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Form 990   Department of the Treasury Internal Revenue Service	<b>Return of Organization Exempt From Income Tax</b>  <b>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</b>  ▶ The organization may have to use a copy of this return to satisfy state reporting requirements	OMB No 1545-0047  <b>2010</b>  <b>Open to Public Inspection</b>
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<b>A For the 2010 calendar year, or tax year beginning 10-01-2010 and ending 09-30-2011</b>		
<b>B</b> Check if applicable <input type="checkbox"/> Address change  <input type="checkbox"/> Name change  <input type="checkbox"/> Initial return  <input type="checkbox"/> Terminated  <input type="checkbox"/> Amended return  <input type="checkbox"/> Application pending	<b>C</b> Name of organization St Joseph's Hospital of Buckhannon Inc  Doing Business As  Number and street (or P O box if mail is not delivered to street address) 1 Amalia DriveRoom/suite  City or town, state or country, and ZIP + 4 Buckhannon, WV 26201	<b>D Employer identification number</b>  55-0356996  <b>E Telephone number</b>  (304) 473-2000  <b>G</b> Gross receipts \$ 45,903,234
	<b>F</b> Name and address of principal officer Sue Johnson-Phillippe 1 Amalia Drive Buckhannon, WV 26201	<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) <b>H(c)</b> Group exemption number ▶ 0928
	<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀(insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527	
	<b>J Website:</b> ▶ http //www stj net/	
	<b>K</b> Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶	
<b>L</b> Year of formation 1989		<b>M</b> State of legal domicile WV

Part I		Summary	
Activities & Governance	<b>1</b> Briefly describe the organization's mission or most significant activities We are inspired by the love of Christ to provide our community with quality health care in ways that respect the God-given dignity of each person and the sacredness of human life		
	<b>2</b> Check this box <input checked="" type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a) . . . . .	<b>3</b>	12
	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b) . . . . .	<b>4</b>	10
	<b>5</b> Total number of individuals employed in calendar year 2010 (Part V, line 2a) . . . . .	<b>5</b>	505
<b>6</b> Total number of volunteers (estimate if necessary) . . . . .	<b>6</b>	49	
<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12 . . . . .	<b>7a</b>	0	
<b>b</b> Net unrelated business taxable income from Form 990-T, line 34 . . . . .	<b>7b</b>	0	
Revenue	<b>8</b> Contributions and grants (Part VIII, line 1h) . . . . .	Prior Year	Current Year
	<b>9</b> Program service revenue (Part VIII, line 2g) . . . . .	122,144	207,160
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d ) . . . . .	34,718,185	44,950,431
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	232,591	445,640
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .	4,397	256,611
		35,077,317	45,859,842
Expenses	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3 ) . . . . .	0	4,949
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4) . . . . .	0	0
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	20,657,648	24,438,958
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e) . . . . .	0	0
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) ▶ <sup>0</sup>		
	<b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f) . . . . .	17,504,454	21,113,920
	<b>18</b> Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	38,162,102	45,557,827
	<b>19</b> Revenue less expenses Subtract line 18 from line 12 . . . . .	-3,084,785	302,015
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	<b>20</b> Total assets (Part X, line 16) . . . . .	28,221,421	29,883,959
	<b>21</b> Total liabilities (Part X, line 26) . . . . .	29,753,964	32,510,999
	<b>22</b> Net assets or fund balances Subtract line 21 from line 20 . . . . .	-1,532,543	-2,627,040

<b>Part II Signature Block</b>					
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.					
Sign Here	***** Signature of officer			2012-06-06 Date	
	Sue Johnson-Phillippe President & CEO Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name Harry C Harless	Preparer's signature Harry C Harless	Date	Check if self-employed <input type="checkbox"/>	PTIN
	Firm's name ▶ Arnett & Foster PLLC				Firm's EIN ▶
	Firm's address ▶ P O Box 2629  Charleston, WV 25329				Phone no ▶ (304) 346-0441
May the IRS discuss this return with the preparer shown above? (see instructions) . . . . .					<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Part IIISTatement of Program Service Accomplishments

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

1Briefly describe the organization’s mission

We are inspired by the love of Christ to provide our community with quality health care in ways that respect the God-given dignity of each person and the sacredness of human life

2Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

If “Yes,” describe these new services on Schedule O

3Did the organization cease conducting, or make significant changes in how it conducts, any program services?

If “Yes,” describe these changes on Schedule O

4Describe 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 \$ 37,977,642 including grants of \$ 4,949 ) (Revenue \$ 44,950,431 )

The Hospital provides impartial access to treatment or accomodation for care that is available or medically indicated regardless of race, creed, sex, national origin or source of payment In order to enable our patients to lead healthy, productive lives, the hospital strives to supply a comprehensive range of acute inpatient, long-term and outpatient care, outreach clinics, home care and emergency room services including prevention, guidance, diagnosis, treatment, restoration, rehabilitation, and other efforts as may be required, to meet the health care needs of the community as the hospital resources will permit Although payment for services rendered is essential to the operation and stability of the hospital, it is recognized that not all individuals possess the financial means to purchase essential medical services Our mission is to serve the community with respect to providing health care services and health care education In keeping with this commitment, the hospital will serve all members of its community regardless of means or source of payment This hospital also operates physician clinics and durable medical equipment services centers

4b

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

4c

















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

4dOther program services (Describe in Schedule O )

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

4eTotal program service expenses \$ 37,977,642

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3	No
4 <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	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, line 10? If "Yes," complete Schedule D, Part VI. 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII. 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII. 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX. 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X. 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X. 	11f	No
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional 	12b 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? <b>Note.</b> Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b Yes	

Part IV

Checklist of Required Schedules (continued)

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

<b>Part V</b> <b>Statements Regarding Other IRS Filings and Tax Compliance</b>			
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>			
		<b>Yes</b>	<b>No</b>
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	<b>1a</b>	39
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	<b>1b</b>	0
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	<b>1c</b>	Yes
<b>2a</b>	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	<b>2a</b>	505
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?  <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	<b>2b</b>	Yes
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?	<b>3a</b>	No
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	<b>3b</b>	
<b>4a</b>	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	<b>4a</b>	No
<b>b</b>	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	<b>5a</b>	No
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	<b>5b</b>	No
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	<b>5c</b>	
<b>6a</b>	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	<b>6a</b>	No
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	<b>6b</b>	
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>		
<b>a</b>	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	<b>7a</b>	No
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?	<b>7b</b>	
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	<b>7c</b>	No
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year.	<b>7d</b>	
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	<b>7e</b>	No
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	<b>7f</b>	No
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	<b>7g</b>	
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	<b>7h</b>	
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	<b>8</b>	
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>		
<b>a</b>	Did the organization make any taxable distributions under section 4966?	<b>9a</b>	
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?	<b>9b</b>	
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter:		
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12.	<b>10a</b>	
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	<b>10b</b>	
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter:		
<b>a</b>	Gross income from members or shareholders.	<b>11a</b>	
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	<b>11b</b>	
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	<b>12a</b>	
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	<b>12b</b>	
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.	<b>13a</b>	
<b>b</b>	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	<b>13b</b>	
<b>c</b>	Enter the amount of reserves on hand.	<b>13c</b>	
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?	<b>14a</b>	No
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	<b>14b</b>	

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a12		
b	Enter the number of voting members included in line 1a, above, who are independent	1b10		
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	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a	Yes	
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Does the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c	Yes	
13	Does the organization have a written whistleblower policy?	13	Yes	
14	Does the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		No
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure	
17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you make these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request
19	Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization. Renee Hofer 1 Amalia Drive Buckhannon, WV 26201 (304) 473-2185

Part VII

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Sr Diane Bushee Member	1 00	X						0	0	0
(2) Sr Celeste Lynch Member	1 00	X						0	0	0
(3) Steve Foster Member	1 00	X						0	0	0
(4) Sr Mary Grace Barile Member	1 00	X						0	0	0
(5) Sr Francesca Lowis Secretary/Treasurer	1 00	X						0	0	0
(6) Michael Sellards PHS CEO	40 00	X		X				0	628,376	74,071
(7) Terry Cronin Vice Chair	1 00	X						0	0	0
(8) Bob Skinner Chair	1 00	X						0	0	0
(9) Robert Blake MD Chief of Staff	1 00	X						12,000	0	0
(10) Joseph Reed MD Member	1 00	X						0	0	0
(11) Dennis Xander Member	1 00	X						0	0	0
(12) Sr Gail Borgmeyer Member	1 00	X						0	0	0
(13) Sue Johnson-Phillippe President & CEO	40 00			X				0	290,212	456
(14) Renee Hofer Senior VP, Fiscal Services	40 00			X				97,299	0	6,853
(15) Susan Long General Surgeon	40 00					X		645,974	0	6,853
(16) James Kim Orthopedic Surgeon	40 00					X		552,062	0	6,853



Part VII

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(17) Yaser Kalash Cardiologist	40 00					X		271,072	0	6,853
(18) Salvatore Lanasa General Surgeon	40 00					X		157,487	0	6,853
(19) Alan Demby Urologist	40 00					X		222,036	0	5,442
<b>1b Sub-Total</b>										
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>								1,957,930	918,588	114,234

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▶26

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

Section B. Independent Contractors

1	Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization		
	(A) Name and business address	(B) Description of services	(C) Compensation
	WVU Medical Corporation PO Box 740 Morgantown, WV 26507	ER Physician Coverage	1,299,193
	Employee Benefit Service PO Box 890144 Charlotte, NC 28289	Third Party Administrator	643,917
	The Tomayko Group 2403 Sidney St Pittsburgh, PA 15203	Nuclear Medicine Services	287,815
	Alliance Imaging PO Box 96485 Chicago, IL 60693	MRI Services	265,800
	Nelson Mullins Riley & Scarborough LLP 949 3rd Ave Ste 200 Huntington, WV 25701	Legal Services	194,705
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 ▶7		

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		207,160				
	b	Membership dues . . . . .	1b						
	c	Fundraising events . . . . .	1c						
	d	Related organizations . . . . .	1d	175,551					
	e	Government grants (contributions)	1e						
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	31,609					
	g	Noncash contributions included in lines 1a-1f \$							
	h	Total. Add lines 1a-1f . . . . .							
	Program Service Revenue	2a	Business Code						44,950,431
		Patient service revenu			622110				
b									
c									
d									
e									
f		All other program service revenue							
g		Total. Add lines 2a-2f . . . . .			44,950,431				
Other Revenue		3	Investment income (including dividends, interest and other similar amounts) . . . . .			421,964			
	4	Income from investment of tax-exempt bond proceeds . . .							
	5	Royalties . . . . .			1,167			1,167	
	6a	Gross Rents		(i) Real	(ii) Personal	51,690			51,690
				66,425					
		b	Less rental expenses	14,735					
		c	Rental income or (loss)	51,690					
	d	Net rental income or (loss) . . . . .							
	7a	Gross amount from sales of assets other than inventory		(i) Securities	(ii) Other	23,676			23,676
					52,333				
		b	Less cost or other basis and sales expenses		28,657				
		c	Gain or (loss)		23,676				
	d	Net gain or (loss) . . . . .							
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .							
			a						
		b	Less direct expenses . . . . .	b					
	c	Net income or (loss) from fundraising events . . .							
	9a	Gross income from gaming activities See Part IV, line 19 . . .			a				
		b	Less direct expenses . . . . .	b					
		c	Net income or (loss) from gaming activities . . .						
	10a	Gross sales of inventory, less returns and allowances . . . . .							
		a							
b		Less cost of goods sold . . . . .	b						
c	Net income or (loss) from sales of inventory . . .								
Miscellaneous Revenue				Business Code	201,369			201,369	
11a	Cafeteria and vending			722212					
b									
c									
d	All other revenue . . . . .			2,385					
e	Total. Add lines 11a-11d . . . . .			203,754					
12	Total revenue. See Instructions . . . . .			45,859,842	44,950,431	0	702,251		

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	4,949	4,949		
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 . . . . .	139,459	115,291	24,168	
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	18,887,250	15,614,090	3,273,160	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	743,688	614,807	128,881	
9	Other employee benefits . . . . .	3,481,016	2,877,756	603,260	
10	Payroll taxes . . . . .	1,187,545	981,743	205,802	
a	Fees for services (non-employees)				
	Management . . . . .	381,660		381,660	
b	Legal . . . . .	331,367		331,367	
c	Accounting . . . . .	27,505		27,505	
d	Lobbying . . . . .				
e	Professional fundraising services See Part IV, line 17 . . . . .				
f	Investment management fees . . . . .	25,699		25,699	
g	Other . . . . .	2,712,243	2,242,211	470,032	
12	Advertising and promotion . . . . .	231,330		231,330	
13	Office expenses . . . . .	5,078,188	4,198,138	880,050	
14	Information technology . . . . .				
15	Royalties . . . . .				
16	Occupancy . . . . .	849,903	702,615	147,288	
17	Travel . . . . .	50,497	41,746	8,751	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
19	Conferences, conventions, and meetings . . . . .				
20	Interest . . . . .	341,950	282,690	59,260	
21	Payments to affiliates . . . . .				
22	Depreciation, depletion, and amortization . . . . .	1,370,111	1,132,671	237,440	
23	Insurance . . . . .	806,118	666,418	139,700	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O )				
a	Bad debt	6,581,586	6,581,586		
b	Provider tax	466,608	385,745	80,863	
c	Dues and subscriptions	156,433	129,323	27,110	
d	Repairs and maintenance	123,097	101,764	21,333	
e	Professional developmen	73,578	60,827	12,751	
f	All other expenses	1,506,047	1,243,272	262,775	
25	Total functional expenses. Add lines 1 through 24f	45,557,827	37,977,642	7,580,185	0
26	Joint costs. Check here <input checked="" type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing . . . . .			520,965	1	779,116
	2	Savings and temporary cash investments . . . . .			1,086	2	1,704,565
	3	Pledges and grants receivable, net . . . . .				3	
	4	Accounts receivable, net . . . . .			5,161,072	4	5,798,257
	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	42,158
	8	Inventories for sale or use . . . . .			579,220	8	843,190
	9	Prepaid expenses and deferred charges . . . . .			456,509	9	563,561
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D.	10a	38,369,597			
	b	Less: accumulated depreciation . . . . .	10b	22,204,163	15,865,109	10c	16,165,434
	11	Investments—publicly traded securities . . . . .			4,767,390	11	3,475,731
	12	Investments—other securities. See Part IV, line 11 . . . . .			87,033	12	472,350
	13	Investments—program-related. See Part IV, line 11 . . . . .				13	
	14	Intangible assets . . . . .				14	
	15	Other assets. See Part IV, line 11 . . . . .			783,037	15	39,597
16	Total assets. Add lines 1 through 15 (must equal line 34) . . . . .			28,221,421	16	29,883,959	
Liabilities	17	Accounts payable and accrued expenses . . . . .			10,390,993	17	9,086,105
	18	Grants payable . . . . .				18	
	19	Deferred revenue . . . . .				19	16,858
	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 . . . . .			699,857	23	2,419,704
	24	Unsecured notes and loans payable to unrelated third parties . . . . .			670,062	24	
	25	Other liabilities. Complete Part X of Schedule D . . . . .			17,993,052	25	20,988,332
	26	Total liabilities. Add lines 17 through 25 . . . . .			29,753,964	26	32,510,999
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets . . . . .			-1,593,322	27	-2,696,606
	28	Temporarily restricted net assets . . . . .			35,779	28	44,566
	29	Permanently restricted net assets . . . . .			25,000	29	25,000
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds . . . . .				30	
	31	Paid-in or capital surplus, or land, building or equipment fund . . . . .				31	
	32	Retained earnings, endowment, accumulated income, or other funds . . . . .				32	
	33	Total net assets or fund balances . . . . .			-1,532,543	33	-2,627,040
34	Total liabilities and net assets/fund balances . . . . .			28,221,421	34	29,883,959	

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	45,859,842
2	Total expenses (must equal Part IX, column (A), line 25)	2	45,557,827
3	Revenue less expenses Subtract line 2 from line 1	3	302,015
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	-1,532,543
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-1,396,512
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	-2,627,040

Part XII Financial Statements and Reporting

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

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

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public  
Inspection

Name of the organization St Joseph's Hospital of Buckhannon Inc	Employer identification number 55-0356996
--------------------------------------------------------------------	----------------------------------------------

Part I

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other
- e

☐

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

☐

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

☐

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

(i)

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

(ii)

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

(iii)

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

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

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

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

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

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

Part III

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

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

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

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

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2010 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2009 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2010. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization 		
b 33 1/3% support tests—2009. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization 		
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions 		



Part IV

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

SCHEDULE D  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization  
St Joseph's Hospital of Buckhannon Inc

Employer identification number  
55-0356996

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	

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

1

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

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

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ Yes ☐ No

6

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

7

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

8

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

☐ Yes ☐ No

9

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

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

1a

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

b

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

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

► \$ \_\_\_\_\_

(ii) Assets included in Form 990, Part X

► \$ \_\_\_\_\_

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$ \_\_\_\_\_

b

Assets included in Form 990, Part X

► \$ \_\_\_\_\_

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

Cat No 52283D

Schedule D (Form 990) 2010

Part III

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

3

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

a

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

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

5

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

☐ Yes

☐ No

Part IV

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

1a

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

☐ Yes

☐ No

b

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

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

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

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i)

unrelated organizations . . . . .

