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Form 990

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

SMYTH COUNTY COMMUNITY HOSPITAL

Doing Business As

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

PO BOX 880

Room/suite

City or town, state or country, and ZIP + 4

MARION, VA 24354

F Name and address of principal officer

LINDA P WHITE

PO BOX 880

MARION,VA 24354

D Employer identification number

54-0794913

E Telephone number

(276) 378-1000

G Gross receipts \$ 42,953,023

I Tax-exempt status

☒ 501(c)(3) ☐ 501(c) () ☐ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website:

WWW.MSHA.COM

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation 1965

M State of legal domicile VA

Part I

Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities SEE SCHEDULE OSMYTH COUNTY COMMUNITY HOSPITAL IS A NONSTOCK CORPORATION THAT OWNS AND OPERATES AN ACUTE CARE FACILITY, A HOME HEALTH AGENCY, AND FRANCIS MARION MANOR, A LONG TERM CARE FACILITY THE FACILITIES ARE LOCATED IN SMYTH COUNTY, VIRGINIA THEY PROVIDE INPATIENT, OUTPATIENT, EMERGENCY SERVICES, AND LONG-TERM MEDICAL CARE TO THE GENERAL PUBLIC SERVICES INCLUDE, BUT ARE NOT LIMITED TO, RADIOLOGY, ELECTROCARDIOLOGY, LABORATORY, PHYSICAL THERAPY, SPEECH PATHOLOGY, HOME HEALTH, BLOOD BANK, LONG TERM CARE, AND NURSERY		
	2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3	Number of voting members of the governing body (Part VI, line 1a)	3	15
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	9
	5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	0
	6	Total number of volunteers (estimate if necessary)	6	73
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	30,251
	b	Net unrelated business taxable income from Form 990-T, line 34	7b	10,560
Revenue	8	Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9	Program service revenue (Part VIII, line 2g)	79,030	38,238
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7 d)	44,879,709	40,449,630
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,500,195	1,340,112
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	817,381	1,125,043
			48,276,315	42,953,023
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	7,421	12,821
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	28,759,854	23,446,103
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b	Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 32,229		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	22,117,439	22,877,592
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	50,884,714	46,336,516
	19	Revenue less expenses Subtract line 18 from line 12	-2,608,399	-3,383,493
Net Assets or Fund Balances			Beginning of Current Year	End of Year
	20	Total assets (Part X, line 16)	98,026,282	106,754,092
	21	Total liabilities (Part X, line 26)	16,754,974	24,852,213
	22	Net assets or fund balances Subtract line 21 from line 20	81,271,308	81,901,879

Part II

Signature Block

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

Sign Here

Signature of officer

2013-05-15

Date

JEFFREY HUNDMAN CFO

Type or print name and title

Paid Preparer's Use Only

Preparer's signature

DEBORAH O ERNSBERGER

Date

Check if self-employed ☐

Preparer's taxpayer identification number (see instructions)

P00364912

Firm's name (or yours if self-employed), address, and ZIP + 4

PERSHING YOAKLEY & ASSOCIATES PC

ONE CHEROKEE MILLS 2220 SUTHERLAND

KNOXVILLE, TN 379192363

EIN ☐ 62-1517792

Phone no ☐ (865) 673-0844

May the IRS discuss this return with the preparer shown above? (see instructions)

☒ Yes ☐ No





















For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2011)

Part IV

Checklist of Required Schedules

		Yes	No	
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see 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? If "Yes," complete Schedule C, Part I 	3		No
4	Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5		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? If "Yes," complete Schedule D, Part I 	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II 	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI. 	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII. 	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII. 	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX. 	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X. 	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X. 	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII 	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional 	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Part I	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? If "Yes," complete Schedule F, Part II and IV	15		No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? If "Yes," complete Schedule F, Part III and IV	16		No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I	17		No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19		No
20a	Did the organization operate one or more hospitals? If "Yes," complete Schedule H 	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. 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		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25</i>	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a	Yes	
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	Yes	
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		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
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		No
36	Section 501(c)(3) organizations. 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? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance						
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>						
		Yes	No			
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a	107			
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes			
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	0			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b				
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes			
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	4a				No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a				No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b				No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c				
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a				No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b				
7	Organizations that may receive deductible contributions under section 170(c).					
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a				No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b				
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c				No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	Yes			
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	Yes			
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g				
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h				
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8				
9	Sponsoring organizations maintaining donor advised funds.					
a	Did the organization make any taxable distributions under section 4966?	9a				
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b				
10	Section 501(c)(7) organizations. Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b				
11	Section 501(c)(12) organizations. Enter					
a	Gross income from members or shareholders.	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b				
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a				
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b				
13	Section 501(c)(29) qualified nonprofit health insurance issuers.					
a	Is the organization licensed to issue qualified health plans in more than one state? Note. 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.	13a				
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.	13b				
c	Enter the aggregate amount of reserves on hand.	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a				No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b				

