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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2010

Open to Public Inspection

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

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

C Name of organization
St Mary's Medical Center

Doing Business As

Number and street (or P O box if mail is not delivered to street address) 2900 First Avenue

Room/suite

City or town, state or country, and ZIP + 4
Huntington, WV 257021271

D Employer identification number
55-0357050

E Telephone number
(304) 526-8931

G Gross receipts $ 398,750,766

F Name and address of principal officer
Michael Sellards
2900 First Avenue
Huntington, WV 257021271

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

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

H(c) Group exemption number ▶

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

J Website: ▶ www st-marys org

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1924

M State of legal domicile WV

Part I Summary

1 Briefly describe the organization's mission or most significant activities
Hospital with open emergency room

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	12
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	6
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	2,716
6	Total number of volunteers (estimate if necessary)	**6**	329
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	750,493	775,398
9	Program service revenue (Part VIII, line 2g)	349,553,830	368,164,897
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,941,308	3,744,034
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-4,717,905	-2,098,037
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	347,527,726	370,586,292
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	115,650	330,038
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	156,436,259	150,032,531
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	199,003,725	204,785,584
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	355,555,634	355,148,153
19	Revenue less expenses Subtract line 18 from line 12	-8,027,908	15,438,139

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	293,569,274	288,603,326
21	Total liabilities (Part X, line 26)	209,770,536	212,753,257
22	Net assets or fund balances Subtract line 21 from line 20	83,798,738	75,850,069

Part II Signature Block

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

Sign Here

****** — Signature of officer — 2012-07-16 Date

Michael Sellards President & CEO — Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ▶ ☐	PTIN
Harry C Harless	Harry C Harless			

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) ☑ Yes ☐ No

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

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

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses $ 282,886,643 including grants of $ 330,038) (Revenue $ 367,833,060)

St Mary's Medical Center was established in 1924 and, based on thecore values of compassion, hospitality, reverence, trust, interdependency, and stewardship, continues to provide high quality healthcare services to residents of Huntington, West Virginia and the surrounding area Services are provided without regard to the patient's race, creed, sex, national origin, age, or handicap Furthermore, while reimbursement for care provided is crucial to the continued operation of St Mary's Medical Center, it is recognized that circumstances existwhich render certain parties unable to pay for needed services, and no patient is denied services due to the lack of ability to pay During the fiscal year which ended September 30, 2011, St Mary's Medical Center provided 94,632 days of inpatient days of care and treated an additional 260,612 patients in the emergency and outpatient settings Approximately seventy-two percent of the inpatients served were covered by governmental programs, such as Medicare and Medicaid A similar percentage is applicable to outpatient services Since care provided to Medicare and Medicaid beneficiaries is subject to contractual reimbursement restrictions, payment received for services provided is often significantly below the actual cost of the services St Mary's Medical Center has established charity care policies and guidelines, used to help identify those patients who genuinely do not have the resources to pay for services received During fiscal 2011, the hospital provided approximately $12 2 million dollars in charity care services, representing care provided at reduced prices or completely free of charge These services include inpatient services, an adult outpatient clinic,a handicapped children's clinic, and a specialty pregnancy clinic Also, St Mary's Medical Center exceeds the guidelines established for the West Virginia ad valorem statute

4b (Code) (Expenses $ 951,312 including grants of $ 329,139) (Revenue $ 200,000)

In addition to those patients without the wherewithal to pay for services rendered, we assist in the relief of burden of government for several programs A strong auxiliary (operated as a department of the hospital) exists, which contributes heavily to the activities of SMMC During fiscal 2011, the auxiliary made cash donations of approximately $200,000 In addition, volunteers provided over 39,000 hours of service valuable to promoting the mission and activities of the hospital

4c (Code) (Expenses $ 12,398,271 including grants of $) (Revenue $ 131,837)

St Mary's Medical Center also recognizes that carrying out its mission of community service is not confined to the walls of the hospital's buildings and that there are residents in need of services who may never be a registered patient of the hospital In meeting the needs of these individuals and groups, St Mary's Medical Center provides or participates in numerous educational Activities, support groups and health screenings and provides human resources, as appropriate, to support other charitable organizations A summary of these community services as prepared by the hospital's mission integration department for the catholic health association is listed below The programs include the SMMC Triathalon,the SMMC Kids Try-a-Triathalon,AHA Start Heart Walk, Community Presentations/Disease Education, Fundraisers for nonprofits/needy families, Health Fair/Screenings, Health Professional Education, Nursing Professional Education, Clinical Trials, Scholarships, Support Groups and Technical Education

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ $ 296,236,226

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent,or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	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? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	111		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	2,716		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a		No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			7f		
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O			13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			14b		

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	12		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	6		
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	Yes	
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	Yes	

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

☐ Own website ☐ Another's website ☑ Upon request

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

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

Angela Swearingen
2900 First Avenue
Huntington, WV 25702
(304) 526-8931

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) Sister Celeste Lynch Chair	2 00	X						0	0	0
(2) Michael G Sellards President & CEO, SMMC & Pallotine	34 00	X		X				0	628,376	74,071
(3) Sister Marian Ruth Creamer Board Member	38 00	X						0	0	0
(4) Sister Joanne Obrochta Board Member	1 00	X						0	0	0
(5) Rocco Morabito MD Board Member	1 00	X						0	0	0
(6) Tim Robarts MD Board Member	1 00	X						0	0	0
(7) Thomas Houvouras Vice Chair	1 00	X						0	0	0
(8) Julia Hutchison Secretary-Treasurer	1 00	X						0	0	0
(9) Richard Muth Board Member	1 00	X						0	0	0
(10) Sister Rosella Sparks Board Member	1 00	X						0	0	0
(11) Sister Elisabeth Heptner Board Member	1 00	X						0	0	0
(12) Matt Miller Board Member	1 00	X						0	0	0
(13) Todd Campbell Sr Vice-Pres/COO	40 00			X				346,813	0	53,551
(14) Angela D Swearingen VP-Finance/CFO	40 00			X				121,280	0	16,179
(15) Sr Diane Bushee SAC Vice President	34 00			X				0	0	0
(16) Vera Rose MD Vice-President	40 00				X			265,174	0	33,377

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) Tyson Smith Vice-President Former	40 00				X			306,463	0	35,235
(18) Susan Beth Robinson Vice-President	40 00				X			200,778	0	30,479
(19) Timothy Parnell Vice-President	40 00				X			188,913	0	29,945
(20) Elizabeth Bosley Vice-President	40 00				X			172,703	0	23,254
(21) Dave Sheils Vice-President Foundation	40 00				X			126,240	0	27,125
(22) Robert Hay Pharmacist	40 00					X		152,241	0	28,295
(23) Jeffrey Hamrick Pharmacist	40 00					X		148,174	0	28,112
(24) Sonya Arthur Pharmacist	40 00					X		143,122	0	27,884
(25) Rita Barker Director	40 00					X		150,151	0	22,239
(26) Christie Gray Pharmacist	40 00					X		135,784	0	13,790
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								2,331,596	628,376	416,411

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 ▶ 67

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
University Physicians & Surgeons 1600 Medical Center Drive Ste B501 Huntington, WV 25701	Medical	3,231,020
American Red Cross 4 Chase Metrotech Center 7th Floor Brooklyn, NY 11245	Medical	2,798,779
Masterplan Inc Dept LA 21431 Pasadena, CA 91185	Medical	2,090,460
Alliance Heathcare Services PO box 96485 Chicago, IL 60693	Medical	1,523,468
River Cities Anesthesia PO Box 515 Barboursville, WV 25504	Medical	1,454,157