3a(i)

Yes

No

(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 . . . . .		423,422		423,422
b Buildings . . . . .	385,317	24,239,113	13,537,937	11,086,493
c Leasehold improvements . . . . .				
d Equipment . . . . .		11,861,786	7,813,671	4,048,115
e Other . . . . .		1,459,959	852,555	607,404
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . . ▶				16,165,434



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	45,859,842
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	45,557,827
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	302,015
4	Net unrealized gains (losses) on investments	4	-503,610
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-892,902
9	Total adjustments (net) Add lines 4 - 8	9	-1,396,512
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-1,094,497

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	45,835,142
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	14,735
e	Add lines 2a through 2d . . . . .	2e	14,735
3	Subtract line 2e from line 1 . . . . .	3	45,820,407
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	39,435
c	Add lines 4a and 4b . . . . .	4c	39,435
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12 ) . . . . .	5	45,859,842

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements . . . . .	1	45,541,914
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	14,735
e	Add lines 2a through 2d . . . . .	2e	14,735
3	Subtract line 2e from line 1 . . . . .	3	45,527,179
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	30,648
c	Add lines 4a and 4b . . . . .	4c	30,648
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18 ) . . . . .	5	45,557,827

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
Part XI, Line 8 - Other Adjustments		Change in pension plan funded status -892,902
Part XII, Line 2d - Other Adjustments		Rental expenses included in revenue on the 990 14,735
Part XII, Line 4b - Other Adjustments		Investment fees included in revenue on financial statement 25,699 Grant expenses included in revenue on financial statement 4,949 Increase in temporarily restricted net assets 8,787
Part XIII, Line 2d - Other Adjustments		Rental expenses included in revenue on the 990 14,735
Part XIII, Line 4b - Other Adjustments		Investment fees included in revenue on financial statement 25,699 Grant expenses included in revenue on financial statement 4,949

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**  
St Joseph's Hospital of Buckhannon Inc

**Employer identification number**  
55-0356996

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a . . . . .	Yes	
b	If "Yes," is it a written policy? . . . . .	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year  <div><input type="checkbox"/> Applied uniformly to all hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div> <div><input type="checkbox"/> Generally tailored to individual hospitals</div>		
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year  a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100%</div> <div><input type="checkbox"/> 150%</div> <div><input type="checkbox"/> 200%</div> <div><input checked="" type="checkbox"/> Other <u>125.000000000000 %</u></div>	Yes	
b	Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . . <div><input checked="" type="checkbox"/> 200%</div> <div><input type="checkbox"/> 250%</div> <div><input type="checkbox"/> 300%</div> <div><input type="checkbox"/> 350%</div> <div><input type="checkbox"/> 400%</div> <div><input type="checkbox"/> Other _____ %</div>	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"? . . . . .	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .		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 eligible for free or discounted care? . . . . .		
6a	Does the organization prepare a community benefit report during the tax year? . . . . .	Yes	
6b	If "Yes," did the organization make it available to the public? . . . . .		No
	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)			1,165,473	0	1,165,473	2 980 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			7,405,128	6,408,294	996,834	2 550 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)			221,185	206,047	15,138	0 040 %
d Total Financial Assistance and Means-Tested Government Programs . . . . .			8,791,786	6,614,341	2,177,445	5 570 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			5,348	1,600	3,748	0 010 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)						
j Total Other Benefits . . . . .			5,348	1,600	3,748	0 010 %
k Total. Add lines 7d and 7j . . . . .			8,797,134	6,615,941	2,181,193	5 580 %

Part IICommunity 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
1Physical improvements and housing						
2Economic development						
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development			36,078		36,078	0.090 %
9Other						
10Total			36,078		36,078	0.090 %

Part IIIBad 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?	1Yes	
2	Enter the amount of the organization's bad debt expense (at cost)	22,727,894	
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	3526,484	
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)	55,539,768		
6	Enter Medicare allowable costs of care relating to payments on line 5	65,522,767		
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	717,001		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

Section C. Collection Practices

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

Part IVManagement 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				

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

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

[illegible]



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? 5

Name and address		Type of Facility (Describe)
1	St Joseph's Hospital 1 Amalia Drive Buckhannon, WV 26201	Skilled nursing facility
2	St Joseph's Hospital 1 Amalia Drive Buckhannon, WV 26201	Skilled nursing facility
3	St Joseph's Hospital 1 Amalia Drive Buckhannon, WV 26201	Skilled nursing facility
4	St Joseph's Hospital 1 Amalia Drive Buckhannon, WV 26201	Skilled nursing facility
5	St Joseph's Hospital 1 Amalia Drive Buckhannon, WV 26201	Skilled nursing facility
6		
7		
8		
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

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

Identifier	ReturnReference	Explanation
		Part I, Line 3c Uncompensated Care Procedure 1) Anyone applying for uncompensated care will be required to fill out an Uncompensated Care Application This can be done in the following manner a) The admissions clerk can take the application at the time of the admission b) The Credit/Collection department can take the application when doing financial assessment c) The application can be taken any time during the billing cycle d) The application can be mailed to the patient 2) Anyone applying for uncompensated care will be required to provide the hospital with proof of income The proof of income can be as listed a) Tax return from most recent year of filing, check stubs from the last three months or a check stub showing year-to-date earnings b) A statement of earnings from the employer or source of income c) Medicaid denial letter or verification through WVDHHR screening website The associate will insure that Medicaid eligibility is solicited If appropriate documentation is not attached, application will be denied d) Listing of all assets, ATV's, Boats, Campers, Property, Stocks, Bonds, CD's etc The most current months bank statement is required 3) The Business Office Manager or his/her designee will make all determinations a) The Monthly income is listed and multiplied by 12 b) The chart is referenced to determine uncompensated eligibility c) If eligible, this is noted and signed by the associate d) If not eligible, expense information is analyzed Non-discretionary expenses are considered necessities of life or job (shelter, food, utilities, car loan, etc ) e) Comparison of expenses to income determines disposable income for payment of a hospital debt f) Total expenses are then totaled, with the same expense to income comparison g) Accounts will be required to have asset information verified with the county assessors office If cash convertible asset information is exactly twice the amount of the patient portion of the St Joseph's Hospital bill or more, applicant is not eligible for assistance If substantial hard assets exist, they will be considered 4) A patient will be notified if Uncompensated Care is denied or a percentage is granted 5) Accounts approved for uncompensated care will be written off using the appropriate forms and codes 6) Medicare accounts that are written off to Uncompensated Care must be listed on the Medicare bad Debt Compliance Checklist Medicare accounts will be required to have asset information verified with the county assessors office 7) Determination for Uncompensated Care will be based on annual income guidelines (see attachment) Determination will be made at the end of each month 8) St Joseph's Hospital will make medically necessary services available on an inpatient or outpatient basis to individuals who cannot afford to pay for such services 9) Accounts that have been referred to a collection agency will not be eligible for consideration

Identifier	ReturnReference	Explanation
		Part I, Line 7, Column (f) The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A ), but subtracted for purposes of calculating the percentage in this column is \$ 6421595

Identifier	ReturnReference	Explanation
		Part II The recruitment of physicians to this community is vital for the health of the community

Identifier	ReturnReference	Explanation
		<p>Part III, Line 4 Patient accounts receivable Patient accounts receivable are carried at the net realizable value less an estimate for doubtful or uncollectible accounts The allowance is based upon a review of the outstanding balances, aged by financial class Management uses collection percentages, based upon historical collection experience, to determine collectibility Management also reviews troubled, aged accounts to determine collection potential Patient accounts receivable are written off when deemed uncollectible Recoveries of accounts previously written off are recorded as a reduction to bad debt expense when received Interest is not charged on patient accounts receivable Upshur County WV is the primary service area for St Joseph's Hospital The 2010 census showed that 19.3% of the population in Upshur county to be below poverty level Thus, 19.3% of the bad debt cost was used to calculate the estimated amount of the Organization's bad debt expense attributable to patients under the Organization's financial assistance policy The cost of bad debt expense was determined using the cost to charge ratio</p>

Identifier	ReturnReference	Explanation
		Part III, Line 9b Prior to an account going to collections, especially if it is a self-pay patient, the Organization checks Medicaid and charity eligibility St Joseph's hospital requires all self-pay patients to talk to a financial counselor to determine qualification for charity care and Medicaid programs Self-pay patients are required to show proof that they have been denied by Medicaid After it is determined that self-pay patients do not qualify for assistance, and if they are still unable to pay their bills, they are set up on a payment plan suited to their income level Only when a self-pay patient falls behind on his/her payments and it is certain he or she does not qualify for assistance are they sent to a collection agency

Identifier	ReturnReference	Explanation
St Joseph's Hospital of Buckhannon, Inc		Part V, Section B, Line 11h Debt to income ratio

Identifier	ReturnReference	Explanation
St Joseph's Hospital of Buckhannon, Inc		Part V, Section B, Line 19d Patients with no insurance coverage are considered self pay patients Those patients are automatically given a 15% uninsured discount from gross charges, based on commercial insurance average



Identifier	ReturnReference	Explanation
		Part VI, Line 2 St Joseph's Hospital will contract with an outside company to perform the community wide needs assessment and is in the process of scheduling this assessment In addition, an outside company performs post admission surveys for all inpatients This survey includes questions regarding whether the patients needs were met during the stay, and the hospital reviews this HCAHPS data to determine what services may need to be added based on that data

Identifier	ReturnReference	Explanation
		Part VI, Line 4 St Joseph's Hospital is located in a small town in a rural, mountainous region of West Virginia The hospital serves its home county (with a population of approximately 24,254 residents), as well as parts of five surrounding counties The population served is an aging population with growing health concerns In St Joseph's Hospital's home county, 19 3% of the population is below the poverty level and only 15 2% have college degrees The teen pregnancy rate is 8 7%

Identifier	ReturnReference	Explanation
		Part VI, Line 6 St Joseph's hospital promotes the health of the community by maintaining an open medical staff, using community members on its board of directors, providing support of community health activities (blood screenings, health fair, flu shot clinics, etc ) The Hospital has also been actively recruiting both primary care providers and specialists to meet the health care needs of our service area

Identifier	ReturnReference	Explanation
		Part VI, Line 7 St Joseph's Hospital of Buckhannon, Inc is a not-for-profit health care facility wholly sponsored by Pallottine Health Services, Inc (PHS) Pallottine Health Services is a ministry of the Pallottine Missionary Sisters and includes both St Joseph Hospital of Buckhannon, West Virginia and St Mary's Medical Center of Huntington, West Virginia Both of these hospitals are committed to the core values of compassion, hospitality, reverence, interdependence, stewardship, and trust PHS files a community benefit report every three years in West Virginia St Joseph's Hospital is included in this community benefit report

Schedule J  
(Form 990)

Compensation Information

OMB No 1545-0047

2010

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization  
St Joseph's Hospital of Buckhannon Inc

Employer identification number  
55-0356996

Part I

Questions Regarding Compensation

	Yes	No
<div>1a</div> <div>Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items</div> <div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div>		
<div>b</div> <div>If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain</div>	1b	
<div>2</div> <div>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?</div>	2	
<div>3</div> <div>Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply</div> <div><div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Form 990 of other organizations</div></div><div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div></div>		
<div>4</div> <div>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</div>		
<div>a</div> <div>Receive a severance payment or change-of-control payment from the organization or a related organization?</div>	4a	No
<div>b</div> <div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div>	4b	Yes
<div>c</div> <div>Participate in, or receive payment from, an equity-based compensation arrangement?</div>	4c	No
<div></div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</div>		
<div></div> <div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div>		
<div>5</div> <div>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</div>		
<div>a</div> <div>The organization?</div>	5a	No
<div>b</div> <div>Any related organization?</div>	5b	No
<div></div> <div>If "Yes," to line 5a or 5b, describe in Part III</div>		
<div>6</div> <div>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</div>		
<div>a</div> <div>The organization?</div>	6a	No
<div>b</div> <div>Any related organization?</div>	6b	No
<div></div> <div>If "Yes," to line 6a or 6b, describe in Part III</div>		
<div>7</div> <div>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</div>	7	No
<div>8</div> <div>Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III</div>	8	No
<div>9</div> <div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</div>	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) Michael Sellards	(i)	0	0	0	0	0	0	0
	(ii)	522,720	0	105,656	57,688	17,543	703,607	94,386
(2) Sue Johnson-Phillippe	(i)	0	0	0	0	0	0	0
	(ii)	290,212	0	0	0	456	290,668	0
(3) Susan Long	(i)	430,965	215,009	0	0	7,801	653,775	0
	(ii)	0	0	0	0	0	0	0
(4) James Kim	(i)	552,062	0	0	0	10,936	562,998	0
	(ii)	0	0	0	0	0	0	0
(5) Yaser Kalash	(i)	229,884	25,000	16,188	0	13,451	284,523	0
	(ii)	0	0	0	0	0	0	0
(6) Salvatore Lanasa	(i)	132,595	24,892	0	0	7,309	164,796	0
	(ii)	0	0	0	0	0	0	0
(7) Alan Demby	(i)	197,036	25,000	0	0	5,904	227,940	0
	(ii)	0	0	0	0	0	0	0
( 8 )								
( 9 )								
( 10 )								
( 11 )								
( 12 )								
( 13 )								
( 14 )								
( 15 )								
( 16 )								

Part IIISupplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Line 4b	During the 2011 fiscal year, Michael Sellards received a \$94,386 payment from a supplemental non-qualified retirement plan (SERP).

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

<b>Name of the organization</b> St Joseph's Hospital of Buckhannon Inc	<b>Employer identification number</b> 55-0356996
---------------------------------------------------------------------------	-----------------------------------------------------

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 6		The Organization is a membership (not a stock) corporation under West Virginia State law The Organization's sole corporate member is Pallottine Health Services, a related not-for-profit organization



Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 7a		In accordance with the terms and requirements of its governing documents (i.e. bylaws), on an annual basis, the Organization's current board members recommend the list of candidates for membership to the governing body for the subsequent term to the St. Joseph's Hospital board of directors. The Pallottine Health Services board of directors will approve and elect these candidates to serve as the organization's board of directors.

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 7b		Pallottine Health Services, as the sole corporate member, also has the right to approve or ratify significant decisions of the Organization's governing body including the amendment of bylaws and charters, removal of members of the governing body, and the decision to dissolve the organization

Identifier	Return Reference	Explanation
Form 990, Part VI, Section B, line 11		The Form 990 is reviewed by the organization's management (A team comprised of representatives of the finance and administration departments) in consultation with an accounting firm (Arnett & Foster). The financial review is based on the organization's audited financial statements for the relevant time period. Before the Form 990 is filed with the IRS, the finance committee of the organization's board of directors reviews the Form 990. A full copy of the form 990 is made available to the board before the return is filed.

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	Upon employment and annually thereafter, each key employee and officer of the organization is required to complete a conflict of interest and disclosure form, providing sufficient information about his/her personal interests and relationships so the organization can (1) determine whether any potential or actual conflicts of interest may exist, and (2) monitor work or service assignments to avoid placing the key employee, officer or director in a position where there may be an appearance (potential or actual) of a conflict of interest or a question of objectivity The completed conflict of interest and disclosure forms for directors are returned to the organization These members are monitored and not assigned any projects that would create any potential conflict of interest The determination of conflict of interest would be made at the PHS board level Any board member with a potential conflict recuses himself or herself from all discussions regarding the conflict

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	Pallottine health services (PHS), the organization's single member, regularly provides documentation to PHS's compensation committee with respect to the compensation of the Organization's officers and key employees for review and approval. Such information includes comparable data from similar size tax-exempt organizations in Buckhannon, West Virginia and surrounding communities as well as compensation for these positions (as disclosed on Form 990) with other organizations in the health care industry that are of similar size, demographics, and geography. Review and approval of the compensation arrangement by the officers/executive committee is documented.

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 18	The organization makes its governing documents, conflict of interest policy, and financial statements available to the public upon request at its office at 1 Amalia Drive, Buckhannon, WV 26201 A nominal fee is charged if copies are requested

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	The organization makes its governing documents, conflict of interest policy, and financial statements available to the public upon request at its office at 1 Amalia Drive, Buckhannon, WV 26201 A nominal fee is charged if copies are requested

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized losses on investments -503,610 Change in pension plan funded status - 892,902 Total to Form 990, Part XI, Line 5 -1,396,512



Identifier	Return Reference	Explanation
Clarification of 'yes' response	Form 990, Part XII, Line 2C	The organization has not changed its oversight of the audit in the past year

Identifier	Return Reference	Explanation
Clarification of 'no' response	Form 990, Part IV, Question 24A	St Joseph's Hospital is part of the obligated group for tax-exempt bonds held by Pallottine Health Services. All bonds are reported on the Pallottine Health Services Form 990 for the year ended 9/30/11.

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  
St Joseph's Hospital of Buckhannon Inc

Employer identification number  
55-0356996

Part I

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

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

Part II

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) Pallottine Health Services  2900 First Avenue  Huntington, WV 25702 55-0688201	Parent - management	WV	501(C)(3)	11a	N/A		No
(2) Pallottine Missionary Sisters  1 Amalia Drive  Buckhannon, WV 26201 43-1783315	Church	MO	501(C)(3)	1	N/A		No
(3) St Mary's Medical Center  2900 First Avenue  Huntington, WV 25702 55-0357050	Hospital	WV	501(C)(3)	3	N/A		No
(4) St Mary's Medical Center Foundation  2900 First Avenue  Huntington, WV 25702 14-1887211	Foundation	WV	501(C)(3)	11b	N/A		No
(5) St Joseph's Foundation of Buckhannon  1 Amalia Drive  Buckhannon, WV 26201 55-0727650	Foundation	WV	501(C)(3)	11c	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) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) St Mary's Occupational Health and Medical Services  2900 First Avenue Huntington, WV25702 54-2136110	Medical Services	WV		N/A				No			No	
(2) Tri-State Cyber Knife  2900 First Avenue Huntington, WV25702 20-5744723	Medical Services	WV		N/A				No			No	
(3) Tri-State MRI  2900 First Avenue Huntington, WV25702 55-0669726	Medical Services	WV		N/A				No			No	
(4) Claire-Frances Health Services  200 Mall Road Suite 3 Ashland, KY41101 31-1517507	Medical Services	WV		N/A				No			No	
(5) Huntington Area MRI  2900 First Avenue Huntington, WV25702 26-1877332	Medical Services	WV		N/A				No			No	

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) Upshur Medical Management Services 1 Amalia Drive Buckhannon, WV26201 55-0727649	Inactive	WV	Saint Joseph's Hospital	C			100 000 %
(2) Vanguard Financial Services 2900 First Avenue Huntington, WV25702 45-0496141	Collection Agency	WV	N/A	C			

Part V

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

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

1

During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a

Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity

b

Gift, grant, or capital contribution to other organization(s)

c

Gift, grant, or capital contribution from other organization(s)

d

Loans or loan guarantees to or for other organization(s)

e

Loans or loan guarantees by other organization(s)

f

Sale of assets to other organization(s)

g

Purchase of assets from other organization(s)

h

Exchange of assets

i

Lease of facilities, equipment, or other assets to other organization(s)

j

Lease of facilities, equipment, or other assets from other organization(s)

k

Performance of services or membership or fundraising solicitations for other organization(s)

l

Performance of services or membership or fundraising solicitations by other organization(s)

m

Sharing of facilities, equipment, mailing lists, or other assets

n

Sharing of paid employees

o

Reimbursement paid to other organization for expenses

p

Reimbursement paid by other organization for expenses

q

Other transfer of cash or property to other organization(s)

r

Other transfer of cash or property from other organization(s)

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

Yes

Yes

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) St Joseph's Foundation of Buckhannon Inc	C	175,551	FMV Cash
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2010

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation
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Form

4562

Depreciation and Amortization  
(Including Information on Listed Property)

OMB No 1545-0172

2010

Attachment  
Sequence No 67

Department of the Treasury  
Internal Revenue Service (99)

See separate instructions. Attach to your tax return.

Name(s) shown on return St Joseph's Hospital of Buckhannon Inc	Business or activity to which this form relates  Form 990 Page 10	Identifying number  55-0356996
-------------------------------------------------------------------	-------------------------------------------------------------------------	--------------------------------------

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount See the instructions for a higher limit for certain businesses . . . . .	1	500,000
2	Total cost of section 179 property placed in service (see instructions) . . . . .	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions) . . . . .	3	2,000,000
4	Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0- . . . . .	4	
5	Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions . . . . .	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property Enter the amount from line 29 . . . . .	7	
8	Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7 . . . . .	8	
9	Tentative deduction Enter the smaller of line 5 or line 8 . . . . .	9	
10	Carryover of disallowed deduction from line 13 of your 2009 Form 4562 . . . . .	10	
11	Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions) . . . . .	11	
12	Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11 . . . . .	12	
13	Carryover of disallowed deduction to 2011 Add lines 9 and 10, less line 12 .	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property ) (See instructions )

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15	Property subject to section 168(f)(1) election . . . . .	15	
16	Other depreciation (including ACRS) . . . . .	16	1,367,008

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2010 . . . . .	17	
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here . . . . .		

