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Form <b>990</b>  Department of the Treasury Internal Revenue Service	<b>Return of Organization Exempt From Income Tax</b>  <b>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</b>	OMB No 1545-0047 <div> <div>2011</div> <div>Open to Public Inspection</div> </div>
	The organization may have to use a copy of this return to satisfy state reporting requirements	

<b>A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011</b>		<b>D Employer identification number</b> 54-0506331	
<b>B</b> Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C Name of organization</b> ROCKINGHAM MEMORIAL HOSPITAL		<b>E Telephone number</b> (540) 689-1000
	Doing Business As		<b>G</b> Gross receipts \$ 388,744,871
	Number and street (or P O box if mail is not delivered to street address) 2010 HEALTH CAMPUS DRIVE	Room/suite	
	City or town, state or country, and ZIP + 4 HARRISONBURG, VA 22801		
	<b>F Name and address of principal officer</b> J MICHAEL BURRIS 2010 HEALTH CAMPUS DRIVE HARRISONBURG, VA 22801		<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions)  <b>H(c)</b> Group exemption number ▶
<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀ (Insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			
<b>J Website:</b> ▶ WWW.RMHONLINE.COM			
<b>K</b> Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		<b>L</b> Year of formation 1908	<b>M</b> State of legal domicile VA

Part I		Summary	
Activities & Governance	<b>1</b> Briefly describe the organization's mission or most significant activities NOT-FOR-PROFIT COMMUNITY HOSPITAL ORGANIZATION		
	<b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a) . . . . .	<b>3</b>	11
	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b) . . . . .	<b>4</b>	6
	<b>5</b> Total number of individuals employed in calendar year 2011 (Part V, line 2a) . . . . .	<b>5</b>	2,728
	<b>6</b> Total number of volunteers (estimate if necessary) . . . . .	<b>6</b>	418
	<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12 . . . . .	<b>7a</b>	0
	<b>b</b> Net unrelated business taxable income from Form 990-T, line 34 . . . . .	<b>7b</b>	0
Revenue	<b>8</b> Contributions and grants (Part VIII, line 1h) . . . . .	<b>Prior Year</b>	<b>Current Year</b>
	<b>9</b> Program service revenue (Part VIII, line 2g) . . . . .	2,096,638	8,836,589
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d) . . . . .	308,876,991	357,665,123
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) . . . . .	-673,912	3,469,884
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .	7,902,021	4,497,165
		318,201,738	374,468,761
Expenses	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3) . . . . .	69,735	1,295,879
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4) . . . . .	0	0
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10) . . . . .	154,281,338	162,513,874
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e) . . . . .	0	0
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) <b>437,201</b>		
	<b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e) . . . . .	182,405,058	189,775,805
	<b>18</b> Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25) . . . . .	336,756,131	353,585,558
	<b>19</b> Revenue less expenses Subtract line 18 from line 12 . . . . .	-18,554,393	20,883,203
	Net Assets or Fund Balances		<b>Beginning of Current Year</b>
<b>20</b> Total assets (Part X, line 16) . . . . .		571,441,385	420,450,379
<b>21</b> Total liabilities (Part X, line 26) . . . . .		374,877,003	370,823,705
<b>22</b> Net assets or fund balances Subtract line 21 from line 20 . . . . .		196,564,382	49,626,674

<b>Part II Signature Block</b>				
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.				
<b>Sign Here</b>	 _____			2012-11-14
	 J MICHAEL BURRIS CFO Type or print name and title			Date
<b>Paid Preparer's Use Only</b>	Preparer's signature 		Date	Check if self-employed <input checked="checked" type="checkbox"/>
	Firm's name (or yours if self-employed), address, and ZIP + 4 			Preparer's taxpayer identification number (see instructions)
				EIN 
				Phone 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

OUR MISSION IS TO IMPROVE HEALTH AND PROMOTE WELLBEING AND TO BE AN INNOVATIVE, COMMUNITY-ORIENTED HEALTH CARE PROVIDER COMMITTED TO OFFERING ACCESSIBLE, PERSONALIZED, AND HIGH-QUALITY SERVICES IN A COST-EFFECTIVE MANNER WE WILL WORK IN PARTNERSHIP WITH THE LOCAL MEDICAL COMMUNITY AND OTHER LOCAL AND REGIONAL HEALTH CARE RESOURCES TO ENSURE THAT NECESSARY HEALTH SERVICES ARE AVAILABLE TO ALL, REGARDLESS OF THEIR FINANCIAL STATUS WITH OUT PARTNERS, WE WILL SEEK TO ENHANCE THE HEALTH STATUS OF THE COMMUNITY WE SERVE BY OFFERING AN APPROPRIATE RANGE OF SERVICES, INCLUDING SELECTED AREAS OF EXCELLENCE WORKING WITH OUR LOCAL PHYSICIAN PARTNERS, WE WILL ACTIVELY PARTICIPATE IN THE FORMATION OF A LOCALLY CONTROLLED, INTEGRATED DELIVERY SYSTEM IN OUR EFFORTS, WE WILL BE GUIDED BY THE SHARED VALUES, BELIEFS AND NEEDS OF OUR LOCAL COMMUNITY

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 organization's program service accomplishments for each of its three largest program services, as measured 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 \$ 328,389,075 including grants of \$ 1,295,879 ) (Revenue \$ 357,665,123 )

HOSPITAL SERVICES THE HOSPITAL PROVIDES HIGH-QUALITY HEALTH CARE TO THE COMMUNITY BY OFFERING THE LATEST TECHNOLOGY AND THE BEST TECHNICAL EXPERTISE THE HOSPITAL SERVES A SEVEN-COUNTY AREA WITH A POPULATION OF CLOSE TO 200,000 ADMITTING MORE THAN 16,300 INPATIENTS AND DELIVERING CLOSE TO 1,700 BABIES PER YEAR THE HOSPITAL IS LICENSED AS A 238-BED HOSPITAL AND PROVIDES AN APPROPRIATE ARRAY OF REGIONAL COMMUNITY HOSPITAL SERVICES INCLUDING ONCOLOGY, CARDIOLOGY INCLUDING CARDIAC SURGERY, BEHAVIORAL HEALTH, OBSTETRICS AND WOMEN'S SERVICES, OUTPATIENT AND INPATIENT SURGERY, SLEEP MEDICINE, EMERGENCY CARE, SENIOR SERVICES, HOME AND HOSPICE CARE, PHYSICIAN PRACTICES AND A VARIETY OF OTHER OUTPATIENT SERVICES AS WELL AS EDUCATION AND OUTREACH THE HOSPITAL IS HOME TO SCHOOLS OF RADIOLOGICAL TECHNOLOGY AND MEDICAL TECHNOLOGY ALONG WITH TRADITIONAL HEALTH SERVICES, THE HOSPITAL MAKES ITS RESOURCES AVAILABLE TO SUPPORT MANY COMMUNITY HEALTH INITIATIVES AND PROGRAMS IN 2011, THE HOSPITAL RECORDED 16,363 ADMISSIONS (INCLUDING NEWBORNS), 357,412 OUTPATIENT VISITS, 72,699 EMERGENCY DEPARTMENT VISITS, 191,985 REGISTERED OUTPATIENTS (LAB AND X-RAY), 7,440 CHEMOTHERAPY THERAPY VISITS, 6,963 RADIATION THERAPY TREATMENTS AND 18,576 SURGERY PATIENTS

4b

(Code ) (Expenses \$ 738,960 including grants of \$ ) (Revenue \$ )

FREE CLINIC PROVIDES VOLUNTEER OUTPATIENT HEALTHCARE SERVICES TO THE UNINSURED IN A MANNER THAT PROMOTES DIGNITY, WHOLENESS, AND COORDINATION OF SERVICES WITH PRIORITY GIVEN TO WORKING PEOPLE WHOSE INCOME IS UNDER 175% OF FEDERAL POVERTY LEVEL IN 2011, THE FREE CLINIC RECORDED APPROXIMATELY 20,000 PATIENT VISITS

4c

(Code ) (Expenses \$ 229,692 including grants of \$ ) (Revenue \$ )

HEALTHY FAMILIES OF BLUE RIDGE AND HAND-IN-HAND RESOURCES FOR MOTHERS HEALTHY FAMILIES OF BLUE RIDGE IS A HOME VISITATION PROGRAM TARGETING HIGH-RISK FIRST TIME FAMILIES WHO VOLUNTARILY AGREE TO PARTICIPATE IN ONGOING HOME VISITS UNTIL THE CHILD IS FIVE YEARS OLD HAND-IN-HAND IS A MENTORING PROGRAM FOR PREGNANT AND PARENTING TEENS AGE 19 AND YOUNGER THE PROGRAM FOCUSES ON HELPING TEENS KEEP MEDICAL APPOINTMENTS, REMAIN IN SCHOOL, DEVELOP PLANS FOR BABY'S CARE, DELAY REPEAT PREGNANCIES UNTIL ADULthood AND SOLVE THE DAILY CHALLENGES OF BEING A NEW PARENT

(Code ) (Expenses \$ 1,079,472 including grants of \$ ) (Revenue \$ )

COMMUNITY HEALTH EDUCATION AND AWARENESS PROGRAM INCLUDES STRONG FAMILIES/GREAT YOUTH, PEAS, AND SAFE KIDS AS A PARTNER IN THE STRONG FAMILIES/GREAT YOUTH COALITION, RMH WORKS WITH THE COALITION TO REDUCE RISK FACTORS AND INCREASE PROTECTIVE FACTORS IN YOUTH UNDER THE AGE OF 18 IN THE HARRISONBURG-ROCKINGHAM COMMUNITY AREAS OF FOCUS INCLUDE REDUCING SUBSTANCE ABUSE, UNINTENTIONAL INJURY, TEEN PREGNANCY, AND VIOLENCE, INCREASING SCHOOL ATTENDANCE, AND INCREASING ACCESS TO MENTAL HEALTH AND SUBSTANCE ABUSE TREATMENT IN YOUTH THROUGH THE PARENTING EDUCATION AND SUPPORT (PEAS) PROGRAM, RMH OFFERED A SERIES OF CLASSES TO ADULTS INCLUDING THE INCREDIBLE YEARS, ALL ABOUT BABY, AND STAYING CONNECTED WITH YOUR TEEN IN BOTH ENGLISH AND SPANISH EXPENSES \$ 124,362 INCLUDING GRANTS OF \$ 0 REVENUE \$ 0 HEALTHQUEST A FREE QUARTERLY HEALTH AND WELLNESS PUBLICATION THAT THE HOSPITAL PRODUCES TO HIGHLIGHT THE PRINCIPLES OF HEALTHY LIFESTYLE CHOICES, PREVENTATIVE CARE AND EARLY DETECTION AND SCREENING IT ALSO FEATURES MEMBERS OF THE HOSPITAL MEDICAL AND CLINICAL STAFF, AND SERVES TO MARKET OUR PROGRAMS AND SERVICES THE MAGAZINE IS MAILED PRIMARILY TO PEOPLE IN OUR LARGER SERVICE AREA AND IN 2011 THERE WERE MORE THAN 36,000 DISTRIBUTIONS EXPENSES \$ 223,154 INCLUDING GRANTS OF \$ 0 REVENUE \$ 0 CHILD CARE CONNECTION A RESOURCE AND REFERRAL CENTER FOR CHILDCARE PROVIDERS AND PARENTS THIS PROGRAM ENHANCES THE QUALITY OF CHILDCARE BY PROVIDING EDUCATION AND EDUCATIONAL MATERIALS, ALONG WITH TOYS AND GAMES RELATED TO SAFE, NURTURING CHILDCARE IT ALSO SUPPORTS INCREASING THE QUANTITY AND QUALITY OF PROVIDERS IN THE AREA BY OFFERING CONSULTATION AND EDUCATION ON STARTING A CHILDCARE BUSINESS CHILDCARE CONNECTION HAS CREATED A COORDINATED SYSTEM OF CHILDCARE WITH A CUSTOMIZABLE DATABASE OF CHILDCARE PROVIDERS THAT CAN BE ACCESSED BY PARENTS EXPENSES \$ 114,846 INCLUDING GRANTS OF \$ 0 REVENUE \$ 0 HEALTHSOURCE PHYSICIAN REFERRAL, HEALTH INFORMATION AND CLASS REGISTRATION ARE PROVIDED FREE TO THE PUBLIC, ALONG WITH ASSISTANCE FOR COMMUNITY AND CORPORATE HEALTHCARE EVENTS EXPENSES \$ 33,825 INCLUDING GRANTS OF \$ 0 REVENUE \$ 0 HEALTH SCREENINGS NUMEROUS FREE HEALTH SCREENINGS, SUCH AS SKIN CANCER, PROSTATE CANCER, CHOLESTEROL AND BLOOD GLUCOSE ARE OFFERED TO RESIDENTS AT LOCAL HEALTH FAIRS AND COMMUNITY EVENTS WITH WIDE-SPREAD PARTICIPATION EXPENSES \$ 16,129 INCLUDING GRANTS OF \$ 0 REVENUE \$ 0 FOUNDATION GRANTS THROUGH THE RMH FOUNDATION SUPPORT INITIATIVES THAT WILL HAVE A POSITIVE IMPACT ON THE OVERALL HEALTH OF OUR COMMUNITY EXPENSES \$ 62,944 INCLUDING GRANTS OF \$ 0 REVENUE \$ 0 HEALTH SCIENCE LIBRARY THE VIRGINIA FUNKHOUSER HEALTH SCIENCE LIBRARY IS A BIOMEDICAL REFERENCE SERVICE FOR HOSPITAL STAFF AND THE SURROUNDING COMMUNITY EXPENSES \$ 64,254 INCLUDING GRANTS OF \$ 0 REVENUE \$ 0 LIFE LINE LIFELINE IS AN EMERGENCY RESPONSE SYSTEM THAT ENABLES THOSE WITH SAFETY ISSUES TO REMAIN INDEPENDENT AND IN THEIR OWN HOMES FOR AS LONG AS POSSIBLE EXPENSES \$ 13,735 INCLUDING GRANTS OF \$ 0 REVENUE \$ 0 MISCELLANEOUS PROGRAM SERVICES IN ADDITION TO THE PROGRAM SERVICES HIGHLIGHTED ABOVE, THE HOSPITAL SUPPORTS VARIOUS OTHER PROGRAMS FOR THE BENEFIT OF THE COMMUNITY INCLUDING BUT NOT LIMITED TO GRIEF SUPPORT, FAMILY FAIR, WOMEN'S HEALTH EDUCATION, AND SENIOR ADVANTAGE EXPENSES \$ 426,223 INCLUDING GRANTS OF \$ 0 REVENUE \$ 0 TOTAL OTHER PROGRAM SERVICES, FORM 990, PAGE 2, LINE 4D

4d

Other program services (Describe in Schedule O )
























(Expenses \$ 1,079,472 including grants of \$ ) (Revenue \$ )

4e

Total program service expenses \$ 330,437,199

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)? <i>If "Yes," complete Schedule A.</i> 	1	Yes
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? 	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? <i>If "Yes," complete Schedule C, Part I.</i> 	3	No
4	<b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i> 	4	Yes
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i> 	5	No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</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? <i>If "Yes," complete Schedule D, Part II.</i> 	7	No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	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? <i>If "Yes," complete Schedule D, Part IV.</i> 	9	No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10	Yes
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	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? <i>If "Yes," complete Schedule D, Part VII.</i> 	11b	Yes
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i> 	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? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	No
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	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)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a	No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	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, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i> 	14b	Yes
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 ? <i>If "Yes," complete Schedule F, Part II and IV.</i> 	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 ? <i>If "Yes," complete Schedule F, Part III and IV.</i> 	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? <i>If "Yes," complete Schedule G, Part I.</i>	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? <i>If "Yes," complete Schedule G, Part II.</i> . . . . .	18	No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i> . . . . .	19	No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	20a	Yes
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> All Form 990 filers that operated one or more hospitals must attach audited financial statements . . . . . 	20b	Yes

Part IV

Checklist of Required Schedules (continued)

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

<b>Part V</b> <b>Statements Regarding Other IRS Filings and Tax Compliance</b>						
Check if Schedule O contains a response to any question in this Part V <input checked="" type="checkbox"/>						
		<b>Yes</b>	<b>No</b>			
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	<b>1a</b>	292			
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	<b>1b</b>	0			
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	<b>1c</b>	Yes			
<b>2a</b>	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	<b>2a</b>	2,728			
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?  <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	<b>2b</b>	Yes			
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?	<b>3a</b>				No
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	<b>3b</b>				
<b>4a</b>	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	<b>4a</b>	Yes			
<b>b</b>	If "Yes," enter the name of the foreign country: <b>CJ</b> See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.					
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	<b>5a</b>				No
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	<b>5b</b>				No
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	<b>5c</b>				
<b>6a</b>	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	<b>6a</b>				No
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	<b>6b</b>				
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>					
<b>a</b>	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	<b>7a</b>				No
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?	<b>7b</b>				
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	<b>7c</b>				No
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year.	<b>7d</b>				
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	<b>7e</b>				No
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	<b>7f</b>				No
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	<b>7g</b>				
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	<b>7h</b>				
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	<b>8</b>				
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>					
<b>a</b>	Did the organization make any taxable distributions under section 4966?	<b>9a</b>				
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?	<b>9b</b>				
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter					
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12.	<b>10a</b>				
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	<b>10b</b>				
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter					
<b>a</b>	Gross income from members or shareholders.	<b>11a</b>				
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	<b>11b</b>				
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	<b>12a</b>				
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	<b>12b</b>				
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>					
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	<b>13a</b>				
<b>b</b>	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	<b>13b</b>				
<b>c</b>	Enter the aggregate amount of reserves on hand.	<b>13c</b>				
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?	<b>14a</b>				No
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	<b>14b</b>				

Part VI

Governance, Management, and Disclosure

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1a	11		
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	Yes
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	Yes
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	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	Did the organization have local chapters, branches, or affiliates?	10a	No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete 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 the Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes
13	Did the organization have a written whistleblower policy?	13	Yes
14	Did 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," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take 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	VA
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request	
19	Describe in Schedule O whether (and if so, how), the organization made 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	
CORPORATE OFFICERS 2010 HEALTH CAMPUS DRIVE HARRISONBURG, VA 228018679 (540) 689-1245		

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

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

Form **990** (2011)



## Part VII

<b>1b</b>	<b>Sub-Total . . . . .</b>			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A . . . . .</b>			
<b>d</b>	<b>Total (add lines 1b and 1c) . . . . .</b>	6,446,968	6,453,429	3,187,180

**2** Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization: 156

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

(A) Name and business address	(B) Description of services	(C) Compensation
AMERISOURCE BERGEN - RICHMOND PO BOX 5188 NEW YORK, NY 100875188	PHARMACEUTICAL SVCS	20,462,479
HARRISONBURG MEDICAL ASSOCIATES 1871 EVELYN BYRD AVE HARRISONBURG, VA 22801	MEDICAL SERVICES	13,439,422
HARRISONBURG PHYSICIANS ANETHESIOLOGY 1840 EAST MARKET ST HARRISONBURG, VA 22801	MEDICAL SERVICES	8,873,556
SHENANDOAH SHARED HOSPITAL SERVICES 304 NEFF AVE HARRISONBURG, VA 22801	MEDICAL SERVICES	8,288,836
CARDINAL HEALTH MEDICAL PRODUCTS & SERVI PO BOX 905867 CHARLOTTE, NC 282905867	MEDICAL SERVICES	5,065,227

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ►184

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	780				
	c	Fundraising events . . . . .	1c					
	d	Related organizations . . . .	1d					
	e	Government grants (contributions)	1e	889,701				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	7,946,108				
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f . . . . .		8,836,589				
Program Service Revenue			Business Code					
	2a	NET PATIENT SRVC REV	621300	354,869,169	354,869,169			
	b	OTHER PROGRAM SERVICES	621300	2,795,954	2,795,954			
	c							
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f . . . . .		357,665,123				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . .		2,890,680			2,890,680	
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties . . . . .						
	6a	Gross rents	(i) Real	(ii) Personal				
			109,079					
			32,643					
			76,436					
	d	Net rental income or (loss) . . . . .		76,436			76,436	
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
			13,394,707	1,175,810				
			13,830,258	161,055				
			-435,551	1,014,755				
	d	Net gain or (loss) . . . . .		579,204			579,204	
	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	399,762				
	b	Less cost of goods sold . . . . .	b	252,154				
	c	Net income or (loss) from sales of inventory . .		147,608				147,608
	Miscellaneous Revenue		Business Code					
	11a	OTHER	900099	2,187,529				2,187,529
	b	EQUITY ALLOCATIONS	900099	2,060,917				2,060,917
	c	DIETARY SALES	722210	24,675				24,675
d	All other revenue . . . . .							
e	Total. Add lines 11a-11d . . . . .		4,273,121					
12	Total revenue. See Instructions . . . . .		374,468,761	357,665,123	0		7,967,049	