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 ▶ 71

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d	269,009			
	e	Government grants (contributions)	1e	58,926			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	447,463			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		775,398			
Program Service Revenue			Business Code				
	2a	Patient Service Revenu	621400	363,722,831	363,722,831		
	b	Purchase Rebates	900099	1,207,444	1,207,444		
	c	School of Nursing	611600	1,076,182	1,076,182		
	d	Rental Income	531120	698,191	698,191		
	e	School Radiology	611600	466,481	466,481		
	f	All other program service revenue		993,768	993,768		
	g	**Total.** Add lines 2a–2f		368,164,897			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		999,830			999,830
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real	(ii) Personal			
	6a	Gross Rents					
	b	Less rental expenses					
	c	Rental income or (loss)					
	d	Net rental income or (loss)					
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	29,863,463	93,903			
	b	Less cost or other basis and sales expenses	27,213,162				
	c	Gain or (loss)	2,650,301	93,903			
	d	Net gain or (loss)			2,744,204		2,744,204
	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	702,085			
	b	Less cost of goods sold	b	951,312			
	c	Net income or (loss) from sales of inventory		-249,227			-249,227
		Miscellaneous Revenue		Business Code			
	11a	Cafeteria Sales		722100	2,396,474		2,396,474
	b	Maintenance of Sisters		811000	58,750		58,750
	c	Other Investment Incom		900099	-4,131,319		-4,131,319
	d	All other revenue			-172,715		-172,715
	e	**Total.** Add lines 11a–11d			-1,848,810		
	12	**Total revenue.** See Instructions			370,586,292	368,164,897	0 1,645,997

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	330,038	330,038		
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	1,440,314	1,178,609	261,705	
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	107,296,771	87,800,948	19,495,823	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	4,667,651	3,819,539	848,112	
9 Other employee benefits	27,170,873	22,233,925	4,936,948	
10 Payroll taxes	9,456,922	7,738,599	1,718,323	
a Fees for services (non-employees) Management				
b Legal	2,058,155		2,058,155	
c Accounting	598,102		598,102	
d Lobbying				
e Professional fundraising services *See Part IV, line 17*				
f Investment management fees				
g Other	32,463,394	26,564,795	5,898,599	
12 Advertising and promotion	2,048,345	1,676,161	372,184	
13 Office expenses	86,549,679	70,809,154	15,740,525	
14 Information technology	2,958,115	2,420,626	537,489	
15 Royalties				
16 Occupancy	4,246,016	3,474,515	771,501	
17 Travel	161,714	132,331	29,383	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	1,221	999	222	
20 Interest	3,977,374	3,254,685	722,689	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	15,473,141	12,661,671	2,811,470	
23 Insurance	1,808,896	1,480,220	328,676	
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 debts	35,258,096	35,258,096		
b Repairs & Maintenance	8,149,669	6,668,874	1,480,795	
c Provider tax	7,375,849	7,375,849		
d Dues & subscriptions	839,409	686,888	152,521	
e HCA Assessments	571,937	468,016	103,921	
f All other expenses	246,472	201,688	44,784	
25 **Total functional expenses.** Add lines 1 through 24f	355,148,153	296,236,226	58,911,927	0
26 **Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		5,027	1	5,027
	2	Savings and temporary cash investments		16,172,930	2	26,971,075
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		79,297,975	4	73,784,392
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		7,888,479	8	9,924,139
	9	Prepaid expenses and deferred charges		3,466,690	9	3,144,454
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 356,664,283			
	b	Less accumulated depreciation	10b 224,837,372	138,560,872	10c	131,826,911
	11	Investments—publicly traded securities		53,539,366	11	51,971,227
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		-9,373,699	13	-14,303,905
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		4,011,634	15	5,280,006
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		293,569,274	16	288,603,326
Liabilities	17	Accounts payable and accrued expenses		37,625,577	17	28,846,859
	18	Grants payable			18	2,692
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		99,619,666	20	97,468,141
	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		2,958,677	23	2,745,337
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		69,566,616	25	83,690,228
	26	**Total liabilities.** Add lines 17 through 25		209,770,536	26	212,753,257
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		82,597,178	27	74,441,562
	28	Temporarily restricted net assets		1,201,560	28	1,408,507
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		83,798,738	33	75,850,069
	34	Total liabilities and net assets/fund balances		293,569,274	34	288,603,326

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	370,586,292
2	Total expenses (must equal Part IX, column (A), line 25)	2	355,148,153
3	Revenue less expenses Subtract line 2 from line 1	3	15,438,139
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	83,798,738
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-23,386,808
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	75,850,069

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
St Mary's Medical Center

Employer identification number
55-0357050

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

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

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

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

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

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

_____

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

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

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

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

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

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

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

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Other

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

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

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

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

Section C. Computation of Public Support Percentage

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

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

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

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

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

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

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

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

Section A. Public Support

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

Section B. Total Support

Calendar year (or fiscal year beginning in)	**(a)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(f)** Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

19a **33 1/3% support tests—2010.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2009.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

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

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

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
St Mary's Medical Center

Employer identification number
55-0357050

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

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

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

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

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or pleasure)
☐ Preservation of an historically importantly land area
☐ Protection of natural habitat
☐ Preservation of a certified historic structure
☐ Preservation of open space

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Term endowment ▶

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

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

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

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

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		6,308,971		6,308,971
b Buildings		165,487,186	99,790,156	65,697,030
c Leasehold improvements				
d Equipment		174,917,725	123,088,159	51,829,566
e Other		9,950,401	1,959,057	7,991,344
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				131,826,911

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

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

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

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

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

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

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
Deferred salaries & wages	1,544,059
General reserves	3,047,370
Accrued pension costs	77,932,158
St Mary's Medical Management LLC	1,166,641
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	83,690,228

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

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

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

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

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

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
St Mary's Medical Center

Employer identification number
55-0357050

Part I Financial Assistance and Certain Other Community Benefits at Cost

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)		9,649	4,600,316	0	4,600,316	1 300 %
b Unreimbursed Medicaid (from Worksheet 3, column a)		37,101	57,231,251	42,153,534	15,077,717	4 250 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs		46,750	61,831,567	42,153,534	19,678,033	5 550 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	2	1,319	3,460		3,460	0 %
f Health professions education (from Worksheet 5)	4	19	8,445,990	4,165,930	4,280,060	1 210 %
g Subsidized health services (from Worksheet 6)			0			
h Research (from Worksheet 7)			0	0		
i Cash and in-kind contributions to community groups (from Worksheet 8)	3	5,501	292,843		292,843	0 080 %
j **Total** Other Benefits	9	6,839	8,742,293	4,165,930	4,576,363	1 290 %
k **Total.** Add lines 7d and 7j	9	53,589	70,573,860	46,319,464	24,254,396	6 840 %

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support	1		32,000		32,000	0 010 %
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy	1	5,285	48,316		48,316	0 010 %
8 Workforce development						
9 Other						
10 **Total**	2	5,285	80,316		80,316	0 020 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense (at cost)	2	13,479,346		
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	2,695,869		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	105,684,784
6	Enter Medicare allowable costs of care relating to payments on line 5	6	106,046,049
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-361,265
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a	Yes		
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b	Yes		

Part IV Management Companies and Joint Ventures

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1	1 Huntington Area MRI	Provide MRI scans	49 000 %		51 000 %
2	2 St Mary's Occupational Health	Occupational therapy	51 000 %		49 000 %
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