Section B—Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27 5 yrs	MM	S/L	
			27 5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

Section C—Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV Summary (see instructions)

21	Listed property Enter amount from line 28 . . . . .	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions . . . . .	22	1,367,008
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs . . . . .	23	



Part V

Listed Property (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)  
**Note:** For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? <input type="checkbox"/> Yes <input type="checkbox"/> No						24b If "Yes," is the evidence written? <input type="checkbox"/> Yes <input type="checkbox"/> No			
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation/ deduction	(i) Elected section 179 cost	
25Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)							25		
26 Property used more than 50% in a qualified business use									
		%							
		%							
		%							
27 Property used 50% or less in a qualified business use									
		%				S/L -			
		%				S/L -			
		%				S/L -			
28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1						28			
29 Add amounts in column (i), line 26 Enter here and on line 7, page 1							29		

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person  
If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

30 Total business/investment miles driven during the year ( <b>do not</b> include commuting miles)	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
31 Total commuting miles driven during the year												
32 Total other personal(noncommuting) miles driven												
33 Total miles driven during the year Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons (see instructions)

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	Yes	No
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions )		
<b>Note:</b> If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles		

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2010 tax year (see instructions)					
43 Amortization of costs that began before your 2010 tax year				43	3,103
44 <b>Total.</b> Add amounts in column (f) See the instructions for where to report				44	3,103



**PALLOTTINE HEALTH SERVICES, INC.  
AND SUBSIDIARIES**

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***Consolidated Financial  
Statements  
and  
Other Supplementary  
Financial Information***

***September 30, 2011***

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**INDEPENDENT AUDITOR'S REPORT  
ON THE CONSOLIDATED FINANCIAL STATEMENTS**

To the Board of Trustees  
Pallottine Health Services, Inc  
and Subsidiaries  
Huntington, West Virginia

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 Pallottine Health Services, Inc and subsidiaries as of September 30, 2011 and 2010, and the results of their operations and changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**ARNETT & FOSTER, P.L.L.C.**

*Arnett & Foster, P.L.L.C.*

Charleston, West Virginia  
January 13, 2012

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## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**  
**September 30, 2011 and 2010**

<b>ASSETS</b>	<b>2011</b>	<b>2010</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 30,599,198	\$ 18,862,441
Patient accounts receivable, net of allowance for doubtful accounts of \$66,550,000 and \$39,190,000	63,870,600	70,396,432
Other accounts receivable	2,508,852	2,522,001
Inventories	10,768,973	8,469,344
Prepaid expenses	6,170,470	5,021,357
Estimated third-party settlements	4,942,105	7,923,622
Current portion of assets limited as to use	3,516,667	3,436,664
<b>Total current assets</b>	<b>122,376,865</b>	<b>116,631,861</b>
Assets limited as to use, net of amounts required to meet current liabilities	60,049,678	62,346,198
Property and equipment, net of accumulated depreciation	150,351,975	156,619,411
Other assets	1,045,260	896,696
Other investments	5,046,161	4,683,213
<b>Total assets</b>	<b>\$ 338,869,939</b>	<b>\$ 341,177,379</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Notes payable	\$ 1,764,107	\$ 14,553,579
Accounts payable and accrued expenses	36,012,160	32,647,411
Current portion of long-term debt	4,851,599	4,670,752
Other current liabilities	8,218,493	7,343,918
<b>Total current liabilities</b>	<b>50,846,359</b>	<b>59,215,660</b>
Long-term debt	99,610,133	103,820,190
Accrued pension obligation	84,913,040	70,640,117
Other liabilities	6,194,064	4,965,307
<b>Total liabilities</b>	<b>241,563,596</b>	<b>238,641,274</b>
<b>Net assets:</b>		
Unrestricted	94,815,225	101,024,298
Temporarily restricted	2,466,118	1,486,807
Permanently restricted	25,000	25,000
<b>Total net assets</b>	<b>97,306,343</b>	<b>102,536,105</b>
<b>Total liabilities and net assets</b>	<b>\$ 338,869,939</b>	<b>\$ 341,177,379</b>

See accompanying notes to consolidated financial statements

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS**  
**Years Ended September 30, 2011 and 2010**

	2011	2010
<b>Unrestricted revenues, gains, and other support</b>		
Net patient service revenues	\$ 424,831,015	\$ 394,373,151
Investment income	5,401,171	1,929,361
Loss from partnership investments	(215,616)	(184,368)
Other	9,839,866	11,307,366
<b>Total unrestricted revenues, gains, and other support</b>	<b>439,856,436</b>	<b>407,425,510</b>
<b>Expenses</b>		
Salaries and wages	143,272,228	136,228,374
Employee benefits	50,406,578	57,855,111
Supplies	88,487,543	89,441,001
Purchased services	41,753,940	40,943,020
Plant operations	13,936,059	13,397,760
Interest	4,484,658	3,974,174
Depreciation and amortization	17,008,403	17,497,606
Provision for bad debts	43,164,803	37,173,447
Provider tax	7,842,457	6,991,861
Other	15,337,100	11,620,595
<b>Total expenses</b>	<b>425,693,769</b>	<b>415,122,949</b>
<b>Excess (deficiency) of revenues over expenses from operations</b>	<b>14,162,667</b>	<b>(7,697,439)</b>
<b>Change in fair value of derivative obligation</b>	<b>(1,129,664)</b>	<b>(2,234,552)</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>13,033,003</b>	<b>(9,931,991)</b>
<b>Other changes in unrestricted net assets</b>		
Net unrealized gain (loss) on investments	(5,461,386)	2,054,446
Change in pension plan funded status	(13,784,056)	24,445,304
<b>Increase (decrease) in unrestricted net assets</b>	<b>(6,212,439)</b>	<b>16,567,759</b>
<b>Temporarily restricted net assets:</b>		
Contributions and investment income, net	982,677	(359,035)
<b>Increase (decrease) in net assets</b>	<b>(5,229,762)</b>	<b>16,208,724</b>
<b>Net assets, beginning of year</b>	<b>102,536,105</b>	<b>86,327,381</b>
<b>Net assets, end of year</b>	<b>\$ 97,306,343</b>	<b>\$ 102,536,105</b>

See accompanying notes to consolidated financial statements

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended September 30, 2011 and 2010**

	2011	2010
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (5,229,762)	\$ 16,208,724
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	17,008,403	17,497,606
Provision for bad debts	43,164,803	37,173,447
Change in pension plan funded status	13,784,056	(24,445,304)
Change in fair value of derivative obligation	1,129,664	2,234,552
Net realized and unrealized (gains) losses on investments	2,096,192	(2,271,363)
Loss on disposal of property and equipment	-	43,853
Equity in undistributed earnings of unconsolidated affiliates	(362,948)	(439,087)
(Increase) decrease in accounts receivable	(36,638,971)	(31,815,732)
(Increase) decrease in other receivables	13,149	(1,487,125)
(Increase) decrease in prepaid expenses	(1,149,113)	22,228
(Increase) decrease in inventories	(2,299,629)	1,886,426
(Increase) decrease in other assets	(151,667)	55,069
(Increase) decrease in estimated third-party settlements	2,981,517	(3,171,088)
Increase (decrease) in accounts payable and accrued	3,364,749	(3,806,955)
Increase (decrease) in accrued pension obligation	488,867	10,015,999
Increase (decrease) in other liabilities	973,668	(560,231)
<b>Net cash provided by operating activities</b>	<b>39,172,978</b>	<b>17,141,019</b>
<b>Cash flows from investing activities</b>		
Change in assets limited as to use, net	120,325	4,703,431
Purchases of property and equipment	(10,271,467)	(12,223,101)
<b>Net cash used in investing activities</b>	<b>(10,151,142)</b>	<b>(7,519,670)</b>
<b>Cash flows from financing activities</b>		
Net borrowings (payments) on notes payable	(12,789,472)	848,325
Repayment of long-term debt	(4,495,607)	(4,352,629)
<b>Net cash used in financing activities</b>	<b>(17,285,079)</b>	<b>(3,504,304)</b>
<b>Net increase in cash and cash equivalents</b>	<b>11,736,757</b>	<b>6,117,045</b>
Cash and cash equivalents, beginning of year	18,862,441	12,745,396
Cash and cash equivalents, end of year	\$ 30,599,198	\$ 18,862,441

**Supplemental disclosures of cash flow information:**

The Hospitals entered into capital lease obligations in the amount of \$466,397 and \$1,331,157 for new equipment in 2011 and 2010, respectively

Cash paid for interest (net of amount capitalized) in 2011 and 2010 was approximately \$4,511,000 and \$4,079,000, respectively

**Non cash portion of purchase of Cyberknife fixed assets:**

Property and equipment	\$ -	\$ 2,952,206
Note payable assumed	\$ -	\$ (2,542,777)
Accounts payable	\$ -	\$ (590,729)
Prepaid expenses	\$ -	\$ 181,300

See accompanying notes to consolidated financial statements

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011 and 2010

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#### Note 1. Description of Organization and Summary of Significant Accounting Policies

**Description of organization:** Pallottine Health Services, Inc (PHS) is sponsored and operated by the Pallottine Missionary Sisters, Queen of Apostles Province (Sponsor), a Missouri not-for-profit corporation, and is a not-for-profit corporation exempt from income tax pursuant to Section 501(a) of the Internal Revenue Code. PHS provides management and administrative support services to its two wholly-sponsored hospitals, St Mary's Medical Center, Inc (St Mary's) and St Joseph's Hospital of Buckhannon, Inc (St Joseph's) (the Hospitals), which are not-for-profit health care facilities.

**Principles of consolidation:** The consolidated financial statements include the accounts of PHS, St Mary's and its other subsidiaries (St Mary's Foundation (SMF), Vanguard Financial Services (VFS), St Mary's Medical Management (SMMM) and its wholly-owned subsidiary, St Mary's Neurosurgery (SMN) and St Mary's Occupational Health Center (SMOHC), St Joseph's and its other subsidiary (St Joseph's Foundation (SJF)). All significant intercompany amounts and transactions have been eliminated in consolidation.

**Reclassifications:** Certain 2010 amounts have been reclassified to conform to the 2011 presentation. Such reclassifications had no effect on the previously reported, excess (deficiency) of revenues over expenses or increase (decrease) in net assets.

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

**Basis of presentation:** Net assets, gains and losses are classified based on donor-imposed restrictions. Accordingly, net assets of PHS and changes therein are classified and reported as follows:

**Unrestricted** - Unrestricted net assets include resources over which the Board of Trustees has discretionary control.

**Temporarily restricted** - Temporarily restricted net assets are those resources subject to restrictions imposed by donors, which are limited to a specific time period or purpose.

**Permanently restricted** - Permanently restricted net assets are those resources subject to a donor-imposed restriction that they be maintained permanently by the donee or for which perpetual trusts have been established.

**Cash and cash equivalents:** Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less.

**Patient accounts receivable:** Patient accounts receivable are carried at the net realizable value less an estimate for doubtful or uncollectible accounts. The allowance is based upon a review of the outstanding balances, aged by financial class. Management uses collection percentages, based upon historical collection experience, to determine collectibility. Management also reviews troubled, aged accounts to determine collection potential. Patient accounts receivable are written off when deemed uncollectible. Recoveries of accounts previously written off are recorded as a reduction to bad debt expense when received. Interest is not charged on patient accounts receivable.



**PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****September 30, 2011 and 2010**

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**Inventories:** Inventories are valued at amounts approximating the lower of cost (first-in, first-out method) or market

**Assets whose use is limited:** Assets whose use is limited consists of assets designated by the Board of Trustees (the Board) primarily for future capital improvements. However, the Board retains control and may, at its discretion, subsequently use the assets for other purposes. Externally designated assets include assets held on behalf of the Sponsor, as well as funds held by the bond trustee for the retirement of debt and interest costs. Amounts required to meet current liabilities have been reclassified in the balance sheets at September 30, 2011 and 2010.

**Investments:** Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investment income or loss, including realized gains and losses on the sale of investments, is included in the excess (deficiency) of revenues over expenses, unless the income or loss is restricted by donor or law, in which case the income or loss is reported as a change in temporarily restricted net assets in the statements of operations and changes in net assets. Unrealized gains and losses on investments are excluded from the excess (deficiency) of revenues over expenses.

As further explained in Note 4, PHS accounts for its investments in various healthcare related entities using the equity basis of accounting. Under this method, PHS equity in the earnings or losses of the investment is reported in PHS's statement of operations.

PHS also has investments recorded at cost. Income from dividends and distributions are recognized in the statement of operations as they are distributed. These investments are reviewed for impairment and if factors indicate a decrease in the fair value of the investment has occurred below cost an impairment adjustment is recorded.

**Property and equipment:** Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

**Excess (deficiency) of revenues over expenses:** The statements of operations include excess (deficiency) of revenues over expenses. Changes in unrestricted net assets that are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets and change in pension plan funded status.

**Net patient service revenue:** The Hospitals have agreements with third-party payors that provide for payments at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011 and 2010

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**Charity care:** The Hospitals provide care to patients who meet specific criteria, defined by their charity care policies, without charge or at amounts less than their established rates, as approved by the West Virginia Health Care Authority (HCA). Because the Hospitals do not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.

**Donor restrictions:** Unconditional promises to give cash and other assets to PHS and its subsidiaries are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. 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 a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted gifts and bequests in the accompanying financial statements.

**Self-insurance health plan:** PHS has a self-insurance program for employee health insurance. Payments for claims by employees are remitted to a third-party administrator to provide for the payment of actual claims and administrative fees. Estimated unpaid claims, including amounts for incurred but not reported claims, are included in accounts payable and accrued expenses.

**Worker's compensation self insurance plan:** St. Mary's is self-insured with respect to their employee's worker's compensation benefits. Payments are made to a third-party administrator to provide for payments of actual claims and fees. Estimated unpaid claims, including amounts for incurred but not reported claims, are accrued based upon historical claims history and is included in accounts payable and accrued expenses.

**Income taxes:** PHS, the Hospitals and related foundations are not-for-profit corporations and have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Code and applicable state statutes. VFS is a taxable entity. SMOHC, SMMM and SMN are organized as limited liability corporations. SMOHC is treated as a partnership for tax purposes. SMMM and SMN are treated as single-member LLC's for tax purposes.

**Derivative instruments and hedging activities:** All derivative instruments are recorded on the balance sheets at their respective fair values. The interest rate swaps do not qualify for hedge accounting, therefore, PHS accounted for the derivative instruments as a speculative derivative instrument with the change in fair value recorded as a component of realized and unrealized losses on interest rate swap in the accompanying statements of operations in the period of change. Net settlement payments made or received during the life of the swaps are also recorded as a component of realized and unrealized losses on interest rate swaps in the accompanying statements of operations.

**Unrelated business income tax:** There is currently very little guidance in the IRS Code on what activities should be subject to unrelated business income tax (UBIT). The IRS has indicated that they are studying the issue and may issue additional guidance. As a result, at this time there is uncertainty regarding whether PHS should pay income tax on certain types of net taxable income from activities that may be considered by taxing authorities as unrelated to the purpose for which PHS was granted non-taxable status. In the opinion of management, any liability resulting from taxing authorities imposing income taxes on the net taxable income from activities deemed to be unrelated to PHS non-taxable status is not expected to have a material effect on PHS financial position or results of operations.

PHS is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The management of PHS believes it is no longer subject to income tax examinations for years prior to the fiscal year ended September 30, 2008.

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011 and 2010

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**Subsequent events:** PHS has evaluated subsequent events through January 13, 2012, the date on which the financial statements were available to be issued

**New or recent accounting pronouncements:** Health Care Entities Topic 954 (Accounting Standards Update No. 2010-23) of the FASB Accounting Standards Codification *Measuring Charity Care for Disclosure* is effective for fiscal years beginning after December 15, 2010. Management's policy for providing charity care, as well as the level of charity care provided, shall be disclosed in the financial statements. Such disclosure shall be measured based on the provider's costs of providing charity care services. If costs cannot be specifically attributed to services provided to charity care patients (for example, based on a cost accounting system), management may estimate the costs of those services using reasonable techniques. This should be applied retrospectively to all prior periods presented. Earlier application is permitted. PHS will be required to adopt Topic 954 (No. 2010-23) in its 2012 annual financial statements.

Health Care Entities Topic 954 (Accounting Standards Update No. 2010-24) of the FASB Accounting Standards Codification *Presentation of Insurance Claims and Related Insurance Recoveries* is effective for fiscal years beginning after December 15, 2010. A health care entity should not net insurance recoveries for medical malpractice claims against a related medical malpractice claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. A cumulative-effect adjustment should be recognized in opening net assets in the period of adoption if a difference exists between any liability and insurance receivables recorded as a result of application. Early application is permitted. PHS will be required to adopt Topic 954 (No. 2010-24) in its 2012 annual financial statements.

On July 25, 2011, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2011-07, *Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The amendments in this Update, which become effective for fiscal years ending after December 15, 2012, require certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts. The amendments also require disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. PHS will be required to adopt Topic 954 (No. 2011-07) in its 2013 annual financial statements.

Management does not believe these new standards will have a material impact on the consolidated financial statements.

#### Note 2. Cash Concentrations

Included with cash and cash equivalents are demand deposits and short-term investments with financial institutions, the bank balances of which exceed federally insured amounts. However, management believes these financial institutions are financially sound and these concentrations do not present a significant risk to PHS and subsidiaries.