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)

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

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 United States See Part IV, line 21	1,217,084	1,217,084		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	78,795	78,795		
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees . . . . .	4,616,338		4,616,338	
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	127,891,644	119,093,978	8,574,130	223,536
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	8,158,255	7,597,049	545,777	15,429
9	Other employee benefits . . . . .	13,284,379	12,370,547	890,902	22,930
10	Payroll taxes . . . . .	8,563,258	7,974,191	574,385	14,682
11	Fees for services (non-employees)				
a	Management . . . . .				
b	Legal . . . . .	683,558	568,512	115,046	
c	Accounting . . . . .	215,854		215,854	
d	Lobbying . . . . .				
e	Professional fundraising See Part IV, line 17 . . . . .				
f	Investment management fees . . . . .	26,474		26,474	
g	Other . . . . .	53,022,257	50,781,895	2,240,362	
12	Advertising and promotion . . . . .	1,849,266	1,436,965	356,932	55,369
13	Office expenses . . . . .	5,583,531	3,724,028	1,769,014	90,489
14	Information technology . . . . .	4,334,442	3,709,579	621,239	3,624
15	Royalties . . . . .				
16	Occupancy . . . . .	5,458,298	5,456,897		1,401
17	Travel . . . . .	410,955	410,698	257	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
19	Conferences, conventions, and meetings . . . . .	800,012	677,116	114,847	8,049
20	Interest . . . . .	11,606,909	11,606,909		
21	Payments to affiliates . . . . .				
22	Depreciation, depletion, and amortization . . . . .	17,707,868	17,547,576	160,292	
23	Insurance . . . . .	4,706,928	4,431,794	275,134	
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	MEDICAL SUPPLIES	53,575,684	53,575,684		
b	BAD DEBT PROVISION	26,273,144	26,273,144		
c	PURCHASED & CONTRACTED	2,146,559	653,051	1,493,315	193
d	DUES, BOOKS & SUBSCRIPT	632,826	631,854		972
e					
f	All other expenses	741,240	619,853	120,860	527
25	Total functional expenses. Add lines 1 through 24f	353,585,558	330,437,199	22,711,158	437,201
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing . . . . .			61,370,294	1	70,359,781
	2	Savings and temporary cash investments . . . . .			23,360,811	2	
	3	Pledges and grants receivable, net . . . . .			3,293,228	3	2,126,632
	4	Accounts receivable, net . . . . .			40,457,298	4	41,951,342
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .			3,500,102	5	99,231
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L . . . . .				6	
	7	Notes and loans receivable, net . . . . .			4,136,934	7	5,699,308
	8	Inventories for sale or use . . . . .			5,181,378	8	5,381,819
	9	Prepaid expenses and deferred charges . . . . .			2,964,890	9	2,845,419
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D . . . . .	10a	141,978,332			
	b	Less: accumulated depreciation . . . . .	10b	7,596,335	366,608,189	10c	134,381,997
	11	Investments—publicly traded securities . . . . .			36,492,911	11	102,534,027
	12	Investments—other securities. See Part IV, line 11 . . . . .			15,048,046	12	34,711,284
	13	Investments—program-related. See Part IV, line 11 . . . . .			0	13	
	14	Intangible assets . . . . .				14	1,326,477
	15	Other assets. See Part IV, line 11 . . . . .			9,027,304	15	19,033,062
	16	<b>Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .			571,441,385	16	420,450,379
Liabilities	17	Accounts payable and accrued expenses . . . . .			37,442,881	17	25,085,416
	18	Grants payable . . . . .				18	
	19	Deferred revenue . . . . .			231,376	19	198,697
	20	Tax-exempt bond liabilities . . . . .			300,160,065	20	181,613,508
	21	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .				22	
	23	Secured mortgages and notes payable to unrelated third parties . . . . .				23	
	24	Unsecured notes and loans payable to unrelated third parties . . . . .				24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D . . . . .			37,042,681	25	163,926,084
	26	<b>Total liabilities.</b> Add lines 17 through 25 . . . . .			374,877,003	26	370,823,705
Net Assets or Fund Balances	<b>Organizations that follow SFAS 117, check here</b> <input checked="" type="checkbox"/> <b>and complete lines 27 through 29, and lines 33 and 34.</b>						
	27	Unrestricted net assets . . . . .			166,691,561	27	15,932,801
	28	Temporarily restricted net assets . . . . .			15,126,649	28	18,960,064
	29	Permanently restricted net assets . . . . .			14,746,172	29	14,733,809
	<b>Organizations that do not follow SFAS 117, check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>						
	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	<b>Total net assets or fund balances</b> . . . . .			196,564,382	33	49,626,674
	34	<b>Total liabilities and net assets/fund balances</b> . . . . .			571,441,385	34	420,450,379

**Part XI Reconciliation of Net Assets**

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

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12) . . . . .	<b>1</b>	374,468,761
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25) . . . . .	<b>2</b>	353,585,558
<b>3</b>	Revenue less expenses Subtract line 2 from line 1 . . . . .	<b>3</b>	20,883,203
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	<b>4</b>	196,564,382
<b>5</b>	Other changes in net assets or fund balances (explain in Schedule O) . . . . .	<b>5</b>	-167,820,911
<b>6</b>	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B)) . . . . .	<b>6</b>	49,626,674

**Part XII Financial Statements and Reporting**

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

		Yes	No
<b>1</b>	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
<b>2a</b>	Were the organization's financial statements compiled or reviewed by an independent accountant? . . . . .		No
<b>b</b>	Were the organization's financial statements audited by an independent accountant? . . . . .	Yes	
<b>c</b>	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O . . . . .	Yes	
<b>d</b>	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separated basis		
<b>3a</b>	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? . . . . .	Yes	
<b>b</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 . . . . .	Yes	

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

2011

Open to Public  
Inspection

Name of the organization ROCKINGHAM MEMORIAL HOSPITAL	Employer identification number  54-0506331
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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 **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 Se**section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 <b>Total.</b> 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 <b>Public Support.</b> Subtract line 5 from line 4						

Section B. Total Support							
Calendar year (or fiscal year beginning in)		(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 (Explain in Part IV ) Do not include gain or loss from the sale of capital assets						
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 2011 (line 6 column (f) divided by line 11 column (f))	14	
15	Public Support Percentage for 2010 Schedule A, Part II, line 14	15	
16a	<b>33 1/3% support test—2011.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization 		
b	<b>33 1/3% support test—2010.</b> 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 <b>stop here.</b> The organization qualifies as a publicly supported organization 		
17a	<b>10%-facts-and-circumstances test—2011.</b> 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 <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization 		
b	<b>10%-facts-and-circumstances test—2010.</b> 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 <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization 		
18	<b>Private Foundation</b> If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions 		

Part IIIPart III

Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 501(c)(3) organization, check this box and stop here						

Section C. Computation of Public Support Percentage		
15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2011. 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—2010. 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 explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

Additional Data

Software ID:  
Software Version:  
EIN: 54-0506331  
Name: ROCKINGHAM MEMORIAL HOSPITAL

Form 990, Special Condition Description:

Special Condition Description
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Form 990, Part III - 4 Program Service Accomplishments (See the Instructions)

4d. Other program services			
(Code	) (Expenses \$	1,079,472	including grants of \$ (Revenue \$ )
COMMUNITY HEALTH EDUCATION AND AWARENESS PROGRAM INCLUDES STRONG FAMILIES/GREAT YOUTH, PEAS, AND SAFE KIDS AS A PARTNER IN THE STRONG FAMILIES/GREAT YOUTH COALITION, RMH WORKS WITH THE COALITION TO REDUCE RISK FACTORS AND INCREASE PROTECTIVE FACTORS IN YOUTH UNDER THE AGE OF 18 IN THE HARRISONBURG-ROCKINGHAM COMMUNITY AREAS OF FOCUS INCLUDE REDUCING SUBSTANCE ABUSE, UNINTENTIONAL INJURY, TEEN PREGNANCY, AND VIOLENCE, INCREASING SCHOOL ATTENDANCE, AND INCREASING ACCESS TO MENTAL HEALTH AND SUBSTANCE ABUSE TREATMENT IN YOUTH THROUGH THE PARENTING EDUCATION AND SUPPORT (PEAS) PROGRAM, RMH OFFERED A SERIES OF CLASSES TO ADULTS INCLUDING THE INCREDIBLE YEARS, ALL ABOUT BABY, AND STAYING CONNECTED WITH YOUR TEEN IN BOTH ENGLISH AND SPANISH EXPENSES \$ 124,362 INCLUDING GRANTS OF \$ 0 REVENUE \$ 0 HEALTHQUEST A FREE QUARTERLY HEALTH AND WELLNESS PUBLICATION THAT THE HOSPITAL PRODUCES TO HIGHLIGHT THE PRINCIPLES OF HEALTHY LIFESTYLE CHOICES, PREVENTATIVE CARE AND EARLY DETECTION AND SCREENING IT ALSO FEATURES MEMBERS OF THE HOSPITAL MEDICAL AND CLINICAL STAFF, AND SERVES TO MARKET OUR PROGRAMS AND SERVICES THE MAGAZINE IS MAILED PRIMARILY TO PEOPLE IN OUR LARGER SERVICE AREA AND IN 2011 THERE WERE MORE THAN 36,000 DISTRIBUTIONS EXPENSES \$ 223,154 INCLUDING GRANTS OF \$ 0 REVENUE \$ 0 CHILD CARE CONNECTION A RESOURCE AND REFERRAL CENTER FOR CHILDCARE PROVIDERS AND PARENTS THIS PROGRAM ENHANCES THE QUALITY OF CHILDCARE BY PROVIDING EDUCATION AND EDUCATIONAL MATERIALS, ALONG WITH TOYS AND GAMES RELATED TO SAFE, NURTURING CHILDCARE IT ALSO SUPPORTS INCREASING THE QUANTITY AND QUALITY OF PROVIDERS IN THE AREA BY OFFERING CONSULTATION AND EDUCATION ON STARTING A CHILDCARE BUSINESS CHILDCARE CONNECTION HAS CREATED A COORDINATED SYSTEM OF CHILDCARE WITH A CUSTOMIZABLE DATABASE OF CHILDCARE PROVIDERS THAT CAN BE ACCESSED BY PARENTS EXPENSES \$ 114,846 INCLUDING GRANTS OF \$ 0 REVENUE \$ 0 HEALTHSOURCE PHYSICIAN REFERRAL, HEALTH INFORMATION AND CLASS REGISTRATION ARE PROVIDED FREE TO THE PUBLIC, ALONG WITH ASSISTANCE FOR COMMUNITY AND CORPORATE HEALTHCARE EVENTS EXPENSES \$ 33,825 INCLUDING GRANTS OF \$ 0 REVENUE \$ 0 HEALTH SCREENINGS NUMEROUS FREE HEALTH SCREENINGS, SUCH AS SKIN CANCER, PROSTATE CANCER, CHOLESTEROL AND BLOOD GLUCOSE ARE OFFERED TO RESIDENTS AT LOCAL HEALTH FAIRS AND COMMUNITY EVENTS WITH WIDE-SPREAD PARTICIPATION EXPENSES \$ 16,129 INCLUDING GRANTS OF \$ 0 REVENUE \$ 0 FOUNDATION GRANTS THROUGH THE RMH FOUNDATION SUPPORT INITIATIVES THAT WILL HAVE A POSITIVE IMPACT ON THE OVERALL HEALTH OF OUR COMMUNITY EXPENSES \$ 62,944 INCLUDING GRANTS OF \$ 0 REVENUE \$ 0 HEALTH SCIENCE LIBRARY THE VIRGINIA FUNKHOUSER HEALTH SCIENCE LIBRARY IS A BIOMEDICAL REFERENCE SERVICE FOR HOSPITAL STAFF AND THE SURROUNDING COMMUNITY EXPENSES \$ 64,254 INCLUDING GRANTS OF \$ 0 REVENUE \$ 0 LIFE LINE LIFELINE IS AN EMERGENCY RESPONSE SYSTEM THAT ENABLES THOSE WITH SAFETY ISSUES TO REMAIN INDEPENDENT AND IN THEIR OWN HOMES FOR AS LONG AS POSSIBLE EXPENSES \$ 13,735 INCLUDING GRANTS OF \$ 0 REVENUE \$ 0 MISCELLANEOUS PROGRAM SERVICES IN ADDITION TO THE PROGRAM SERVICES HIGHLIGHTED ABOVE, THE HOSPITAL SUPPORTS VARIOUS OTHER PROGRAMS FOR THE BENEFIT OF THE COMMUNITY INCLUDING BUT NOT LIMITED TO GRIEF SUPPORT, FAMILY FAIR, WOMEN'S HEALTH EDUCATION, AND SENIOR ADVANTAGE EXPENSES \$ 426,223 INCLUDING GRANTS OF \$ 0 REVENUE \$ 0 TOTAL OTHER PROGRAM SERVICES, FORM 990, PAGE 2, LINE 4D			

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
ANN E C HOMAN CHAIR (AS OF 5/2011)/DIRECTOR	2 00	X		X				0	0	0
HOWARD P KERN DIRECTOR/VICE CHAIR (AS OF 5/2011)	2 00	X		X				0	1,612,156	910,858
JAMES R MESSNER DIRECTOR/SECRETARY	2 00	X		X				0	0	0
BARBARA B STOLTZFUS DIRECTOR/CHAIR (THRU 4/2011)	2 00	X		X				0	0	0
W CARLTON BANKS DIRECTOR	2 00	X						0	0	0
A JERRY BENSON DIRECTOR (THRU 4/2011)	2 00	X						0	0	0
DAVID L BERND DIRECTOR (AS OF 5/2011)	2 00	X						0	3,838,264	743,146
LAWRENCE D BOWERS JR DIRECTOR (THRU 4/2011)	2 00	X						0	0	0
MENSEL D DEAN JR VICE CHAIR (THRU 4/2011)/DIRECTOR	2 00	X		X				0	0	0
DOUGLAS G DRIVER DIRECTOR (THRU 4/2011)	2 00	X						0	0	0
JOSEPH K FUNKHOUSER II DIRECTOR	2 00	X						0	0	0
C WAYNE GATES MD DIRECTOR (THRU 4/2011)	2 00	X						0	0	0
ALDEN L HOSTETTER DIRECTOR	2 00	X						0	0	0
ELMER E KENNEL DIRECTOR	2 00	X						0	0	0
KENNETH M KRAKAUR DIRECTOR (AS OF 5/2011)	2 00	X						0	1,003,009	184,819
ALLON H LEFEVER DIRECTOR	2 00	X						0	0	0
W NEAL MENELEE DIRECTOR (THRU 4/2011)	2 00	X						0	0	0
GEORGE W PACE DIRECTOR (THRU 4/2011)	2 00	X						0	0	0
STEWART G POLLOCK MD DIRECTOR (THRU 4/2011)	2 00	X						0	0	0
MICHAEL R KING TREASURER/SR VP, FINANCE/CFO	40 00			X				336,324	0	80,969
JAMES D KRAUSS ASST TREAS (THRU 4/2011)/PRESIDENT	40 00			X				633,239	0	121,323
DALE A CARROLL SR VP, CLINICAL EFFECT /CMO	40 00				X			438,843	0	138,738
DONNA HAHN VP, ACUTE CARE/CNE	40 00				X			216,425	0	69,831
KATHERINE HARRISON VP, BUSINESS DEVELOPMENT	40 00				X			185,200	0	77,903
RICHARD L HAUSHALTER SR VP, OPERATIONS/COO	40 00				X			390,301	0	123,361

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
JOHN MCGOWAN RMH MEDICAL GROUP CEO	40 00				X			319,133	0	39,504
P RICHARD PIERCE VP, AMBULATORY CARE	40 00				X			248,120	0	178,018
MICHAEL ROZMUS VP, INFORMATION SERVICES/CIO	40 00				X			231,994	0	94,193
MERV WEBB VP, FOUNDATION	40 00				X			201,746	0	137,694
MARK ZIMMERMAN VP, HUMAN RESOURCES	40 00				X			245,048	0	108,431
WILLIAM LENNEN MD DIERCTOR - PULMONARY SERVICES	40 00					X		768,602	0	30,476
STEVEN MARRA MD CARDIOTHORACIC SURGEON	40 00					X		694,743	0	42,088
OLUMIDE DANISA MD ORTHOPAEDIC SURGEON	40 00					X		531,692	0	28,177
THOMAS WEBER MD FAMILY PRACTITIONER	40 00					X		512,310	0	35,792
HEIDI GORSUCH-RAFFERTY MD BREAST SURGEON	40 00					X		493,248	0	41,859

SCHEDULE C  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ Complete if the organization is described below.

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization ROCKINGHAM MEMORIAL HOSPITAL	Employer identification number 54-0506331
--	--

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

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

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

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

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

Part II-A

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

- A
- Check
- ☐
- if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check
- ☐
- if the filing organization checked box A and "limited control" provisions apply

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?			
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?			
c	Media advertisements?			
d	Mailings to members, legislators, or the public?			
e	Publications, or published or broadcast statements?			
f	Grants to other organizations for lobbying purposes?			
g	Direct contact with legislators, their staffs, government officials, or a legislative body?			
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?			
i	Other activities? If "Yes," describe in Part IV	Yes		16,176
j	Total lines 1c through 1i			16,176
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

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

Identifier	Return Reference	Explanation
EXPLANATION OF OTHER LOBBYING ACTIVITIES	PART II-B, LINE 1I	THE HOSPITAL IS INVOLVED IN INDIRECT LOBBYING ACTIVITIES THROUGH PAYMENT OF MEMBERSHIP DUES TO THE FOLLOWING ORGANIZATIONS: VIRGINIA HOSPITAL & HEALTHCARE ASSOCIATION, AMERICAN HOSPITAL ASSOCIATION, AND NATIONAL HOSPICE AND PALLIATIVE CARE ORGANIZATION.

SCHEDULE D  
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2011

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b  
▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization ROCKINGHAM MEMORIAL HOSPITAL	Employer identification number 54-0506331
--	--

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?	
	<input type="checkbox"/> Yes <input type="checkbox"/> 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	
	<input type="checkbox"/> Yes <input type="checkbox"/> 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)  
☐ Protection of natural habitat  
☐ Preservation of open space  
☐ Preservation of an historically importantly land area  
☐ Preservation of a certified historic structure

2

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

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

3

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

4

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

5

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

☐ 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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a Beginning of year balance . . . . .	29,171,837	31,098,549	29,446,900	36,688,003	
b Contributions . . . . .	7,634,593	1,334,949	1,310,621	2,014,074	
c Investment earnings or losses . . . . .	119,000	2,080,749	3,427,364	-6,513,327	
d Grants or scholarships . . . . .				11,000	
e Other expenditures for facilities and programs . . . . .	3,231,557	5,342,410	3,086,336	2,730,850	
f Administrative expenses . . . . .					
g End of year balance . . . . .	33,693,873	29,171,837	31,098,549	29,446,900	

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶ 43 730 %

c

Term endowment ▶ 56 270 %

3a

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

(i)

unrelated organizations . . . . .

(ii)

related organizations . . . . .