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

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	St Mary's Medical Center 2900 First Avenue Huntington, WV 25702	X	X					X		

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, measured by total revenue per facility, from largest to smallest)

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

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

Part VI Supplemental Information

Complete this part to provide the following information

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

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
		Part I, Line 3c Eligibility is determined by comparing household family income against the income poverty guidelines for financial indigence, a ratio of total medical expenses to annual disposable income for medical indigence Income is defined as the total annual cash receipts before taxes from all sources Financially indigent Uncompensated care shall include unreimbursed services to the financially indigent Financially indigent shall mean uninsured or underinsured patients accepted for care with no obligation or a discounted obligation to pay for services rendered based on the medical center's eligibility system which may include (a) income levels and means testing or other criteria for determining a patient's inability to pay, or (b) other criteria for determining a patient's inability to pay that are consistent with the medical center's mission and established policy The federal poverty level shall serve as an index for the threshold below which patients receiving care at St Mary's Medical Center are deemed financially indigent Financially indigent services include noncovered services for patients eligible for the Medicaid program, services providedunder county indigent care contracts, and other state or federal assistance programs for low income groups Medically indigent Uncompensated care shall include unreimbursed services to the medically indigent Medically indigent shall mean patients who are responsible for their living expenses, but whose medical and hospital bills, after payment by third party payers, where applicable, exceed (a) a specified percentage of the patient's annual gross income (i e , catastrophic medical expenses) in accordance with the medical center's formal eligibility system in such instances where payment would require liquidation of assets critical to living or earning a living, or (b) the criteria for determining a patient's inability to pay While financial indigence is based strictly on an income level, medical indigence considers both income and the financial obligation for healthcare services to calculate the patient's ability to pay without liquidating assets critical to living or earning a living, such as a home, car, personal belongings, etc Therefore, patients are considered for medically indigent status on a case by case basis The patient would be required to provide documentation of income to determine if he/she is to be considered medically indigent All patients are eligible to be considered for medically indigent status with the exception of patients with income below 200% of the federal poverty level as these patients are considered for some level of uncompensated care under the financially indigent category

Identifier	ReturnReference	Explanation
		Part I, Line 6a SMMC prepares an annual written report that describes programs and services that promote the health of our community The community benefit report provides valuable information on programs and services provided by the medical center The report is distributed to Hospital board members but it has not been distributed to the general public The report is compiled using the program "a guide for planning and reporting community benefit "

Identifier	ReturnReference	Explanation
		Part I, Line 7 The cost to charge ratio as calculated fromworksheet 2 was used to determine community benefit expenses for all subsidized health services

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) The text of the footnote reads as follows "thehospitals provide care to patients who meet specific criteria, defined by their charity care policies, without charge or at amounts less than theirestablished 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 "The hospital's cost-to-charge ratio was used to compute bad debt expense at cost

Identifier	ReturnReference	Explanation
		Part II St Mary's has sponsored a number of community building activities during the past year Some of these are as follows The St Mary's tri-state triathlon includes three separateraces - a triathlon, triathlon relay and duathlon The triathlonconsists of a half-mile swim, 15-mile bike ride and2 9-mile loop run In the duathlon, the swim course is replaced by a2 9-mile loop run in the opposite direction of the previous loop Races use computer-chip timing The event averages 200+ participantseach year but it has a wider reaching impact of promoting fitness inthe community with news coverage of stories about first timeparticipants and their ability to complete a triathlon Many familyand friends also gather at the event as spectators and some areinspired to compete in the next year's event The St Mary's kids try-a-triathlon for ages 6-14 was held on July 31at Beech Fork lake Races consist of either a 50- or 100-yard swim, aTwo- or four-mile bike course, and a one- or two-mile run, dependingon the age group There is a kids camp leading up to this event thathelps train young people to participate in the triathlon Race daypartication 100+ Path project - St Mary's is a sponsor of the Paul Ambrose trail forhealth (path) project which is designed to develop a 26-mile bicycleand pedestrian path system that will link the various HuntingtonParks This project will promote wellness by offering family-healthyarea throughout Huntington for the public Fitfest is held annuallyeach year on 9-11 to focus the entire community on fitness and St Mary's is a major sponsor 500+ participants at fitfest Web site www paulambrosetrailforhealth orgAHA start heart walk - St Mary's has been the main sponsor for theHeart walk each year As one of St Mary's major service lines, theregional heart institute promotes healthy heart activities for thepublic throughout the year, but the heart walk and the go redluncheon for women are two of our main events The heart walkgenerates team building by raising funds for the American HeartAssociation, ending with the actual walk at Ritter park St Mary'semployee teams are joined by teams all across Cabell and Waynecounties both raising funds for heart research and supporting walkingas a family heart-healthy activity 300+ participants each year forthe walk Wider exposure through advertising heart healthy educationtips and information An evening of Zumba - a local cancer survivor and instructor of Zumbaat St Mary's promoted the idea of an evening of Zumba in order toraise funds for the pink ribbon fund - a fund set aside to cover thecosts of mammograms for women who cannot afford to be tested forbreast cancer The event was free, but donations were accepted and100% was given to the pink ribbon fund at St Mary's breast center There were over 100 participants Heart (helping educators attack cvd risk factors together) and heartchampions program With over 6,000 children screened during thistime, it has become evident that a different approach is needed toaddress overweight children and adolescents with multiple riskfactors for heart disease, diabetes, and a number of other healthproblems Data collected from the 2008-2009 school year, showed 238out of 529 children (45 percent) screened had had a body mass indexabove the 85th percentile for their age In 2008, the KaiserFoundation ranked West Virginia second in the nation for childhoodobesity with 21 percent of children statewide identified as beingoverweight Healthy heart u program is an outgrowth of the heart programs and isfighting childhood obesity in southern West Virginiathe healthy heart u project will be a network of comprehensivechildhood obesity facilities serving overweight children in southernWest virginia In partnership with existing health providers,community centers and public schools, the goal of the project is toincrease children's access to fitness facilities and a team of healthprofessionals focused on their nutrition, fitness, body image, andself-esteem The title of the project is to promote a positiveenvironment for children and eliminate any negative perceptions thatmay limit their participation Tips program tips is a two-part program developed by St Mary'sRegional Neuroscience Center that consists of an annual youth safetyfair and an education plan delivered to school children throughoutthe school year Matt Herbert speaks to 1000+ school students everyyear in addition to free bicycle helmet giveaways Approximately 500students receive free helmets each year Additionally St Mary's participates in numerous health fairsThroughout the year They provide screenings for health issues suchAs cholesterol, blood sugar, HDL, osteoporosis, etc At no charge also, education about various health issues such as stroke risk,joint replacement surgery, and other health risk factors areprovided There are 1000+ people screened each year through freescreenings

Identifier	ReturnReference	Explanation
		Part III, Line 4 The text of the footnote reads as follows "thehospitals provide care to patients who meet specific criteria, defined by their charity care policies, without charge or at amounts less than theirestablished 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 "The hospital's cost-to-charge ratio was used to compute bad debt expense at cost

Identifier	ReturnReference	Explanation
		Part III, Line 8 Patient level detail data is used to calculate the uncompensated cost of bad debt and charity Once an account is written off to bad debt and/or charity, the entire cost of the account is classified as bad debt and/or charity and any payments received are netted against the cost of the account to determine the uncompensated costs The cost-to-charge ratio as reported on the facility's Medicare costReport was used to compute the Medicare allowable costs