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011 and 2010

**Note 3. Concentrations of Credit Risk**

The Hospitals grant credit without collateral to their patients, most of who are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at September 30, 2011 and 2010 was as follows

	2011	2010
Medicare	16%	16%
Medicaid	11%	15%
Other third-party payors	27%	32%
Private pay	46%	37%
	<u>100%</u>	<u>100%</u>

**Note 4. Investments and Assets Limited As to Use**

The composition of assets limited as to use is set forth in the following table

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
<b>Internally designated by the Board of Trustees:</b>				
Cash and cash equivalents	\$ 2,919,820	\$ 2,919,820	\$ 5,227,500	\$ 5,227,500
U S government obligations	10,342,695	10,666,647	7,261,287	7,584,727
Corporate bonds and notes	8,318,369	8,402,059	6,781,734	7,256,001
International bonds	478,305	478,736	450,502	471,949
Marketable equity securities	32,062,213	28,700,196	30,464,193	31,947,321
Mutual funds	-	-	10,064	11,658
Mortgage and asset backed securities	1,076,142	950,062	1,096,156	1,167,042
Interest receivable	61,211	61,211	81,500	81,500
Deferred compensation trust assets	1,846,855	1,846,855	1,688,607	1,688,607
	<u>57,105,610</u>	<u>54,025,586</u>	<u>53,061,543</u>	<u>55,436,305</u>
<b>Held by Trustee for project funds, debt service reserve funds and deposits:</b>				
Cash and cash equivalents	<u>9,540,759</u>	<u>9,540,759</u>	<u>10,346,557</u>	<u>10,346,557</u>
<b>Total Assets Limited as to Use</b>	<u>\$ 66,646,369</u>	<u>\$ 63,566,345</u>	<u>\$ 63,408,100</u>	<u>\$ 65,782,862</u>

**PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2011 and 2010**
**Other Investments:**

Other investments at September 30, 2011 and 2010, include

	2011	2010
Equity Method Investments		
Tri-State MRI (Note 12)	\$ 658,093	\$ 878,709
TSHP	(19,905)	(19,905)
Premier	453,962	396,602
CHART (Note 14)	1,114,314	588,110
	<u>2,206,464</u>	<u>1,843,516</u>
Investments recorded at cost		
Claire Health Services	300,000	300,000
Land held for sale	385,317	385,317
Health Works - PT provider	87,033	87,033
Surgical Properties	80,000	80,000
Three Gables Surgery Center (Note 12)	1,400,000	1,400,000
St Mary's Medical Center Home Health Services, LLC	562,847	562,847
Huntington Area MRI Services, LLC (Note 12)	24,500	24,500
	<u>2,839,697</u>	<u>2,839,697</u>
<b>Total Other Investments</b>	<b><u>\$ 5,046,161</u></b>	<b><u>\$ 4,683,213</u></b>

Investment income, including realized and unrealized gains, is comprised of the following for the years ending September 30, 2011 and 2010

	2011	2010
Realized income		
Interest income and dividends	\$ 2,035,977	\$ 1,724,444
Net realized gains on sale of securities	3,365,194	204,917
	<u>\$ 5,401,171</u>	<u>\$ 1,929,361</u>
Other changes in unrestricted net assets		
Net change in unrealized gain (loss) on investments	<u>\$ (5,461,386)</u>	<u>\$ 2,054,446</u>

Included in assets whose use is limited by Board action are approximately \$29 million and \$32 million of investments in marketable equity securities as of September 30, 2011 and 2010, respectively. These investments, made pursuant to a Board-approved investment plan, are in various industries. As of September 30, 2011, no individual industry comprised more than 10% of total investments.

PHS does not require collateral to secure its investments.

PHS continually reviews non-trading investments for impairment conditions that indicate that an other-than-temporary decline in market value has occurred. In conducting this review, numerous factors are considered which, individually or in combination, indicate that a decline is other-than-temporary and that a reduction of the carrying value is required. These factors include specific information pertaining to an individual company or a particular industry and general market conditions that reflect prospects for the economy as a whole. Based on this review, PHS did not recognize an other-than-temporary loss during the years ended September 30, 2011 and 2010.

**PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**September 30, 2011 and 2010**

Investments consist of fixed income funds, equity securities and mortgage and asset backed securities. There is no concentration of investments in any one security or industry sector which would account for the above noted unrealized losses. Management has consulted with its investment advisors and believes that temporary market fluctuations account for these positions, and that based upon the objectives of PHS, the investments will fully recover before the need to liquidate. Further, PHS has the ability and intent to hold these investments until they are no longer in a loss position.

**Note 5. Property and Equipment**

Property and equipment consist of the following at September 30, 2011 and 2010:

	2011	2010
Land and land improvements	\$ 10,367,065	\$ 10,074,229
Buildings and fixed equipment	192,339,324	190,792,286
Equipment	187,634,002	182,553,217
	<u>390,340,391</u>	<u>383,419,732</u>
Less accumulated depreciation and amortization	(247,764,104)	(232,037,930)
	<u>142,576,287</u>	<u>151,381,802</u>
Construction in progress	7,775,688	5,237,609
	<u>\$ 150,351,975</u>	<u>\$ 156,619,411</u>

Estimated cost to complete construction projects as of September 30, 2011 was approximately \$2.5 million. During 2011 and 2010, net interest expense of approximately \$216,000 and \$130,000, respectively, was capitalized and is included in property and equipment.

**Note 6. Notes Payable**

PHS maintains a margin account (revolving line of credit) with a national investment banking firm which allows them to borrow against the value of investments held in trust by the firm for the benefit of PHS. PHS had outstanding borrowings against the investments of \$1,764,107 and \$14,553,579 at September 30, 2011 and 2010, respectively. Interest is charged on the outstanding balance at 2.7% per annum.

**Note 7. Long-Term Debt**

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

	2011	2010
Variable Rate Demand Revenue and Refunding Bonds, 2003 Series A-1 Bonds		
Due in annual installments ranging from \$1,445,000 to \$3,120,000 through 2033 plus monthly interest at a variable rate, 0.40% at September 30, 2011	\$ 52,124,393	\$ 53,654,394
Variable Rate Demand Revenue Bonds, 2006 Series A		
Due in annual installments ranging from \$690,000 to \$1,925,000 through 2036 plus monthly interest at a variable rate, 0.40% at September 30, 2011	32,855,000	33,595,000

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011 and 2010

	2011	2010
Variable Rate Demand Revenue Bonds, 2009 Series A Due in monthly installments of \$97,222 through June 2016 plus monthly interest at the 30-day LIBOR rate, 2 518% at September 30, 2011	14,875,000	16,041,667
Notes payable, related party, due in monthly installments of \$15,974 through 2014 including interest at 3 0%, unsecured (Note 12)	655,597	699,856
Obligations under capital leases, secured by related equipment	2,285,459	2,323,843
Note payable, bank, due in monthly installments of \$54,985 through 2014 including interest at 6 9%, secured by equipment	1,666,283	2,176,182
	104,461,732	108,490,942
Less current portion	4,851,599	4,670,752
	<u>\$ 99,610,133</u>	<u>\$ 103,820,190</u>

Aggregate maturities of long-term obligations are as follows

Year Ending September 30,	Long-Term Debt	Capital Lease Obligations
2012	\$ 4,233,309	\$ 721,732
2013	4,329,731	707,262
2014	4,296,068	644,718
2015	3,909,498	262,172
2016	3,936,609	136,069
Thereafter	81,471,058	40,551
	<u>\$ 102,176,273</u>	2,512,504
Less amount representing interest under capital lease obligations		227,045
Total		<u>\$ 2,285,459</u>

**Series 2003 Variable Rate Demand Revenue and Refunding Bonds:**

On December 18, 2003, the West Virginia Hospital Finance Authority issued its \$61,000,000 Variable Rate Demand Revenue and Refunding Revenue Bonds, 2003 Series A-1 (the "2003 Series A-1") PHS, St Mary's Medical Center and St Joseph's Hospital (the "Obligated Group") then entered into a loan agreement with the West Virginia Hospital Finance Authority, which loaned the proceeds of the bond issue to the Obligated Group. The proceeds of the 2003 bonds were used to advance refund the Series 1987 Hospital Revenue Bonds and to establish project funds for the Hospitals' renovation and expansion. The Obligated Group has a Letter of Credit Reimbursement Agreement with Fifth Third Bank (Fifth Third). Fifth Third is paid an annual fee for the letter of credit equal to .65% of the amount of the outstanding letter of credit. On February 1, 2011, Fifth Third agreed to extend the stated expiration date of the Letter of Credit to June 30, 2014 and the annual fee for the letter of credit was revised to equal 1.875% of the outstanding letter of credit. The 2003 Series A-1 Bonds were issued at a variable interest rate that fluctuates on a weekly basis. Under the terms of the Reimbursement Agreement, the 2003 Series A-1 Bonds are scheduled to be repaid on October 1 annually and maturing on October 1, 2033.

Pursuant to the Reimbursement Agreement, the Obligated Group has pledged certain collateral including all revenues and accounts receivable.

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011 and 2010

Under the terms of the 2003 Series A-1 bond indentures, the Obligated Group is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the accompanying balance sheets. The revenue note indenture also places limits on the incurrence of additional borrowings and requires that the Obligated Group satisfy certain measures of financial performance as long as the notes are outstanding. The Obligated Group is also required to maintain insurance and certain financial covenants. The Obligated Group was in compliance with these requirements as of September 30, 2011.

#### **Series 2006 Variable Rate Demand Revenue Bonds:**

On April 1, 2006, the West Virginia Hospital Finance Authority issued its \$35,000,000 Variable Rate Demand Revenue Bonds, 2006 Series A (the "2006 Series A"). PHS, St. Mary's Medical Center and St. Joseph's Hospital (the "Obligated Group") then entered into a loan agreement with the West Virginia Hospital Finance Authority, which loaned the proceeds of the bond issue to the Obligated Group. The proceeds of the 2006 bonds were used to establish project funds for the Hospitals' renovation and expansion. The Obligated Group has a Reimbursement Agreement with Fifth Third under which the Obligated Group agreed to reimburse Fifth Third for draws under its letter of credit, which will be drawn periodically to repay the 2006 Series A Bonds. Fifth Third is paid an annual fee for the letter of credit equal to .65% of the amount of the outstanding letter of credit. On February 1, 2011, Fifth Third agreed to extend the stated expiration date of the Letter of Credit to June 30, 2014 and the annual fee for the letter of credit was revised to equal 1.875% of the outstanding letter of credit. The 2006 Series A Bonds were issued at a variable interest rate that fluctuates on a weekly basis. Under the terms of the Reimbursement Agreement, the 2006 Series A Bonds are scheduled to be repaid on October 1 annually and maturing on October 1, 2036.

Pursuant to the Reimbursement Agreement, the Obligated Group has pledged certain collateral including all revenues and accounts receivable.

Under the terms of the 2006 Series A bond indentures, the Obligated Group is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the accompanying balance sheets. The revenue note indenture also places limits on the incurrence of additional borrowings and requires that the Obligated Group satisfy certain measures of financial performance as long as the notes are outstanding. The Obligated Group is also required to maintain insurance and certain financial covenants. The Obligated Group was in compliance with these requirements as of September 30, 2011.

**Series 2009 Variable Rate Demand Revenue Bonds:** On June 1, 2009, the West Virginia Hospital Finance Authority issued \$17,500,000 Variable Rate Demand Revenue Bonds, 2009 Series A (the "2009 Series A"). PHS, St. Mary's Medical Center, and St. Joseph's Hospital (the "Obligated Group") then entered into a loan agreement with the West Virginia Hospital Finance Authority, which loaned the proceeds of the bond issue to the Obligated Group. The proceeds of the 2009 bonds were used to fund the Hospital's renovation and expansion. Coincident with the issuance of the 2009 Series A Bonds, the Obligated Group entered into a Loan Agreement with a local bank. The 2009 Series A Bonds were issued at a variable interest rate based on the 30-day LIBOR. Under the terms of the Loan Agreement, the 2009 Series A Bonds are scheduled to be repaid monthly and mature on July 1, 2016.

Pursuant to the Loan Agreement, the Obligated Group has pledged certain collateral including all revenues and accounts receivable.



## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011 and 2010

Under the terms of the 2009 Series A bond indentures, the Obligated Group is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the accompanying balance sheets. The revenue note indenture also places limits on the incurrence of additional borrowings and requires that the Obligated Group satisfy certain measures of financial performance as long as the notes are outstanding. The Obligated Group is also required to maintain insurance and certain financial covenants. The Obligated Group was in compliance with these requirements as of September 30, 2011.

#### Note 8. Operating Lease Commitments

The Hospitals lease certain equipment under non-cancelable operating leases. The following is a schedule of future minimum lease payments required under the leases:

2012	\$ 2,962,128
2013	2,153,737
2014	910,358
2015	226,986
2016	11,733
	<u>\$ 6,264,942</u>

Total expense for operating leases, including those with terms of one year or less, was approximately \$3,200,000 and \$2,900,000 in 2011 and 2010, respectively, and is included in other expenses in the consolidated statements of operations and changes in net assets.

#### Note 9. Interest Rate Risk Management

The Obligated Group uses variable-rate debt to finance its capital needs. The debt obligations expose the Obligated Group to variability in interest payments due to changes in interest rates. Conversely, fixed rate debt obligations can be more expensive in times of declining interest rates. Management believes it is prudent to monitor and manage its cost of capital on a regular basis. To meet this objective, management, from time to time, enters into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk.

The Obligated Group has interest-rate related derivative instruments to manage the exposure on its debt instruments. The Obligated Group does not enter into derivative instruments for any purpose other than cash flow hedging purposes related to its debt.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Obligated Group exposes themselves to credit risk and market risk. Credit risk is the failure of the counter-party to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counter-party owes the Obligated Group, which creates credit risk for the Obligated Group. When the fair value of a derivative contract is negative, the Obligated Group owes the counter-party and, therefore, it does not possess credit risk. The Obligated Group minimizes the credit risk in derivative instruments by entering into transactions with high-quality counter-parties.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rates is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

**PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**September 30, 2011 and 2010**

In January 2004, the Obligated Group entered into an interest rate swap agreement in the notional amount of \$30 million related to the Series 2003 Bonds (Note 7). The purpose of the swap was to convert the Obligated Group variable rate cash flow exposure on the debt obligations to fixed-rate cash flows. Under the terms of the interest rate swap, the Obligated Group receives a variable interest rate payment (based on the Bond Rate, or if certain triggering events occur, an alternative floating rate which is the Bond Market Association Municipal swap index or 67% of 1 month LIBOR) in exchange for making fixed interest rate payments (3.68%) to the swap counter-party, thereby creating the equivalent of fixed-rate debt.

In April 2008, the Obligated Group entered into an interest rate swap agreement in the notional amount of \$17.5 million related to the Series 2006 Bonds (Note 7). The purpose of the swap was to convert the Obligated Group variable rate cash flow exposure on the debt obligations to fixed rate cash flows. Under the terms of the interest rate swap, the Obligated Group receives a variable interest rate payment (based on the Bond Rate, or if certain triggering events occur, an alternative floating rate which is 67% times USD-LIBOR-BBA) in exchange for making fixed interest rate payments (3.112%) to the swap counter-party, thereby creating the equivalent of fixed-rate debt.

The following table summarizes the location and amounts of the values for the Obligated Group's interest rate swap agreements:

	<b>Liability Derivatives</b>			
	<b>September 30, 2011</b>		<b>September 30, 2010</b>	
	<b>Balance Sheet</b>		<b>Balance Sheet</b>	
<b>Derivatives not designated as hedging instruments</b>	<b>Location</b>	<b>Fair Value</b>	<b>Location</b>	<b>Fair Value</b>
Interest rate swap agreements	Other current liabilities	<u><b>\$ 7,326,821</b></u>	Other current liabilities	<u><b>\$ 6,197,157</b></u>

The following table summarizes the location and amounts of derivative (losses) gains on the Obligated Group's interest rate swap agreements:

<b>Derivatives not designated as hedging instruments</b>	<b>Location of (Loss) Recognized</b>	<b>Year Ended September 30,</b>	
		<b>2011</b>	<b>2010</b>
Interest rate swap agreements	Change in fair value of derivative obligation	<u><b>\$ (1,129,664)</b></u>	<u><b>\$ (2,234,552)</b></u>

For the year ended September 30, 2011, management obtained a valuation of the interest rate swap agreements in accordance with applicable accounting guidance from an independent analyst. The goal is to value derivatives, such as the Obligated Group's interest rate swaps, by adjusting the mid-market valuation for a theoretical non-performance or credit risk of the Obligated Group. As of September 30, 2011, the Obligated Group is posting no collateral. Therefore, the entire swap value is subject to the adjustment. The mid-market valuation for the liability associated with the swap agreements as of September 30, 2011 was determined to be \$8,792,309, and the fair value valuation considering the Obligated Group's credit rating resulted in a reduction of this amount by \$1,465,488. Therefore, the estimated fair value of the liability associated with the swap agreements as of September 30, 2011 was \$7,326,821.

**PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**September 30, 2011 and 2010**
**Note 10. Net Patient Service Revenue**

Net patient service revenues consist of the following for the years ending September 30, 2011 and 2010

	<b>2011</b>	<b>2010</b>
Gross patient service revenues	<b>\$ 934,249,568</b>	\$ 841,414,879
Less provisions for		
Contractual and other adjustments	<b>494,513,229</b>	435,544,612
Charity care	<b>14,905,324</b>	11,497,116
Net patient service revenues	<b><u>\$ 424,831,015</u></b>	<b><u>\$ 394,373,151</u></b>

The Hospitals have agreements with third-party payors that provide for payments to the Hospitals at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospitals' billings at established rates for services and amounts reimbursed by third-party payors. The following summarizes the significant payment arrangements with major third-party payors:

**Medicare**

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient psychiatric services are paid on a cost reimbursement methodology subject to certain limitations. Outpatient services are paid primarily based on prospectively determined payment classifications. Home health services are generally paid based on 60-day episodes of care, with payment scaled for level of service provided. Skilled nursing care services are paid on a prospective methodology based on patient classification. St. Mary's receives additional reimbursement for "disproportionate share," based on the level of Medicaid and Supplementary Security Income (SSI) patients it serves. St. Mary's also receives payments for direct and indirect medical education from the Medicare program.

Certain inpatient costs and outpatient services are reimbursed on tentative rates, with final settlement determined after submission of an annual cost report by the Hospitals and audit thereof by the Medicare fiscal intermediary. The Hospitals' classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a Medicare peer review organization.

**Medicaid**

Payments for inpatient acute care services rendered to Medicaid program beneficiaries are based primarily upon a prospectively determined rate per discharge based on primary diagnosis. Outpatient services are reimbursed based on a predetermined fee schedule. Payment for inpatient behavioral health services are reimbursed at an interim rate, which is currently ninety-five percent of charges, and are subject to year-end cost based settlement.

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011 and 2010

#### Medicaid Disproportionate Share Enhancement Program

Under the West Virginia Medicaid Disproportionate Share Enhancement Program, funds designated by the West Virginia Legislature for disproportionate share hospitals are distributed based on, among other things, each particular hospital's Medicaid inpatient activity and total operating expenses compared to other hospitals in the State. This reimbursement, approximating \$1,317,000 and \$1,396,000 for the years ending September 30, 2011 and 2010, respectively, has been included in net patient service revenue in the accompanying consolidated statements of operations. Funds received from this program are subject to retroactive settlement.

The State of West Virginia Disproportionate Share Hospital State Plan (DSH) was amended to provide for a settlement process among participating hospitals. The Bureau for Medical Services of the State of West Virginia Department of Health and Human Resources (the Bureau) has contracted with a third-party vendor to assist with the audit settlement process. The laws and regulations governing the DSH settlement process are complex, involving statistical data from all participating hospitals, and subject to interpretation. Accordingly, the Hospital is not able to estimate the possible losses that could arise upon completion of the DSH settlement process in future years. The ultimate resolution of the settlement process could materially impact the Hospital's future results of operations or cash flows in a particular period.

#### Health Care Authority (HCA)

The HCA is empowered, by provisions of the West Virginia Code, to regulate the Hospitals' gross patient revenue from nongovernmental payors and to evaluate health care entity financial performance. This is accomplished by issuing rate orders, based on the Hospitals' budgets and rate schedules, and evaluating performance and compliance reports submitted by the Hospitals on a periodic basis. Addition and deletion of services is also regulated by HCA under certain circumstances.