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

	Yes	No
3a(i)		No
3a(ii)		No
3b		

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .		11,780,878		11,780,878
b Buildings . . . . .		38,283,997	561,843	37,722,154
c Leasehold improvements . . . . .				
d Equipment . . . . .		84,367,008	6,813,349	77,553,659
e Other . . . . .		7,546,449	221,143	7,325,306
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . . ▶				134,381,997



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

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

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

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

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

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

**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
------------	------------------	-------------

Additional Data

Software ID:

Software Version:

EIN: 54-0506331

Name: ROCKINGHAM MEMORIAL HOSPITAL

Form 990, Schedule D, Part VII - Investments— Other Securities

(a) Description of security or cateory (including name of security)	(b)Book value	(c) Method of valuation Cost or end-of-year market value
AIG PRIVATE EQUITY PORTFOLIO	1,440,500	F
AUSTIN CAPITAL SAFE HARBOR	557,549	F
CMS ENTREPRENEURIAL REAL ESTATE FUND IV	145,099	F
K2 HIGHLAND OVERSEAS FUND	12,547,783	F
OCM PRINCIPLE OPPORTUNITIES FUND III	1,952,678	F
SILVER CREEK LOW VOLATILITY STRATEGIES	3,801,954	F
UBS TRUMBULL PROPERTY INCOME FUND	6,637,670	F
WELLINGTON CTF MID CAP GROWTH PORTFOLIO	7,628,051	F



**1**

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter . . . . . ► \_\_\_\_\_

3 Enter total number of other organizations or entities . . . . . ► \_\_\_\_\_

**Part III** **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 16.  
Use Part V if additional space is needed.

[illegible]

**Part IV Foreign Forms**

- 1

Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926 (see instructions for Form 926)*

☒ Yes ☐ No
- 2

Did the organization have an interest in a foreign trust during the tax year? *If " Yes," the organization may be required to file Form 3520 and/or Form 3520-A. (see instructions for Forms 3520 and 3520-A)*

☐ Yes ☒ No
- 3

Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with respect to Certain Foreign Corporations. (see instructions for Form 5471)*

☒ Yes ☐ No
- 4

Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see instructions for Form 8621)*

☐ Yes ☒ No
- 5

Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with respect to Certain Foreign Partnerships. (see instructions for Form 8865)*

☒ Yes ☐ No
- 6

Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see instructions for Form 5713).*

☐ Yes ☒ No



## Part V

Complete this part to provide the information (see instructions) required in Part I, line 2, and any additional information.

[illegible]

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

2011

Open to Public Inspection

**Name of the organization**  
ROCKINGHAM MEMORIAL HOSPITAL

**Employer identification number**  
54-0506331

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a . . . . .	1a	Yes	
b	If "Yes," is it a written policy? . . . . .	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <div><input type="checkbox"/> Applied uniformly to all hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div> <div><input type="checkbox"/> Generally tailored to individual hospitals</div>			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100%</div> <div><input type="checkbox"/> 150%</div> <div><input type="checkbox"/> 200%</div> <div><input type="checkbox"/> Other _____%</div>	3a		No
b	Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . . <div><input type="checkbox"/> 200%</div> <div><input type="checkbox"/> 250%</div> <div><input type="checkbox"/> 300%</div> <div><input type="checkbox"/> 350%</div> <div><input type="checkbox"/> 400%</div> <div><input type="checkbox"/> Other _____%</div>	3b		No
c	If the organization did 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 policy provide 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 charity care expenses exceed the budgeted amount? . . . . .	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .	5c		
6a	Did 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		No
	Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H			

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care 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 Charity care at cost (from Worksheet 1) . . . . .			10,346,151		10,346,151	3 160 %
b Medicaid (from Worksheet 3, column a) . . . . .			20,327,493	15,390,745	4,936,748	1 510 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .						
d <b>Total</b> Charity Care and Means-Tested Government Programs . . . . .			30,673,644	15,390,745	15,282,899	4 670 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .			596,772		596,772	0 180 %
f Health professions education (from Worksheet 5) . . . . .			1,625,179	628,964	996,215	0 300 %
g Subsidized health services (from Worksheet 6) . . . . .			96,278,243	76,901,316	19,376,927	5 920 %
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .			2,511,384		2,511,384	0 770 %
j <b>Total</b> Other Benefits . . . . .			101,011,578	77,530,280	23,481,298	7 170 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			131,685,222	92,921,025	38,764,197	11 840 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support			5,570		5,570	0 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building			7,484		7,484	0 %
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total			13,054		13,054	

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1Yes	
2	Enter the amount of the organization's bad debt expense	226,273,144	
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	30	
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)	587,719,671	
6	Enter Medicare allowable costs of care relating to payments on line 5	6103,221,508	
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7-15,501,837	
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other		

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9aYes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	9bYes	

Part IVManagement Companies and Joint Ventures (see instructions)

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

## Section A. Hospital Facilities

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

## Name and address

**Schedule H (Form 990) 2011**

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

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

ROCKINGHAM MEMORIAL HOSPITAL

Name of Hospital Facility:

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 . . . . . If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? . . . . . If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care ____% If "No," explain in Part VI the criteria the hospital facility used	9	No

Part V

Facility Information (continued)

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

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment? . . . . .	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input checked="" type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . . If "Yes," explain in Part VI	20	No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? . . . . . If "Yes," explain in Part VI	21	No

Part V

Facility Information (continued)

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 16

Name and address		Type of Facility (Describe)
1	See Additional Data Table	
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 descriptions 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, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health 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 AND PART V, SECTION B LINES 9&10 UNDER THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY, UNINSURED INDIVIDUALS RECEIVING EMERGENCY OR OTHER MEDICALLY NECESSARY CARE ARE CHARGED NO MORE THAN AMOUNTS GENERALLY BILLED TO INDIVIDUALS WHO HAVE INSURANCE COVERING SUCH CARE IN ADDITION, AN INDIVIDUAL WHOSE INCOME IS AT OR BELOW 400% OF THE FPG MAY BE ELIGIBLE FOR ADDITIONAL FINANCIAL ASSISTANCE WHEN AN INDIVIDUAL SUBMITS A FINANCIAL ASSISTANCE APPLICATION, THE ORGANIZATION USES A MULTI-FACETED REVIEW OF AN APPLICANT'S SITUATION TO DETERMINE BOTH ELIGIBILITY FOR FREE OR ADDITIONAL DISCOUNTED CARE, AND THE LEVEL OF DISCOUNT PROVIDED AMONG THE FACTORS TAKEN INTO CONSIDERATION ARE WHETHER THE INDIVIDUAL HAS HEALTH INSURANCE COVERAGE, THE AMOUNT OF ASSETS AVAILABLE TO CONTRIBUTE TOWARDS THE COST OF CARE, THE AMOUNT OF INCOME AVAILABLE TO CONTRIBUTE TOWARDS THE COST OF CARE, EITHER THE INDIVIDUAL HAD THE ABILITY TO PURCHASE HEALTH INSURANCE THROUGH AN EMPLOYER AND DECLINED TO DO SO OR HAD ELIGIBILITY THROUGH A GOVERNMENT PROGRAM AND FAILED TO APPLY, FAMILY SIZE, AND WHETHER THE INDIVIDUAL HAS A HEALTH CONDITION THAT IS REASONABLY EXPECTED TO RESULT IN THEM BECOMING A RECURRING PATIENT WHO WILL CONTINUE TO ACCUMULATE HEALTH CARE EXPENSES THE PROGRAM PROVIDES A SLIDING SCALE AMOUNT BASED ON THE ABOVE FACTORS, WHICH IS CAPPED BY A "MAXIMUM OUT OF POCKET" LIMIT THAT ALSO FOLLOWS A SLIDING SCALE THE OUT-OF-POCKET MINIMUM COST FOR ALL FAP-ELIGIBLE INDIVIDUALS IS \$ 25

Identifier	ReturnReference	Explanation
		PART I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$ 26273144

Identifier	ReturnReference	Explanation
	PART I, LINE 7	A COST-TO-CHARGE RATIO , CALCULATED USING WORKSHEET 2, WAS USED TO CALCULATE COSTS REPORTED IN LINES 7A AND 7B FOR LINE 7G, A DEPARTMENT COST-TO-CHARGE RATIO WAS CALCULATED FOR EACH SUBSIDIZED HEALTH SERVICE

Identifier	ReturnReference	Explanation
	PART I, LINE 7G	\$14,569,536 OF THE AMOUNT REPORTED IN COLUMN (E) IS ATTRIBUTABLE TO PHYSICIAN CLINICS

Identifier	ReturnReference	Explanation
	PART II COMMUNITY BUILDING ACTIVITIES	--COMMUNITY SUPPORT RMH LEADERS SERVE ON VARIOUS COMMUNITY BOARDS BECAUSE OF THEIR ROLES AT RMH, INCLUDING THE HARRISONBURG COMMUNITY HEALTH CENTER, THE HARRISONBURG-ROCKINGHAM FREE CLINIC, THE COLLINS CENTER, THE MARCH OF DIMES, THE CENTER FOR MARRIAGE AND FAMILY COUNSELING, AND GENERATIONS CROSSING -- COALITION BUILDING RMH STAFF PARTICIPATE ON VARIOUS LOCAL COALITIONS (INCLUDING STRONG FAMILIES GREAT YOUTH COALITION, WOMEN'S AND GIRL'S HEALTH COALITION, HEALTHY COMMUNITY COUNCIL STEERING COMMITTEE, SMART BEGINNINGS HARRISONBURG-ROCKINGHAM, SMART BEGINNINGS STAUNTON-AUGUSTA-WAYNESBORO, AND SEASONS PLUS) AS PART OF THEIR ROLES AT RMH

Identifier	ReturnReference	Explanation
		PART III, LINE 4 ACCOUNTS RECEIVABLE ARE REPORTED AT NET REALIZABLE VALUE BALANCES NOT PAID WITHIN 30 DAYS ARE CONSIDERED PAST DUE BALANCES ARE CONSIDERED DELINQUENT WHEN THEY ARE OUTSTANDING FOR 120 DAYS WITH NO ACTIVITY AT WHICH TIME THE BALANCES ARE TRANSFERRED TO A COLLECTION AGENCY AND THE BALANCE IS MOVED TO THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS BALANCES ARE WRITTEN OFF AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN MADE THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS IS BASED ON HISTORICAL BAD DEBT EXPERIENCE AND MANAGERMENTS' EVALUATION OF THE COMPONENTS OF ACCOUNTS RECEIVABLE

Identifier	ReturnReference	Explanation
		PART III, LINE 8 INTERNAL COST ACCOUNTING CALCULATIONS WERE USED TO DETERMINE THE MEDICARE ALLOWABLE COSTS

Identifier	ReturnReference	Explanation
		PART III, LINE 9B PATIENTS WHO ARE KNOWN TO QUALIFY FOR FINANCIAL ASSISTANCE WILL HAVE THEIR BALANCES DISCOUNTED BY THE APPLICABLE RATE AND ANY REMAINING BALANCES WILL BE BILLED TO THEM THE COLLECTION PRACTICES OF STATEMENTS, LETTERS, PHONE CALLS, REFERRAL TO THIRD PARTY COLLECTION AGENCIES, ETC ARE THE SAME FOR ALL PATIENTS WITH A BALANCE DUE IF DURING A CALL THE PATIENT ASKS FOR FINANCIAL ASSISTANCE, AN APPLICATION IS MAILED TO THEM THE ORGANIZATION DID NOT IMPOSE COLLECTION ACTIONS FOR ANY PATIENT WITHOUT FIRST MAKING REASONABLE EFFORTS TO DETERMINE WHETHER THAT PATIENT WAS ELIGIBLE FOR FINANCIAL ASSISTANCE



Identifier	ReturnReference	Explanation
ROCKINGHAM MEMORIAL HOSPITAL		PART V, SECTION B, LINE 9 SEE EXPLANATION FOR PART I, LINE 3C

Identifier	ReturnReference	Explanation
ROCKINGHAM MEMORIAL HOSPITAL		PART V, SECTION B, LINE 10 SEE EXPLANATION FOR PART I, LINE 3C

Identifier	ReturnReference	Explanation
ROCKINGHAM MEMORIAL HOSPITAL		PART V, SECTION B, LINE 13G NOTICES OF THE AVAILABILITY OF FINANCIAL ASSISTANCE AND THE CONTACT INFORMATION FOR MORE INFORMATION OR TO APPLY IS POSTED ON THE HOSPITAL'S WEB SITE, POSTED IN ALL WAITING ROOMS AND REGISTRATION AREAS, AND ON ALL PATIENT BILLING STATEMENTS

Identifier	ReturnReference	Explanation
	PART VI, LINE 2	THE HEALTH OF THE RESIDENTS OF HARRISONBURG AND ROCKINGHAM COUNTY IS ASSESSED EVERY FIVE YEARS FOR ADULTS AND SENIORS AND EVERY TWO YEARS FOR YOUTH. THESE ASSESSMENTS ARE COMPLETED BY THE HEALTHY COMMUNITY COUNCIL, A PARTNERSHIP INCLUDING RMH AS WELL AS REPRESENTATIVES FROM GOVERNMENT, SCHOOLS, BUSINESS, HIGHER EDUCATION, HEALTH AND HUMAN SERVICES, FAITH COMMUNITY, LAW ENFORCEMENT, AND MEDIA.

Identifier	ReturnReference	Explanation
	PART VI, LINE 3	THE HOSPITAL HAS POSTED INFORMATION ABOUT FINANCIAL ASSISTANCE AND HOW TO APPLY IN EACH REGISTRATION AND EATING AREA BILLING STATEMENTS AND THE WEBSITE HAVE INSTRUCTIONS AND PHONE NUMBERS LISTED FOR ALL PATIENTS WHO MAY BE HAVING DIFFICULTY PAYING BILLS SELF PAY PATIENTS ARE SCREENED IN PERSON TO DETERMINE IF THEY QUALIFY FOR FEDERAL OR STATE PROGRAMS THAT MAY OFFER INSURANCE PATIENTS ARE ALSO SCREENED FOR AND GIVEN THE OPPORTUNITY TO APPLY FOR RMH FINANCIAL ASSISTANCE THE HOSPITAL USES AN OUTSIDE VENDOR THAT SCREENS ALL PATIENTS WITHOUT INSURANCE FOR ELIGIBILITY FOR GOVERNMENT PROGRAMS, AND A FINANCIAL COUNSELOR WHO SCREENS THOSE THAT ARE NOT ELIGIBLE FOR GOVERNMENT PROGRAMS TO DETERMINE WHETHER THEY MEET CRITERIA FOR CHARITY CARE

Identifier	ReturnReference	Explanation
	PART VI, LINE 4	THE HARRISONBURG-ROCKINGHAM COUNTY AREA COVERS 871 SQUARE MILES OF LAND AND IS HOME TO ABOUT 111,000 PEOPLE THE MEDIAN AGE IS 32 YEARS WITH 22 PERCENT OF THE POPULATION FALLING UNDER THE AGE OF 18 AND 12 PERCENT OVER AGE 65 RMH IS A SOLE COMMUNITY HOSPITAL IN THE HARRISONBURG - ROCKINGHAM COUNTY AREA THE AREA IS CONSIDERED RURAL COMMUNITIES

Identifier	ReturnReference	Explanation
	PART VI, LINE 5	THE ORGANIZATION HAS A COMMUNITY-BASED BOARD COMPRISED OF A MAJORITY OF MEMBERS WHO ARE NEITHER EMPLOYEES, CONTRACTORS, NOR FAMILY MEMBERS THEREOF GENERALLY, MEDICAL STAFF MEMBERSHIP IS OPEN TO ALL CARE PROVIDERS WHO MAY QUALIFY THE ORGANIZATION'S SURPLUS FUNDS ARE USED FOR IMPROVEMENTS IN PATIENT CARE, PROVISION OF SERVICES TO THE UNINSURED AND UNDERINSURED, MEDICAL EDUCATION, AND COMMUNITY PROGRAMS

Identifier	ReturnReference	Explanation
	PART VI, LINE 6	IN A MOVE TO INCREASE ITS ABILITY TO PROVIDE HIGH QUALITY, COMPREHENSIVE HEALTH CARE SERVICES TO PATIENTS, THE ORGANIZATION AFFILIATED WITH THE SENTARA HEALTHCARE SYSTEM ("SENTARA") EFFECTIVE MAY 1, 2011 SENTARA, A NOT-FOR-PROFIT HEALTH SYSTEM, OPERATES MORE THAN 100 SITES OF CARE SERVING RESIDENTS ACROSS VIRGINIA AND NORTHEASTERN NORTH CAROLINA THE SYSTEM IS COMPRISED OF 10 ACUTE CARE HOSPITALS, INCLUDING SEVEN IN HAMPTON ROADS, ONE IN NORTHERN VIRGINIA AND TWO IN THE BLUE RIDGE REGION, ADVANCED IMAGING CENTERS, NURSING AND ASSISTED-LIVING CENTERS, OUTPATIENT CAMPUSES, TWO HOME HEALTH AND HOSPICE AGENCIES, A 3,680-PROVIDER MEDICAL STAFF, AND THREE MEDICAL GROUPS WITH 618 PROVIDERS THE ORGANIZATION, ALONG WITH ITS SUBSIDIARIES, HAS JOINED WITH SENTARA IN ORDER TO ENHANCE ITS ABILITY TO ACHIEVE BEST PRACTICES IN HEALTHCARE DELIVERY, ACQUIRE CUTTING EDGE TECHNOLOGY AND INTEGRATED INFORMATION SYSTEMS, AND PROVIDE A HIGHER LEVEL OF MEDICAL CARE TO VIRGINIA'S BLUE RIDGE REGION COMMUNITY COMBINED, THESE ATTRIBUTES BETTER POSITION THE ORGANIZATION TO ADDRESS HEALTH CARE REFORM AND OTHER PROFOUND CHANGES AFFECTING THE HEALTHCARE ENVIRONMENT



## Additional Data

**Software ID:**  
**Software Version:**  
**EIN:** 54-0506331  
**Name:** ROCKINGHAM MEMORIAL HOSPITAL

**Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility**

[illegible]

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

2011

Open to Public  
Inspection

Name of the organization  
ROCKINGHAM MEMORIAL HOSPITAL

Employer identification number  
54-0506331

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. Use Part IV and Schedule I-1 (Form 990) if additional space is needed . . . . .
- | (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) GENERATIONS CROSSING3765 TAYLOR SPRING LANE HARRISONBURG, VA 22801                              | 54-2061192 | 501(C)(3)                          | 7,500                    |                                   |   |  | SCHOLARSHIPS FOR DAY CAER FOR ELDERLY AND DISABLED ADULTS                      |
| (2) BLUE RIDGE AREA HEALTH EDUCATION CENTERMSC 9009 JAMES MADISON UNIVERSITY HARRISONBURG, VA 22807 | 54-6001756 | 501(C)(3)                          | 14,725                   |                                   |   |  | BEHAVIORAL HEALTH PROJECT FOR NON-ENGLISH SPEAKING POPULATION IN THE COMMUNITY |
| (3) OUR COMMUNITY PLACE17 E JOHNSON STREET HARRISONBURG, VA 22802                                   | 54-1835664 | 501(C)(3)                          | 8,090                    |                                   |   |  | HEALTH INITIATIVE FOR THOSE INDIVIDUALS WHO FIND OCP THEIR HOME AND COMMUNITY  |
| (4) INSTITUTE OF HEALTH & HUMAN SERVICESMSC 9009 JAMES MADISON UNIVERSITY HARRISONBURG, VA 22807    | 54-6001756 | 501(C)(3)                          | 15,000                   |                                   |   |  | HEALTHCARE FOR HOMELESS SUITCASE CLINIC  |
| (5) HARRISONBURG COMMUNITY HEALTH CENTER563 A NEFF AVE HARRISONBURG, VA 22801                       | 02-0813294 | 501(C)(3)                          | 500,000                  |                                   |   |  | HEALTHCARE FOR INDIGENTS   |
| (6) HARRISONBURG ROCKINGHAM FREE CLINIC25 WEST WATER STREET HARRISONBURG, VA 22801                  | 54-1568909 | 501(C)(3)                          | 500,000                  |                                   |   |  | HEALTHCARE FOR INDIGENTS   |
| (7) EASTERN MENNONITE UNIVERSITY1200 PARK ROAD HARRISONBURG, VA 22802                               | 54-0575812 | 501(C)(3)                          | 10,000                   |                                   |   |  | SPONSORSHIP  |
|   |            |                                    |                          |                                   |   |  |  |
|   |            |                                    |                          |                                   |   |  |  |
|   |            |                                    |                          |                                   |   |  |  |
|   |            |                                    |                          |                                   |   |  |  |
|   |            |                                    |                          |                                   |   |  |  |
- 2

Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . .

7

3

Enter total number of other organizations listed in the line 1 table . . . . .