Part VI

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1a	15		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	9
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	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	No
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	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed <input checked="" type="checkbox"/> 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. <input checked="" type="checkbox"/> JEFFREY HUNDMAN 245 MEDICAL PARK DRIVE MARION, VA 24354 (276) 378-1207

Part VII

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) ALLEN ABEL DIRECTOR	3 00	X						0	0	0
(2) JIM BEAR JR TREASURER	3 00	X						0	0	0
(3) RUTH COX DIRECTOR	3 00	X						0	0	0
(4) BOB FEATHERS DIRECTOR	3 00	X						0	0	0
(5) ANN FLEMING CHAIR	3 00	X						0	501,320	66,728
(6) JOANNE GROSECLOSE SECRETARY	3 00	X						0	0	0
(7) MARK GROSECLOSE DIRECTOR	3 00	X						0	0	0
(8) CHELSEA HAMMAN MD DIRECTOR	3 00	X						21,675	0	0
(9) MAUREEN MACIVER DIRECTOR	3 00	X						0	0	0
(10) JIM MCDOWELL MD DIRECTOR	3 00	X						3,328	0	0
(11) JIM PATTERSON MD DIRECTOR	3 00	X						0	4,639	0
(12) CINDY SALYER DIRECTOR	3 00	X						0	241,894	42,953
(13) BOB SHULTS VICE CHAIR	3 00	X						0	0	0
(14) JOHN SCHARIO DIRECTOR	3 00	X						0	181,919	24,892
(15) CLEM WILKES JR DIRECTOR	3 00	X						0	0	0
(16) LINDA WHITE VP/CEO	55 00			X				0	248,644	39,163
(17) JOHN JETER ASST ADMIN/CFO	50 00			X				0	141,277	20,972

Part VII

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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			
(18) JEFFREY HUNDMAN CFO	50 00			X				0	105,109	12,765
(19) MATTHEW JUSTUS PHYSICIAN ASSISTANT	40 00					X		0	204,637	5,344
(20) PAMELA DELOACH CRNA	40 00					X		0	188,787	15,318
(21) SAMUEL SMALL CRNA	40 00					X		0	175,100	12,441
(22) ANTONIO DE LA ROSA CRNA	40 00					X		0	148,377	21,087
(23) BELDON FLEMING DIRECTOR OF PHARMACY	40 00					X		0	138,356	23,298
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								25,003	2,280,059	284,961

2

Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization▶0

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

Section B. Independent Contractors

1

Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization 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
SKANSKA USA BUILDING INC 1633 LITTLETON ROAD PARSIPPANY, NJ 07054	CONSTRUCTION	32,446,192
MCKESSON TECHNOLOGIES INC 5995 WINDWARD PARKWAY ALPHARETTA, GA 30005	SERVICE CONTRACTS	730,037
SCYPHERS & AUSTIN PC 189 VALLEY STREET ABINGDON, VA 24210	LEGAL SERVICES	462,500
APPALACHIAN POWER COMPANY 13563 OWENS DRIVE GLADE SPRING, VA 34340	UTILITIES	364,448
TELEOPTICS COMMUNICATIONS 1041 TIDEWATER COURT KINGSPORT, TN 37660	COMMUNICATIONS	352,303