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

Revenue from the Medicare and Medicaid programs accounted for approximately 49 percent and 15 percent, respectively, of the Hospitals' gross patient revenue for the year ended September 30, 2011 and 48 percent and 15 percent, respectively, of the Hospitals' gross patient revenue 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. The 2011 net patient service revenue decreased approximately \$2,313,000 due to prior year retroactive adjustments in excess of amounts previously estimated. The 2010 net patient service revenue increased approximately \$1,491,000 due to removal of allowances previously estimated that were no longer necessary as a result of final settlements and years that are no longer subject to audit reviews and investigations.

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2011 and 2010

## Note 11. Pension Plans

## St. Mary's Defined Contribution Plan

St. Mary's has a defined contribution 403(b) retirement plan covering substantially all of their employees. The plan, which became effective January 1, 2011, has two components consisting of a salary reduction portion and a discretionary contribution portion. The salary reduction component allows eligible employees to contribute, as a salary deferral, to the plan. The discretionary contribution portion of the plan allows for additional contributions of eligible wages subject to certain limitations and restriction.

## St. Mary's Hospital Defined Benefit Plan

St. Mary's sponsors a noncontributory, defined-benefit plan covering substantially all eligible lay employees of St. Mary's and PHS. Pension benefits to participating employees are based on years of credited service and annual wages. St. Mary's provides funding sufficient to meet minimum funding requirements under applicable federal laws.

Effective August 1, 2010, the plan was amended to freeze future benefit accruals and to provide enhanced benefits through a voluntary early retirement program. As a result of this amendment, the net periodic pension cost for the year ending September 30, 2010 was recalculated to equal \$11,151,357.

PHS maintains an investment policy with regard to its pension plan assets. The investment policy has been formulated by the Board of Directors based upon consideration of a wide range of policies and describes the prudent investment processes deemed appropriate for PHS to engage. It sets forth an investment structure for managing all plan assets, states the Board's expectations and objectives, and establishes criteria to monitor and evaluate performance. PHS has established investment objectives and goals including the preservation of capital with an emphasis of consistent investment performance. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of comparable market indices.

The following tables set forth the plan's funded status and amounts recognized in the financial statements.

	2011	2010
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$ 149,018,488	\$ 161,018,094
Service cost	-	5,069,985
Interest cost	8,434,166	9,018,670
Curtailment gain	-	(24,994,500)
Special termination benefits	-	55,029
Actuarial loss	5,817,254	2,400,904
Benefits paid	(4,113,907)	(3,549,694)
Benefit obligation at end of year	<u>159,156,001</u>	<u>149,018,488</u>
<b>Change in plan assets</b>		
Fair value in plan assets at beginning of year	83,717,088	79,769,347
Actual return on plan assets (net of expenses)	(1,135,335)	5,607,435
Employer contributions	2,756,000	1,890,000
Benefits paid	(4,113,907)	(3,549,694)
Fair value in plan assets at end of year	<u>81,223,846</u>	<u>83,717,088</u>
Funded status at end of year	<u>\$ (77,932,155)</u>	<u>\$ (65,301,400)</u>
Amounts recognized in balance sheet consist of		
Noncurrent liabilities	<u>\$ (77,932,155)</u>	<u>\$ (65,301,400)</u>

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011 and 2010

	2011	2010
Cumulative amounts recognized in other changes in net assets consist of		
Net actuarial loss	<u>\$ 49,166,031</u>	<u>\$ 36,274,877</u>
	<u>\$ 49,166,031</u>	<u>\$ 36,274,877</u>
Components of net periodic pension cost		
Service cost	\$ -	\$ 5,069,985
Interest cost	8,434,166	9,018,670
Expected return on plan assets	(6,572,779)	(6,357,718)
Recognized loss	634,214	3,404,957
Amortization of prior service credit	-	15,463
Net periodic benefit cost	<u>\$ 2,495,601</u>	<u>\$ 11,151,357</u>
Estimated amounts expected to be amortized from net assets over next fiscal year		
Net loss	<u>\$ 1,001,519</u>	<u>\$ 634,214</u>
Weighted average assumptions used to determine benefit obligations at September 30		
Discount rate	5.50%	5.75%
Rate of compensation increases	N/A	N/A
Weighted average assumptions used to determine net periodic pension cost for the years ending September 30		
Discount rate	5.50%	5.75%
Expected return on plan assets	7.75%	8.00%
Rate of compensation increases	N/A	3.00%

The basis for determining the overall expected long-term rate of return on assets has been based on the assumption that future real returns will approximate the historic long-term rates of return experienced for each asset class in the investment policy statement. Based on this analysis, it was determined that the long-term rate of return as of September 30, 2011 should be consistently applied.

Following is the Plan's asset allocation and expected future cash flows at September 30, 2011

	Target Allocations	Percentage of Plan Assets
Plan assets		
Equity securities	56%	65%
Fixed income and cash and cash equivalents	44%	35%
Total	<u>100%</u>	<u>100%</u>
Expected contributions for fiscal 2012		<u>\$ 3,000,000</u>
Estimated future benefit payments reflecting expected future service		
2012		\$ 4,656,470
2013		\$ 5,343,963
2014		\$ 5,754,374
2015		\$ 6,200,861
2016		\$ 6,773,693
2017 to 2021		\$ 42,526,222

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011 and 2010

As of September 30, 2011, PHS adopted a new accounting standard that requires disclosure of the fair value measurements (as described in Note 17) for pension plan assets. The following table sets forth by level with the fair value hierarchy, pension plan assets of St. Mary's at their fair values as of September 30, 2011.

	Fair Value Measurements Using			
	Quoted Prices			
	in Active	Significant	Significant	
	Markets for	Observable	Unobservable	Total at
	Identical Assets	Inputs	Inputs	September 30,
	(Level 1)	(Level 2)	(Level 3)	2011
<b>Plan Assets</b>				
<b>Cash equivalents</b>	\$ 4,131,124	\$ -	\$ -	\$ 4,131,124
<b>Corporate stocks</b>				
Consumer Discretionary	6,218,336	-	-	6,218,336
Consumer Staples	3,055,666	-	-	3,055,666
Engery	3,946,968	-	-	3,946,968
Financials	10,934,920	-	-	10,934,920
Health Care	3,473,422	-	-	3,473,422
Industrials	2,944,845	-	-	2,944,845
Information Technology	8,657,793	-	-	8,657,793
Materials	1,645,978	-	-	1,645,978
Other	1,802,932	-	-	1,802,932
Telecommunication Services	1,855,835	-	-	1,855,835
Utilities	595,247	-	-	595,247
<b>Corporate bonds</b>				
A1/A	-	927,416	-	927,416
A1/A+	-	541,916	-	541,916
A2/A	-	2,246,126	-	2,246,126
A2/A-	-	422,035	-	422,035
A2/AA-	-	297,609	-	297,609
A2/BBB+	-	377,644	-	377,644
A3/A	-	1,068,311	-	1,068,311
A3/A-	-	1,067,418	-	1,067,418
A3/BBB+	-	407,333	-	407,333
AA1/AA	-	249,422	-	249,422
AA2/AA-	-	539,765	-	539,765
AA2/AA+	-	1,055,094	-	1,055,094
AA3/A+	-	530,456	-	530,456
BAA1/A	-	458,808	-	458,808
BAA1/A-	-	382,345	-	382,345
BAA1/BBB	-	319,366	-	319,366

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011 and 2010

	Fair Value Measurements Using			Total at September 30, 2011
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
BAA1/BBB+	-	1,026,191	-	1,026,191
BAA2/A	-	220,357	-	220,357
BAA2/A-	-	514,415	-	514,415
BAA2/BBB	-	1,097,722	-	1,097,722
BAA2/BBB-	-	643,278	-	643,278
BAA2/BBB+	-	617,350	-	617,350
BAA3/BBB	-	499,973	-	499,973
<b>Government obligations</b>				
FHLB	-	773,870	-	773,870
FHLMC	-	1,098,361	-	1,098,361
FNMA	-	4,191,693	-	4,191,693
US Treasury Notes	8,508,056	-	-	8,508,056
<b>International Bonds</b>	-	1,085,681	-	1,085,681
<b>Exchange Traded Funds</b>	249,924	-	-	249,924
<b>Other</b>	-	542,847	-	542,847
	<b>\$ 58,021,046</b>	<b>\$ 23,202,800</b>	<b>\$ -</b>	<b>\$ 81,223,846</b>

**St. Joseph's Defined Contribution Plan**

St. Joseph's has a defined contribution 403(b) retirement plan covering substantially all of their employees. The plan has two components consisting of a salary reduction portion and a discretionary contribution portion. The salary reduction component allows eligible employees to contribute, as a salary deferral, to the plan. The discretionary contribution portion of the plan allows for additional contributions of eligible wages subject to certain limitations and restriction.

**St. Joseph's Defined Benefit Plan**

St. Joseph's sponsors a cash balance defined benefit pension plan covering substantially all eligible lay employees. Pension benefits to participating employees are based on years of credited service and annual wages. Prior to January 1, 1999, the plan form was a unit benefit plan, using annual base wages and specified percentages to calculate the units. Benefits under this prior form are still payable to employees who were qualified participants with an accrued benefit. Plan assets, primarily consisting of U.S. government and equity securities, are held in trust by an institutional investment firm. The following tables set forth the plan's funded status and amounts recognized in the financial statements.



## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011 and 2010

	2011	2010
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 9,774,776	\$ 8,130,336
Service cost	418,700	375,079
Interest cost	518,411	482,909
Actuarial loss	659,558	950,164
Benefits paid	(207,463)	(163,712)
Benefit obligation at end of year	11,163,982	9,774,776
Change in plan assets		
Fair value in plan assets at beginning of year	4,436,101	4,309,661
Actual return on plan assets	(45,538)	290,152
Employer contributions	-	-
Benefits paid	(207,463)	(163,712)
Fair value in plan assets at end of year	4,183,100	4,436,101
Funded status at end of year	\$ (6,980,882)	\$ (5,338,675)
Components of net periodic pension cost		
Service cost	\$ 418,700	\$ 375,079
Interest cost	518,411	482,909
Expected return on plan assets	(337,223)	(327,655)
Recognized net actuarial loss	149,416	89,255
Net periodic benefit cost	\$ 749,304	\$ 619,588
Assumptions as of September 30		
Discount rate	5.00%	5.35%
Expected return on plan assets	7.75%	7.75%
Rate of compensation increases	3.50%	3.50%

Following is the Plan's asset allocation and expected future cash flows at September 30, 2011

	Target Allocations	Percentage of Plan Assets
Plan assets		
Equity securities	60%	61%
Debt securities	35%	32%
Cash and cash equivalents	5%	7%
Total	100%	100%

Expected contributions for fiscal 2012 \$ 300,000

Estimated future benefit payments reflecting expected future service

2012	\$ 207,008
2013	\$ 209,636
2014	\$ 227,176
2015	\$ 243,733
2016	\$ 243,733
2017 to 2021	\$ 1,457,000

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS September 30, 2011 and 2010

#### Note 12. Related Parties

##### Pallottine Missionary Sisters

PHS is under contract to pay sponsorship fees to its sponsor, Pallottine Missionary Sisters, totaling approximately \$1,200,000 and \$884,000 in 2011 and 2010, respectively. St Mary's provides hospitalization coverage for the nonworking Sisters. Costs associated with operation of their infirmary were approximately \$958,000 in 2011 and \$1,034,000 in 2010. The Sponsor reimburses St Mary's for the costs of the infirmary, including hospitalization costs for nonworking Sisters. PHS received payments from the Sponsor of \$903,000, in 2011 and \$1,049,000, including prior-year amounts due St Mary's of \$400, in 2010. St Joseph's incurs no expense associated with the operation of the convent in Buckhannon. Accounts receivable from the Sponsor were approximately \$67,000 and \$113,000 at September 30, 2011 and 2010, respectively. The Sisters have loaned St Joseph's money in prior years to be paid in monthly installments of \$15,974 at an interest rate of 3.0%. The amount outstanding at September 30, 2011 and 2010 was \$655,597 and \$699,856, respectively.

##### Tri-State MRI

St Mary's has a 50% interest in Tri-State MRI (the Partnership), through a general partnership agreement with Cabell Huntington Hospital, Inc. The Partnership was formed for the purpose of acquiring and operating a magnetic resonance imaging unit. St Mary's is accounting for its investment in the Partnership under the equity method of accounting.

St Mary's interest in the Partnership is approximately \$658,000 and \$879,000 at September 30, 2011 and 2010, respectively, and is included in other assets in the accompanying consolidated balance sheets. Equity earnings on the investment approximated \$(221,000) and \$89,000 for the years ended September 30, 2011 and 2010, respectively, which are included in the consolidated statements of operations and changes in net assets in income from partnership investments.

The following is a summary of certain unaudited financial information of Tri-State MRI as of and for the year ended September 30:

	2011	2010
Assets	\$ 2,158,696	\$ 2,390,249
Liabilities	\$ 874,708	\$ 675,029
Stockholders' equity	\$ 1,283,988	\$ 1,715,220
Revenues (net)	\$ 181,198	\$ 375,178
Expenses	\$ 612,430	\$ 887,158

##### Three Gables Surgery Center, LLC

St Mary's Medical Management, LLC, purchased 10 Class IV membership units in Three Gables Surgery Center September 2009 for \$1,400,000. Three Gables Surgery Center, LLC is a for-profit hospital located in Proctorville, Ohio. SMMC received distributions of approximately \$347,000 and \$341,000 for the years ended September 30, 2011 and 2010, respectively.

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011 and 2010

SMMM also has a management agreement with Three Gables that was entered into on April 23, 2009. In 2011, the agreement was extended through April 22, 2018. The agreement calls for SMMM to provide senior management leadership and will provide a Facility Manager to assist with normal operating activities of Three Gables. Total amounts received by SMMM for management services for both the years ended September 30, 2011 and 2010, were \$420,000.

#### Huntington Area MRI Services, LLC

St. Mary's owns a 49% interest in Huntington Area MRI Services, LLC (the Company). Ultimate Health Services, Inc. owns the remaining 51% interest. The Company was formed to provide technical MRI to patients of St. Mary's Medical Center at Ultimate's Huntington campus. St. Mary's is accounting for its investment under the cost method of accounting. St. Mary's interest in the Company is \$24,500 at September 30, 2011 and 2010. SMMC received distributions of approximately \$147,000 and \$588,000 for the years ended September 30, 2011 and 2010, respectively.

#### Note 13. Functional Expenses

PHS provides general health care services, primarily to residents within its geographic location. Expenses related to providing these services are as follows for the years ended September 30:

	2011	2010
Health care services	\$ 318,762,040	\$ 311,434,892
Support services	31,748,129	33,160,002
Educational	4,569,576	4,777,393
General and administrative	70,614,024	65,750,662
	<u>\$ 425,693,769</u>	<u>\$ 415,122,949</u>

#### Note 14. Medical Malpractice Claims

PHS is a member (2% ownership) of Community Hospital Alternative for Risk Transfer (CHART), which provides the member hospitals the initial insurance protection and excess coverage under a claims-made policy. CHART was formed as a reciprocal risk retention group, which is a form of a captive insurance company owned by its insureds (called "subscribers") domiciled in Vermont and approved to provide coverage in West Virginia. Premiums of approximately \$2.7 million and \$2.3 million were recorded as expense during the years ended September 30, 2011 and 2010, respectively, and were based on the captive's experience to date. PHS had a \$1,114,314 equity interest in the purchasing group at September 30, 2011 and \$588,110 at September 30, 2010.

PHS has estimated the ultimate costs, if any, of the settlement of such claims. Accrued malpractice losses outside of amounts covered by insurance at September 30, 2011 and 2010, included in other liabilities, is based on information provided by the risk managers, legal counsel, and historical experience, and in management's opinion, provide an adequate reserve for loss contingencies.

The ultimate amount of claims incurred is dependent on future developments. Accordingly, there is a reasonable possibility that a change in estimate will occur in the near term. Adjustments, if any, to estimates recorded resulting from ultimate claim payments are reflected in operations in the periods such adjustments are known.

## **PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2011 and 2010**

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#### **Note 15. Health Care Legislation and Regulation and Contingencies**

The health care industry is subject to numerous laws and regulations of Federal, state and local governments. Government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by health care providers. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Management believes that PHS is in compliance with fraud and abuse regulations, as well as other applicable government laws and regulations. If found in violation of these laws, PHS could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs.

St. Joseph's is conducting a compliance investigation and has self-reported compliance findings to the Office of the United States Attorney for the Northern District of West Virginia concerning certain billing and documentation issues with a physician office owned by the Hospital. The investigation and communications with the Office of the United States Attorney are in the early stages. The ultimate outcome of the investigation and subsequent payback and potential fines and penalties are not known. However, the potential billing issue was immediately corrected when identified in April 2011 and all related fees and cost have been recorded as of September 30, 2011. Management and legal counsel believe a minimum settlement of \$200,000 and that the issue will not have a material financial impact on the Hospital or the consolidated financial statements of PHS.

PHS and subsidiaries (PHS) are named in several routine lawsuits incidental to their operations. It is not possible at the present time to estimate the ultimate legal and financial liability, if any, of PHS with respect to such lawsuits. In the opinion of management, after consultation with legal counsel, adequate insurance exists to cover significant financial exposure, in the event there is any, to PHS. Accordingly, in the opinion of management, resolution of those matters is not expected to have a material adverse effect on the consolidated financial position. However, depending on the amount and timing of such resolution, an unfavorable resolution of some or all of these matters could materially affect the future results of operations or cash flows in a particular period.

The West Virginia Health Care Authority (WVHCA) is empowered, by provisions of the West Virginia Code, to regulate the Organization's gross patient revenues from nongovernment payors and to evaluate healthcare-entity financial performance. This is accomplished by using rate orders, based on facility operating budgets and rate schedules, and through evaluating performance and compliance reports submitted by St. Mary's and St. Joseph's on a periodic basis. The addition and deletion of services are also regulated by WVHCA. For the years ended September 30, 2011 and 2010, St. Mary's had \$2,015,829 and \$3,163,109, respectively, of penalties being held in abeyance by the WVHCA. Of this total for 2011, \$356,503 is an Inpatient Overage penalty while \$1,659,326 is an Outpatient Overage penalty. For the year ended September 30, 2011, St. Joseph's had \$965,200 of penalties being held in abeyance by the WVHCA. These penalties may be used to reduce future rates at such times and in such amounts according to the WVHCA's discretion. These penalties may also be reduced based on annual plans submitted to the Authority outlining community service projects. An obligation is not recorded for such penalties in abeyance in the accompanying financial statements as the final resolution for such penalties is unknown and the corresponding obligation cannot be estimated.

#### **Note 16. Advertising Expense**

PHS and subsidiaries recognize the costs for advertising as they are incurred. Advertising costs included in expenses for 2011 and 2010 were approximately \$3,200,000.