0
- For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 50055P

Schedule I (Form 990) 2011

Part IIIGrants 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
(1) EMPLOYEE RELIEF FUND	38	47,210			
(2) PATIENT MEDICAL EXPENSES	52	12,212			
(3) FITNESS CENTER SCHOLARSHIPS	136	7,873			
(4) SCHOLARSHIPS	11	11,500			

Part IVSupplemental 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 ROCKINGHAM MEMORIAL HOSPITAL HAS A CAREFUL SCREENING PROCESS IN REVIEWING GRANT APPLICANTS THE APPLICATIONS ARE FIRST REVIEWED BY A SMALL COMMITTEE USING ESTABLISHED CRITERIA SUCH AS 1) WHAT COMMUNITY NEED IS BEING ADDRESSED, 2) THE ROLE OF PARTNERS IN THE INITIATIVE, 3) AN ACTION PLAN WITH SPECIFIC ACTIVITIES, 4) MEASURABLE GOALS OR OUTCOMES, 5) BUDGET, AND 6) SUSTAINABILITY FOR THE PROJECT IN THE FUTURE IF AWARDED THE GRANT, THE APPLICANT IS REQUIRED TO SUBMIT A WRITTEN REPORT OF THE OUTCOME WITHIN 12 MONTHS NO GRANTS ARE MADE OUTSIDE OF THE UNITED STATES
SCHEDULE I, PART III		-THE EMPLOYEE RELIEF FUND PROVIDES ASSITANCE TO EMPLOYEES WITH FINANCIAL NEED -PATIENT MEDICAL EXPENSES IS THE PAYMENT OF MEDICAL COSTS FOR INDIGENT PATIENTS -FITNESS CENTER SCHOLARSHIPS ARE SCHOLARSHIPS AWARDED TO INDIVUALS WHO HAVE AN IDENTIFIED MEDICAL NEED REQUIRING ONGOING PARTICIPATION IN AN EXERCISE PROGRAM -SCHOLARSHIPS ARE AWARDED TO NURSING STUDENTS WITH FINANCIAL NEED

Schedule J  
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization  
ROCKINGHAM MEMORIAL HOSPITAL

Employer identification number  
  
54-0506331

Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
	<div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div></div>		
	<div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div></div>		
	<div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input checked="" type="checkbox"/> Health or social club dues or initiation fees</div></div>		
	<div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain	1b	Yes
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	Yes
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply		
	<div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Written employment contract</div></div>		
	<div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Compensation survey or study</div></div>		
	<div><div><input checked="" type="checkbox"/> Form 990 of other organizations</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div>		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
a	Receive a severance payment or change-of-control payment?	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	Yes
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	8	No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9	

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) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual.

[illegible]

**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	PART I, LINE 1A MEMBERSHIP TO VALLEY WELLNESS CENTER, A RELATED 501(C)(3) ORGANIZATION WAS PROVIDED AT REDUCED RATES. THIS BENEFIT IS AVAILABLE TO ALL ORGANIZATION'S EMPLOYEES.
	PART I, LINES 4A-B	RECEIVED SEVERANCE PAYMENT AND/OR SUPPLEMENTAL NQ RETIREMENT P. RICHARD PIERCE, VICE PRESIDENT THROUGH 4/2011, RECEIVED \$128,436 IN COMPENSATION RELATED TO HIS SEPARATION FROM SERVICE. THIS AMOUNT HAS BEEN INCLUDED IN COLUMN (B)(III) OF SCHEDULE J, PART II. HOWARD KERN PARTICIPATES IN THE SENTARA SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN. PARTICIPATION IN THE PLAN IS LIMITED TO SELECT INDIVIDUALS AS APPROVED BY SENTARA HEALTHCARE'S BOARD OF DIRECTOR'S COMPENSATION COMMITTEE. THE PLAN IS CURRENTLY CLOSED TO ADDITIONAL MEMBERS. VESTING OCCURS UPON THE COMPLETION OF A TWO-YEAR NON-COMPETE PERIOD FOLLOWING TERMINATION AFTER EARLY RETIREMENT DATE OR UPON DEATH. EARLY RETIREMENT DATE IS WHEN THE EXECUTIVE OBTAINS AT LEAST AGE 55 AND HAS 10 YEARS OF SERVICE AND BENEFITS ARE FORFEITED IF PARTICIPANT LEAVES PRIOR TO AGE 55 WITH 10 YEARS OF SERVICE. DAVID BERND PARTICIPATES IN AN INDIVIDUAL SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN SPONSORED BY SENTARA. VESTING OCCURS EACH DECEMBER 31 AND THE PRESENT VALUE OF THE ADDITIONAL ACCRUAL IS DISTRIBUTED IN A TAXABLE LUMP SUM. FOR 2011, MR. BERND RECEIVED A TOTAL LUMP SUM DISTRIBUTION OF \$1,192,399. THIS AMOUNT HAS BEEN REPORTED IN COLUMN (B)(III) OF SCHEDULE J, PART II. DAVID BERND AND HOWARD KERN PARTICIPATE IN THE SENTARA OPTION PLAN FOR EXECUTIVES. THIS PLAN IS UNRELATED TO "EQUITY" OF THE EMPLOYER. PARTICIPATION IS LIMITED TO SELECT INDIVIDUALS AS APPROVED BY SENTARA HEALTHCARE'S BOARD OF DIRECTOR'S COMPENSATION COMMITTEE. VESTING IS DETERMINED BY THE GOVERNING BOARD OF SENTARA HEALTHCARE AND IS SEPARATELY STATED IN EACH PARTICIPANT'S OPTION AGREEMENT. THERE WERE NO OPTIONS GRANTED AFTER 2002. DAVID BERND, HOWARD KERN, AND KENNETH KRAKAUR PARTICIPATE IN THE SENTARA CAPITAL ACCUMULATION ACCOUNT PLAN. PARTICIPATION IS LIMITED TO A SELECT GROUP OF CORPORATE EXECUTIVES AS APPROVED BY SENTARA HEALTHCARE'S BOARD OF DIRECTOR'S COMPENSATION COMMITTEE. TERMS OF THE PLAN CHANGED EFFECTIVE JANUARY 1, 2009, WHEREBY VESTING OF CONTRIBUTIONS MADE ON OR AFTER THAT DATE NOW OCCURS ON THE EARLIER OF FIVE YEARS FOR EACH YEAR'S CONTRIBUTIONS OR AGE 55 WITH 10 YEARS OF SERVICE. UNDER THE OLD TERMS, VESTING OF CONTRIBUTIONS MADE PRIOR TO JANUARY 1, 2009 OCCURS ON THE EARLIEST OF ASSIGNED DISTRIBUTION DATE, DEATH, INVOLUNTARY TERMINATION WITHOUT CAUSE OR COMPLETION OF TWO-YEAR NON-COMPETE AFTER VOLUNTARY TERMINATION (REGARDLESS OF ORIGINAL ASSIGNED DISTRIBUTION DATE). DURING 2011, KENNETH KRAKAUR RECEIVED VESTED DISTRIBUTIONS OF \$71,345 UNDER THE PLAN. THIS AMOUNT HAS BEEN REPORTED IN COLUMN (B)(III) OF SCHEDULE J, PART II. SENTARA HEALTHCARE OWNED A SPOUSAL SURVIVOR SPLIT-DOLLAR LIFE INSURANCE POLICY FOR KENNETH KRAKAUR. THE SPLIT-DOLLAR PLAN PROVIDES FOR TRANSFER OF THE POLICY TO THE PARTICIPANT UPON CERTAIN EVENTS. AT TRANSFER (OR THE PARTICIPANT'S DEATH), THE ORGANIZATION RECOVERS THE PREMIUMS THAT IT HAS PAID. DURING 2011, THE SPOUSAL SURVIVOR SPLIT-DOLLAR LIFE INSURANCE POLICY FOR KENNETH KRAKAUR WAS SURRENDERED. THE POLICY VALUE REMAINING AFTER REDUCTION FOR CORPORATE RECOVERY OF PREMIUMS AND AFTER TAX ART AMOUNTS WAS \$10,147. THIS AMOUNT WAS TREATED AS ADDITIONAL TAXABLE COMPENSATION AND HAS BEEN REPORTED IN COLUMN (B)(III) OF SCHEDULE J, PART II. JAMES KRAUSS, DALE CARROLL, RICHARD HAUSHALTER, AND MIKE KING PARTICIPATE IN THE ORGANIZATION'S SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN. PARTICIPATION IS LIMITED TO THE CEO, CMO, COO, AND CFO POSITIONS. THE PLAN IS A DEFINED CONTRIBUTION PLAN WITH ANNUAL CONTRIBUTIONS EQUAL TO A FIXED PERCENT OF TOTAL COMPENSATION. THE FIXED PERCENT IS SET AT PLAN ENTRY AND NEVER ADJUSTED REGARDLESS OF WHETHER OR NOT ASSUMPTIONS ARE REALIZED. CONTRIBUTIONS ARE MADE AT THE END OF THE PLAN YEAR TO ACTIVE EXECUTIVES (NOT PAID IF SEPARATION OF SERVICE DURING YEAR). DURING 2011, DISTRIBUTIONS UNDER THE PLAN WERE AS FOLLOWS: JAMES KRAUSS (\$95,266), DALE CARROLL (\$31,643), RICHARD HAUSHALTER (42,224), MIKE KING (\$44,633). THESE AMOUNTS HAVE BEEN REPORTED IN COLUMN (B)(III) OF SCHEDULE J, PART II.
	PART I, LINE 7	DURING 2011, THE ORGANIZATION MADE NON-FIXED PAYMENTS OF COMPENSATION UNDER THE FOLLOWING INCENTIVE PROGRAM: SHORT-TERM INCENTIVE PLAN - EXECUTIVES AND SENIOR LEADERS ARE ELIGIBLE FOR ANNUAL AWARDS BASED ON SYSTEM AND INDIVIDUAL PERFORMANCE.

**Software ID:**  
**Software Version:**  
**EIN:** 54-0506331  
**Name:** ROCKINGHAM MEMORIAL HOSPITAL

## Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) 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 compensation				
HOWARD P KERN	(i)	0	0	0	0	0	0	0
	(ii)	726,289	868,885	16,982	888,823	22,035	2,523,014	0
DAVID L BERND	(i)	0	0	0	0	0	0	0
	(ii)	1,060,556	1,541,673	1,236,035	718,589	24,557	4,581,410	0
KENNETH M KRAKAUR	(i)	0	0	0	0	0	0	0
	(ii)	453,890	457,834	91,285	159,233	25,586	1,187,828	7,755
MICHAEL R KING	(i)	252,679	29,700	53,945	54,859	26,110	417,293	0
	(ii)	0	0	0	0	0	0	0
JAMES D KRAUSS	(i)	480,386	41,400	111,453	94,814	26,509	754,562	0
	(ii)	0	0	0	0	0	0	0
DALE A CARROLL	(i)	345,791	42,462	50,590	110,239	28,499	577,581	0
	(ii)	0	0	0	0	0	0	0
DONNA HAHN	(i)	180,899	27,360	8,166	45,111	24,720	286,256	0
	(ii)	0	0	0	0	0	0	0
KATHERINE HARRISON	(i)	153,088	23,792	8,320	62,786	15,117	263,103	0
	(ii)	0	0	0	0	0	0	0
RICHARD L HAUSHALTER	(i)	294,714	34,572	61,015	100,569	22,792	513,662	0
	(ii)	0	0	0	0	0	0	0
JOHN MCGOWAN	(i)	284,229	33,320	1,584	14,700	24,804	358,637	0
	(ii)	0	0	0	0	0	0	0
P RICHARD PIERCE	(i)	71,427	30,764	145,929	170,141	7,877	426,138	0
	(ii)	0	0	0	0	0	0	0
MICHAEL ROZMUS	(i)	196,682	29,268	6,044	66,645	27,548	326,187	0
	(ii)	0	0	0	0	0	0	0
MERV WEBB	(i)	173,943	26,448	1,355	116,976	20,718	339,440	0
	(ii)	0	0	0	0	0	0	0
MARK ZIMMERMAN	(i)	202,927	31,537	10,584	85,682	22,749	353,479	0
	(ii)	0	0	0	0	0	0	0
WILLIAM LENNEN MD	(i)	529,283	150,099	89,220	7,350	23,126	799,078	0
	(ii)	0	0	0	0	0	0	0
STEVEN MARRA MD	(i)	652,519	17,100	25,124	14,700	27,388	736,831	0
	(ii)	0	0	0	0	0	0	0
OLUMIDE DANISA MD	(i)	489,476	31,856	10,360	14,700	13,477	559,869	0
	(ii)	0	0	0	0	0	0	0
THOMAS WEBER MD	(i)	247,403	249,012	15,895	14,700	21,092	548,102	0
	(ii)	0	0	0	0	0	0	0

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) 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 compensation				
HEIDI GORSUCH-RAFFERTY MD	(i)	334,203	138,607	20,438	14,700	27,159	535,107	0
	(ii)	0	0	0	0	0	0	0



Schedule K (Form 990)	<div>Supplemental Information on Tax Exempt Bonds</div> <div>▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990). ▶ Attach to Form 990. ▶ See separate instructions.</div>	OMB No 1545-0047
		2011
		Open to Public Inspection

Name of the organization ROCKINGHAM MEMORIAL HOSPITAL	Employer identification number 54-0506331
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Part I

Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF HARRISONBURG VA	54-2000436	415669BN9	12-28-2006	196,167,653	FUND CONSTRUCTION OF NEW HOSPITAL FACILITY		X		X		X
B	INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF HARRISONBURG VA	54-2000436	NONEAVAIL	04-15-2009	30,000,000	REFUNDED ISSUE DATED 4/4/2007		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	7,117,653		10,000,000					
2	Amount of bonds defeased								
3	Total proceeds of issue	198,951,052		30,000,000					
4	Gross proceeds in reserve funds	15,036,899							
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds	1,336,500							
8	Credit enhancement from proceeds	4,253,886							
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	178,323,767							
11	Other spent proceeds			30,000,000					
12	Other unspent proceeds								
13	Year of substantial completion	2011		2007					
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X	X					
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?	X		X					
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X					
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X				
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 %		0 %					
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 %		0 %					
6	Total of lines 4 and 5	0 %		0 %					
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X					

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X				
2	Is the bond issue a variable rate issue?		X	X					
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X	X					
b	Name of provider	NA		SUNTRUST BANK					
c	Term of hedge			7 000000000000					
d	Was the hedge superintegrated?		X	X					
e	Was a hedge terminated?		X		X				
4a	Were gross proceeds invested in a GIC?	X			X				
b	Name of provider	JP MORGAN CHASE BANK							
c	Term of GIC	2 500000000000							
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X							
5	Were any gross proceeds invested beyond an available temporary period?		X		X				
6	Did the bond issue qualify for an exception to rebate?		X	X					

Part V

Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☒ Yes ☐ No

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
PART II, B, 1		\$10M OF ORIGINAL REFUNDING ISSUE WAS NOTE SUBSTITUTED TO PARENT, SENTARA HEALTHCARE 52-1271901, IN 2011 THE NOTE IS REPORTED IN SENTARA'S 990, SCHEDULE K AS OF 12/31/2011
PART II, COLUMN A, LINE 3		TOTAL PROCEEDS OF THE BOND ISSUE = \$190,000,000 PAR VALUE, \$6,167,653 BOND PREMIUM, \$11,069 EARNINGS ON THE INTEREST FUND AND \$2,772,330 FROM EARNINGS ON DSRF
PART II, COLUMN A, LINE 4		GROSS PROCEEDS IN RESERVE INCLUDE \$12,253,500 DEPOSITED INTO RESERVE ON CLOSING DATE PLUS \$2,772,330 EARNINGS ON DSRF AND \$11,069 EARNINGS ON INTEREST FUND

Schedule L  
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
ROCKINGHAM MEMORIAL HOSPITAL

Employer identification number  
54-0506331

Part I

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

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

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

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

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

Part II

Loans to and/or From Interested Persons.

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

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c)Original principal amount	(d)Balance due	(e) In default?		(f) Approved by board or committee?		(g)Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
(1) DR WILLIAM LENNEN HIGHEST COMPENS PHYS RECRUIT-INC GUAR		X	150,000	99,231		No		No	Yes	
Total . . . . . ▶	\$ 99,231									

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) SHENANDOAH SHARED HOSPITAL SERVICES INC	OVERLAP OF OFFICERS/DIRECTORS	8,288,836	CLINICAL SERVICES		No
(2) PATHOLOGY ASSOCIATES OF HARRISONBURG	>5%-OWNED BY DIRECTOR ALDEN HOSTETTER, M D	185,232	PATHOLOGY SERVICES		No
(3) HARRISONBURG MEDICAL ASSOCIATES	>5%-OWNED BY DIRECTOR STEWART POLLACK, M D	13,439,422	PROFESSIONAL SERVICES		No
(4) PAR-MED LLC	>5%-OWNED BY DIRECTOR STEWART POLLACK, M D	360,660	RENT EXPENSE		No
(5) LANTZ CONSTRUCTION COMPANY	>5%-OWNED BY DIRECTOR DOUGLAS DRIVER	502,268	CONSTRUCTION SERVICES		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
		DIRECTORS/TRUSTEES/OFFICERS/KEY EMPLOYEES OF THE ORGANIZATION MAY ALSO SERVE AS DIRECTORS/TRUSTEES/OFFICERS OF RELATED TAXABLE ENTITIES WITHIN THE SENTARA HEALTHCARE SYSTEM SEE SCHEDULE R FOR A LISTING OF TRANSACTIONS THE ORGANIZATION HAD WITH THESE RELATED TAXABLE ENTITIES

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

2011

Open to Public  
Inspection

Name of the organization ROCKINGHAM MEMORIAL HOSPITAL	Employer identification number 54-0506331
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Identifier	Return Reference	Explanation
	FORM 990, PART V, LINE 1A FORM 1096	THE ORGANIZATION IS THE 501(C)(3) SOLE MEMBER OF ANOTHER 501(C)(3) ORGANIZATION FOR WHICH IT MAINTAINS AN AGENCY RELATIONSHIP AND ISSUES 1099S THE NUMBER REPORTED IS A BEST ESTIMATE OF THE 1099S ATTRIBUTABLE TO THE ORGANIZATION THE EXACT NUMBER CANNOT BE DETERMINED, AS SOME OF THE 1099S ISSUED BY THE ORGANIZATION ARE ATTRIBUTABLE TO MORE THAN ONE ENTITY, AND THERE IS NO REPORTING MECHANISM TO DETERMINE 1099S ATTRIBUTABLE SOLELY TO THE ORGANIZATION

Identifier	Return Reference	Explanation
	FORM 990, PART I LINE 5 AND PART V LINE 2A	THE ORGANIZATION IS THE 501(C)(3) SOLE MEMBER OF ANOTHER 501(C)(3) ORGANIZATION FOR WHICH IT ACTS AS COMMON PAY AGENT AND ISSUES ALL FORM W-2S SINCE THE ORGANIZATION HAS NO REPORTING MECHANISM TO DETERMINE W-2S ATTRIBUTABLE SOLELY TO THE ORGANIZATION, THE NUMBER REPORTED APPROXIMATES THE NUMBER OF W-2S ISSUED BY THE ORGANIZATION ON ITS OWN BEHALF

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 2	BUSINESS OR FAMILY RELATIONSHIP OF OFFICERS, DIRECTORS, ETC DAVID BERND AND HOWARD KERN HAVE A BUSINESS RELATIONSHIP THROUGH COMMON OWNERSHIP OF AN ENTITY UNRELATED TO THE ORGANIZATION THE ORGANIZATION'S OFFICERS AND DIRECTORS SERVED TOGETHER ON THE BOARDS OF OTHER TAXABLE ORGANIZATIONS WITHIN THE SENTARA HEALTHCARE SYSTEM ("THE SYSTEM"), AS WELL AS JOINT VENTURES IN WHICH THE SYSTEM HAD AN OWNERSHIP INTEREST SEE SCHEDULE R FOR A LISTING OF SUCH ENTITIES