Identifier	ReturnReference	Explanation
		Part III, Line 9b The hospital provides care to patients who meet specific criteria, defined by its charity care policy, without charge or at amounts less than the rates approved by the West Virginia Health Care Authority Because the hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue

Identifier	ReturnReference	Explanation
		Part V, Section A This facility includes a school of nursing, school of respiratory therapy, a school of medical imaging and a clinical pastoral education program Interns and residents from Marshall University School of Medicine are also assigned at the hospital for their clinical rotations as are students in community based practicalnursing programs

Identifier	ReturnReference	Explanation
		Part VI, Line 2 SMMC takes steps to determine what the most pressing needs are in order provide services to address them The hospital regularly assesses the needs of the community Periodic needs assessments are conducted in partnership with our local health department Additionally, we monitor county, state, and national health indicators and work in partnership with service agencies in the communities we serve to meet identified needs

Identifier	ReturnReference	Explanation
		Part VI, Line 3 SMMC employs a variety of methods to reach patients with information about financial assistance, including * financial assistance posters are displayed in all emergency,admitting, outpatient, and clinic areas that include a phone numberto call for financial assistance counseling * hospital departments that have initial contact with incominginpatients and outpatients are supplied with brochures aboutfinancial assistance for distribution to patients and family members * the hospital employs trained financial assistance counselors whowork individually with patients to assess financial need andrecommend appropriate assistance such as application for federaland/or state programs, qualification for charity care, determinationof automatic discounts and /or further reductions in charges, andsetting up long-term financial arrangements

Identifier	ReturnReference	Explanation
		Part VI, Line 4 St Mary's Medical Center serves the greater Huntington, West Virginia community with a primary service area that includes Cabell, Wayne, Mason, Putnam and Lincoln counties in West Virginia and Lawrence county in Ohio St Mary's also serves a much wider service area because of specialty medical services including advanced emergency trauma care, advanced stroke care, advanced spine care, advanced heart care, advanced cancer care, and advanced orthopedic care That secondary service area includes Logan and Mingo counties in West Virginia, as well as Boyd, Greenup, Carter, Lawrence, Johnson, Floyd and Pike counties in Kentucky and Scioto and Gallia Counties in Ohio Competitors within our primary service area are Cabell HuntingtonHospital (Cabell county) and CAMC Teays Valley (Putnam county) The most recent statistics from the U S census bureau show that thehigh school graduation rate (age 25+) for Huntington is 79 6% Thepercentage of Huntington residents living below that federal povertylevel is 24 7% Cabell county birth rates for 15 to 19 year-olds is42 3 per 1000 females

Identifier	ReturnReference	Explanation
		Part VI, Line 6 St Mary's operates an emergency room that is open to all persons regardless of ability to pay and has an open medical staff with privileges available to all qualified physicians in the area The board of directors represents medical and business professionals, as well sisters from the Pallottine Missionary Sisters All provide hours of service in support of our hospital They are deeply involved in our needs assessment process, building programs and services, and community outreach to ensure that people know about services available to them through our hospital St Mary's engages in medical and scientific research programs, engages in the training and education of health care professionals physicians, nurses, medical imaging tech, respiratory techs, and chaplains, and participates in Medicare, Medicaid, and other government-sponsored health care programs St Mary's adheres to community benefit guidelines outlined in the Catholic Health Association's publication, "A Guide for Planning and Reporting Community Benefit "Community benefit work is driven by community health needs and directed in collaboration with other health care organizations and the broader community Community benefit strategies are integrated in the organizational strategic plan Programs are located throughout the organization, and staff and board education is conducted Dedicated staff is committed to community benefit efforts The St Mary's Foundation is a non-profit organization that provides grant writing and fundraising for both medical center programs and for community benefit programs that reach both the poor and the broader community Operations of the Foundation are governed by a separate Foundation board with voluntary memberships from the local community When St Mary's has excess revenue over operating expenses, we use those funds to obtain current health care technologies and equipment, improve patient care, provide medical training education and research, and to expand access to points of care These investments ensure that we will be here to care for future generations

Identifier	ReturnReference	Explanation
		Part VI, Line 7 St Mary's Medical Center 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

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
St Mary's Medical Center

Employer identification number
55-0357050

Part I General Information on Grants and Assistance

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

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

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

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

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) American Heart Association162 Court St Charleston, WV 25301	13-5613797	501(c)(3)	20,000				For general operations of the Association in furtherence of their mission to reduce heart disease
(2)							For general operations of the Association in furtherence of their mission to reduce heart disease
(3) Huntington Museum of Art2033 McCoy Road Huntington, WV 25701	53-0372921	501(c)(3)	7,800				For general operations of the Museum
(4) Rahall Transportation Institute FoundationPO Box 5425 Huntington, WV 25703	55-0683361	501(c)(3)	10,000				To help promote transportation safety
(5) Huntington Area Development Council916 Fifth Ave Huntington, WV 25701	55-0714570	501(c)(3)	18,750				To promote job creation
(6) Healthy Huntington Organization2 Partridge Court Huntington, WV 25705	26-1775212	501(c)(3)	12,000				To sponsor fundraising race
(7) Cabell Co Emergency Medical Services846 8th Ave Huntington, WV 25701	55-6000305	501(c)(3)	138,197				To support emergency medical services
(8) Ebenezer Community Outreach1448 Tenth Ave Huntington, WV 25701	55-0745033	501(c)(3)	50,000				To support community pharmacy

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

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

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

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

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

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 To ensure proper use of funds, the requesting organization is require to document the use of the grant monies
Other Information	Part IV	When a request for funds is received and has been approved, the funds are either authorized for use or disbursed to the requesting organization

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

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2010

Open to Public Inspection

Name of the organization
St Mary's Medical Center

Employer identification number
55-0357050

Part I Questions Regarding Compensation

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

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Michael G Sellards	(i)	0	0	0	0	0	0	0
	(ii)	522,720	0	105,656	57,688	17,543	703,607	0
(2) Todd Campbell	(i)	346,813	0	0	15,607	22,267	384,687	0
	(ii)	0	0	0	16,500	0	16,500	0
(3) Vera Rose MD	(i)	265,174	0	0	11,933	22,087	299,194	0
	(ii)	0	0	0	0	0	0	0
(4) Tyson Smith	(i)	306,463	0	0	13,791	22,178	342,432	0
	(ii)	0	0	0	0	0	0	0
(5) Susan Beth Robinson	(i)	200,778	0	0	9,035	21,946	231,759	0
	(ii)	0	0	0	0	0	0	0
(6) Timothy Parnell	(i)	188,913	0	0	8,501	21,920	219,334	0
	(ii)	0	0	0	0	0	0	0
(7) Elizabeth Bosley	(i)	172,703	0	0	7,772	15,922	196,397	0
	(ii)	0	0	0	0	0	0	0
(8) Robert Hay	(i)	152,241	0	0	6,851	21,839	180,931	0
	(ii)	0	0	0	0	0	0	0
(9) Jeffrey Hamrick	(i)	148,174	0	0	6,668	21,830	176,672	0
	(ii)	0	0	0	0	0	0	0
(10) Sonya Arthur	(i)	143,122	0	0	6,440	21,819	171,381	0
	(ii)	0	0	0	0	0	0	0
(11) Rita Barker	(i)	150,151	0	0	6,757	15,872	172,780	0
	(ii)	0	0	0	0	0	0	0
(12)								
(13)								
(14)								
(15)								
(16)								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Line 1a	Michael Sellards, the CEO, is entitled to reimbursement for reasonable travel expense for his spouse to accompany him to three educational meetings per year, one of which being the West Virginia Hospital Association annual meeting
	Part I, Lines 4a-b	During fiscal year 2011, the following officers of the organization received payment under a supplemental non-qualified retirement (SERF) plan Michael Sellards - $94,376 Todd Campbell - $27,757