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011 and 2010

**Note 17. Fair Value Measurements**

The *Fair Value Measurements and Disclosures Topic* of the Financial Accounting Standards Board (FASB) Accounting Standards Codification defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

As noted above, there is a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

**Level 1** — Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

**Level 2** — Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.

**Level 3** — Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation, also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

**Assets at Fair Value on a Recurring Basis**

The following table presents the financial instruments carried at fair value as of September 30, 2011 and 2010, by caption, on the statement of financial position by the hierarchy defined above.

	Total at September 30, 2011	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Investments:</b>				
Cash equivalents	\$ 12,521,790	\$ 12,521,790	\$ -	\$ -
Corporate stocks				
Consumer Discretionary	3,858,677	3,858,677	-	-
Consumer Staples	1,899,960	1,899,960	-	-
Energy	2,528,970	2,528,970	-	-
Financials	7,076,090	7,076,090	-	-
Health Care	2,149,055	2,149,055	-	-
Industrials	1,847,934	1,847,934	-	-
Information Technology	5,472,739	5,472,739	-	-
Materials	1,063,867	1,063,867	-	-
Other	1,239,560	1,239,560	-	-
Telecommunications Services	1,194,228	1,194,228	-	-
Utilities	369,116	369,116	-	-

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011 and 2010

	Total at September 30, 2011	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Corporate bonds				
Rating A2/A	1,103,527	-	1,103,527	-
Rating A2/A-	179,221	-	179,221	-
Rating A2/AA-	177,418	-	177,418	-
Rating A2/BBB+	158,719	-	158,719	-
Rating A1/A	425,610	-	425,610	-
Rating A1/A+	286,484	-	286,484	-
Rating A3/A	556,959	-	556,959	-
Rating A3/A+	36,071	-	36,071	-
Rating A3/A-	545,703	-	545,703	-
Rating AA1/A+	189,785	-	189,785	-
Rating AA1/AA	154,125	-	154,125	-
Rating AAA/AAA	102,557	-	102,557	-
Rating AA2/AA	211,587	-	211,587	-
Rating AA2/AA+	640,569	-	640,569	-
Rating AA2/AA-	299,022	-	299,022	-
Rating AA3/A-	78,581	-	78,581	-
Rating AA3/A+	300,420	-	300,420	-
Rating BAA2/BBB+	250,382	-	250,382	-
Rating BAA3/BBB	202,885	-	202,885	-
Rating AA3/AA	82,992	-	82,992	-
Rating AA3/AA-	64,702	-	64,702	-
Rating A1/AA-	58,230	-	58,230	-
Rating A3/BBB+	169,722	-	169,722	-
Rating BAA1/A	257,616	-	257,616	-
Rating BAA1/BBB	131,802	-	131,802	-
Rating BAA1/BBB+	547,167	-	547,167	-
Rating BAA1/BBB-	14,408	-	14,408	-
Rating BAA2/A-	205,506	-	205,506	-
Rating BAA2/BBB	457,372	-	457,372	-
Rating BAA2/BBB-	245,785	-	245,785	-
Rating BAA1/A-	172,695	-	172,695	-
Rating BAA2/A	94,438	-	94,438	-
Government obligations				
FNMA	2,150,241	-	2,150,241	-
FHLMC	997,155	-	997,155	-
US Treasury Notes	6,322,591	6,322,591	-	-
FHLBC	1,196,659	-	1,196,659	-
International Bonds	478,736	-	478,736	-
Other	950,062	-	950,062	-
Deferred compensation trust asset	1,846,855	1,846,855	-	-
Total investments at fair value	\$ 63,566,345	\$ 49,391,432	\$ 14,174,913	\$ -
<b>Liabilities:</b>				
Derivative obligation	7,326,821	-	7,326,821	-
Total liabilities at fair value	\$ 7,326,821	\$ -	\$ 7,326,821	\$ -

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011 and 2010

	Total at September 30, 2010	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Investments:</b>				
Cash equivalents	\$ 15,655,557	\$ 15,655,557	\$ -	\$ -
Corporate stocks				
Consumer Discretionary	4,231,105	4,231,105	-	-
Consumer Staples	1,179,543	1,179,543	-	-
Energy	3,023,378	3,023,378	-	-
Financials	8,459,807	8,459,807	-	-
Health Care	2,149,447	2,149,447	-	-
Industrials	2,184,283	2,184,283	-	-
Information Technology	6,007,951	6,007,951	-	-
Materials	1,698,035	1,698,035	-	-
Other	1,482,981	1,482,981	-	-
Telecommunications				
Services	1,210,913	1,210,913	-	-
Utilities	319,878	319,878	-	-
Corporate bonds				
Rating A2/A+	133,570	-	133,570	-
Rating A2/A	2,129,286	-	2,129,286	-
Rating A1/A	677,234	-	677,234	-
Rating A1/A+	418,149	-	418,149	-
Rating A3/A-	215,729	-	215,729	-
Rating AA1/A+	285,858	-	285,858	-
Rating AA1/AA	193,545	-	193,545	-
Rating AAA/AAA	713,862	-	713,862	-
Rating AA2/A+	53,292	-	53,292	-
Rating AA2/AA+	471,725	-	471,725	-
Rating AA2/AA-	221,806	-	221,806	-
Rating AA3/A-	32,754	-	32,754	-
Rating AA3/A+	398,960	-	398,960	-
Rating AA3/AA-	152,851	-	152,851	-
Rating A1/AA	201,695	-	201,695	-
Rating A1/AA-	637,136	-	637,136	-
Rating A3/BBB+	109,030	-	109,030	-
Rating BAA1/A-	51,932	-	51,932	-
Rating BAA2/A	157,587	-	157,587	-
Government obligations				
FNMA	1,934,215	-	1,934,215	-
FHLMC	1,234,509	-	1,234,509	-
US Treasury Notes	3,691,361	3,691,361	-	-
FHLBC	724,642	-	724,642	-
International Bonds	471,949	-	471,949	-
Mutual funds	11,658	11,658	-	-
Other	1,167,042	-	1,167,042	-
Deferred compensation trust asset	1,688,607	1,688,607	-	-
Total investments at fair value	\$ 65,782,862	\$ 52,994,504	\$ 12,788,358	\$ -

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011 and 2010

	Total at September 30, 2010	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Liabilities:</b>				
Derivative obligation	6,197,157	-	6,197,157	-
Total liabilities at fair value	<u>\$ 6,197,157</u>	<u>\$ -</u>	<u>\$ 6,197,157</u>	<u>\$ -</u>

**Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis**

PHS has no assets or liabilities that are recorded at fair value on a nonrecurring basis

**Fair Value of Financial Instruments**

The table below presents the carrying value and fair value of PHS's financial instruments. The disclosure excludes leases, affiliate investments, pension and benefit obligations, and insurance policy claim reserves.

The fair value represents management's best estimates based on a range of methodologies and assumptions. The carrying value of short-term financial instruments not accounted for at fair value, as well as receivables and payables arising in the ordinary course of business, approximates fair value because of the relatively short period of time between their origination and expected realization. Quoted market prices are used for most investments as well as for liabilities, such as long-term debt, with quoted prices. For liabilities such as long-term debt not accounted for at fair value and without quoted market prices, fair value is based upon estimated cash flows adjusted for credit risk which are discounted using an interest rate appropriate for the maturity of the applicable loans.

For additional information regarding PHS's determination of fair value, including items accounted for at fair value, see the preceding *Fair Value Measurements* section.

The following methods and assumptions were used by PHS in estimating the fair value of its financial instruments:

**Cash and cash equivalents:** The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

**Investments:** Fair values, which are the amounts reported in the balance sheet, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

**Assets limited as to use:** These assets consist primarily of cash and short-term investments and interest receivable. The carrying amount reported in the balance sheet is fair value.

**Accounts payable and accrued expenses:** The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

**Estimated third-party payor settlements:** The carrying amount reported in the balance sheet for estimated third-party payor settlements approximates its fair value.

**Long-term debt:** Fair values of PHS's revenue notes are based on current traded value. The fair value of PHS's remaining long-term debt is estimated using discounted cash flow analysis, based on PHS's current incremental borrowing rates for similar types of borrowing arrangements.



**PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**September 30, 2011 and 2010**

The carrying amount and fair values of the Company's financial instruments at September 30, 2011 and 2010 are as follows

	<b>2011</b>		<b>2010</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Cash and cash equivalents	\$ 30,599,198	\$ 30,599,198	\$ 18,862,441	\$ 18,862,441
Assets limited as to use	\$ 63,566,345	\$ 63,566,345	\$ 65,782,862	\$ 65,782,862
Long-term investments	\$ 5,046,161	\$ 5,046,161	\$ 4,683,213	\$ 4,683,213
Estimated third-party settlements	\$ 6,415,505	\$ 6,415,505	\$ 7,923,622	\$ 7,923,622
Accounts payable and accrued expenses	\$ 35,812,160	\$ 35,812,160	\$ 32,647,411	\$ 32,647,411
Long-term debt	\$ 104,461,732	\$ 104,461,732	\$ 108,490,942	\$ 108,490,942

## **OTHER SUPPLEMENTARY FINANCIAL INFORMATION**



**INDEPENDENT AUDITOR'S REPORT  
ON THE SUPPLEMENTARY FINANCIAL INFORMATION**

To the Board of Trustees  
Pallottine Health Services, Inc  
and Subsidiaries  
Huntington, West Virginia

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying details of consolidation are presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. The consolidating information was subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**ARNETT & FOSTER, P.L.L.C.**

*Arnett & Foster, P.L.L.C.*

Charleston, West Virginia  
January 13, 2012

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## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

**DETAILS OF CONSOLIDATED BALANCE SHEET**  
**September 30, 2011**

	Pallottine Health Services, Inc	St Mary's Medical Center and Subsidiaries	St Joseph's Hospital and Subsidiaries	Consolidation and Eliminations	Consolidated
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 940,893	\$ 27,947,839	\$ 1,710,466	\$ -	\$ 30,599,198
Patient accounts receivable, net	-	58,380,527	5,490,073	-	63,870,600
Other accounts receivable	7,421,370	9,621,451	308,184	(14,842,153)	2,508,852
Inventories	-	9,925,783	843,190	-	10,768,973
Prepaid expenses	119,783	5,487,126	563,561	-	6,170,470
Estimated third-party settlements (payable)	-	4,972,056	(29,951)	-	4,942,105
Current portion of assets limited as to use	-	3,246,667	270,000	-	3,516,667
<b>Total current assets</b>	<b>8,482,046</b>	<b>119,581,449</b>	<b>9,155,523</b>	<b>(14,842,153)</b>	<b>122,376,865</b>
Assets limited as to use, net of amounts required to meet current liabilities	7,074,830	48,766,414	4,208,434	-	60,049,678
Property and equipment, net	13,554	134,172,987	16,165,434	-	150,351,975
Other assets	11,305	933,434	111,826	(11,305)	1,045,260
Other investments	1,568,276	3,005,535	472,350	-	5,046,161
<b>Total assets</b>	<b>\$ 17,150,011</b>	<b>\$ 306,459,819</b>	<b>\$ 30,113,567</b>	<b>\$ (14,853,458)</b>	<b>\$ 338,869,939</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current liabilities</b>					
Notes payable	\$ -	\$ -	\$ 1,764,107	\$ -	\$ 1,764,107
Accounts payable and accrued expenses	9,098,985	30,130,226	10,085,102	(13,302,153)	36,012,160
Current portion of long-term debt	-	4,082,581	769,018	-	4,851,599
Other current liabilities	269,009	7,123,982	825,502	-	8,218,493
<b>Total current liabilities</b>	<b>9,367,994</b>	<b>41,336,789</b>	<b>13,443,729</b>	<b>(13,302,153)</b>	<b>50,846,359</b>
Long-term debt	-	89,629,578	11,531,860	(1,551,305)	99,610,133
Accrued pension obligation	-	77,932,158	6,980,882	-	84,913,040
Other liabilities	1,048,107	4,591,429	554,528	-	6,194,064
<b>Total liabilities</b>	<b>10,416,101</b>	<b>213,489,954</b>	<b>32,510,999</b>	<b>(14,853,458)</b>	<b>241,563,596</b>
<b>Net assets</b>					
Unrestricted	6,733,910	90,725,244	(2,643,929)	-	94,815,225
Temporarily restricted	-	2,244,621	221,497	-	2,466,118
Permanently restricted	-	-	25,000	-	25,000
<b>Total net assets</b>	<b>6,733,910</b>	<b>92,969,865</b>	<b>(2,397,432)</b>	<b>-</b>	<b>97,306,343</b>
<b>Total liabilities and net assets</b>	<b>\$ 17,150,011</b>	<b>\$ 306,459,819</b>	<b>\$ 30,113,567</b>	<b>\$ (14,853,458)</b>	<b>\$ 338,869,939</b>

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

**DETAILS OF CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**Year Ended September 30, 2011**

	Pallottine Health Services, Inc	St Mary's Medical Center and Subsidiaries	St Joseph's Hospital and Subsidiaries	Consolidation and Eliminations	Consolidated
<b>Unrestricted revenues, gains, and other support</b>					
Net patient service revenues	\$ -	\$ 380,039,414	\$ 44,791,601	\$ -	\$ 424,831,015
Investment income	1,252,961	3,744,619	403,591	-	5,401,171
Income from partnership investments	-	(215,616)	-	-	(215,616)
Other	1,172,783	9,157,403	810,841	(1,301,161)	9,839,866
<b>Total unrestricted revenues, gains, and other support</b>	<b>2,425,744</b>	<b>392,725,820</b>	<b>46,006,033</b>	<b>(1,301,161)</b>	<b>439,856,436</b>
<b>Expenses</b>					
Salaries and wages	1,281,672	123,545,157	18,445,399	-	143,272,228
Employee benefits	329,751	44,656,546	5,420,281	-	50,406,578
Supplies	-	83,667,252	4,820,291	-	88,487,543
Purchased services	638,901	38,775,626	3,634,224	(1,294,811)	41,753,940
Plant operations	6,350	12,871,326	1,064,733	(6,350)	13,936,059
Interest	1,122	3,981,595	501,941	-	4,484,658
Depreciation and amortization	5,833	15,632,459	1,370,111	-	17,008,403
Provision for bad debts	-	36,743,208	6,421,595	-	43,164,803
Provider tax	-	7,375,849	466,608	-	7,842,457
Other	83,361	11,632,617	3,621,122	-	15,337,100
<b>Total expenses</b>	<b>2,346,990</b>	<b>378,881,635</b>	<b>45,766,305</b>	<b>(1,301,161)</b>	<b>425,693,769</b>
<b>Excess of revenues over expenses from operations</b>	<b>78,754</b>	<b>13,844,185</b>	<b>239,728</b>	<b>-</b>	<b>14,162,667</b>
Change in fair value of derivative obligation	-	(1,025,142)	(104,522)	-	(1,129,664)
<b>Excess of revenues over expenses</b>	<b>78,754</b>	<b>12,819,043</b>	<b>135,206</b>	<b>-</b>	<b>13,033,003</b>
<b>Other changes in unrestricted net assets</b>					
Net unrealized loss on investments	(635,623)	(4,426,675)	(399,088)	-	(5,461,386)
Change in pension funded status	-	(12,891,154)	(892,902)	-	(13,784,056)
<b>Decrease in unrestricted net assets</b>	<b>(556,869)</b>	<b>(4,498,786)</b>	<b>(1,156,784)</b>	<b>-</b>	<b>(6,212,439)</b>
<b>Increase (decrease) in temporarily restricted net assets</b>	<b>-</b>	<b>999,795</b>	<b>(17,118)</b>	<b>-</b>	<b>982,677</b>
Decrease in net assets	(556,869)	(3,498,991)	(1,173,902)	-	(5,229,762)
<b>Net assets, beginning of year</b>	<b>7,290,779</b>	<b>96,468,856</b>	<b>(1,223,530)</b>	<b>-</b>	<b>102,536,105</b>
<b>Net assets, end of year</b>	<b>\$ 6,733,910</b>	<b>\$ 92,969,865</b>	<b>\$ (2,397,432)</b>	<b>\$ -</b>	<b>\$ 97,306,343</b>

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

**DETAILS OF CONSOLIDATED BALANCE SHEET**  
**September 30, 2010**

	Pallottine Health Services, Inc	St Mary's Medical Center and Subsidiaries	St Joseph's Hospital and Subsidiaries	Consolidation and Eliminations	Consolidated
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 1,740,305	\$ 16,600,085	\$ 522,051	\$ -	\$ 18,862,441
Patient accounts receivable, net	-	65,253,615	5,142,817	-	70,396,432
Other accounts receivable	7,316,216	6,743,726	18,255	(11,556,196)	2,522,001
Inventories	-	7,890,124	579,220	-	8,469,344
Prepaid expenses	10,081	4,554,767	456,509	-	5,021,357
Estimated third-party settlements	-	7,638,127	285,495	-	7,923,622
Current portion of assets limited as to use	-	3,176,664	260,000	-	3,436,664
<b>Total current assets</b>	<b>9,066,602</b>	<b>111,857,108</b>	<b>7,264,347</b>	<b>(11,556,196)</b>	<b>116,631,861</b>
Assets limited as to use, net of amounts required to meet current liabilities	7,107,097	50,422,698	4,816,403	-	62,346,198
Property and equipment, net	19,387	140,734,915	15,865,109	-	156,619,411
Other assets	11,305	784,471	112,225	(11,305)	896,696
Other investments	984,712	3,226,151	472,350	-	4,683,213
<b>Total assets</b>	<b>\$ 17,189,103</b>	<b>\$ 307,025,343</b>	<b>\$ 28,530,434</b>	<b>\$ (11,567,501)</b>	<b>\$ 341,177,379</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current liabilities</b>					
Notes payable	\$ -	\$ 13,228,429	\$ 1,325,150	\$ -	\$ 14,553,579
Accounts payable and accrued expenses	8,048,219	25,549,545	9,065,843	(10,016,196)	32,647,411
Current portion of long-term debt	-	3,941,486	729,266	-	4,670,752
Other current liabilities	580,031	6,042,907	720,980	-	7,343,918
<b>Total current liabilities</b>	<b>8,628,250</b>	<b>48,762,367</b>	<b>11,841,239</b>	<b>(10,016,196)</b>	<b>59,215,660</b>
Long-term debt	-	93,160,680	12,210,815	(1,551,305)	103,820,190
Accrued pension obligation	-	65,301,400	5,338,717	-	70,640,117
Other liabilities	1,270,074	3,332,040	363,193	-	4,965,307
<b>Total liabilities</b>	<b>9,898,324</b>	<b>210,556,487</b>	<b>29,753,964</b>	<b>(11,567,501)</b>	<b>238,641,274</b>
<b>Net assets</b>					
Unrestricted	7,290,779	95,220,664	(1,487,145)	-	101,024,298
Temporarily restricted	-	1,248,192	238,615	-	1,486,807
Permanently restricted	-	-	25,000	-	25,000
<b>Total net assets</b>	<b>7,290,779</b>	<b>96,468,856</b>	<b>(1,223,530)</b>	<b>-</b>	<b>102,536,105</b>
<b>Total liabilities and net assets</b>	<b>\$ 17,189,103</b>	<b>\$ 307,025,343</b>	<b>\$ 28,530,434</b>	<b>\$ (11,567,501)</b>	<b>\$ 341,177,379</b>

## PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

**DETAILS OF CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**Year Ended September 30, 2010**

	Pallottine Health Services, Inc	St Mary's Medical Center and Subsidiaries	St Joseph's Hospital and Subsidiaries	Consolidation and Eliminations	Consolidated
<b>Unrestricted revenues, gains, and other support</b>					
Net patient service revenues	\$ -	\$ 359,719,840	\$ 34,653,311	\$ -	\$ 394,373,151
Investment income	290,709	1,483,147	155,505	-	1,929,361
Income from partnership investments	-	(184,368)	-	-	(184,368)
Unrealized gain on interest rate swap	-	-	-	-	-
Other	923,014	10,946,185	443,515	(1,005,348)	11,307,366
<b>Total unrestricted revenues, gains, and other support</b>	<b>1,213,723</b>	<b>371,964,804</b>	<b>35,252,331</b>	<b>(1,005,348)</b>	<b>407,425,510</b>
<b>Expenses</b>					
Salaries and wages	876,581	119,398,453	15,953,340	-	136,228,374
Employee benefits	285,663	52,865,140	4,704,308	-	57,855,111
Supplies	-	84,938,942	4,502,059	-	89,441,001
Purchased services	638,349	37,861,379	3,442,290	(998,998)	40,943,020
Plant operations	6,350	12,486,969	910,791	(6,350)	13,397,760
Interest	5,008	3,675,748	293,418	-	3,974,174
Depreciation and amortization	9,986	16,266,650	1,220,970	-	17,497,606
Provision for bad debts	-	33,390,024	3,783,423	-	37,173,447
Provider tax	-	6,439,012	552,849	-	6,991,861
Other	77,666	8,701,449	2,841,480	-	11,620,595
<b>Total expenses</b>	<b>1,899,603</b>	<b>376,023,766</b>	<b>38,204,928</b>	<b>(1,005,348)</b>	<b>415,122,949</b>
<b>Deficiency of revenues over expenses from operations</b>	<b>(685,880)</b>	<b>(4,058,962)</b>	<b>(2,952,597)</b>	<b>-</b>	<b>(7,697,439)</b>
Change in fair value of derivative obligation	-	(2,000,759)	(233,793)	-	(2,234,552)
<b>Deficiency of revenues over expenses</b>	<b>(685,880)</b>	<b>(6,059,721)</b>	<b>(3,186,390)</b>	<b>-</b>	<b>(9,931,991)</b>
<b>Other changes in unrestricted net assets</b>					
Net unrealized gain on investments	206,845	1,522,082	325,519	-	2,054,446
Change in pension funded status	-	25,343,717	(898,413)	-	24,445,304
<b>Increase (decrease) in unrestricted net assets</b>	<b>(479,035)</b>	<b>20,806,078</b>	<b>(3,759,284)</b>	<b>-</b>	<b>16,567,759</b>
<b>Decrease in temporarily restricted net assets</b>	<b>-</b>	<b>(195,211)</b>	<b>(163,824)</b>	<b>-</b>	<b>(359,035)</b>
Increase (decrease) in net assets	(479,035)	20,610,867	(3,923,108)	-	16,208,724
<b>Net assets, beginning of year</b>	<b>7,769,814</b>	<b>75,857,989</b>	<b>2,699,578</b>	<b>-</b>	<b>86,327,381</b>
<b>Net assets, end of year</b>	<b>\$ 7,290,779</b>	<b>\$ 96,468,856</b>	<b>\$ (1,223,530)</b>	<b>\$ -</b>	<b>\$ 102,536,105</b>

## ST. MARY'S MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
September 30, 2011 and 2010

ASSETS	2011	2010
<b>Current assets:</b>		
Cash and cash equivalents	\$ 27,947,839	\$ 16,600,085
Patient accounts receivable, net of allowance for doubtful accounts of \$60,510,000 and \$33,911,000	58,380,527	65,253,615
Other accounts receivable	9,621,451	6,743,726
Inventories	9,925,783	7,890,124
Prepaid expenses	5,487,126	4,554,767
Estimated third-party settlements	4,972,056	7,638,127
Current portion of assets limited as to use, externally designated	3,246,667	3,176,664
<b>Total current assets</b>	<b>119,581,449</b>	<b>111,857,108</b>
Assets limited as to use, net of amounts required to meet current liabilities	48,766,414	50,422,698
Property and equipment, net of accumulated depreciation	134,172,987	140,734,915
Other assets	933,434	784,471
Other investments	3,005,535	3,226,151
<b>Total assets</b>	<b>\$ 306,459,819</b>	<b>\$ 307,025,343</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Notes payable	\$ -	\$ 13,228,429
Accounts payable and accrued expenses	30,130,226	25,549,545
Current portion of long-term debt	4,082,581	3,941,486
Other current liabilities	7,123,982	6,042,907
<b>Total current liabilities</b>	<b>41,336,789</b>	<b>48,762,367</b>
Long-term debt	89,629,578	93,160,680
Accrued pension obligation	77,932,158	65,301,400
Other liabilities	4,591,429	3,332,040
<b>Total liabilities</b>	<b>213,489,954</b>	<b>210,556,487</b>
<b>Net assets:</b>		
Unrestricted	90,725,244	95,220,664
Temporarily restricted	2,244,621	1,248,192
<b>Total net assets</b>	<b>92,969,865</b>	<b>96,468,856</b>
<b>Total liabilities and net assets</b>	<b>\$ 306,459,819</b>	<b>\$ 307,025,343</b>



## ST. MARY'S MEDICAL CENTER, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS**  
**Years Ended September 30, 2011 and 2010**

	2011	2010
<b>Unrestricted revenues, gains, and other support</b>		
Net patient service revenues	\$ 380,039,414	\$ 359,719,840
Investment income	3,744,619	1,483,147
Income from partnership investments	(215,616)	(184,368)
Unrealized gain (loss) on interest rate swap	-	-
Other	9,157,403	10,946,185
<b>Total unrestricted revenues, gains, and other support</b>	<b>392,725,820</b>	<b>371,964,804</b>
<b>Expenses</b>		
Salaries and wages	123,545,157	119,398,453
Employee benefits	44,656,546	52,865,140
Supplies	83,667,252	84,938,942
Purchased services	38,775,626	37,861,379
Plant operations	12,871,326	12,486,969
Interest	3,981,595	3,675,748
Depreciation and amortization	15,632,459	16,266,650
Provision for bad debts	36,743,208	33,390,024
Provider tax	7,375,849	6,439,012
Other	11,632,617	8,701,449
<b>Total expenses</b>	<b>378,881,635</b>	<b>376,023,766</b>
<b>Excess (deficiency) of revenues over expenses from operations</b>	<b>13,844,185</b>	<b>(4,058,962)</b>
Change in fair value of derivative obligation	(1,025,142)	(2,000,759)
<b>Excess (deficiency) of revenues over expenses</b>	<b>12,819,043</b>	<b>(6,059,721)</b>
<b>Other changes in unrestricted net assets</b>		
Net unrealized gain (loss) on investments	(4,426,675)	1,522,082
Change in pension funded status	(12,891,154)	25,343,717
<b>Increase (decrease) in unrestricted net assets</b>	<b>(4,498,786)</b>	<b>20,806,078</b>
Increase in temporarily restricted net assets	999,795	(195,211)
Increase in net assets	(3,498,991)	20,610,867
<b>Net assets, beginning of year</b>	<b>96,468,856</b>	<b>75,857,989</b>
<b>Net assets, end of year</b>	<b>\$ 92,969,865</b>	<b>\$ 96,468,856</b>

## ST. MARY'S MEDICAL CENTER, INC. AND SUBSIDIARIES

## DETAILS OF CONSOLIDATED BALANCE SHEET

September 30, 2011

	St Mary's Medical Center	Vanguard Financial Services	St Mary's Medical Center Foundation	St Mary's Occupational Health Center	St Mary's Medical Management and Subsidiary	Consolidation and Eliminations	Consolidated
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents	\$ 26,328,754	\$ 167,713	\$ 790,280	\$ 7,469	\$ 653,623	\$ -	\$ 27,947,839
Patient accounts receivable, net	56,316,641	-	-	132,040	1,931,846	-	58,380,527
Other accounts receivable	9,125,143	671,110	67,232	-	-	(242,034)	9,621,451
Inventories	9,924,139	-	1,644	-	-	-	9,925,783
Prepaid expenses	5,047,605	21,410	-	304	417,807	-	5,487,126
Estimated third-party settlements	4,972,056	-	-	-	-	-	4,972,056
Current portion of assets limited as to use	3,246,667	-	-	-	-	-	3,246,667
<b>Total current assets</b>	<b>114,961,005</b>	<b>860,233</b>	<b>859,156</b>	<b>139,813</b>	<b>3,003,276</b>	<b>(242,034)</b>	<b>119,581,449</b>
Assets limited as to use, net of amounts required to meet current liabilities	48,766,414	-	-	-	-	-	48,766,414
Property and equipment, net	133,287,653	37,296	-	4,892	843,146	-	134,172,987
Other assets	748,434	-	185,000	-	-	-	933,434
Other investments	(15,783,905)	-	-	-	1,480,000	17,309,440	3,005,535
<b>Total assets</b>	<b>\$ 281,979,601</b>	<b>\$ 897,529</b>	<b>\$ 1,044,156</b>	<b>\$ 144,705</b>	<b>\$ 5,326,422</b>	<b>\$ 17,067,406</b>	<b>\$ 306,459,819</b>
<b>LIABILITIES AND NET ASSETS</b>							
<b>Current liabilities</b>							
Notes payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	27,975,653	702,054	26,722	249,955	1,417,876	(242,034)	30,130,226
Current portion of long-term debt	4,082,581	-	-	-	-	-	4,082,581
Other current liabilities	7,123,982	-	-	-	-	-	7,123,982
<b>Total current liabilities</b>	<b>39,182,216</b>	<b>702,054</b>	<b>26,722</b>	<b>249,955</b>	<b>1,417,876</b>	<b>(242,034)</b>	<b>41,336,789</b>
Long-term debt	89,629,578	-	-	-	-	-	89,629,578
Accrued pension obligation	77,932,158	-	-	-	-	-	77,932,158
Other liabilities	4,591,429	-	-	-	-	-	4,591,429
<b>Total liabilities</b>	<b>211,335,381</b>	<b>702,054</b>	<b>26,722</b>	<b>249,955</b>	<b>1,417,876</b>	<b>(242,034)</b>	<b>213,489,954</b>
<b>Net assets</b>							
Unrestricted	69,322,068	195,475	94,965	(105,250)	3,908,546	17,309,440	90,725,244
Temporarily restricted	1,322,152	-	922,469	-	-	-	2,244,621
<b>Total net assets</b>	<b>70,644,220</b>	<b>195,475</b>	<b>1,017,434</b>	<b>(105,250)</b>	<b>3,908,546</b>	<b>17,309,440</b>	<b>92,969,865</b>
<b>Total liabilities and net assets</b>	<b>\$ 281,979,601</b>	<b>\$ 897,529</b>	<b>\$ 1,044,156</b>	<b>\$ 144,705</b>	<b>\$ 5,326,422</b>	<b>\$ 17,067,406</b>	<b>\$ 306,459,819</b>

**ST. MARY'S MEDICAL CENTER, INC. AND SUBSIDIARIES**
**DETAILS of CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**Year Ended September 30, 2011**

	St Mary's Medical Center	Vanguard Financial Services	St Mary's Medical Center Foundation	St Mary's Occupational Health Center	St Mary's Medical Management and Subsidiary	Consolidation and Eliminations	Consolidated
<b>Unrestricted revenues, gains, and other support</b>							
Net patient service revenues	\$ 363,722,831	\$ -	\$ -	\$ 870,409	\$ 15,446,174	\$ -	\$ 380,039,414
Investment income	3,392,679	-	-	-	351,940	-	3,744,619
Income from partnership investments	(4,921,840)	-	-	-	-	4,706,224	(215,616)
Other	7,679,537	1,358,364	59,374	217,624	1,663,627	(1,821,123)	9,157,403
<b>Total unrestricted revenues, gains, and other support</b>	<b>369,873,207</b>	<b>1,358,364</b>	<b>59,374</b>	<b>1,088,033</b>	<b>17,461,741</b>	<b>2,885,101</b>	<b>392,725,820</b>
<b>Expenses</b>							
Salaries and wages	108,550,863	651,054	-	377,844	13,965,396	-	123,545,157
Employee benefits	41,481,668	149,445	-	100,523	2,924,910	-	44,656,546
Supplies	82,822,962	202,568	637	167,865	473,220	-	83,667,252
Purchased services	38,813,518	14,843	20,587	275,172	1,472,629	(1,821,123)	38,775,626
Plant operations	12,480,214	220,148	-	29,044	141,920	-	12,871,326
Interest	3,977,374	1,078	-	3,143	-	-	3,981,595
Depreciation and amortization	15,473,141	12,502	-	8,992	137,824	-	15,632,459
Provision for bad debts	35,258,096	-	-	77,537	1,407,575	-	36,743,208
Provider tax	7,375,849	-	-	-	-	-	7,375,849
Other	8,914,469	101,726	480,000	186,376	1,950,046	-	11,632,617
<b>Total expenses</b>	<b>355,148,154</b>	<b>1,353,364</b>	<b>501,224</b>	<b>1,226,496</b>	<b>22,473,520</b>	<b>(1,821,123)</b>	<b>378,881,635</b>
<b>Excess (deficiency) of revenues over expenses from operations</b>	<b>14,725,053</b>	<b>5,000</b>	<b>(441,850)</b>	<b>(138,463)</b>	<b>(5,011,779)</b>	<b>4,706,224</b>	<b>13,844,185</b>
Change in fair value of dervative obligation	(1,025,142)	-	-	-	-	-	(1,025,142)
<b>Excess (deficiency) of revenues over expenses</b>	<b>13,699,911</b>	<b>5,000</b>	<b>(441,850)</b>	<b>(138,463)</b>	<b>(5,011,779)</b>	<b>4,706,224</b>	<b>12,819,043</b>
<b>Other changes in unrestricted net assets</b>							
Change in net unrealized loss on investments	(4,420,075)	-	-	(6,600)	-	-	(4,426,675)
Equity transfers	(5,546,495)	-	214,840	-	5,331,655	-	-
Change in pension funded status	(12,891,154)	-	-	-	-	-	(12,891,154)
<b>Increase (decrease) in unrestricted net assets</b>	<b>(9,157,813)</b>	<b>5,000</b>	<b>(227,010)</b>	<b>(145,063)</b>	<b>319,876</b>	<b>4,706,224</b>	<b>(4,498,786)</b>
Increase in temporarily restricted net assets	206,947	-	789,482	-	-	3,366	999,795
<b>Increase (decrease) in net assets</b>	<b>(8,950,866)</b>	<b>5,000</b>	<b>562,472</b>	<b>(145,063)</b>	<b>319,876</b>	<b>4,709,590</b>	<b>(3,498,991)</b>
<b>Net assets, beginning of year</b>	<b>79,595,086</b>	<b>190,475</b>	<b>454,962</b>	<b>39,813</b>	<b>3,588,670</b>	<b>12,599,850</b>	<b>96,468,856</b>
<b>Net assets, end of year</b>	<b>\$ 70,644,220</b>	<b>\$ 195,475</b>	<b>\$ 1,017,434</b>	<b>\$ (105,250)</b>	<b>\$ 3,908,546</b>	<b>\$ 17,309,440</b>	<b>\$ 92,969,865</b>

## ST. MARY'S MEDICAL CENTER, INC. AND SUBSIDIARIES

## DETAILS OF CONSOLIDATED BALANCE SHEET

September 30, 2010

	St. Mary's Medical Center	Vanguard Financial Services	St. Mary's Medical Center Foundation	St. Mary's Occupational Health Center	St. Mary's Medical Management and Subsidiary	Consolidation and Eliminations	Consolidated
<b>ASSETS</b>							
<b>Current assets:</b>							
Cash and cash equivalents	\$ 15,678,934	\$ 83,020	\$ 349,229	\$ 23,535	\$ 465,367	\$ -	\$ 16,600,085
Patient accounts receivable, net	62,900,930	-	-	234,329	2,118,356	-	65,253,615
Other accounts receivable	6,180,816	80,545	104,920	-	1,419,791	(1,042,346)	6,743,726
Inventories	7,888,480	-	1,644	-	-	-	7,890,124
Prepaid expenses	4,160,839	18,339	-	1,021	374,568	-	4,554,767
Estimated third-party settlements	7,638,127	-	-	-	-	-	7,638,127
Current portion of assets limited as to use	3,176,664	-	-	-	-	-	3,176,664
<b>Total current assets</b>	<b>107,624,790</b>	<b>181,904</b>	<b>455,793</b>	<b>258,885</b>	<b>4,378,082</b>	<b>(1,042,346)</b>	<b>111,857,108</b>
Assets limited as to use, net of amounts required to meet current liabilities	50,422,698	-	-	-	-	-	50,422,698
Property and equipment, net	140,025,273	44,992	-	13,884	650,766	-	140,734,915
Other assets	784,471	-	-	-	-	-	784,471
Other investments	(10,853,699)	-	-	-	1,480,000	12,599,850	3,226,151
<b>Total assets</b>	<b>\$ 288,003,533</b>	<b>\$ 226,896</b>	<b>\$ 455,793</b>	<b>\$ 272,769</b>	<b>\$ 6,508,848</b>	<b>\$ 11,557,504</b>	<b>\$ 307,025,343</b>
<b>LIABILITIES AND NET ASSETS</b>							
<b>Current liabilities:</b>							
Notes payable	\$ 13,228,429	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,228,429
Accounts payable and accrued expenses	23,401,505	36,421	831	232,956	2,920,178	(1,042,346)	25,549,545
Current portion of long-term debt	3,941,486	-	-	-	-	-	3,941,486
Other current liabilities	6,042,907	-	-	-	-	-	6,042,907
<b>Total current liabilities</b>	<b>46,614,327</b>	<b>36,421</b>	<b>831</b>	<b>232,956</b>	<b>2,920,178</b>	<b>(1,042,346)</b>	<b>48,762,367</b>
Long-term debt	93,160,680	-	-	-	-	-	93,160,680
Accrued pension obligation	65,301,400	-	-	-	-	-	65,301,400
Other liabilities	3,332,040	-	-	-	-	-	3,332,040
<b>Total liabilities</b>	<b>208,408,447</b>	<b>36,421</b>	<b>831</b>	<b>232,956</b>	<b>2,920,178</b>	<b>(1,042,346)</b>	<b>210,556,487</b>
<b>Net assets:</b>							
Unrestricted	78,479,881	190,475	321,975	39,813	3,588,670	12,599,850	95,220,664
Temporarily restricted	1,115,205	-	132,987	-	-	-	1,248,192
<b>Total net assets</b>	<b>79,595,086</b>	<b>190,475</b>	<b>454,962</b>	<b>39,813</b>	<b>3,588,670</b>	<b>12,599,850</b>	<b>96,468,856</b>
<b>Total liabilities and net assets</b>	<b>\$ 288,003,533</b>	<b>\$ 226,896</b>	<b>\$ 455,793</b>	<b>\$ 272,769</b>	<b>\$ 6,508,848</b>	<b>\$ 11,557,504</b>	<b>\$ 307,025,343</b>