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 4	<p>SIGNIFICANT CHANGES MADE TO GOVERNING DOCUMENTS ON DECEMBER 6, 2010, THE ORGANIZATION ENTERED INTO AN AFFILIATION AGREEMENT WITH SENTARA HEALTHCARE, A 501(C)(3) ORGANIZATION ("SENTARA"), WHEREBY SENTARA REPLACED ROCKINGHAM HEALTH CARE, INC ("RHC") AS SOLE MEMBER OF THE ORGANIZATION EFFECTIVE MAY 1, 2011 AS A RESULT OF THE AFFILIATION, THE ORGANIZING AND GOVERNING DOCUMENTS WERE CHANGED IN THE FOLLOWING MANNER --RHC WAS REPLACED BY SENTARA AS SOLE MEMBER OF THE ORGANIZATION --THE ORGANIZATION'S PURPOSE CLAUSE WAS EXPANDED TO INCLUDE THE PROVISION OF ANCILLARY AND RELATED MEDICAL AND OTHER HEALTHCARE SERVICES, THE PROVISION OF MANAGEMENT, ADVISORY, SERVICE ASSISTANCE AND OTHER SUPPORT TO HEALTH CARE ORGANIZATIONS HAVING THE SAME PURPOSES AS ITS OWN, AND THE ENGAGEMENT IN OTHER RELATED, EXCLUSIVELY CHARITABLE, SCIENTIFIC, EDUCATIONAL AND MEDICAL RESEARCH ACTIVITIES AS MAY BE AUTHORIZED FROM TIME TO TIME BY ITS BOARD OF DIRECTORS --THE ELEVEN-TO EIGHTEEN-MEMBER BOARD OF DIRECTORS, WHICH WAS PREVIOUSLY SELECTED BY RHC, WAS REPLACED WITH A NINE-TO-ELEVEN MEMBER BOARD OF DIRECTORS COMPRISED OF TWO CLASSES SIX-TO-EIGHT CLASS A DIRECTORS SELECTED BY THE ORGANIZATION'S NOMINATING COMMITTEE, AND THREE CLASS B DIRECTORS APPOINTED BY SENTARA IN ADDITION, CLASS A DIRECTORS MUST BE SELECTED BY THE NOMINATING COMMITTEE FROM CURRENT MEMBERS OF RHC'S BOARD OF DIRECTORS, ELECTED BY A MAJORITY OF THE MEMBERS OF THE ORGANIZATION'S BOARD, AND RATIFIED BY SENTARA AS SOLE MEMBER --SENTARA, AS SOLE MEMBER, HAS EXCLUSIVE AUTHORITY TO DIRECT AND MANAGE THE OPERATIONS AND AFFAIRS OF THE ORGANIZATION, SUBJECT TO BOARD OVERSIGHT TO THE EXTENT AND IN THE MANNER SET FORTH IN THE ORGANIZATION'S BYLAWS THE BOARD OF DIRECTORS SHALL FUNCTION IN AN ADVISORY CAPACITY, PROVIDING RECOMMENDATIONS TO SENTARA REGARDING THE ESTABLISHMENT OF ORGANIZATION POLICIES, THE MAINTENANCE OF QUALITY PATIENT CARE, AND THE PROVISION OF INSTITUTIONAL PLANNING IN A MANNER RESPONSIVE TO LOCAL COMMUNITY NEEDS --UPON ANY LIQUIDATION OR DISSOLUTION OF THE ORGANIZATION, ITS REMAINING ASSETS SHALL BE DISTRIBUTED TO SENTARA --ORGANIZING OR ENABLING DOCUMENTS OR BYLAWS MAY BE AMENDED, RESTATED OR REPEALED THROUGH APPROVAL OF A MAJORITY OF THE ORGANIZATION'S BOARD, PROVIDED THAT A MAJORITY OF CLASS A DIRECTORS VOTE IN THE AFFIRMATIVE AND SUCH AMENDMENT, RESTATEMENT OR REPEAL IS APPROVED BY SENTARA</p>



Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	EXPLANATION OF CLASSES OF MEMBERS OR SHAREHOLDERS THE ORGANIZATION HAD ONE CLASS OF MEMBER EFFECTIVE MAY 1, 2011, THE SOLE MEMBER WAS SENTARA HEALTHCARE, A VIRGINIA NONSTOCK CORPORATION DESCRIBED IN SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE THE ORGANIZATION'S SOLE MEMBER PRIOR TO MAY 1, 2011, WAS ROCKINGHAM HEALTH CARE, INC , A VIRGINIA NONSTOCK CORPORATION DESCRIBED IN SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7A	HOW MEMBERS OR SHAREHOLDERS ELECT GOVERNING BODY PRIOR TO THE ORGANIZATION'S AFFILIATION WITH SENTARA HEALTHCARE, BOARD MEMBERS WERE ELECTED BY ROCKINGHAM HEALTH CARE, INC , THE FORMER SOLE MEMBER OF THE ORGANIZATION EFFECTIVE MAY 1, 2011, THE DATE OF AFFILIATION WITH SENTARA HEALTHCARE, CLASS B DIRECTORS OF THE ORGANIZATION ARE NOW APPOINTED BY SENTARA HEALTHCARE, THE 501(C)(3) SOLE MEMBER OF THE ORGANIZATION THE SOLE MEMBER ALSO RATIFIES CLASS A DIRECTORS OF THE ORGANIZATION ONCE NOMINATED BY THE ORGANIZATION'S NOMINATING COMMITTEE AND ELECTED BY THE ORGANIZATION'S BOARD OF DIRECTORS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7B	DECISIONS OF GOVERNING BODY APPROVAL BY MEMBERS OR SHAREHOLDERS THE ORGANIZATION MAY NOT TAKE OR ALLOW ANY OF THE FOLLOWING GOVERNANCE ACTIONS WITHOUT THE CONSENT OF ITS 501(C)(3) SOLE MEMBER, SENTARA HEALTHCARE. APPROVAL OR ADOPTION OF ANY PLAN OF MERGER OR CONSOLIDATION, ANY SALE, LEASE, EXCHANGE, MORTGAGE, PLEDGE OR OTHER DISPOSITION OF ALL, OR SUBSTANTIALLY ALL, THE PROPERTY AND ASSETS OF THE ORGANIZATION, THE VOLUNTARY DISSOLUTION OR LIQUIDATION OF THE ORGANIZATION, REVOCATION OF AN SUCH VOLUNTARY DISSOLUTION PROCEEDINGS, OR ANY DECISION TO FILE A PETITION REQUESTING OR CONSENTING TO AN ORDER FOR RELIEF UNDER THE FEDERAL BANKRUPTCY LAWS OR SIMILAR STATE LAWS FOR THE ORGANIZATION, ELECTION OF NEW BOARD MEMBERS, OR AMENDMENT, RESTATEMENT OR REPEAL OF ANY ORGANIZING OR ENABLING DOCUMENTS OR BYLAWS THE APPROVAL OF THE SOLE MEMBER IS ALSO REQUIRED FOR CERTAIN OPERATIONAL ACTIONS, AS OUTLINED IN THE ORGANIZATION'S BYLAWS SUCH ACTIONS INCLUDE, BUT ARE NOT LIMITED TO, APPROVAL OF STRATEGIC PLANS AND ANNUAL OPERATING AND CAPITAL BUDGETS, TRANSACTIONS WITH INTERESTED PERSONS, CREATION OR ACQUISITION OF SUBSIDIARIES OR INTERESTS IN WHICH THE ORGANIZATION WILL BE A MEMBER, ENTRANCE INTO JOINT VENTURE OR OTHER SIMILAR ARRANGEMENTS, EMPLOYMENT MATTERS CONCERNING THE ORGANIZATION'S PRESIDENT, UNBUDGETED CAPITAL EXPENDITURES OR INDEBTEDNESS OVER SPECIFIED DOLLAR AMOUNTS, AND THE COMMENCEMENT OR SETTLEMENT OF LITIGATION SENTARA HEALTHCARE HAS EXCLUSIVE AUTHORITY TO DIRECT AND MANAGE THE OPERATIONS AND AFFAIRS OF THE HOSPITAL, SUBJECT TO BOARD OVERSIGHT TO THE EXTENT AND IN THE MANNER SET FORTH IN THE ORGANIZATION'S BYLAWS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	THE ORGANIZATION WAS PART OF THE SENTARA HEALTHCARE SYSTEM ("THE SYSTEM"), AND AS SUCH, USED THE SYSTEM'S IN-HOUSE TAX DEPARTMENT, HEADED BY A LICENSED CERTIFIED PUBLIC ACCOUNTANT, TO BOTH PREPARE AND REVIEW ITS FORM 990. DURING THE PREPARATION AND REVIEW PROCESS, THE TAX DEPARTMENT WORKED CLOSELY WITH THE ORGANIZATION AND OTHER SYSTEM DEPARTMENTS, SUCH AS LEGAL, COMPENSATION AND BENEFITS, COMPLIANCE, FINANCE, AND MARKETING, TO ENSURE THAT A COMPLETE AND ACCURATE RETURN WAS FILED.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	ALL MEMBERS WITH ANY CONFLICT OF INTEREST ARE MADE AWARE OF THE NEED TO EXCUSE THEMSELVES FROM PARTICIPATING IN ANY DISCUSSION OR VOTING ON ANY ISSUES WHERE THERE MAY BE A CONFLICT OFFICERS AND KEY EMPLOYEES OF THE ORGANIZATION ARE AWARE OF THEIR DUTIES AND RESPONSIBILITIES IN REGARDS TO THIS ISSUE

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	<p>PRESIDENT/CEO AN INDEPENDENT COMPENSATION CONSULTING FIRM WAS RETAINED BY THE BOARD OF DIRECTORS (BOD) TO COMPLETE MARKET ANALYSIS AND RECOMMEND PRESIDENT/CEO COMPENSATION CHANGES THE BOD APPROVES ALL COMPENSATION CHANGES FOR THE PRESIDENT/CEO OFFICERS AND KEY EMPLOYEES AN INDEPENDENT COMPENSATION CONSULTING FIRM WAS RETAINED BY THE BOARD OF DIRECTORS (BOD) TO COMPLETE MARKET ANALYSIS AND RECOMMEND OFFICER AND KEY EMPLOYEE COMPENSATION CHANGES THE BOD APPROVES ALL COMPENSATION CHANGES FOR THE OFFICERS AND KEY EMPLOYEES VICE CHAIRMAN THE VICE CHAIRMAN ALSO SERVES AS THE COO/PRESIDENT OF THE SENTARA HEALTHCARE SYSTEM ("SENTARA"), WHICH AFFILIATED WITH THE ORGANIZATION EFFECTIVE MAY 1, 2011 SENTARA FOLLOWED PROCESSES AND PROCEDURES SET FORTH IN ITS GOVERNING DOCUMENTS TO ENSURE COMPLIANCE WITH ITS OBLIGATIONS AS A 501(C)(3) HEALTHCARE ORGANIZATION TO PAY DISQUALIFIED PERSONS REASONABLE COMPENSATION SUCH PROCESSES AND PROCEDURES ARE INTENDED TO ESTABLISH THE REBUTTABLE PRESUMPTION OF REASONABLENESS UNDER THE INTERNAL REVENUE CODE SECTION 4958 REGULATIONS THE COMPENSATION PHILOSOPHY OF SENTARA IS TO BASE OVERALL COMPENSATION AND BENEFITS FOR EXECUTIVES ON MARKET COMPARABLES, ADJUSTED AS APPLIED TO EACH EXECUTIVE, TAKING INTO CONSIDERATION THE INDIVIDUAL SKILLS, EXPERIENCE, TENURE AND PERFORMANCE OF THE EXECUTIVE BEING COMPENSATED AND OVERALL PERFORMANCE OF THE ORGANIZATION IN LINE WITH THIS PHILOSOPHY, SENTARA PERFORMED SUBSTANTIAL DUE DILIGENCE AS TO MARKET COMPARABLES SENTARA'S COMPENSATION COMMITTEE, WHICH CONSISTS OF BOARD MEMBERS WITHOUT CONFLICTS OF INTERESTS, ENGAGED AN OUTSIDE CONSULTANT, WHO REPORTS TO THE COMPENSATION COMMITTEE, TO CONDUCT A STUDY ASSESSING THE COMPETITIVENESS OF TOTAL COMPENSATION (INCLUDING CASH COMPENSATION, BENEFITS AND PERQUISITES) OF ITS SENIOR EXECUTIVES PRIOR TO MAKING DECISIONS REGARDING ANNUAL BASE SALARY ADJUSTMENTS, APPROVING INCENTIVE AWARDS, OR CONSIDERING PROGRAMMATIC CHANGES THE STUDY COMPARED THE COMPENSATION OF THE SENTARA'S SENIOR EXECUTIVES TO COMPENSATION DATA FROM MULTIPLE PUBLISHED SURVEY SOURCES BASED ON THE SENIOR EXECUTIVES FUNCTIONAL RESPONSIBILITY IN CONDUCTING THE STUDY, THE CONSULTANT TARGETED OTHER HEALTH SYSTEMS OF SIMILAR SIZE BASED ON NET REVENUE AND COMPLEXITY FOR HEALTH PLAN POSITIONS, HEALTH PLANS WITH SIMILAR PREMIUMS, OR MEMBERS, WERE TARGETED THE CONSULTANT ALSO CONDUCTS A REVIEW OF SENTARA'S PERFORMANCE RELATIVE TO A GROUP OF NOT-FOR-PROFIT HEALTH SYSTEMS OF COMPARABLE SIZE AND SCOPE OF OPERATIONS EVERY TWO TO THREE YEARS THE MOST RECENT STUDY COMPARED SENTARA'S PERFORMANCE TO 19 HEALTHCARE SYSTEMS BASED ON NET REVENUE GROWTH, OPERATING MARGIN, BOND RATING, AND QUALITATIVE PERFORMANCE MEASURES BASED ON RANKINGS FROM SDI'S NATIONAL TOP INTEGRATED HEALTH NETWORKS OVERALL, THE CONSULTANT DETERMINED THAT SENTARA'S PAY WAS ALIGNED WITH ITS RELATIVE PERFORMANCE THE COMPENSATION STUDY WAS PRESENTED TO SENTARA'S COMPENSATION COMMITTEE, WHICH MADE ITS COMPENSATION DECISIONS BASED ON A) ITS REVIEW AND ANALYSIS OF THE PERFORMANCE OF BOTH THE ORGANIZATION AND ITS SENIOR EXECUTIVES AND, B) A REASONABLENESS OF COMPENSATION ANALYSIS AND OPINION FROM AN EXTERNAL EXPERT IN THE COMPENSATION OF EXECUTIVES IN THE TAX-EXEMPT HEALTH CARE FIELD THE COMMITTEE'S BASES FOR ITS DECISIONS WERE DOCUMENTED IN COMMITTEE MINUTES TAKEN DURING THE MEETING AND THEN CIRCULATED FOR REVIEW AND APPROVAL ALL DECISIONS REGARDING COMPENSATION WERE MADE BY THE COMMITTEE, WHICH CONSISTS OF BOARD MEMBERS WITHOUT CONFLICT OF INTERESTS</p>

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	UPON REQUEST

Identifier	Return Reference	Explanation
	FORM 990, PART VII	<p>COMPENSATION OF OFFICERS, DIRECTORS, TRUSTEES, KEY EMPLOYEES, HIGHEST COMPENSATED EMPLOYEES, AND INDEPENDENT CONTRACTORS HOURS DEVOTED TO RELATED ORGANIZATIONS ANN E C HOMAN DEVOTED AN AVERAGE OF 3 HOURS PER WEEK TO RELATED ORGANIZATIONS HOWARD P KERN DEVOTED AN AVERAGE OF 50 HOURS PER WEEK TO RELATED ORGANIZATIONS JAMES R MESSNER DEVOTED AN AVERAGE OF 0 2 HOUR PER WEEK TO RELATED ORGANIZATIONS BARBARA B STOLTZFUS DEVOTED AN AVERAGE OF 1 HOUR PER WEEK TO RELATED ORGANIZATIONS W CARLTON BANKS DEVOTED AN AVERAGE OF 0 2 HOUR PER WEEK TO RELATED ORGANIZATIONS A JERRY BENSON DEVOTED AN AVERAGE OF 0 2 HOUR PER WEEK TO RELATED ORGANIZATIONS DAVID L BERND DEVOTED AN AVERAGE OF 51 HOURS PER WEEK TO RELATED ORGANIZATIONS LAWRENCE D BOWERS, JR DEVOTED AN AVERAGE OF 0 2 HOUR PER WEEK TO RELATED ORGANIZATIONS MENDEL D DEAN, JR DEVOTED AN AVERAGE OF 0 2 HOUR PER WEEK TO RELATED ORGANIZATIONS DOUGLAS G DRIVER DEVOTED AN AVERAGE OF 0 2 HOUR PER WEEK TO RELATED ORGANIZATIONS JOSEPH K FUNKHOUSER, II DEVOTED AN AVERAGE OF 0 2 HOUR PER WEEK TO RELATED ORGANIZATIONS C WAYNE GATES, M D DEVOTED AN AVERAGE OF 0 2 HOUR PER WEEK TO RELATED ORGANIZATIONS ALDEN L HOSTETTER DEVOTED AN AVERAGE OF 0 2 HOUR PER WEEK TO RELATED ORGANIZATIONS ELMER E KENNEL DEVOTED AN AVERAGE OF 0 2 HOUR PER WEEK TO RELATED ORGANIZATIONS KENNETH M KRAKAUR DEVOTED AN AVERAGE OF 48 HOURS PER WEEK TO RELATED ORGANIZATIONS ALLON H LEFEVER DEVOTED AN AVERAGE OF 0 2 HOUR PER WEEK TO RELATED ORGANIZATIONS W NEAL MENEFEE DEVOTED AN AVERAGE OF 0 2 HOUR PER WEEK TO RELATED ORGANIZATIONS GEORGE W PACE DEVOTED AN AVERAGE OF 0 2 HOUR PER WEEK TO RELATED ORGANIZATIONS STEWART G POLLOCK, M D DEVOTED AN AVERAGE OF 0 2 HOUR PER WEEK TO RELATED ORGANIZATIONS MICHAEL R KING DEVOTED AN AVERAGE OF 0 2 HOUR PER WEEK TO RELATED ORGANIZATIONS JAMES D KRAUSS DEVOTED AN AVERAGE OF 0 2 HOUR PER WEEK TO RELATED ORGANIZATIONS P RICHARD PIERCE DEVOTED AN AVERAGE OF 0 2 HOUR PER WEEK TO RELATED ORGANIZATIONS</p>



Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -1,985,154 NET ASSET TRANSFER FROM ROCKINGHAM HEALTH CARE, INC 88,050,937 PENSION COMPREHENSIVE LOSS -21,943,734 ASU 2010-07 FAIR MARKET VALUE ADJUSTMENTS -231,782,831 OTHER CHANGES -160,129 TOTAL TO FORM 990, PART XI, LINE 5 -167,820,911

Identifier	Return Reference	Explanation
CHANGES IN AUDITED FINANCIAL STATEMENT OVERSIGHT PROCESS	FORM 990, PART XII, LINE 2C	DURING THE YEAR, THE ORGANIZATION AFFILIATED WITH THE SENTARA HEALTHCARE SYSTEM, WHO ASSUMED RESPONSIBILITY FOR OVERSIGHT OF THE AUDIT OF THE FINANCIAL STATEMENTS AND SELECTED THE INDEPENDENT ACCOUNTANT

Identifier	Return Reference	Explanation
STATEMENT FILED PURSUANT TO TREASURY REGULATION SEC 1 6038-2(J)(3)		THE TAXPAYER IS A MEMBER OF THE SENTARA HEALTHCARE ("SHC") CONTROLLED GROUP. SHC, EIN 52-1271901, OWNS BAY PRIMEX INSURANCE COMPANY, LTD., A CONTROLLED FOREIGN CORPORATION. SHC FURNISHES ALL INFORMATION REQUIRED OF THE TAXPAYER BY IRC SECTION 6038 AND THE REGULATIONS THEREUNDER WITH RESPECT TO BAY PRIMEX INSURANCE COMPANY, LTD. THEREFORE, PURSUANT TO TREASURY REGULATION SEC. 1.6038-2(J)(2), THE TAXPAYER IS EXCEPTED FROM PROVIDING SUCH INFORMATION. THE REQUIRED INFORMATION IS E-FILED WITH SHC'S FORM 990 RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX.