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

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2010

Open to Public Inspection

Name of the organization
St Mary's Medical Center

Employer identification number
55-0357050

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

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

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Mary Ann Brown	Former CFO and current Director of Business Development and Outreach	139,760	SMMC paid $139,760 to Mountain State Cabling, which is partially owned by Mary Ann Brown		No

Part V **Supplemental Information**

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

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
St Mary's Medical Center

Employer identification number
55-0357050

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 Mary's Medical Center board of directors The board of directors 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 in consultation with an independent accounting firm. 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, representatives of the organization's board of directors review the Form 990. A complete copy of the same was provided to the St. Mary's Medical Center full board at their board meeting on June 19, 2012

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 conflicts of interest and disclosure forms for directors are returned to the organization In the event that any board member is deemed to lack independence or a conflict of interest exists, he/she is required to leave the room and cannot be part of the discussion or vote

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	On a regular basis, the organization provides documentation to the compensation committee of the Pallottine Health Services, Inc board 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 the Huntington, West Virginia community 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 19	The organization makes its governing documents, conflict of interest policy, and financial statements available to the public upon request at its office at 2900 First Avenue, Huntington, WV 25702 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 -1,025,142 Transfer to affiliates -5,121,962 Change in pension fund status -12,891,154 Loss from St Mary's Medical Management -4,348,550 Total to Form 990, Part XI, Line 5 -23,386,808

Identifier	Return Reference	Explanation
Audit oversight	Form 990, Part XII, line 2c	The procedure for oversight of the audit of financial statements has not changed from prior year

Identifier	Return Reference	Explanation
Tax-Exempt Bonds	Schedule K	The tax exempt bonds are reported on the Form 990s of St Josephs's Hospital of Buckhannon, Inc and St Mary's Medical Center Since the bond proceeds are issued on behalf of Pallottine Health Services, Inc , Schedule K has been reported on Pallottine Health Service Inc Form 990

Identifier	Return Reference	Explanation
Hours devoted to related organizations	Part VII	Michael Sellards - 6 hours (PHS, SJH and SMF) Sr Celeste Lynch - 38 hours (PHS and SMF) Sr, Diane Bushee - 6 hours (PHS, SJH and SMF) Sr Marian Ruth Creamer - 2 hours (PHS) Todd Campbell - 2 hours (PHS and SJH) Angela Swearingen - 2 hours (PHS and SJH) Rita Barker - 4 hours (SJH)

Identifier	Return Reference	Explanation
Evaluation Process for Joint Venture	Form 990, Part VI, line 16b	The organization has adopted a formal written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements However, the normal due diligence process for analyzing any such arrangements undertaken in conjunction with the organization's external legal counsel, accountants and other business advisors does include a review to determine the following 1) the impact of the arrangement under applicable federal and state law 2) whether the arrangement will jeopardize the organization's exempt status as a section 501(c)(3) charitable organization - hospital 3) whether the arrangement will result in any unrelated business taxable income 4) the impact of the arrangement on any existing contractual agreements or other business relationships and 5) whether the arrangement will result in any conflicts of interest If there are concerns with respect to any of the above matters, the organization will take appropriate steps to ensure that, if the joint venture is pursued, the arrangement will be in compliance with applicable federal and state law and to safeguard the organization's tax-exempt status A formal written policy and procedure has been approved

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
St Mary's Medical Center

Employer identification number
55-0357050

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) St Mary's Medical Management LLC 2900 First Avenue Huntington, WV 25702 20-8017790	Medical Practice	WV	-5,011,779	5,326,422	N/A

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 Oversight	WV	501(c)(3)	Line 11a, I	N/A		No
(2) Pallottine Missionary Sisters 2900 First Avenue Huntington, WV 25702 43-1783315	Church	WV	501(c)(3)	Line 1	N/A		No
(3) St Mary's Medical Center Foundation 2900 First Avenue Huntington, WV 25702 14-1887211	Foundation	WV	501(c)(3)	Line 11b, II	N/A		No
(4) St Joseph's Hospital of Buckhannon One Amalia Drive Buckhannon, WV 26201 55-0356996	Hospital	WV	501(c)(3)	Line 3	N/A		No
(5) St Joseph's Foundation of Buckhannon One Amalia Drive Buckhannon, WV 26201 55-0727650	Foundation	WV	501(c)(3)	Line 11b, II	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? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) St Mary's Occupational Health Services 2900 First Avenue Huntington, WV25702 54-2136110	Medical Services	WV		Related	-44,307	-53,675		No		Yes		
(2) Tri State Cyberknife 2900 First Avenue Huntington, WV25702 20-5744723	Medical Services	WV		Related				No		Yes		
(3) Tri State MRI 2900 First Avenue Huntington, WV25702 55-0669726	Medical Services	WV		Related	-215,616	641,996		No		Yes		
(4) Claire Frances Health Services 200 Mall Road Ste 3 Ashland, KY41101 31-1517507	Medical Services	WV		Related	88,439	609,746		No		Yes		
(5) Huntington Area MRI Services LLC 2900 First Avenue Huntington, WV25702	Medical Services	WV		Related	388,515	198,736		No		Yes		

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) Vanguard Financial Services 2900 First Avenue Huntington, WV25702 45-0496141	Collection Agency	WV	N/A	C	-18,707	907,161	100 000 %

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

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

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

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) St Mary's Medical Center Foundation	N	182,433	
(2) St Mary's Medical Management	N	534,701	
(3) Vanguard Financial Services	A	669	
(4) Claire Frances Health Services	R	175,000	
(5) Huntington Area MRI Services	D	113,791	
(6)			

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

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

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

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

PALLOTTINE HEALTH SERVICES, INC.
AND SUBSIDIARIES

Consolidated Financial Statements and Other Supplementary Financial Information

September 30, 2011

ARNETT & FOSTER
Certified Public Accountants P.L.L.C.

CONTENTS

ARNETT & FOSTER
Certified Public Accountants P.L.L.C.

