	$ 44,987,072
General and administrative	**3,983,216**	4,210,507
	$ 54,018,258	$ 49,197,579

8. Concentration of Credit Risk

The Hospitals grant credit without collateral to its patients and residents, most of who are local residents and are insured under third-party payor agreements The mix of net receivables from patients, residents and third-party payers as of September 30 is as follows

	2011	2010
Medicare	**52%**	57%
Medicaid	**3%**	7%
Anthem	**15%**	11%
Patients and Other	**30%**	25%
	100%	100%

8. Concentration of Credit Risk

The Corporation places its cash and cash equivalents on deposit with financial institutions in the United States of America. The Federal Deposit Insurance Corporation (FDIC) covers $250,000 for substantially all depository accounts. The Corporation from time to time may have amounts on deposit in excess of the insured limits.

Cash equivalents and investments expose the Hospitals and Foundation to concentrations of credit and market risk. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Hospitals and Foundation have not experienced any losses on its cash equivalents. The Hospitals and Foundation's investments do not represent significant concentrations of market risk inasmuch as the Hospitals and Foundation's investment portfolio is adequately diversified among issuers.

9. Acquisition

During the fiscal year ended September 30, 2011, the Corporation, through Sheltering Arms Therapy Clinics, L.L.C., acquired substantially all of the assets of PT Works, L.L.C. (PT Works), a privately-owned therapy clinic in Henrico County, Virginia, for a purchase price of $579,813. Operations began on October 1, 2010, and the results of those operations have been included in the consolidated financial statements of the Corporation. The purchase price was allocated among the acquired assets based on management's estimate of the fair market value of the assets on the dates of acquisition as follows:

Classification	Amount
Property and equipment	$ 127,245
Covenant not to compete	50,000
Supplies expensed	2,755
Goodwill	399,813
	$ 579,813

The excess of the amount paid over the fair market value of the identifiable assets resulted in capitalized goodwill of $399,813. Among the primary reasons that the Corporation entered into the above acquisition and factors that contributed to a purchase price allocation resulting in the recognition of goodwill were PT Works' history of operating margins and profitability and the Corporation's ability to expand its physical therapy operations in Henrico County, Virginia. In addition, under the terms of the acquisition agreement, the Corporation may be required to make certain payments to the former owner of PT Works not to exceed $62,500. Such payments are contingent upon operations in the two years following the acquisition date meeting certain benchmarks, and would be capitalized as part of goodwill at the time that the payments are earned.

10. Related Party Information

The Corporation paid $597,526 in 2011 and $365,481 in 2010 to professional service firms of which members of the Board of Directors are employed. A portion of the fees paid to the professional service firms were pass-through payments to vendors whereby the professional service firm acted as an agency.

11. Medicare Audit

The Sheltering Arms Hospital and The Sheltering Arms Hospital South were notified in July 2006 by National Government Services (Medicare) ("NGS") of an ongoing audit of patient accounts During the fiscal year ended September 30, 2010, an additional $624,963 was recovered in patient charges above the estimated reserve recorded As of September 30, 2011, the Hospitals had no outstanding unresolved claims The Hospitals will continue to monitor and appeal any denied claims

12. Malpractice Insurance

The Hospitals' professional liability insurance coverage is on a claims-made basis If the claims-made policy is not renewed or replaced with equivalent insurance, occurrences during its terms, but asserted subsequently, will be uninsured The current policy extends coverage through September 30, 2011 Management has determined that based on the experience and known occurrences, no accrual for asserted or unasserted malpractice claims, other than for the deductible under the policy limits, was necessary at September 30, 2011