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

2011

Open to Public Inspection

Name of the organization  
ROCKINGHAM MEMORIAL HOSPITAL

Employer identification number  
54-0506331

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) RMH MEDICAL GROUP LLC 2010 HEALTH CAMPUS DRIVE HARRISONBURG, VA 22801 27-1444665	HEALTHCARE	VA	24,243,176	0	ROCKINGHAM MEMORIAL HOSPITAL

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

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

Part III

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

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

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
See Additional Data Table							

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

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

j

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

k

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

l

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

m

Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

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

r

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

Yes

No

1a

No

1b

No

1c

No

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

Yes

1k

No

1l

No

1m

No

1n

No

1o

No

1p

No

1q

No

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) VALLEY WELLNESS CENTER	J	147,306	CORP BOOKS/REC
(2) VALLEY WELLNESS CENTER	R	1,090,368	CORP BOOKS/REC
(3)			
(4)			
(5)			
(6)			

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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Software ID:

Software Version:

EIN: 54-0506331

Name: ROCKINGHAM MEMORIAL HOSPITAL

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	g Section 512 (b)(13) controlled organization	
SENTARA HEALTHCARE  6015 POPLAR HALL DRIVE NORFOLK, VA 23502 52-1271901	HEALTH CARE	VA	501 (C)(3)	LN7_NORMALGOVTSUPPOR	N/A		No
SENTARA PRINCESS ANNE HOSPITAL  6015 POPLAR HALL DRIVE NORFOLK, VA 23502 52-1277419	HEALTH CARE	VA	501 (C)(3)	LN3_HOSPITALCOOPINSE	SENTARA HOSPITALS	Yes	
SENTARA HOSPITALS  6015 POPLAR HALL DRIVE NORFOLK, VA 23502 54-1547408	HEALTH CARE	VA	501 (C)(3)	LN3_HOSPITALCOOPINSE	SENTARA HEALTHCARE	Yes	
SENTARA MEDICAL GROUP  6015 POPLAR HALL DRIVE NORFOLK, VA 23502 54-1217184	HEALTH CARE	VA	501 (C)(3)	LN9_MORETHAN30PCTCON	SENTARA HEALTHCARE	Yes	
SENTARA ENTERPRISES  6015 POPLAR HALL DRIVE NORFOLK, VA 23502 54-1917649	HEALTH CARE	VA	501 (C)(3)	LN9_MORETHAN30PCTCON	SENTARA HEALTHCARE	Yes	
SENTARA LIFE CARE CORP  6015 POPLAR HALL DRIVE NORFOLK, VA 23502 54-1217183	HEALTH CARE	VA	501 (C)(3)	LN9_MORETHAN30PCTCON	SENTARA HEALTHCARE	Yes	
MPB INC  6015 POPLAR HALL DRIVE NORFOLK, VA 23502 54-1346393	TITLE HOLDING COMPANY	VA	501 (C)(2)		SENTARA ENTERPRISES	Yes	
OPTIMA HEALTH PLAN  6015 POPLAR HALL DRIVE NORFOLK, VA 23502 54-1283337	HMO	VA	501 (C)(3)	11A - I	SENTARA HEALTHCARE	Yes	
POTOMAC HOSPITAL CORP OF PRINCE WILLIAM  6015 POPLAR HALL DRIVE NORFOLK, VA 23502 54-0853898	HEALTH CARE	VA	501 (C)(3)	LN3_HOSPITALCOOPINSE	SENTARA HEALTHCARE	Yes	
VALLEY WELLNESS CENTER  501 STONE SPRING ROAD HARRISONBURG, VA 22801 52-1309257	PREVENTATIVE HEALTH/REHAB	VA	501 (C)(3)	LN9_MORETHAN30PCTCON	ROCKINGHAM MEMORIAL HOSPITAL	Yes	
MJH FOUNDATION  500 MARTHA JEFFERSON DRIVE CHARLOTTESVILLE, VA 22911 54-1401357	INVEST/MGT SVCS FOR MARTHA JEFFERSON HOSPITAL	VA	501 (C)(3)	11A - I	MARTHA JEFFERSON HOSPITAL	Yes	
MARTHA JEFFERSON HOSPITAL FOUNDATION  500 MARTHA JEFFERSON DRIVE CHARLOTTESVILLE, VA 22911 30-0041113	FUNDRAISING	VA	501 (C)(3)	11A - I	MARTHA JEFFERSON HOSPITAL	Yes	
MARTHA JEFFERSON HOSPITAL  500 MARTHA JEFFERSON DRIVE CHARLOTTESVILLE, VA 22911 54-0261840	HEALTH CARE	VA	501 (C)(3)	LN3_HOSPITALCOOPINSE	SENTARA HEALTHCARE	Yes	
ROCKINGHAM HEALTH CARE INC  2010 HEALTH CAMPUS DRIVE HARRISONBURG, VA 22801 52-1309259	SUPPORT OF HEALTHCARE ORGS	VA	501 (C)(3)	11B - II	N/A		No





Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust

(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
SENTARA HOLDINGS INC 6015 POPLAR HALL DRIVE NORFOLK, VA 23502 54-1555638	HOLDING COMPANY	VA	N/A	C			
SENTARA HEALTH PLANS INC 6015 POPLAR HALL DRIVE NORFOLK, VA 23502 52-2368125	TPA	VA	N/A	C			
OPTIMA HEALTH GROUP 6015 POPLAR HALL DRIVE NORFOLK, VA 23502 54-1473382	HMO	VA	N/A	C			
OPTIMA HEALTH INSURANCE COMPANY 6015 POPLAR HALL DRIVE NORFOLK, VA 23502 54-1642752	HEALTH INSURANCE	VA	N/A	C			
OPTIMA BEHAVIORAL HEALTH SERVICES 6015 POPLAR HALL DRIVE NORFOLK, VA 23502 62-1382666	MENTAL HEALTH SVCS	VA	N/A	C			
SENTARA VENTURES INC 6015 POPLAR HALL DRIVE NORFOLK, VA 23502 54-1688615	HOLDING COMPANY	VA	N/A	C			
SMG INNOVATIONS INC 6015 POPLAR HALL DRIVE NORFOLK, VA 23502 20-3730331	HEALTH CARE	VA	N/A	C			
SENTARA OBICI PROFESSIONAL CENTER 6015 POPLAR HALL DRIVE NORFOLK, VA 23502 54-1445865	RE RENTAL	VA	N/A	C			
SENTARA OBICI MED MGT SERVICES 6015 POPLAR HALL DRIVE NORFOLK, VA 23502 54-1020941	HEALTH CARE	VA	N/A	C			
POTOMAC VENTURES CORP 6015 POPLAR HALL DRIVE NORFOLK, VA 23502 54-1441420	PHARMACY	VA	N/A	C			
ROCKINGHAM HEALTH SERVICES INC 2010 HEALTH CAMPUS DRIVE HARRISONBURG, VA 22801 54-1721387	CONTRACTING SVCS	VA	ROCKINGHAM MEMORIAL HOSPITAL	C			100 000 %
MARTHA JEFFERSON MEDICAL ENTERPRISES INC 630 PETER JEFFERSON PARKWAY CHARLOTTESVILLE, VA 22911 54-1841528	MEDICAL BILLING SVCS	VA	N/A	C			

# TY 2011 Earnings and Profits Other Adjustments Statement

**Name:** ROCKINGHAM MEMORIAL HOSPITAL

**EIN:** 54-0506331

Description	Amount
RELATED PARTY PREMIUMS	-8,540,943
RELATED PARTY UNDERWRITING EXP	4,334,250



**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Consolidated Financial Statements and Supplemental Schedules

December 31, 2011

(With Independent Auditors' Report Thereon)

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

**Table of Contents**

	<b>Page(s)</b>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Balance Sheet	2
Consolidated Statement of Operations	3
Consolidated Statement of Changes in Net Assets	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6 – 35
<b>Schedules</b>	
1 Consolidating Balance Sheet	36
2 Consolidating Statement of Operations	37



KPMG LLP  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

## Independent Auditors' Report

The Board of Directors  
Rockingham Memorial Hospital

We have audited the accompanying consolidated balance sheet of Rockingham Memorial Hospital and subsidiaries (the Hospital) as of December 31, 2011, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Rockingham Memorial Hospital and subsidiaries as of December 31, 2011, and the results of their operations, the changes in their net assets and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the consolidated financial statements, on May 1, 2011, Sentara Healthcare became the sole member of the Hospital. The consolidated financial statements include the effect of the resultant accounting for the business combination.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

**KPMG LLP**

April 13, 2012



**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Consolidated Balance Sheet

December 31, 2011

(In thousands)

**Assets**

Current assets	
Cash and cash equivalents	\$ 70,375
Receivables, net	45,139
Inventories	5,336
Prepaid expenses and other current assets	2,856
	<hr/>
Total current assets	123,706
Investments and assets whose use is limited	137,246
Property, plant and equipment, net	138,244
Other assets, net	17,181
	<hr/>
Total assets	\$ 416,377
	<hr/> <hr/>

**Liabilities and Net Assets**

Current liabilities	
Accounts payable and accrued expenses	\$ 8,079
Employee compensation and benefits	13,433
Payables to affiliated organizations	548
Current installments of long-term debt	2,769
Estimated third-party pay or settlements	2,302
Other current liabilities	12,665
	<hr/>
Total current liabilities	39,796
Long-term debt, excluding current installments	263,845
Retirement obligations	35,353
Other long-term liabilities	27,610
	<hr/>
Total liabilities	366,604
	<hr/>
Net assets	
Unrestricted	16,079
Temporarily restricted	18,960
Permanently restricted	14,734
	<hr/>
Total net assets	49,773
	<hr/>
Total liabilities and net assets	\$ 416,377
	<hr/> <hr/>

See accompanying notes to consolidated financial statements

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Consolidated Statement of Operations

Year ended December 31, 2011

(In thousands)

	Four months ended April 30, 2011	Eight months ended December 31, 2011	Total
Operating revenues, gains and other support			
Net patient service revenue	\$ 116,921	237,949	354,870
Other operating revenue	3,777	8,419	12,196
Net assets released from restrictions for operations	17	1,292	1,309
Total operating revenues, gains and other support	120,715	247,660	368,375
Operating costs and expenses			
Salaries and wages	43,623	89,017	132,640
Benefits	10,674	20,726	31,400
Other operating expenses	44,684	91,113	135,797
Interest expense	3,527	8,079	11,606
Provision for bad debts	8,312	17,982	26,294
Depreciation and amortization	10,134	7,721	17,855
Total operating costs and expenses	120,954	234,638	355,592
Net operating income	(239)	13,022	12,783
Nonoperating gains (losses), net	3,849	(3,540)	309
Excess of revenues over expenses	3,610	9,482	13,092
Net assets released from restrictions for capital purchases	805	2,019	2,824
Change in funded status of retirement obligations	4,306	(26,249)	(21,943)
Other changes in unrestricted net assets	(51)	(315)	(366)
Net effect of business combination (note 1)	(232,311)	—	(232,311)
Decrease in unrestricted net assets	\$ (223,641)	(15,063)	(238,704)

See accompanying notes to consolidated financial statements

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Consolidated Statement of Changes in Net Assets

Year ended December 31, 2011

(In thousands)

Unrestricted net assets	
Excess of revenues over expenses	\$ 13.092
Net assets released from restrictions for capital purchases	2.824
Change in funded status of retirement obligations	(21.943)
Other changes in unrestricted net assets	(366)
Net effect of business combination (note 1)	(232.311)
	<hr/>
Decrease in unrestricted net assets	(238.704)
	<hr/>
Temporarily restricted net assets	
Contributions	7.833
Investment earnings	(137)
Net assets released from restrictions	(4.133)
Other changes, net	270
	<hr/>
Increase in temporarily restricted net assets	3.833
	<hr/>
Permanently restricted net assets	
Contributions	27
Investment earnings	256
Other changes, net	(295)
	<hr/>
Decrease in permanently restricted net assets	(12)
	<hr/>
Decrease in net assets	(234.883)
	<hr/>
Net assets, beginning of year	284.656
	<hr/>
Net assets, end of year	\$ <u><u>49.773</u></u>

See accompanying notes to consolidated financial statements

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Consolidated Statement of Cash Flows

Year ended December 31, 2011

(In thousands)

Cash flows from operating activities	
Decrease in net assets	\$ (234,883)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities	
Net effect of business combination	232,311
Provision for bad debts	26,294
Depreciation and amortization	17,855
Net realized and unrealized loss on investments	610
Gain on disposal of property, plant and equipment	(982)
Amortization of bond discount	690
Change in market value of derivative instruments	136
Equity in earnings of joint ventures	(2,096)
Restricted contributions	(7,860)
Change in operating assets and liabilities	
Receivables, net	(32,863)
Inventories	(193)
Prepaid expenses and other current assets	2,119
Accounts payable and accrued expenses	(211)
Employee compensation and benefits	2,228
Estimated third-party payor settlements	734
Retirement obligations	638
Other liabilities	3,844
Net cash provided by operating activities	<u>8,371</u>
Cash flows from investing activities	
Proceeds from disposal of property, plant and equipment	675
Capital expenditures	(11,654)
Purchases of investments, net	(4,624)
Net change in other assets	1,903
Net cash used in investing activities	<u>(13,700)</u>
Cash flows from financing activities	
Payment on long-term debt	(950)
Restricted contributions received	11,098
Net cash provided by financing activities	<u>10,148</u>
Net increase in cash and cash equivalents	4,819
Cash and cash equivalents at beginning of year	<u>65,556</u>
Cash and cash equivalents at end of year	<u><u>\$ 70,375</u></u>
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	\$ 11,719
Acquisition of equipment in accounts payable	4,457

See accompanying notes to consolidated financial statements

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

**(1) Description of Organization**

***(a) Corporate Organization***

Rockingham Memorial Hospital (the Hospital) is a nonstock, nonprofit, 501(c)(3) tax-exempt corporation that provides acute care and other healthcare services to residents of Harrisonburg, Virginia and the surrounding area

***(b) Principles of Consolidation***

The Hospital is affiliated with its subsidiaries through the legal relationship of sole "member" or sole "stockholder." As sole member/stockholder, the Hospital has those rights and powers prescribed by law and provided in the subsidiaries Articles of Incorporation and Bylaws. All significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements include the following subsidiaries:

- Valley Wellness Center, Inc. d/b/a RMH Wellness Center is a Virginia nonprofit corporation that provides preventative healthcare and rehabilitation services at its facilities in Harrisonburg, Virginia.
- Rockingham Health Services, Inc., a taxable entity.

***(c) Business Combination***

On May 1, 2011, Sentara Healthcare (Sentara) replaced Rockingham Health Care, Inc. as the sole member and parent of the Hospital. Simultaneously, the Hospital replaced Rockingham Health Care, Inc. as the sole member and parent of RMH Wellness Center and Rockingham Health Services. Rockingham Health Care remains a separate, unaffiliated legal entity.

Pursuant to the business combination agreement, Sentara committed to expend a total investment of \$269,000 over a 20-year period to support expansion and enhancement of medical services in Harrisonburg and the surrounding area. This amount will be expended pursuant to plans and budgets approved by the Hospital's Board of Directors and Sentara.

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

As a result of the business combination, the carrying values of the Hospital's assets and liabilities were adjusted to their estimated fair values. The following table reflects the effect of the business combination on the Hospital's May 1, 2011 condensed consolidated balance sheet:

	<u>May 1 unadjusted</u>	<u>Business combination adjustments</u>	<u>May 1 adjusted</u>
<b>Assets</b>			
Current assets	\$ 148,797	(4,388)	144,409
Property and equipment	372,503	(238,481)	134,022
Other long-term assets	141,240	(1,324)	139,916
Total assets	<u>\$ 662,540</u>	<u>(244,193)</u>	<u>418,347</u>
<b>Liabilities</b>			
Current liabilities	\$ 32,283	(1,192)	31,091
Long-term debt	298,878	(33,037)	265,841
Retirement obligation	32,486	—	32,486
Other long-term liabilities	5,207	22,347	27,554
Total liabilities	<u>368,854</u>	<u>(11,882)</u>	<u>356,972</u>
<b>Net assets</b>			
Unrestricted	263,453	(232,311)	31,142
Temporarily restricted	14,993	—	14,993
Permanently restricted	15,240	—	15,240
Total net assets	<u>293,686</u>	<u>(232,311)</u>	<u>61,375</u>
Total liabilities and net assets	<u>\$ 662,540</u>	<u>(244,193)</u>	<u>418,347</u>

**(2) Significant Accounting Policies**

**(a) Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

**(b) Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments with original maturities of three months or less, excluding amounts held in investments and assets whose use is limited.

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

**(c) *Accounts Receivable and Allowance for Uncollectible Accounts***

Accounts receivable are reported at net realizable value. Balances not paid within 30 days are considered past due. Balances are considered delinquent when they are outstanding for 120 days with no activity at which time the balances are transferred to a collection agency and the balance is moved to the allowance for uncollectible accounts. Balances are written off after all reasonable collection efforts have been made. The allowance for uncollectible accounts is based on historical bad debt experience and management's evaluation of the components of accounts receivable.

**(d) *Investments and Assets Whose Use is Limited***

Investments in readily marketable debt and equity securities are carried at fair value. All investments, except for the portion required for payment of current liabilities, are classified as noncurrent assets.

Readily marketable investments are deemed to be trading securities; therefore, investment income or loss (including realized and unrealized gains and losses) is included in nonoperating gains (losses), net, unless restricted as to use by donor or law. Cost used in the determination of gains on sales of investments is based on the average cost of the investment sold.

The Hospital invests in alternative investments in the form of limited liability companies or partnerships. Alternative investments are accounted for under the equity method based on the Hospital's interest in their underlying net assets. Alternative investments are typically not readily marketable; accordingly, their fair value may be different from their carrying value and that difference could be material. The Hospital's share of alternative investment gains and losses is included in nonoperating gains (losses), net. Alternative investments are included in investments and assets whose use is limited in the consolidated balance sheet. Investments recorded under the equity method are evaluated for impairment when events or changes in circumstances are identified that may have a significant adverse effect on the fair value of the investment. No impairment was recorded on equity method investments for the year ended December 31, 2011.

The Hospital's investments are exposed to several risks, including interest rate, currency, market and credit risks. It is at least reasonably possible that changes in the values of investment securities will occur in the near term due to these risks and such changes could materially affect the amounts reported in the consolidated financial statements.

Assets whose use is limited include assets held by trustees under the 2006 bond indenture agreement for payment of costs incurred for construction of the new hospital facility and for bond principal and interest. Assets whose use is limited also includes assets designated by the Board of Directors to function as an endowment fund, over which the Board retains control and may at its discretion subsequently use as deemed appropriate, and as consistent with donor intent.

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

**(e) *Property, Plant and Equipment***

Property, plant and equipment are recorded at cost at the date of acquisition or fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 5 to 20 years on major movable equipment and 10 to 40 years on buildings, fixed equipment and improvements. 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. Gains or losses on disposal of property, plant and equipment are included in operating income. Repairs and maintenance are expensed as incurred.

**(f) *Impairment of Long-Lived Assets***

The Hospital assesses long-lived assets for impairment by determining whether their carrying value can be recovered through the undiscounted future operating cash flows generated by the assets. The amount of impairment, if any, is measured by comparison of the fair value of the assets to their carrying value. Fair value is determined using market data or projected discounted future operating cash flows using a discount rate reflecting the Hospital's weighted average cost of capital.

**(g) *Derivative Financial Instruments***

The Hospital recognizes the fair value of derivative financial instruments as assets or liabilities in the accompanying consolidated balance sheet. The Hospital has elected not to use hedge accounting with respect to any of its derivative financial instruments. Accordingly, the change in fair value of these instruments is included in nonoperating income, net. Net cash settlement amounts are included in interest expense.

**(h) *Temporarily and Permanently Restricted Net Assets***

Unconditional promises to give cash and other assets 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.

Net assets and their related changes are classified based on the existence or absence of donor-imposed restrictions. Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose, or which have not yet been appropriated for expenditure. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Related income is classified as temporarily restricted until expended. Refer to note 5 for discussion of the Hospital's endowment fund spending and investment policies. Net assets have been primarily restricted for the provision of healthcare services.

**(i) *Nonoperating Gains (Losses), Net and Excess of Revenues over Expenses***

Activities related to the provision of healthcare services are reported as operating revenues and expenses. Activities which result in gains or losses unrelated to the Hospital's primary mission are considered to be nonoperating.



**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

The consolidated statements of operations include excess of revenues and gains over expenses. Changes in unrestricted net assets that are excluded from excess of revenues over expenses, consistent with industry practice, include nonperiodic changes in funded status of retirement obligations and contributions of long-lived assets (including assets acquired using donor-restricted contributions).

**(j) *Net Patient Service Revenue***

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 changes to estimates become known and tentative and final settlement adjustments are determined.

**(k) *Charity Care***

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, related charges are not reported as revenue.

**(l) *Income Taxes***

Rockingham Memorial Hospital and its subsidiary, the RMH Wellness Center, have been recognized by the Internal Revenue Service as tax exempt under Section 501(c)(3) of the Internal Revenue Code of 1986 (the Code), and as public charities under Section 509(a) of the Code. The Hospital's subsidiary, Rockingham Health Services, Inc. is a for-profit corporation subject to federal and state income taxes. Federal and state income tax returns subsequent to 2007 are subject to examination by the Internal Revenue Service and state taxing authorities.

**(m) *Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation allowances for receivables, recoverability of long-lived assets, self-insurance accruals, third-party payor settlements, and retirement obligations. Actual results could differ from those estimates.

**(n) *Fair Value of Financial Instruments***

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measuring date. Financial Standards Accounting Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

measure fair value. The fair value hierarchy gives the highest priority to quoted market prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3).

The carrying amounts of cash and cash equivalents, patient accounts receivable, other receivables, accounts payable and accrued expenses, employee compensation and benefits, estimated third-party payor settlements and other liabilities reported in the consolidated balance sheet approximate fair value because of the short maturity of these instruments.

**(o) Subsequent Events**

Subsequent events have been evaluated through April 13, 2012, the date that the consolidated financial statements were available to be issued.