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

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
September 30, 2011 and 2010

ASSETS	2011	2010
Current assets:		
Cash and cash equivalents	**$ 30,599,198**	$ 18,862,441
Patient accounts receivable, net of allowance for doubtful accounts of $66,550,000 and $39,190,000	**63,870,600**	70,396,432
Other accounts receivable	**2,508,852**	2,522,001
Inventories	**10,768,973**	8,469,344
Prepaid expenses	**6,170,470**	5,021,357
Estimated third-party settlements	**4,942,105**	7,923,622
Current portion of assets limited as to use	**3,516,667**	3,436,664
Total current assets	**122,376,865**	116,631,861
Assets limited as to use, net of amounts required to meet current liabilities	**60,049,678**	62,346,198
Property and equipment, net of accumulated depreciation	**150,351,975**	156,619,411
Other assets	**1,045,260**	896,696
Other investments	**5,046,161**	4,683,213
Total assets	**$ 338,869,939**	$ 341,177,379
LIABILITIES AND NET ASSETS		
Current liabilities:		
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
Total current liabilities	**50,846,359**	59,215,660
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
Total liabilities	**241,563,596**	238,641,274
Net assets:		
Unrestricted	**94,815,225**	101,024,298
Temporarily restricted	**2,466,118**	1,486,807
Permanently restricted	**25,000**	25,000
Total net assets	**97,306,343**	102,536,105
Total liabilities and net assets	**$ 338,869,939**	$ 341,177,379

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
Unrestricted revenues, gains, and other support		
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
Total unrestricted revenues, gains, and other support	**439,856,436**	407,425,510
Expenses		
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
Total expenses	**425,693,769**	415,122,949
Excess (deficiency) of revenues over expenses from operations	**14,162,667**	(7,697,439)
Change in fair value of derivative obligation	**(1,129,664)**	(2,234,552)
Excess (deficiency) of revenues over expenses	**13,033,003**	(9,931,991)
Other changes in unrestricted net assets		
Net unrealized gain (loss) on investments	**(5,461,386)**	2,054,446
Change in pension plan funded status	**(13,784,056)**	24,445,304
Increase (decrease) in unrestricted net assets	**(6,212,439)**	16,567,759
Temporarily restricted net assets:		
Contributions and investment income, net	**982,677**	(359,035)
Increase (decrease) in net assets	**(5,229,762)**	16,208,724
Net assets, beginning of year	**102,536,105**	86,327,381
Net assets, end of year	**$ 97,306,343**	$ 102,536,105

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
Cash flows from operating activities		
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)
Net cash provided by operating activities	**39,172,978**	17,141,019
Cash flows from investing activities		
Change in assets limited as to use, net	**120,325**	4,703,431
Purchases of property and equipment	**(10,271,467)**	(12,223,101)
Net cash used in investing activities	**(10,151,142)**	(7,519,670)
Cash flows from financing activities		
Net borrowings (payments) on notes payable	**(12,789,472)**	848,325
Repayment of long-term debt	**(4,495,607)**	(4,352,629)
Net cash used in financing activities	**(17,285,079)**	(3,504,304)
Net increase in cash and cash equivalents	**11,736,757**	6,117,045
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

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

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

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

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

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%
	100%	100%

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
Internally designated by the Board of Trustees:				
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
	57,105,610	**54,025,586**	53,061,543	55,436,305
Held by Trustee for project funds, debt service reserve funds and deposits:				
Cash and cash equivalents	**9,540,759**	**9,540,759**	10,346,557	10,346,557
Total Assets Limited as to Use	**$ 66,646,369**	**$ 63,566,345**	$ 63,408,100	$ 65,782,862

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
	2,206,464	1,843,516
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
	2,839,697	2,839,697
Total Other Investments	**$ 5,046,161**	$ 4,683,213

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
	$ 5,401,171	$ 1,929,361
Other changes in unrestricted net assets		
Net change in unrealized gain (loss) on investments	**$ (5,461,386)**	$ 2,054,446

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

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
	390,340,391	383,419,732
Less accumulated depreciation and amortization	**(247,764,104)**	(232,037,930)
	142,576,287	151,381,802
Construction in progress	**7,775,688**	5,237,609
	$ 150,351,975	$ 156,619,411

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
	$ 99,610,133	$ 103,820,190

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
	$ 102,176,273	2,512,504
Less amount representing interest under capital lease obligations		227,045
Total		$ 2,285,459

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

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

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
	$ 6,264,942

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

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

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

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

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

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

Note 10. Net Patient Service Revenue

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

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

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

- **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

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
Change in benefit obligation		
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	**159,156,001**	149,018,488
Change in plan assets		
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	**81,223,846**	83,717,088
Funded status at end of year	**$ (77,932,155)**	$ (65,301,400)
Amounts recognized in balance sheet consist of		
Noncurrent liabilities	**$ (77,932,155)**	$ (65,301,400)

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

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	2011	2010
Cumulative amounts recognized in other changes in net assets consist of		
Net actuarial loss	**$ 49,166,031**	$ 36,274,877
	$ 49,166,031	$ 36,274,877
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	**$ 2,495,601**	$ 11,151,357
Estimated amounts expected to be amortized from net assets over next fiscal year		
Net loss	**$ 1,001,519**	$ 634,214
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	100%	100%

Expected contributions for fiscal 2012	$ 3,000,000
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

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 Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	**Total at September 30, 2011**
Plan Assets				
Cash equivalents	$ 4,131,124	$ -	$ -	**$ 4,131,124**
Corporate stocks				
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**
Corporate bonds				
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**

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	**Total at September 30, 2011**
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**
Government obligations				
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**
International Bonds	-	1,085,681	-	**1,085,681**
Exchange Traded Funds	249,924	-	-	**249,924**
Other	-	542,847	-	**542,847**
	$ 58,021,046	$ 23,202,800	$ -	**$ 81,223,846**

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

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	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

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

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
	$ 425,693,769	$ 415,122,949

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

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

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
Investments:				
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	$ -
Liabilities:				
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
Investments:				
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	$ -

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

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

	2011		2010	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
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

ARNETT & FOSTER
Certified Public Accountants P.L.L.C.

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

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
ASSETS					
Current assets					
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
Total current assets	8,482,046	119,581,449	9,155,523	(14,842,153)	122,376,865
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
Total assets	$ 17,150,011	$ 306,459,819	$ 30,113,567	$ (14,853,458)	$ 338,869,939
LIABILITIES AND NET ASSETS					
Current liabilities					
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
Total current liabilities	9,367,994	41,336,789	13,443,729	(13,302,153)	50,846,359
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
Total liabilities	10,416,101	213,489,954	32,510,999	(14,853,458)	241,563,596
Net assets					
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
Total net assets	6,733,910	92,969,865	(2,397,432)	-	97,306,343
Total liabilities and net assets	$ 17,150,011	$ 306,459,819	$ 30,113,567	$ (14,853,458)	$ 338,869,939

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
Unrestricted revenues, gains, and other support					
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
Total unrestricted revenues, gains, and other support	2,425,744	392,725,820	46,006,033	(1,301,161)	439,856,436
Expenses					
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
Total expenses	2,346,990	378,881,635	45,766,305	(1,301,161)	425,693,769
Excess of revenues over expenses from operations	78,754	13,844,185	239,728	-	14,162,667
Change in fair value of derivative obligation	-	(1,025,142)	(104,522)	-	(1,129,664)
Excess of revenues over expenses	78,754	12,819,043	135,206	-	13,033,003
Other changes in unrestricted net assets					
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)
Decrease in unrestricted net assets	(556,869)	(4,498,786)	(1,156,784)	-	(6,212,439)
Increase (decrease) in temporarily restricted net assets	-	999,795	(17,118)	-	982,677
Decrease in net assets	(556,869)	(3,498,991)	(1,173,902)	-	(5,229,762)
Net assets, beginning of year	7,290,779	96,468,856	(1,223,530)	-	102,536,105
Net assets, end of year	$ 6,733,910	$ 92,969,865	$ (2,397,432)	$ -	$ 97,306,343