## ST. MARY'S MEDICAL CENTER, INC. AND SUBSIDIARIES

## DETAILS OF CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year Ended September 30, 2010

	St. Mary's Medical Center	Vanguard Financial Services	St. Mary's Medical Center Foundation	St. Mary's Occupational Health Center	St. Mary's Medical Management and Subsidiary	Consolidation and Eliminations	Consolidated
<b>Unrestricted revenues, gains, and other support</b>							
Net patient service revenues	\$ 345,773,557	\$ -	\$ -	\$ 896,175	\$ 13,050,108	\$ -	\$ 359,719,840
Investment income	1,481,780	-	1,276	-	91	-	1,483,147
Income from partnership investments	(4,933,696)	-	-	-	-	4,749,328	(184,368)
Other	8,311,231	1,504,561	863,470	192,093	2,061,275	(1,986,445)	10,946,185
<b>Total unrestricted revenues, gains, and other support</b>	<b>350,632,872</b>	<b>1,504,561</b>	<b>864,746</b>	<b>1,088,268</b>	<b>15,111,474</b>	<b>2,762,883</b>	<b>371,964,804</b>
<b>Expenses</b>							
Salaries and wages	105,920,900	684,925	-	382,063	12,410,565	-	119,398,453
Employee benefits	50,515,359	189,080	-	104,405	2,056,296	-	52,865,140
Supplies	84,292,087	183,711	1,434	129,348	332,362	-	84,938,942
Purchased services	37,792,972	17,943	30,119	304,800	1,701,990	(1,986,445)	37,861,379
Plant operations	12,139,619	203,377	-	37,922	106,051	-	12,486,969
Interest	3,669,933	887	-	4,928	-	-	3,675,748
Depreciation and amortization	16,187,700	8,579	-	15,622	54,749	-	16,266,650
Provision for bad debts	32,258,125	-	-	103,740	1,028,159	-	33,390,024
Provider tax	6,395,545	-	-	1,637	41,830	-	6,439,012
Other	5,974,076	211,779	1,028,305	141,206	1,346,083	-	8,701,449
<b>Total expenses</b>	<b>355,146,316</b>	<b>1,500,281</b>	<b>1,059,858</b>	<b>1,225,671</b>	<b>19,078,085</b>	<b>(1,986,445)</b>	<b>376,023,766</b>
<b>Excess (deficiency) of revenues over expenses from operations</b>	<b>(4,513,444)</b>	<b>4,280</b>	<b>(195,112)</b>	<b>(137,403)</b>	<b>(3,966,611)</b>	<b>4,749,328</b>	<b>(4,058,962)</b>
Change in fair value of derivative obligation	(2,000,759)	-	-	-	-	-	(2,000,759)
<b>Excess (deficiency) of revenues over expenses</b>	<b>(6,514,203)</b>	<b>4,280</b>	<b>(195,112)</b>	<b>(137,403)</b>	<b>(3,966,611)</b>	<b>4,749,328</b>	<b>(6,059,721)</b>
<b>Other changes in unrestricted net assets</b>							
Change in net unrealized gain on investments	1,534,082	-	-	(12,000)	-	-	1,522,082
Equity transfers	(16,852,734)	-	2,219,698	-	14,633,036	-	-
Change in pension funded status	25,343,717	-	-	-	-	-	25,343,717
<b>Increase (decrease) in unrestricted net assets</b>	<b>3,510,862</b>	<b>4,280</b>	<b>2,024,586</b>	<b>(149,403)</b>	<b>10,666,425</b>	<b>4,749,328</b>	<b>20,806,078</b>
Increase (decrease) in temporarily restricted net assets	321,205	-	(522,536)	-	-	6,120	(195,211)
Increase (decrease) in net assets	3,832,067	4,280	1,502,050	(149,403)	10,666,425	4,755,448	20,610,867
<b>Net assets, beginning of year</b>	<b>75,763,019</b>	<b>186,195</b>	<b>(1,047,088)</b>	<b>189,216</b>	<b>(7,077,755)</b>	<b>7,844,402</b>	<b>75,857,989</b>
<b>Net assets, end of year</b>	<b>\$ 79,595,086</b>	<b>\$ 190,475</b>	<b>\$ 454,962</b>	<b>\$ 39,813</b>	<b>\$ 3,588,670</b>	<b>\$ 12,599,850</b>	<b>\$ 96,468,856</b>

## ST. JOSEPH'S HOSPITAL of BUCKHANNON, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

September 30, 2011 and 2010

ASSETS	2011	2010
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,710,466	\$ 522,051
Patient accounts receivable, net of allowance for doubtful accounts	5,490,073	5,142,817
Other accounts receivable	308,184	18,255
Inventories	843,190	579,220
Prepaid expenses	563,561	456,509
Estimated third-party settlements (payable)	(29,951)	285,495
Current portion of assets limited as to use	270,000	260,000
<b>Total current assets</b>	<b>9,155,523</b>	<b>7,264,347</b>
Assets limited as to use, net of amounts required to meet current liabilities	4,208,434	4,816,403
Property and equipment, net of accumulated depreciation	16,165,434	15,865,109
Other assets	111,826	112,225
Other investments	472,350	472,350
<b>Total assets</b>	<b>\$ 30,113,567</b>	<b>\$ 28,530,434</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Notes payable	\$ 1,764,107	\$ 1,325,150
Accounts payable and accrued expenses	10,085,102	9,065,843
Current portion of long-term debt	769,018	729,266
Other current liabilities	825,502	720,980
<b>Total current liabilities</b>	<b>13,443,729</b>	<b>11,841,239</b>
Long-term debt	11,531,860	12,210,815
Accrued pension obligation	6,980,882	5,338,717
Other liabilities	554,528	363,193
<b>Total liabilities</b>	<b>32,510,999</b>	<b>29,753,964</b>
<b>Net assets:</b>		
Unrestricted	(2,643,929)	(1,487,145)
Temporarily restricted	221,497	238,615
Permanently restricted	25,000	25,000
<b>Total net assets</b>	<b>(2,397,432)</b>	<b>(1,223,530)</b>
<b>Total liabilities and net assets</b>	<b>\$ 30,113,567</b>	<b>\$ 28,530,434</b>

## ST. JOSEPH'S HOSPITAL of BUCKHANNON, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS**  
**Years Ended September 30, 2011 and 2010**

	2011	2010
<b>Unrestricted revenues, gains, and other support</b>		
Net patient service revenues	\$ 44,791,601	\$ 34,653,311
Investment income	403,591	155,505
Other	810,841	443,515
<b>Total unrestricted revenues, gains, and other support</b>	<b>46,006,033</b>	<b>35,252,331</b>
<b>Expenses</b>		
Salaries and wages	18,445,399	15,953,340
Employee benefits	5,420,281	4,704,308
Supplies	4,820,291	4,502,059
Purchased services	3,634,224	3,442,290
Plant operations	1,064,733	910,791
Interest	501,941	293,418
Depreciation and amortization	1,370,111	1,220,970
Provision for bad debts	6,421,595	3,783,423
Provider tax	466,608	552,849
Other	3,621,122	2,841,480
<b>Total expenses</b>	<b>45,766,305</b>	<b>38,204,928</b>
<b>Excess (deficiency) of revenues over expenses from operations</b>	<b>239,728</b>	<b>(2,952,597)</b>
Change in fair value of derivative obligation	(104,522)	(233,793)
<b>Excess (deficiency) of revenues over expenses</b>	<b>135,206</b>	<b>(3,186,390)</b>
<b>Other changes in unrestricted net assets</b>		
Net unrealized gain (loss) on investments	(399,088)	325,519
Change in pension plan funded status	(892,902)	(898,413)
<b>Decrease in unrestricted net assets</b>	<b>(1,156,784)</b>	<b>(3,759,284)</b>
<b>Decrease in temporarily restricted net assets</b>	<b>(17,118)</b>	<b>(163,824)</b>
Decrease in net assets	(1,173,902)	(3,923,108)
<b>Net assets, beginning of year</b>	<b>(1,223,530)</b>	<b>2,699,578</b>
<b>Net assets, end of year</b>	<b>\$ (2,397,432)</b>	<b>\$ (1,223,530)</b>

## ST. JOSEPH'S HOSPITAL of BUCKHANNON, INC. AND SUBSIDIARIES

## DETAILS OF CONSOLIDATED BALANCE SHEET

September 30, 2011

	St Joseph's Hospital	St Joseph's Foundation	Consolidation and Eliminations	St Joseph's Hospital Consolidated
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 1,710,466	\$ -	\$ -	\$ 1,710,466
Patient accounts receivable, net	5,490,073	-	-	5,490,073
Other accounts receivable	308,184	-	-	308,184
Inventories	843,190	-	-	843,190
Prepaid expenses	563,561	-	-	563,561
Estimated third-party settlements	(29,951)	-	-	(29,951)
Current portion of assets limited as to use	270,000	-	-	270,000
<b>Total current assets</b>	<b>9,155,523</b>	<b>-</b>	<b>-</b>	<b>9,155,523</b>
Assets whose use is limited, net of amount required to meet current liabilities	3,978,826	229,608	-	4,208,434
Property and equipment, net	16,165,434	-	-	16,165,434
Other assets	111,826	-	-	111,826
Other investments	472,350	-	-	472,350
<b>Total assets</b>	<b>\$ 29,883,959</b>	<b>\$ 229,608</b>	<b>\$ -</b>	<b>\$ 30,113,567</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Notes payable	\$ 1,764,107	\$ -	\$ -	\$ 1,764,107
Accounts payable and accrued expenses	10,085,102	-	-	10,085,102
Current portion of long-term debt	769,018	-	-	769,018
Current portion of accrued pension obligation	-	-	-	-
Other current liabilities	825,502	-	-	825,502
<b>Total current liabilities</b>	<b>13,443,729</b>	<b>-</b>	<b>-</b>	<b>13,443,729</b>
Long-term debt, net of current portion	11,531,860	-	-	11,531,860
Accrued pension obligation	6,980,882	-	-	6,980,882
Other liabilities	554,528	-	-	554,528
<b>Total liabilities</b>	<b>32,510,999</b>	<b>-</b>	<b>-</b>	<b>32,510,999</b>
<b>Net assets</b>				
Unrestricted	(2,696,606)	52,677	-	(2,643,929)
Temporarily restricted	44,566	176,931	-	221,497
Permanently restricted	25,000	-	-	25,000
<b>Total net assets</b>	<b>(2,627,040)</b>	<b>229,608</b>	<b>-</b>	<b>(2,397,432)</b>
<b>Total liabilities and net assets</b>	<b>\$ 29,883,959</b>	<b>\$ 229,608</b>	<b>\$ -</b>	<b>\$ 30,113,567</b>



## ST. JOSEPH'S HOSPITAL of BUCKHANNON, INC. AND SUBSIDIARIES

DETAILS OF CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS  
Year Ended September 30, 2011

	St Joseph's Hospital	St Joseph's Foundation	Consolidation and Eliminations	St Joseph's Hospital Consolidated
<b>Unrestricted revenues, gains, and other support</b>				
Net patient service revenues	\$ 44,791,601	\$ -	\$ -	\$ 44,791,601
Investment income	395,776	7,815	-	403,591
Other	647,765	163,076	-	810,841
<b>Total unrestricted revenues, gains, and other support</b>	<b>45,835,142</b>	<b>170,891</b>	<b>-</b>	<b>46,006,033</b>
<b>Expenses</b>				
Salaries and wages	18,445,399	-	-	18,445,399
Employee benefits	5,420,281	-	-	5,420,281
Supplies	4,820,169	122	-	4,820,291
Purchased services	3,634,224	-	-	3,634,224
Plant operations	1,064,733	-	-	1,064,733
Interest	501,941	-	-	501,941
Depreciation and amortization	1,370,111	-	-	1,370,111
Provision for bad debts	6,421,595	-	-	6,421,595
Provider tax	466,608	-	-	466,608
Other	3,396,853	224,269	-	3,621,122
<b>Total expenses</b>	<b>45,541,914</b>	<b>224,391</b>	<b>-</b>	<b>45,766,305</b>
<b>Excess (deficiency) of revenues over expenses from operations</b>	<b>293,228</b>	<b>(53,500)</b>	<b>-</b>	<b>239,728</b>
Change in fair value of derivative obligation	(104,522)	-	-	(104,522)
<b>Excess (deficiency) of revenues over expenses</b>	<b>188,706</b>	<b>(53,500)</b>	<b>-</b>	<b>135,206</b>
<b>Other changes in unrestricted net assets</b>				
Net unrealized (loss) on investments	(399,088)	-	-	(399,088)
Change in pension plan funded status	(892,902)	-	-	(892,902)
<b>Decrease in unrestricted net assets</b>	<b>(1,103,284)</b>	<b>(53,500)</b>	<b>-</b>	<b>(1,156,784)</b>
<b>Increase (decrease) in temporarily restricted net assets</b>	<b>8,787</b>	<b>(25,905)</b>	<b>-</b>	<b>(17,118)</b>
<b>Decrease in net assets</b>	<b>(1,094,497)</b>	<b>(79,405)</b>	<b>-</b>	<b>(1,173,902)</b>
<b>Net assets (deficiency), beginning of year</b>	<b>(1,532,543)</b>	<b>309,013</b>	<b>-</b>	<b>(1,223,530)</b>
<b>Net assets (deficiency), end of year</b>	<b>\$ (2,627,040)</b>	<b>\$ 229,608</b>	<b>\$ -</b>	<b>\$ (2,397,432)</b>

## ST. JOSEPH'S HOSPITAL of BUCKHANNON, INC. AND SUBSIDIARIES

## DETAILS OF CONSOLIDATED BALANCE SHEET

September 30, 2010

	St Joseph's Hospital	St Joseph's Foundation	Consolidation and Eliminations	St Joseph's Hospital Consolidated
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 522,051	\$ -	\$ -	\$ 522,051
Patient accounts receivable, net	5,142,817	-	-	5,142,817
Other accounts receivable	18,255	-	-	18,255
Inventories	579,220	-	-	579,220
Prepaid expenses	456,509	-	-	456,509
Estimated third-party settlements	285,495	-	-	285,495
Current portion of assets limited as to use	260,000	-	-	260,000
<b>Total current assets</b>	<b>7,264,347</b>	<b>-</b>	<b>-</b>	<b>7,264,347</b>
Assets whose use is limited, net of amount required to meet current liabilities	4,507,390	309,013	-	4,816,403
Property and equipment, net	15,865,109	-	-	15,865,109
Other assets	112,225	-	-	112,225
Other investments	472,350	-	-	472,350
<b>Total assets</b>	<b>\$ 28,221,421</b>	<b>\$ 309,013</b>	<b>\$ -</b>	<b>\$ 28,530,434</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Notes payable	\$ 1,325,150	\$ -	\$ -	\$ 1,325,150
Accounts payable and accrued expenses	9,065,843	-	-	9,065,843
Current portion of long-term debt	729,266	-	-	729,266
Current portion of accrued pension obligation	-	-	-	-
Other current liabilities	720,980	-	-	720,980
<b>Total current liabilities</b>	<b>11,841,239</b>	<b>-</b>	<b>-</b>	<b>11,841,239</b>
Long-term debt, net of current portion	12,210,815	-	-	12,210,815
Accrued pension obligation	5,338,717	-	-	5,338,717
Other liabilities	363,193	-	-	363,193
<b>Total liabilities</b>	<b>29,753,964</b>	<b>-</b>	<b>-</b>	<b>29,753,964</b>
<b>Net assets</b>				
Unrestricted	(1,593,322)	106,177	-	(1,487,145)
Temporarily restricted	35,779	202,836	-	238,615
Permanently restricted	25,000	-	-	25,000
<b>Total net assets</b>	<b>(1,532,543)</b>	<b>309,013</b>	<b>-</b>	<b>(1,223,530)</b>
<b>Total liabilities and net assets</b>	<b>\$ 28,221,421</b>	<b>\$ 309,013</b>	<b>\$ -</b>	<b>\$ 28,530,434</b>

## ST. JOSEPH'S HOSPITAL of BUCKHANNON, INC. AND SUBSIDIARIES

DETAILS OF CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS  
Year Ended September 30, 2010

	St Joseph's Hospital	St Joseph's Foundation	Consolidation and Eliminations	St Joseph's Hospital Consolidated
<b>Unrestricted revenues, gains, and other support</b>				
Net patient service revenues	\$ 34,653,311	\$ -	\$ -	\$ 34,653,311
Investment income	151,684	3,821	-	155,505
Other	248,996	194,519	-	443,515
<b>Total unrestricted revenues, gains, and other support</b>	<b>35,053,991</b>	<b>198,340</b>	<b>-</b>	<b>35,252,331</b>
<b>Expenses</b>				
Salaries and wages	15,953,340	-	-	15,953,340
Employee benefits	4,704,308	-	-	4,704,308
Supplies	4,501,949	110	-	4,502,059
Purchased services	3,442,290	-	-	3,442,290
Plant operations	910,791	-	-	910,791
Interest	293,418	-	-	293,418
Depreciation and amortization	1,220,970	-	-	1,220,970
Provision for bad debts	3,783,423	-	-	3,783,423
Provider tax	552,849	-	-	552,849
Other	2,775,438	66,042	-	2,841,480
<b>Total expenses</b>	<b>38,138,776</b>	<b>66,152</b>	<b>-</b>	<b>38,204,928</b>
<b>Excess (deficiency) of revenues over expenses from operations</b>	<b>(3,084,785)</b>	<b>132,188</b>	<b>-</b>	<b>(2,952,597)</b>
Change in fair value of derivative obligation	(233,793)	-	-	(233,793)
<b>Excess (deficiency) of revenues over expenses</b>	<b>(3,318,578)</b>	<b>132,188</b>	<b>-</b>	<b>(3,186,390)</b>
Other changes in unrestricted net assets				
Net unrealized gain on investments	319,850	5,669	-	325,519
Change in pension plan funded status	(898,413)	-	-	(898,413)
Increase (decrease) in unrestricted net assets	(3,897,141)	137,857	-	(3,759,284)
<b>Decrease in temporarily restricted net assets</b>	<b>(71,161)</b>	<b>(92,663)</b>	<b>-</b>	<b>(163,824)</b>
Increase (decrease) in net assets	(3,968,302)	45,194	-	(3,923,108)
<b>Net assets, beginning of year</b>	<b>2,435,759</b>	<b>263,819</b>	<b>-</b>	<b>2,699,578</b>
<b>Net assets (deficiency), end of year</b>	<b>\$ (1,532,543)</b>	<b>\$ 309,013</b>	<b>\$ -</b>	<b>\$ (1,223,530)</b>