**(p) Recent Accounting Pronouncements**

On January 1, 2011, the Hospital adopted Accounting Standards Update (ASU) 2010-07, *Not-for-Profit Entities (Topic 958) Not-for-Profit Entities Mergers and Acquisitions*. ASU 2010-07 amends financial accounting and reporting for not-for-profit business combinations. The pronouncement establishes principles and requirements for how a not-for-profit entity determines whether a combination is a merger or an acquisition, applies the carryover method in accounting for a merger, applies the acquisition method in accounting for an acquisition, including determining which of the combining entities is the acquirer, and determines what information to disclose to enable users of financial statements to evaluate the nature and financial effects of a merger or an acquisition.

**(3) Net Patient Service Revenue**

Net patient service revenue is computed as follows for the year ended December 31, 2011:

Gross patient charges	\$ 666,238
Charity care	<u>24,374</u>
Gross patient service revenue	641,864
Deductions:	
Medicare, Medicaid, and Tricare contractual deductions	225,119
Other discounts and allowances	<u>61,875</u>
Total	<u><u>\$ 354,870</u></u>

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

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

*Medicare* Under the Medicare program, the Hospital receives reimbursement under a prospective payment system (PPS) for inpatient services. Under the hospital inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis related group (DRG). When the estimated cost of treatment for certain patients is higher than the average, providers typically will receive additional "outlier" payments. The majority of outpatient services provided to Medicare beneficiaries are prospectively reimbursed based on service groups called ambulatory payment classifications (APCs). The remainder of outpatient services are paid on a cost basis or based on a fee schedule. The Hospital is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The Hospital has final settled with the Medicare program through the 2006 cost report year.

*Medicaid* The Medicaid program is administered by the Department of Medical Assistance Services (DMAS) of the Commonwealth of Virginia, pursuant to federal and state laws and regulations. DMAS receives funding for program expenditures from both the federal government and the Commonwealth of Virginia. Federal or state law or regulations may affect limits on Medicaid payment. The majority of Medicaid recipients in the Hospital's primary service area are enrolled in health maintenance organizations (HMOs). These HMOs contract with the Medicaid program to provide primary and acute care services to enrolled Medicaid recipients. The Hospital is paid for substantially all services rendered to Medicaid HMO beneficiaries on a prospective payment basis. There are certain Medicaid patients excluded from the HMO program for which the Hospital is reimbursed based on a DRG-based prospective payment system, which is subject to certain limitations and possible retroactive adjustment. The Hospital has final settled with the Medicaid program through the 2010 cost report year.

*Anthem* Inpatient services rendered to Anthem subscribers are reimbursed at prospectively determined rates per discharge. Outpatient services are either reimbursed at prospectively determined rates per test or procedure or percentage of charge. The prospectively determined rates are not subject to retroactive adjustment.

In addition to Medicare, Medicaid, and Anthem discussed above, the Hospital also provides services to beneficiaries of numerous other third-party payors. These payors pay based on negotiated contractual rates which include prospectively determined rates per discharge and discounts from established charges.

Revenue from the Medicare and Medicaid programs accounted for approximately 34% and 5%, respectively, of the Hospital's net patient revenue for the year ended December 31, 2011. 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. In 2011, the effect of these settlement adjustments was to increase net patient service revenue by approximately \$1.046.

Due to the nature of the governmental cost report settlement process, the complexities of governmental and nongovernmental patient billing and other financial statement exposures that are inherent in the provision

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

of healthcare services, the Hospital has established financial accounting and reporting policies that formally govern the establishment of associated liability estimates beyond those related to specifically identifiable events. The establishment of related liabilities is based on a number of factors, including net patient service revenue volumes. The Hospital believes that such policy properly provides for the Hospital's routine and nonroutine exposures consistent with industry accounting principles and practices. These estimated liabilities are included in other long-term liabilities on the consolidated balance sheet in the amount of \$11,584 as of December 31, 2011.

**(4) Receivables, net**

Receivables, net are summarized as follows at December 31, 2011:

Patient accounts receivable	\$ 84,219
Less:	
Contractual allowances for third-party payors	30,998
Allowances for uncollectible accounts	<u>12,938</u>
Patient accounts receivable, net	40,283
Pledges receivable	2,012
Other receivables	<u>2,844</u>
Receivables, net	<u><u>\$ 45,139</u></u>

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

**(5) Investments and Assets Whose Use is Limited**

A summary of investments and assets whose use is limited included in the December 31, 2011 consolidated balance sheet is as follows

Unrestricted investments	
Equity securities	
Domestic	\$ 35,163
International	6,700
Alternative investment vehicles	
Hedge fund	12,788
Private equity	8,336
Real estate	5,131
Short-term investments	32,111
	<hr/>
	100,229
	<hr/>
Donor-restricted investments	
Equity securities	
Domestic	11,326
International	2,158
Alternative investment vehicles	
Hedge fund	4,119
Private equity	1,653
Real estate	2,685
Short-term investments	2,822
	<hr/>
	24,763
	<hr/>
Assets whose use is limited under indenture	
Short-term investments	12,254
	<hr/>
Total investments	\$ <u><u>137,246</u></u>

The three levels of the fair value hierarchy are as follows

Level 1 – Quoted prices for identical assets or liabilities in active markets

Level 2 – Quoted prices for similar instruments in active markets, for identical instruments in markets that are not active, and model-driven valuations whose inputs are observable either indirectly or directly

Level 3 – Unobservable inputs that are significant to the fair value of the assets or liabilities

Short-term investments are comprised of cash equivalents and short-term fixed income securities. Because of the nature of these assets, carrying amounts approximate fair values, which have been determined from public quotations, when available.

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

Fair values for the Hospital's fixed maturity securities are based on prices provided by its investment managers and custodian bank which use a variety of pricing sources to determine market valuations. The Hospital's fixed maturity securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

Fair values of equity securities have been determined by the Hospital from observable market quotations, when available. Equity securities where a public quotation is not available are valued by using broker quotes.

The following table presents the Hospital's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2011.

Description	Fair value measurement at reporting date using at December 31, 2011 using			
	Total	(Level 1)	(Level 2)	(Level 3)
Equity securities				
Domestic	\$ 46,489	46,489	—	—
International	8,858	8,858	—	—
Short-term investments	47,187	47,187	—	—
Total assets	\$ 102,534	102,534	—	—

A summary of limited investment companies accounted for under the equity method included in investments in the accompanying December 31 consolidated balance sheets is as follows:

Fund category	Fair value	Redemption frequency
Wellington CTF Mid Cap Growth Portfolio	\$ 7.628	Monthly
Austin Capital Safe Harbor	558	Quarterly
K2 Highland Overseas Fund	12,548	Quarterly
UBS Trumbull Property Income Fund	6,638	Quarterly
Silver Creek Low Volatility Strategies	3,802	Schedule
AIG Private Equity Portfolio	1,440	Discretionary
CMS Entrepreneurial Real Estate	145	Discretionary
OCM Principle Opportunities Fund	1,953	Discretionary
	\$ 34,712	

**Wellington Trust Company** This category consists of investment in a privately traded fund. This fund primarily invests in a well-diversified portfolio of publicly traded securities. The fair values of the investment in this category have been estimated using the net asset value per share of the investments and the shares can be redeemed on a monthly basis at the end of the month.

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

**Austin Capital Safe Harbor** This category includes investments in hedge funds with diversified investment and market strategies. The funds in this category utilize long-short strategies, for both equity and fixed income positions. The fair values of the investment in this category have been estimated using the net asset value per share of the investments. The Hospital can redeem funds on a quarterly basis with a 65-day notice.

**K2 Highland Overseas** This category includes investment in a number of funds to provide a well-diversified portfolio of low correlating market strategies with rigorous attendant risk controls. The fair values of the investment in this category have been estimated using the net asset value per share of the investments. RMH can redeem funds on a quarterly basis with a 91-day notice.

**UBS Trumbull Property Income Fund** This category includes investments in real estate both in the form of direct ownership of real estate or through other real estate funds. This category seeks to provide a combination of a fixed return and participation in cash flows from the properties as well as a participation in gains from sales and refinancing. The fair values of the investment in this category have been estimated using the net asset value per share of the investments. RMH can redeem funds on a quarterly basis with a 60-day notice.

**Silver Creek Low Volatility Strategies** This category includes investments in low volatility hedge fund of funds and special opportunity private equity portfolios. The fair values of the investment in this category have been estimated using the net asset value per share of the investments. The Hospital's investment in this category has surpassed the required lock-up period. However, due to recent market conditions, Silver Creek has published a draw-down schedule under which its investors may redeem funds over the next several years.

**AIG Private Equity Portfolio** This category includes investments in several AIG Private Equity funds. This category includes investments of approximately 35% in U.S. buy-out companies, 15% in venture capital opportunities, 30% in foreign buy-out and venture capital funds, 10% in secondary market funds and 10% in private companies. These investments cannot be redeemed until the end of the initial investment period, which is scheduled to end in 2012.

**CMS Entrepreneurial Real Estate** This category includes investments in several real estate funds that invest primarily in U.S. residential real estate. The fair values of the investment in this category have been estimated using the net asset value per share of the investments. Currently, this fund is in the distribution period, and RMH can expect to continue to receive distributions until the stated end of the fund (including possible extensions).

**OCM Principle Opportunities Fund** This category includes investments in funds that focus on obtaining equity positions, which provide total ownership, control, or significant influence at attractive prices by taking advantage of market inefficiencies. These investments cannot be redeemed until the end of the initial investment period, which is scheduled to end in 2011.

The Hospital's limited investment companies are reported on the equity method based on the underlying net asset value of the investment. Due to the nature of the underlying investments held, changes in market

# ROCKINGHAM MEMORIAL HOSPITAL AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

conditions and the economic environment may significantly impact the investments' net asset value and the carrying value of the Hospital's interest

The Hospital generally uses net asset value per share as provided by external investment managers without further adjustment as the practical expedient estimate of the fair value of its alternative investments consistent with the provisions of Accounting Standards Update 2009-12, *Fair Value Measurements and Disclosures (Topic 820) Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. Accordingly, such values may differ from values that would have been used had an active market for the investments existed

Limited investment companies totaling \$31,174 at December 31, 2011 are redeemable at their net asset value under the current terms of the subscription agreements, and therefore, their carrying value approximates their estimated fair value. However, it is possible that these redemption rights may be restricted or eliminated by the funds in accordance with the underlying agreements in the future

Limited investment companies totaling \$3,538 at December 31, 2011 are not redeemable at net asset value under the terms of the partnership and/or subscription agreements. Although a secondary market exists for these investments, the market is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. Depending on the nature of the investment and other investment features such as lock-up periods, redemption fees, future funding commitments, etc., such a discount could be significant

The Hospital does not have any unfunded capital commitments at December 31, 2011

### (6) Property, Plant and Equipment

A summary of property and equipment follows

Land	\$ 14,291
Land improvements	3,486
Buildings	39,349
Fixed equipment	36,650
Major movable equipment	48,053
	<hr/> 141,829
Less accumulated depreciation	(7,658)
	<hr/> 134,171
Construction in progress	4,073
Total	<hr/> <hr/> \$ 138,244

Depreciation totaled \$17,695 for the year ended December 31, 2011



**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

**(7) Other Assets**

Other assets consist of the following

Note receivable		
Pleasant Run, LLC	\$	3,328
Harrisonburg Medical Associates		
Reserve		1,300
Other		170
		<hr/>
Total notes receivable		4,798
		<hr/>
Equity investments in		
Shenandoah Shared Hospital Services,		
Inc		4,826
VaLiance Health, LLC		694
VHA Mid-Atlantic States, Inc		234
Virginia Solution SPC, Ltd		3,631
		<hr/>
Total equity investments		9,385
		<hr/>
Other assets		2,998
		<hr/>
Total	\$	17,181
		<hr/>

The note receivable from Pleasant Run, LLC bears interest at 6.5% and is expected to be repaid in July 2013. One of the members of Pleasant Run, LLC is also a board member of the Hospital.

Shenandoah Shared Hospital Services, Inc. (SSHS) and VaLiance Health, LLC are cooperative hospital service organizations that provide healthcare services to area hospitals. Effective June 7, 2011, the SSHS Board of Directors voted to liquidate the organization due to changing conditions in the healthcare industry. The terms of the plan of liquidation called for SSHS to transfer the majority of its operations and related equipment and other operating assets to the voting members of SSHS at the current book value for these assets. The amount of these transfers reduce the equity of the respective members. Equipment totaling \$3,833 was transferred from SSHS to the Hospital. Additionally, during 2011, the Hospital purchased services from SSHS totaling \$8,289. Amounts payable to SSHS totaled approximately \$276 at December 31, 2011.

VHA Mid-Atlantic States, Inc. provides group purchasing and other healthcare industry-related services to its member hospitals. Virginia Solution SPC, Ltd. (the Captive) is an insurance captive that underwrites hospital and physician liability and workers compensation policies for its member hospitals. The Hospital has a 17% ownership interest in the Captive.

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

**(8) Long-Term Debt**

Long-term debt consists of the following

	<b>Interest rate</b>	<b>2011</b>
Series 2006 Bonds – Industrial Development Authority of the City of Harrisonburg, Virginia	4 715%	\$ 189,050
Series 2009 Bonds – Industrial Development Authority of the City of Harrisonburg, Virginia	Variable	20,000
Due to Sentara Healthcare	Variable	85,000
Total long-term debt outstanding		294,050
Less current maturities		(2,769)
Less unamortized bond discount		(27,436)
Long-term debt		<u>\$ 263,845</u>

**(a) Hospital Revenue Bonds**

In December 2006, the Hospital obtained tax-exempt financing of \$190,000 through the City of Harrisonburg Industrial Development Authority (2006 IDA Bonds). The proceeds were used to fund construction of a new hospital facility.

The maturity date of the 2006 IDA Bonds is August 2046. The first principal payment of \$950 was made in August 2011; thereafter, principal payments will be made annually as the underlying bonds reach their maturity dates, with the final principal payment of \$11,670 to be made in August 2046. Under the terms of the related bond agreement, the Hospital has the right beginning in August 2016 to redeem all or a portion of the 2006 IDA Bonds maturing after August 2017.

The 2006 IDA Bonds are secured by a pledge of the Hospital's revenues as well as by a security interest in unrestricted current assets, tangible personal property and investment securities held by the Hospital. Interest is paid semiannually. The 2006 IDA Bonds carry fixed interest rates from 4.5% to 5.0% with various maturity dates; the weighted average all-in rate is 4.715%. Interest expense on the Series 2006 IDA Bonds was \$9,000 in 2011.

During 2009, the Hospital obtained tax-exempt bond financing of \$30,000 through the City of Harrisonburg Industrial Development Authority (2009 IDA Bonds). The 2009 IDA Bonds carry a variable interest rate (67% of the one-month LIBOR plus 167 basis points). The Hospital entered into an interest rate swap agreement that effectively fixes the rate of the 2009 IDA Bonds at 3.275% for five years through April 2014. The 2009 IDA Bonds have a 30-year amortization schedule with annual payments of \$1,200, beginning in April 2015. The holder of the Series 2009 IDA Bonds, SunTrust Bank (SunTrust), reserves the right to renegotiate the terms of this debt at the end of five years.

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

The 2009 IDA Bonds are secured by a pledge of the Hospital's unrestricted revenues as well as by a security interest in unrestricted current assets, tangible personal property and investment securities held by the Hospital. Interest expense on the 2009 bonds was \$953 in 2011.

On September 1, 2010, the Hospital obtained tax-exempt bond financing of \$75,000 through the City of Harrisonburg Industrial Development Authority (2010 IDA Bonds) to reimburse the Hospital for building costs paid from operations. The bonds were issued in three series (2010A, 2010B, and 2010C) each in the authorized principal amount of \$25,000.

The maturity date of the 2010 IDA Bonds is September 15, 2040. The terms of the Series 2010A Bonds require installments of \$1,000 on September 15 of each year commencing on September 15, 2016. The Series 2010B and 2010C Bonds are to be repaid in equal installments commencing on September 15, 2012 through the maturity date of the bonds. Under the terms of the bond agreement, RMH has the right to redeem any or all of the 2010 IDA Bonds at its discretion.

The 2010 IDA Bonds are secured by a pledge of the Hospital's gross revenues as well as by a security interest in unrestricted current assets, tangible personal property and investment securities held by the Hospital. The 2010A Series bonds carry interest at 67% of the one-month LIBOR plus 185 basis points. The 2010B and 2010C Series bonds carry interest at 67% of the one-month LIBOR plus 175 basis points. However, these interest rates will increase over the life of the bond if the Hospital does not reduce its debt on the 2009 or 2010 IDA Bonds by \$30,000 by the second anniversary of the closing date. The maximum rate of interest that could be paid on the 2010 IDA Bonds would be 67% of the one-month LIBOR plus 260 basis points. Interest expense on the Series 2010 IDA bonds was \$970 in 2011.

**(b) Note Substitution**

In November 2011, Sentara approved an amendment to the Master Trust Indenture including adding the Hospital as an affiliate to the Sentara Obligated Group. Sentara and the Hospital subsequently initiated debt restructures whereby the promissory notes securing a portion of the Hospital's debt were substituted with the credit of promissory notes issued under the Sentara Master Trust Indenture. The substitution of the promissory notes transfers the primary obligation under the debt from the Hospital to Sentara. As of December 31, 2011, the Hospital's Series 2010 and 2009A IDA Bonds totaling \$75,000 and \$10,000, respectively, were substituted. These amounts are now reflected as due to Sentara Healthcare in the Hospital's table of long-term debt. Principal and interest repayment terms did not change. The Hospital's Series 2009B-C and Series 2006 IDA Bonds totaling \$20,000 and \$161,746, respectively, were substituted in January of 2012.

As a result of such actions, all obligations issued under the Hospital's Master indenture have been cancelled and discharged.

The fair value of long-term debt is determined by market quotations using Level 1 criteria. The fair value of all long-term debt at December 31, 2011 was approximately \$195,709.

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

A summary of interest expense follows

Interest costs incurred	\$ 10.923
Letter of credit fees	(7)
Amortization of bond discount, net	<u>690</u>
Total	<u><u>\$ 11,606</u></u>

In connection with the 2006 IDA Bonds, the Hospital has recorded an arbitrage rebate liability of \$743 at December 31, 2011. Under federal law regulations related to tax-exempt financing, interest earned on investment of bond proceeds that exceeds the interest cost incurred for use of these funds is required to be refunded at five year intervals.

Principal maturities for future years follow

Year ended December 31	
2012	\$ 2.769
2013	2.764
2014	2.864
2015	4.064
2016	5.074
Thereafter	<u>276.515</u>
	<u><u>\$ 294.050</u></u>

**(9) Derivative Financial Instruments**

The Hospital uses interest rate swaps as a part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. The interest rate swaps are not used for speculative purposes and are measured at fair value in the consolidated balance sheet.

The following table provides details regarding the Hospital's fair value of derivative instruments currently classified as other long-term liabilities, and none of which are designated as cash flow hedging instruments.

Interest rate swap	Fair value	Notional amount outstanding	Rate paid	Rate received	Average rate received in 2011	Counterparty	Term
2009 (Fixed Swap)	\$ (868)	\$ 30,000	3.275%	67% 1M LIBOR + 1.67%	1.82%	SunTrust	5 years

In conjunction with the issuance of its 2009 debt, the Hospital entered into an interest rate swap agreement with SunTrust. The fair value of the interest rate swap agreement is the estimated amount that the Hospital

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the creditworthiness of the swap counterparty. Had the Hospital been required to or had it elected to terminate the interest rate swap agreement at December 31, 2011, it would have paid \$868 to SunTrust. This liability is included in other long-term liabilities on the balance sheet.

In January 2012, Sentara assumed the Hospital's obligation with respect to this swap agreement.

The fair value of the Hospital's derivative instruments is based on information obtained from swap counterparties using Level 2 inputs. The Hospital evaluates the reasonableness of the reported fair values.

**(10) Retirement Obligations**

The Hospital maintains a noncontributory defined benefit pension plan currently covering approximately 78% of its employees (the Plan). Benefits are based on employees' years of service and compensation.

As of January 1, 2008, the employee retirement plan was frozen for purposes of participation by new hires and rehires. In addition, the Plan was amended effective December 31, 2008 to allow participants at December 31, 2008 the choice to remain in the Plan or freeze their benefits as of December 31, 2008 and move to a new defined contribution retirement and savings plan beginning in January 1, 2009. Employees who had not met participation requirements as of December 31, 2008 have been placed in the new plan. Service will continue to accrue for purposes of vesting and early retirement eligibility for participants of the Plan who have elected to freeze their benefits.