PALLOTTINE HEALTH SERVICES, INC. AND SUBSIDIARIES

DETAILS OF CONSOLIDATED BALANCE SHEET
September 30, 2010

ASSETS	Pallottine Health Services, Inc	St Mary's Medical Center and Subsidiaries	St Joseph's Hospital and Subsidiaries	Consolidation and Eliminations	Consolidated
Current assets					
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
Total current assets	9,066,602	111,857,108	7,264,347	(11,556,196)	116,631,861
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
Total assets	$ 17,189,103	$ 307,025,343	$ 28,530,434	$ (11,567,501)	$ 341,177,379
LIABILITIES AND NET ASSETS					
Current liabilities					
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
Total current liabilities	8,628,250	48,762,367	11,841,239	(10,016,196)	59,215,660
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
Total liabilities	9,898,324	210,556,487	29,753,964	(11,567,501)	238,641,274
Net assets					
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
Total net assets	7,290,779	96,468,856	(1,223,530)	-	102,536,105
Total liabilities and net assets	$ 17,189,103	$ 307,025,343	$ 28,530,434	$ (11,567,501)	$ 341,177,379

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
Unrestricted revenues, gains, and other support					
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
Total unrestricted revenues, gains, and other support	1,213,723	371,964,804	35,252,331	(1,005,348)	407,425,510
Expenses					
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
Total expenses	1,899,603	376,023,766	38,204,928	(1,005,348)	415,122,949
Deficiency of revenues over expenses from operations	(685,880)	(4,058,962)	(2,952,597)	-	(7,697,439)
Change in fair value of derivative obligation	-	(2,000,759)	(233,793)	-	(2,234,552)
Deficiency of revenues over expenses	(685,880)	(6,059,721)	(3,186,390)	-	(9,931,991)
Other changes in unrestricted net assets					
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
Increase (decrease) in unrestricted net assets	(479,035)	20,806,078	(3,759,284)	-	16,567,759
Decrease in temporarily restricted net assets	-	(195,211)	(163,824)	-	(359,035)
Increase (decrease) in net assets	(479,035)	20,610,867	(3,923,108)	-	16,208,724
Net assets, beginning of year	7,769,814	75,857,989	2,699,578	-	86,327,381
Net assets, end of year	$ 7,290,779	$ 96,468,856	$ (1,223,530)	$ -	$ 102,536,105

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

CONSOLIDATED BALANCE SHEETS
September 30, 2011 and 2010

ASSETS	2011	2010
Current assets:		
Cash and cash equivalents	**$ 27,947,839**	$ 16,600,085
Patient accounts receivable, net of allowance for doubtful accounts of $60,510,000 and $33,911,000	**58,380,527**	65,253,615
Other accounts receivable	**9,621,451**	6,743,726
Inventories	**9,925,783**	7,890,124
Prepaid expenses	**5,487,126**	4,554,767
Estimated third-party settlements	**4,972,056**	7,638,127
Current portion of assets limited as to use, externally designated	**3,246,667**	3,176,664
Total current assets	**119,581,449**	111,857,108
Assets limited as to use, net of amounts required to meet current liabilities	**48,766,414**	50,422,698
Property and equipment, net of accumulated depreciation	**134,172,987**	140,734,915
Other assets	**933,434**	784,471
Other investments	**3,005,535**	3,226,151
Total assets	**$ 306,459,819**	$ 307,025,343
LIABILITIES AND NET ASSETS		
Current liabilities:		
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
Total current liabilities	**41,336,789**	48,762,367
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
Total liabilities	**213,489,954**	210,556,487
Net assets:		
Unrestricted	**90,725,244**	95,220,664
Temporarily restricted	**2,244,621**	1,248,192
Total net assets	**92,969,865**	96,468,856
Total liabilities and net assets	**$ 306,459,819**	$ 307,025,343

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
Unrestricted revenues, gains, and other support		
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
Total unrestricted revenues, gains, and other support	**392,725,820**	371,964,804
Expenses		
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
Total expenses	**378,881,635**	376,023,766
Excess (deficiency) of revenues over expenses from operations	**13,844,185**	(4,058,962)
Change in fair value of derivative obligation	**(1,025,142)**	(2,000,759)
Excess (deficiency) of revenues over expenses	**12,819,043**	(6,059,721)
Other changes in unrestricted net assets		
Net unrealized gain (loss) on investments	**(4,426,675)**	1,522,082
Change in pension funded status	**(12,891,154)**	25,343,717
Increase (decrease) in unrestricted net assets	**(4,498,786)**	20,806,078
Increase in temporarily restricted net assets	**999,795**	(195,211)
Increase in net assets	**(3,498,991)**	20,610,867
Net assets, beginning of year	**96,468,856**	75,857,989
Net assets, end of year	**$ 92,969,865**	$ 96,468,856

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

DETAILS OF CONSOLIDATED BALANCE SHEET
September 30, 2011

ASSETS	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
Current assets							
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
Curent portion of assets limited as to use	3,246,667	-	-	-	-	-	3,246,667
Total current assets	114,961,005	860,233	859,156	139,813	3,003,276	(242,034)	119,581,449
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
Total assets	$ 281,979,601	$ 897,529	$ 1,044,156	$ 144,705	$ 5,326,422	$ 17,067,406	$ 306,459,819
LIABILITES AND NET ASSETS							
Current liabilities							
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
Total current liabilities	39,182,216	702,054	26,722	249,955	1,417,876	(242,034)	41,336,789
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
Total liabilities	211,335,381	702,054	26,722	249,955	1,417,876	(242,034)	213,489,954
Net assets							
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
Total net assets	70,644,220	195,475	1,017,434	(105,250)	3,908,546	17,309,440	92,969,865
Total liabilities and net assets	$ 281,979,601	$ 897,529	$ 1,044,156	$ 144,705	$ 5,326,422	$ 17,067,406	$ 306,459,819

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
Unrestricted revenues, gains, and other support							
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
Total unrestricted revenues, gains, and other support	369,873,207	1,358,364	59,374	1,088,033	17,461,741	2,885,101	392,725,820
Expenses							
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
Total expenses	355,148,154	1,353,364	501,224	1,226,496	22,473,520	(1,821,123)	378,881,635
Excess (deficiency) of revenues over expenses from operations	14,725,053	5,000	(441,850)	(138,463)	(5,011,779)	4,706,224	13,844,185
Change in fair value of derivative obligation	(1,025,142)	-	-	-	-	-	(1,025,142)
Excess (deficiency) of revenues over expenses	13,699,911	5,000	(441,850)	(138,463)	(5,011,779)	4,706,224	12,819,043
Other changes in unrestricted net assets							
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)
Increase (decrease) in unrestricted net assets	(9,157,813)	5,000	(227,010)	(145,063)	319,876	4,706,224	(4,498,786)
Increase in temporarily restricted net assets	206,947	-	789,482	-	-	3,366	999,795
Increase (decrease) in net assets	(8,950,866)	5,000	562,472	(145,063)	319,876	4,709,590	(3,498,991)
Net assets, beginning of year	79,595,086	190,475	454,962	39,813	3,588,670	12,599,850	96,468,856
Net assets, end of year	$ 70,644,220	$ 195,475	$ 1,017,434	$ (105,250)	$ 3,908,546	$ 17,309,440	$ 92,969,865

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

DETAILS OF CONSOLIDATED BALANCE SHEET
September 30, 2010

ASSETS	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
Current assets:							
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
Curent portion of assets limited as to use	3,176,664	-	-	-	-	-	3,176,664
Total current assets	107,624,790	181,904	455,793	258,885	4,378,082	(1,042,346)	111,857,108
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
Total assets	$ 288,003,533	$ 226,896	$ 455,793	$ 272,769	$ 6,508,848	$ 11,557,504	$ 307,025,343
LIABILITES AND NET ASSETS							
Current liabilities:							
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
Total current liabilities	46,614,327	36,421	831	232,956	2,920,178	(1,042,346)	48,762,367
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
Total liabilities	208,408,447	36,421	831	232,956	2,920,178	(1,042,346)	210,556,487
Net assets:							
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
Total net assets	79,595,086	190,475	454,962	39,813	3,588,670	12,599,850	96,468,856
Total liabilities and net assets	$ 288,003,533	$ 226,896	$ 455,793	$ 272,769	$ 6,508,848	$ 11,557,504	$ 307,025,343