The Plan conforms to the requirements of the Employee Retirement Income Security Act of 1974 (ERISA). The Hospital's funding policy is to contribute amounts to the Plan sufficient to meet the minimum funding requirements of ERISA.

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

The Plan uses a December 31 measurement date. The following table sets forth amounts recognized in the consolidated financial statements as of and for the year ended December 31, 2011 related to the Plan.

Accumulated benefit obligation at December 31, 2011	\$ 105,669
Change in projected benefit obligation	
Benefit obligation at previous January 1, 2011	\$ 105,639
Service cost	4,373
Interest cost	5,889
Actuarial loss	17,304
Benefit payments	<u>(2,638)</u>
Projected benefit obligation at December 31, 2011	<u>130,567</u>
Change in plan assets	
Fair value of plan assets at previous January 1, 2011	71,103
Actual return on plan assets	349
Employer contributions	26,400
Benefit payments	<u>(2,638)</u>
Fair value of plan assets at December 31, 2011	<u>95,214</u>
Funded status	<u><u>\$ (35,353)</u></u>
Amounts recognized in the consolidated balance sheet at December 31, 2011	
Long-term liabilities	\$ (35,353)
Amounts recognized in unrestricted net assets at December 31, 2011	
Net actuarial loss	\$ (26,249)
Components of net periodic pension cost for the year ended December 31, 2011	
Service cost	\$ 4,373
Interest cost	5,889
Expected return on plan assets	(5,738)
Prior service cost recognized	1
Amortization of actuarial loss	<u>505</u>
	<u><u>\$ 5,030</u></u>

The effect of the business combination accounting on amounts included in unrestricted net assets at May 1, 2011 was to reduce previously unrecognized net actuarial losses and prior service cost by \$24,914.

For the year ended December 31, 2011, the Hospital recognized a decrease in net assets of \$26,111 related to nonperiodic changes in plan assets and benefit obligations.

The estimated actuarial loss for the Plan that will be amortized from accumulated other comprehensive loss into net periodic cost over the next year is \$819. No assets of the Plan are expected to be returned to the Hospital for the year ending December 31, 2012.

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

The assumptions used to determine the benefit obligation for the Plan at December 31, 2011 follow

Discount rate	4.65%
Rate of compensation increase	5.00
Expected return on plan assets	7.25

During 2011, the Hospital reduced the discount rate used to calculate the projected benefit obligation at the measurement date from 5.55% to 4.65%. This change in estimate increased the projected benefit obligation by approximately \$10,000. The Hospital also changed the mortality tables used in the calculation of the projected benefit obligation. This change in estimate increased the projected benefit obligation by approximately \$1,000.

Weighted-average assumptions used to determine net periodic benefit cost as of measurement date are as follows:

	<b>For the four months ended April 30, 2011</b>	<b>Eight months ended December 31, 2011</b>
Weighted average discount rate	5.55%	5.61%
Weighted average rate of compensation increase	5.00	5.00
Weighted average expected long-term rate of return on plan assets	7.50	7.50

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

In developing the expected long-term rate of return on assets assumption, the Hospital considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

**(a) Investment Policy and Strategy**

The overall financial objectives for the Plans' assets are (1) to provide funds for the timely payment of the Plans' obligations and (2) to produce an investment rate of return that improves the overall funding status of the Plans consistent with the first objective. The investment objective of the Plan seeks to strike a balance between higher returns and controlling funding status volatility. To achieve its objectives, the Plan's assets are allocated based on a target allocation approved by the Hospital's Board of Directors. A registered investment manager has been approved by the Hospital's Board of Directors and reviews fund performance at each quarterly meeting. The Plans' targeted asset allocation by asset category is as follows:

<u>Asset category</u>	<u>Target allocation percentage</u>
Equity securities	60% – 70%
Debt securities	20% – 30%
Other	5% – 15%

The following table presents the Plan's assets measured at fair value aggregated by level in the fair value hierarchy within which those measurements fall as of December 31, 2011:

		<u>Fair value measurements</u>		
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Short-term investments	\$ 33,747	33,747	—	—
Equity securities				
Domestic	31,409	31,409	—	—
International	7,746	7,746	—	—
Registered investment companies				
Hedge funds	5,021	—	4,784	237
Private equity	13,552	—	11,873	1,679
Real estate	3,739	—	—	3,739
Total	<u>\$ 95,214</u>	<u>72,902</u>	<u>16,657</u>	<u>5,655</u>



**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

The following table provides a reconciliation of the beginning and ending balances of all Level 3 assets measured at fair value on a recurring basis

Beginning balance, January 1, 2011	\$	3.875
Total gains or losses (realized and unrealized)		1.878
Purchases, issuances, and settlements		(98)
Ending balance, December 31, 2011	\$	<u>5.655</u>

**(b) Contributions**

The Hospital expects to contribute \$4,500 to the Plan in fiscal year 2012

**(c) Estimated Future Benefit Payments**

The following benefit payments, which reflect expected future employee service, as appropriate, are expected to be paid for the following years ending

2012	\$	3.112
2013		3.592
2014		4.050
2015		4.480
2016		4.973
2017 – 2020		34.234

The expected benefits to be paid are based on the same assumptions used to measure the Hospital's benefit obligations at December 31, 2011

**(d) Defined Contribution Retirement Plans**

In 2009, the Hospital implemented a 401(a) retirement savings plan. The plan is a defined contribution plan and is available to employees who work more than 1,000 hours and are at least 21 years of age. Employee contributions are prohibited in this plan. The Hospital's expense during 2011 related to this plan was \$1.616.

The Hospital has also implemented a 403(b) matching savings plan. The plan is a defined contribution plan and is available to employees with one year of service. The Hospital's expense during 2011 related to this plan totaled \$2.305.

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

**(11) Charity Care and Other Community Benefit**

**(a) *Charity***

The Hospital is committed to providing quality healthcare to all, regardless of their ability to pay. Patients who meet the criteria of its charity care policy receive services without charge or at amounts less than its established rates. The criterion for charity care considers the household income in relation to the federal poverty guidelines, the equity value of real property and/or other assets, and other factors. Under the Hospital's charity program and in accordance with federal requirements, patients who are verified as uninsured receive a discount from the Hospital's full charges. Patients whose income levels and other criteria meet the requirements of the Hospital's charity program receive additional discounts on a sliding scale if adjusted gross income is less than 400% of federal poverty levels. Income and asset information obtained from patient data are used to determine patients' ability to pay. The Hospital maintains records to identify and monitor the level of charity care it furnishes under its charity care policy.

Due to the complexity of the eligibility process, the Hospital provides eligibility services to patients free of charge to assist in the qualification process. These eligibility services include, but are not limited to, the following:

- Financial assistance brochures and other information are posted at each point of service. When patients have questions or concerns, they are encouraged to call a toll-free number to reach customer service representatives during the business day. Financial assistance programs are also published on the Hospital's web site and included on the statements provided to patients.
- The Hospital provides assistance to help patients complete applications for Medicaid or other government payment assistance programs, or apply for care under the Hospital's charity care policy, if applicable.
- Any patient, whether covered by insurance or not, may meet with a Hospital representative and receive financial counseling from the Hospital's dedicated financial assistance unit.

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

Costs incurred are estimated based on the cost to charge ratio for the hospital and applied to charity care charges. Since the Hospital does not pursue collections of amounts determined to meet the criterion under the charity care policy, such amounts are not reported as net patient service revenue. The amounts reported as charity care represent the cost of rendering such services. The following information measures the level of charity and uncompensated care costs provided for the years ended December 31.

Components of estimated cost of charity and other uncompensated care	
Charity care	\$ 11,345
Medicaid	6,619
Bad debts	12,238
Total estimated cost	<u>\$ 30,202</u>

**(b) Medical Education and Other Community Benefits**

In addition to charity and uncompensated care, the Hospital provides other community benefits. These benefits include, among other items, services that positively impact health status or burdening community health issues including referral services with the Harrisonburg Rockingham Free Clinic, including free diagnostic testing in cardiac, laboratory, and radiology services.

The Hospital provides support to other charitable organizations through direct contributions and sponsorships as well as free community health screenings and health education throughout the Hospital's service area. The Hospital also underwrites the costs of training health professionals. Additional costs for similar activities carried out across the Hospital and its subsidiaries are not specifically accumulated and include salaries and other operating expenses.

The Hospital estimates community benefits provided in the form of charity and other uncompensated care. The following is a summary of the Hospital's community commitment as measured by charity care and community benefit costs:

Nonreimbursed cost of charity and uncompensated care	\$ 30,202
Medical education	1,240
Direct contributions and sponsorships	1,110
Total community benefits, at cost	<u>\$ 32,552</u>

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

**(12) Concentration of Credit Risk**

The Hospital grants credit without collateral to its patients, primarily local residents who are insured under third-party payer agreements. The mix of receivables from patients and third-party payers was as follows:

Medicare	34%
Medicaid	11
Anthem	21
Commercial	14
Self pay	16
Other	4
	<hr/>
	100%
	<hr/> <hr/>

**(13) Functional Expenses**

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

Healthcare services	\$ 204,001
General and administrative	151,591
	<hr/>
	\$ 355,592
	<hr/> <hr/>

**(14) Commitments and Contingent Liabilities**

**(a) General Liability and Malpractice Insurance**

Effective June 2004, the Hospital entered into a joint venture agreement with four Virginia health systems to establish Virginia Solution SPC, Ltd. (the Captive), which provides primary professional liability, general liability, and workers' compensation insurance to each of the respective entities. Effective June 2010, a sixth health system joined the Captive. As of December 31, 2011, the Hospital owned a 17% equity interest in the joint venture, which is accounted for under the equity method of accounting. The remaining 83% is owned by the remaining hospitals. The Hospital recognized equity in the income of the Captive of approximately \$843 during the year ended December 31, 2011, which is included in other nonoperating gains (losses), net on the accompanying consolidated statement of operations and changes in net assets. The investment in the Captive of approximately \$3,631 has been included in other assets in the accompanying consolidated balance sheet as of December 31, 2011.

The Hospital insures its professional and general risks through insurance policies issued by the Captive, a multi-provider captive insurance company. The Captive provides primary professional liability insurance on a claims-made basis with limits of \$2,000 per claim and \$6,000 aggregate. Primary general liability coverage is also provided by the Captive on a claims-made basis with limits of \$2,000 per occurrence. The captive provides primary worker's compensation liability insurance.

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

on a claims made basis with limits of \$500 aggregate. Effective July 1, 2011, the Hospital purchased excess coverage of \$20,000 per claim and \$20,000 in the aggregate provided through a Sentara excess liability policy.

Professional liability policies entered into on a claims-made basis and must be renewed or replaced with equivalent insurance if claims incurred during their term but asserted after their expiration are to be insured. The estimated liability for professional and general liability claims will be significantly affected if current and future claims differ from historical trends. While management monitors reported claims closely and considers potential outcomes as estimated by its actuaries when determining its professional and liability accruals, the complexity of the claims, the extended period of time to settle the claims, and the wide range of potential outcomes complicate the estimation. In the opinion of management, adequate provision has been made for the related risk. Based on actuarial estimates and claims history, the Hospital has recorded a liability for potential claims incurred but not reported of \$824 at December 31, 2011.

**(b) Employee Health Benefits**

The Hospital is self-insured for employees' healthcare benefits. Payments under the plan are limited to \$250 per claim and \$2,000 in total for the year. The Hospital has third-party insurance coverage for any losses in excess of such amounts. The liability associated with these claims total \$1,888 at December 31, 2011.

**(c) Lease Commitments**

The Hospital leases various equipment and properties from unrelated parties under operating leases expiring during the next six years. Rental expense incurred during the year ended December 31, 2011 was \$2,005. Future minimum lease payments for noncancelable lease terms in excess of one year are as follows:

2012	\$	1,599
2013		1,360
2014		1,041
2015		1,054
2016		936
Thereafter		<u>1,318</u>
Total	\$	<u><u>7,308</u></u>

**(d) Litigation**

The Hospital is involved in litigation arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's financial position.

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Hospital, through its compliance program, seeks to ensure compliance with such laws and regulations and to rectify instances of noncompliance. Compliance with such laws and regulations is subject to future government review and interpretation as well as significant regulatory action, which can include fines, penalties and exclusion from the Medicare and Medicaid programs.

The Hospital has identified potential violations of the Stark Law, which generally prohibits a financial relationship between a referring physician and healthcare facilities receiving any such referrals absent specific contractual language. The Hospital has self-disclosed these potential violations to relevant regulatory authorities, and expects to work collaboratively with these authorities to determine what, if any, fines and penalties might be appropriate. Management believes that the ultimate outcome to this matter will not have a material effect on the Hospital's consolidated financial statements.

**(15) Nonoperating Gains, Net**

Nonoperating gains, net are summarized as follows:

Investment income	\$ 797
Realized losses on investments, net	1,662
Unrealized gains on investments, net	(683)
Equity in earnings of limited investment companies	(1,589)
Change in market value of derivative instruments	(136)
Other	258
Nonoperating gains, net	<u>\$ 309</u>

**(16) Other Operating Expenses**

Other operating expenses are summarized as follows:

Supplies	\$ 55,576
Professional fees	32,389
Purchased and contracted services	9,199
Repairs and maintenance	7,175
Rent	2,223
Insurance	4,507
Marketing	1,405
Utilities	5,264
Other	18,059
Other operating expenses	<u>\$ 135,797</u>

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

**(17) Temporarily and Permanently Restricted Net Assets**

The Hospital's endowment consists of approximately 250 individual funds established for a variety of purposes. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**(a) *Interpretation of Relevant Law***

The Hospital has interpreted the Uniform Prudent Management of Institutional Funds Act as adopted in the Commonwealth of Virginia (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Hospital classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Hospital in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of the Hospital and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Hospital
- (7) The investment policies of the Hospital

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

Endowment net assets consist of the following as of December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (1,067)	18,960	14,734	32,627
Total endowment funds	\$ <u>(1,067)</u>	<u>18,960</u>	<u>14,734</u>	<u>32,627</u>

Changes in endowment net assets for the year ended December 31, 2011 are as follows

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (701)	15,127	14,746	29,172
Investment return				
Interest and dividends	—	260	208	468
Net appreciation (realized and unrealized)	(366)	(397)	48	(715)
Total investment return	(366)	(137)	256	(247)
Contributions	—	7,833	27	7,860
Appropriation of endowment assets	—	237	(237)	—
Assets released from restriction	—	(4,133)	—	(4,133)
Change in beneficial interest in trusts held by others	—	85	43	128
Other changes in net assets	—	(52)	(101)	(153)
	\$ <u>(1,067)</u>	<u>18,960</u>	<u>14,734</u>	<u>32,627</u>

**(b) Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Hospital to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. The deficiencies as of December 31, 2011 amounted to \$(1,067).



**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

**(c) Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes

Healthcare services	
Equipment, building and program needs	\$ 17,596
Other purpose and time restrictions	1,364
	<u>\$ 18,960</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows

Plant replacement and expansion	\$ 2,824
Health, education, supplies and miscellaneous	1,309
	<u>\$ 4,133</u>

**(d) Return Objectives and Risk Parameters**

The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a long-term stream of funding to programs supported by its endowment while seeking to maintain or increase the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Hospital must hold in perpetuity or for a donor-specified period as well as amounts for which donor stipulations have been met but the funds have not yet been appropriated for expenditure. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to generate adequate returns to accomplish this result, accepting some degree of short-term volatility while attempting to avoid excessive portfolio risk.

**(e) Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Hospital relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Hospital targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its longer return objectives within prudent risk constraints.

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2011

(In thousands)

**(f) *Spending Policy and How the Investment Objectives Relate to Spending Policy***

The Hospital has a policy of appropriating for distribution each year the greater of 50% of the total return earned or 3% of the perpetual endowment fund. In addition, the Hospital has a policy of appropriating for distribution each year 10% of the total return earned for management expenses of the endowment fund. In establishing this policy, the Hospital considered the long-term expected return on its endowment. Accordingly, over the long term, the Hospital expects the current spending policy to allow its endowment to grow while meeting required spending of the endowment. This is consistent with the Hospital's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**(18) Related Parties**

Members of the Hospital's governing boards and senior administration may, from time to time, be associated, either directly or indirectly, with companies doing business with the Hospital. For members of the senior administration, the Hospital requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the Hospital. These annual disclosures cover both the members of the senior administration and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the hospital. There are written conflict of interest policies for both the Hospital that require, among other things, that no member of a governing board may participate in any decision in which he or she (or an immediate family member) has a material financial interest. Each governing board member is required to certify compliance with the conflict of interest policies for the Hospital. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the Hospital, and in accordance with applicable conflict of interest laws. No such associations that have been disclosed are considered to be significant.

## Schedule 1

ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES

## Consolidating Balance Sheet

December 31, 2011

Assets	Rockingham Memorial Hospital	RMH Wellness Center, Inc.	Rockingham Health Services, Inc.	Eliminations	Consolidated
Current assets					
Cash and cash equivalents	\$ 70.279	96	—	—	70.375
Patient receivables, net	45.078	61	—	—	45.139
Receivables from affiliated organizations	—	4,496	—	(4,496)	—
Inventories	5,331	5	—	—	5,336
Prepaid expenses and other current assets	2,845	11	—	—	2,856
Total current assets	123,533	4,669	—	(4,496)	123,706
Investments and assets whose use is limited	137,246	—	—	—	137,246
Property, plant and equipment, net	134,382	3,862	—	—	138,244
Other assets, net	25,158	—	—	(7,977)	17,181
Total assets	\$ 420,319	8,531	—	(12,473)	416,377
<b>Liabilities and Net Assets</b>					
Current liabilities					
Accounts payable and accrued expenses	\$ 8,060	19	—	—	8,079
Employee compensation and benefits	13,433	—	—	—	13,433
Current installments of long-term debt	2,769	—	—	—	2,769
Payables to affiliated organizations	4,854	—	190	(4,496)	548
Estimated third-party payor settlements	2,302	—	—	—	2,302
Other current liabilities	12,591	74	—	—	12,665
Total current liabilities	44,009	93	190	(4,496)	39,796
Long-term debt, excluding current installments	263,845	—	—	—	263,845
Retirement obligations	35,353	—	—	—	35,353
Other long-term liabilities	27,610	—	—	—	27,610
Total liabilities	370,817	93	190	(4,496)	366,604
Net assets					
Unrestricted	15,808	8,438	(190)	(7,977)	16,079
Temporarily restricted	18,960	—	—	—	18,960
Permanently restricted	14,734	—	—	—	14,734
Total net assets	49,502	8,438	(190)	(7,977)	49,773
Total liabilities and net assets	\$ 420,319	8,531	—	(12,473)	416,377

See accompanying independent auditors' report

## Schedule 2

**ROCKINGHAM MEMORIAL HOSPITAL  
AND SUBSIDIARIES**

Consolidating Statement of Operations

Year ended December 31, 2011

	<b>Rockingham Memorial Hospital</b>	<b>RMH Wellness Center, Inc.</b>	<b>Rockingham Health Services, Inc.</b>	<b>Eliminations</b>	<b>Consolidated totals</b>
Operating revenues, gains and other support					
Net patient service revenue	\$ 354,890	(20)	—	—	354,870
Other revenue, gains and support	9,310	2,886	—	—	12,196
Net assets released from restrictions used for operations	1,309	—	—	—	1,309
Total operating revenues, gains and other support	<u>365,509</u>	<u>2,866</u>	<u>—</u>	<u>—</u>	<u>368,375</u>
Operating costs and expenses					
Salaries and wages	131,338	1,302	—	—	132,640
Employee benefits	31,176	224	—	—	31,400
Other operating expenses	135,403	390	4	—	135,797
Interest expense	11,606	—	—	—	11,606
Provision for bad debts	26,294	—	—	—	26,294
Depreciation and amortization	17,708	147	—	—	17,855
Total operating costs and expenses	<u>353,525</u>	<u>2,063</u>	<u>4</u>	<u>—</u>	<u>355,592</u>
Net operating income (loss)	11,984	803	(4)	—	12,783
Nonoperating gains, net	309	—	—	—	309
Excess (deficiency) of revenues over expenses	12,293	803	(4)	—	13,092
Net assets released from restrictions for capital purchases	2,824	—	—	—	2,824
Change in funded status of retirement obligations	(21,943)	—	—	—	(21,943)
Other changes in unrestricted net assets	(366)	—	—	—	(366)
Net effect of business combination	(232,311)	—	—	—	(232,311)
Increase (decrease) in unrestricted net assets	<u>\$ (239,503)</u>	<u>803</u>	<u>(4)</u>	<u>—</u>	<u>(238,704)</u>

See accompanying independent auditors' report