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
Unrestricted revenues, gains, and other support							
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
Total unrestricted revenues, gains, and other support	350,632,872	1,504,561	864,746	1,088,268	15,111,474	2,762,883	371,964,804
Expenses							
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
Total expenses	355,146,316	1,500,281	1,059,858	1,225,671	19,078,085	(1,986,445)	376,023,766
Excess (deficiency) of revenues over expenses from operations	(4,513,444)	4,280	(195,112)	(137,403)	(3,966,611)	4,749,328	(4,058,962)
Change in fair value of derivative obligation	(2,000,759)	-	-	-	-	-	(2,000,759)
Excess (deficiency) of revenues over expenses	(6,514,203)	4,280	(195,112)	(137,403)	(3,966,611)	4,749,328	(6,059,721)
Other changes in unrestricted net assets							
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
Increase (decrease) in unrestricted net assets	3,510,862	4,280	2,024,586	(149,403)	10,666,425	4,749,328	20,806,078
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
Net assets, beginning of year	75,763,019	186,195	(1,047,088)	189,216	(7,077,755)	7,844,402	75,857,989
Net assets, end of year	$ 79,595,086	$ 190,475	$ 454,962	$ 39,813	$ 3,588,670	$ 12,599,850	$ 96,468,856

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

CONSOLIDATED BALANCE SHEETS
September 30, 2011 and 2010

ASSETS	2011	2010
Current assets:		
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
Total current assets	**9,155,523**	7,264,347
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
Total assets	$ **30,113,567**	$ 28,530,434
LIABILITIES AND NET ASSETS		
Current liabilities:		
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
Total current liabilities	**13,443,729**	11,841,239
Long-term debt	**11,531,860**	12,210,815
Accrued pension obligation	**6,980,882**	5,338,717
Other liabilities	**554,528**	363,193
Total liabilities	**32,510,999**	29,753,964
Net assets:		
Unrestricted	**(2,643,929)**	(1,487,145)
Temporarily restricted	**221,497**	238,615
Permanently restricted	**25,000**	25,000
Total net assets	**(2,397,432)**	(1,223,530)
Total liabilities and net assets	$ **30,113,567**	$ 28,530,434

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
Unrestricted revenues, gains, and other support		
Net patient service revenues	**$ 44,791,601**	$ 34,653,311
Investment income	**403,591**	155,505
Other	**810,841**	443,515
Total unrestricted revenues, gains, and other support	**46,006,033**	35,252,331
Expenses		
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
Total expenses	**45,766,305**	38,204,928
Excess (deficiency) of revenues over expenses from operations	**239,728**	(2,952,597)
Change in fair value of derivative obligation	**(104,522)**	(233,793)
Excess (deficiency) of revenues over expenses	**135,206**	(3,186,390)
Other changes in unrestricted net assets		
Net unrealized gain (loss) on investments	**(399,088)**	325,519
Change in pension plan funded status	**(892,902)**	(898,413)
Decrease in unrestricted net assets	**(1,156,784)**	(3,759,284)
Decrease in temporarily restricted net assets	**(17,118)**	(163,824)
Decrease in net assets	**(1,173,902)**	(3,923,108)
Net assets, beginning of year	**(1,223,530)**	2,699,578
Net assets, end of year	**$ (2,397,432)**	$ (1,223,530)

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

DETAILS OF CONSOLIDATED BALANCE SHEET
September 30, 2011

ASSETS	St Joseph's Hospital	St Joseph's Foundation	Consolidation and Eliminations	St Joseph's Hospital Consolidated
Current assets				
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
Total current assets	9,155,523	-	-	9,155,523
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
Total assets	$ 29,883,959	$ 229,608	$ -	$ 30,113,567
LIABILITES AND NET ASSETS				
Current liabilities				
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
Total current liabilities	13,443,729	-	-	13,443,729
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
Total liabilities	32,510,999	-	-	32,510,999
Net assets				
Unrestricted	(2,696,606)	52,677	-	(2,643,929)
Temporarily restricted	44,566	176,931	-	221,497
Permanently restricted	25,000	-	-	25,000
Total net assets	(2,627,040)	229,608	-	(2,397,432)
Total liabilities and net assets	$ 29,883,959	$ 229,608	$ -	$ 30,113,567

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 Consoliated
Unrestricted revenues, gains, and other support				
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
Total unrestricted revenues, gains, and other support	45,835,142	170,891	-	46,006,033
Expenses				
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
Total expenses	45,541,914	224,391	-	45,766,305
Excess (deficiency) of revenues over expenses from operations	293,228	(53,500)	-	239,728
Change in fair value of derivative obligation	(104,522)	-	-	(104,522)
Excess (deficiency) of revenues over expenses	188,706	(53,500)	-	135,206
Other changes in unrestricted net assets				
Net unrealized (loss) on investments	(399,088)	-	-	(399,088)
Change in pension plan funded status	(892,902)	-	-	(892,902)
Decrease in unrestricted net assets	(1,103,284)	(53,500)	-	(1,156,784)
Increase (decrease) in temporarily restricted net assets	8,787	(25,905)	-	(17,118)
Decrease in net assets	(1,094,497)	(79,405)	-	(1,173,902)
Net assets (deficiency), beginning of year	(1,532,543)	309,013	-	(1,223,530)
Net assets (deficiency), end of year	$ (2,627,040)	$ 229,608	$ -	$ (2,397,432)

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 Consoliated
ASSETS				
Current assets				
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
Total current assets	7,264,347	-	-	7,264,347
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
Total assets	$ 28,221,421	$ 309,013	$ -	$ 28,530,434
LIABILITES AND NET ASSETS				
Current liabilities				
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
Total current liabilities	11,841,239	-	-	11,841,239
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
Total liabilities	29,753,964	-	-	29,753,964
Net assets				
Unrestricted	(1,593,322)	106,177	-	(1,487,145)
Temporarily restricted	35,779	202,836	-	238,615
Permanently restricted	25,000	-	-	25,000
Total net assets	(1,532,543)	309,013	-	(1,223,530)
Total liabilities and net assets	$ 28,221,421	$ 309,013	$ -	$ 28,530,434

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 Consoliated
Unrestricted revenues, gains, and other support				
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
Total unrestricted revenues, gains, and other support	35,053,991	198,340	-	35,252,331
Expenses				
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
Total expenses	38,138,776	66,152	-	38,204,928
Excess (deficiency) of revenues over expenses from operations	(3,084,785)	132,188	-	(2,952,597)
Change in fair value of derivative obligation	(233,793)	-	-	(233,793)
Excess (deficiency) of revenues over expenses	(3,318,578)	132,188	-	(3,186,390)
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)
Decrease in temporarily restricted net assets	(71,161)	(92,663)	-	(163,824)
Increase (decrease) in net assets	(3,968,302)	45,194	-	(3,923,108)
Net assets, beginning of year	2,435,759	263,819	-	2,699,578
Net assets (deficiency), end of year	$ (1,532,543)	$ 309,013	$ -	$ (1,223,530)