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 ▶19

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d					
	e	Government grants (contributions)	1e	30,674				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	7,564				
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f		38,238				
Program Service Revenue			Business Code					
	2a	PATIENT SERVICES	621990	40,383,511	40,383,511			
	b	P/S INC RELATED TO PRO	561000	66,119	64,918	1,201		
	c							
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f		40,449,630				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		1,297,050			1,297,050	
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties						
	6a	(i) Real		(ii) Personal				
		Gross rents	425,192					
		b Less rental expenses	0					
		c Rental income or (loss)	425,192					
	d	Net rental income or (loss)		425,192			425,192	
	7a	(i) Securities		(ii) Other				
		Gross amount from sales of assets other than inventory	36,686	6,376				
		b Less cost or other basis and sales expenses	0	0				
		c Gain or (loss)	36,686	6,376				
	d	Net gain or (loss)		43,062			43,062	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18						
		a	1,905					
		b Less direct expenses	b	0				
	c	Net income or (loss) from fundraising events . .		1,905			1,905	
	9a	Gross income from gaming activities See Part IV, line 19						
		a						
		b Less direct expenses	b					
c	Net income or (loss) from gaming activities . .							
10a	Gross sales of inventory, less returns and allowances							
	a							
	b Less cost of goods sold . . .	b						
c	Net income or (loss) from sales of inventory . .							
Miscellaneous Revenue		Business Code						
11a	OTHER REVENUE	621500	354,925	325,875	29,050			
b	CAFETERIA SALES	722210	219,517				219,517	
c	MANAGEMENT FEE REVENUE	900099	73,715				73,715	
d	All other revenue		49,789	49,789				
e	Total. Add lines 11a-11d		697,946					
12	Total revenue. See Instructions		42,953,023	40,824,093	30,251		2,060,441	

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	12,821	12,821		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
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	437,895	20,011	417,884	
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	19,015,551	16,275,073	2,728,456	12,022
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	573,908	501,553	71,985	370
9	Other employee benefits	2,228,428	2,237,769	-10,751	1,410
10	Payroll taxes	1,190,321	1,149,288	41,033	
11	Fees for services (non-employees)				
a	Management	22,283		22,283	
b	Legal	50,499		50,499	
c	Accounting	71,227		71,227	
d	Lobbying				
e	Professional fundraising See Part IV, line 17				
f	Investment management fees	72,765		72,765	
g	Other	7,214,799	7,192,004	22,795	
12	Advertising and promotion	212,961	169,866	43,095	
13	Office expenses	524,809	452,560	54,572	17,677
14	Information technology	541,825	530,070	11,755	
15	Royalties				
16	Occupancy	1,041,974	936,432	105,542	
17	Travel	162,658	146,734	15,924	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	5,919	5,440	479	
20	Interest	16,311		16,311	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	4,791,118	2,493,999	2,297,119	
23	Insurance				
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 & DRUG	4,920,974	5,195,003	-274,029	
b	MANAGEMENT FEES	1,790,645	150,523	1,640,122	
c	REPAIRS & MAINTENANCE	780,101	769,093	11,008	
d	UBI TAX	13,125		13,125	
e					
f	All other expenses	643,599	345,099	297,750	750
25	Total functional expenses. Add lines 1 through 24f	46,336,516	38,583,338	7,720,949	32,229
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			4,743,424	1	812,382
	2	Savings and temporary cash investments			588,514	2	64,910
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			6,417,679	4	8,655,192
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L				5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L				6	
	7	Notes and loans receivable, net				7	
	8	Inventories for sale or use			975,086	8	953,670
	9	Prepaid expenses and deferred charges			332,142	9	314,696
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D	10a	122,231,744			
	b	Less: accumulated depreciation	10b	49,662,316	37,213,493	10c	72,569,428
	11	Investments—publicly traded securities			26,310,961	11	18,695,346
	12	Investments—other securities. See Part IV, line 11				12	
	13	Investments—program-related. See Part IV, line 11			202,000	13	710,615
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			21,242,983	15	3,977,853
	16	Total assets. Add lines 1 through 15 (must equal line 34)			98,026,282	16	106,754,092
Liabilities	17	Accounts payable and accrued expenses			12,123,566	17	4,880,379
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities				20	16,464,093
	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			4,631,408	25	3,507,741
	26	Total liabilities. Add lines 17 through 25			16,754,974	26	24,852,213
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			81,245,506	27	81,866,036
	28	Temporarily restricted net assets			25,802	28	35,843
	29	Permanently restricted net assets				29	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			81,271,308	33	81,901,879
	34	Total liabilities and net assets/fund balances			98,026,282	34	106,754,092

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	42,953,023
2	Total expenses (must equal Part IX, column (A), line 25)	2	46,336,516
3	Revenue less expenses Subtract line 2 from line 1	3	-3,383,493
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	81,271,308
5	Other changes in net assets or fund balances (explain in Schedule O)	5	4,014,064
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	81,901,879

Part XII Financial Statements and Reporting

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

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

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization SMYTH COUNTY COMMUNITY HOSPITAL	Employer identification number 54-0794913
---	--

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 See**section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

Support Schedule for Organizations Described in 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	(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 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year	(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 33 1/3% support test—2011. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						
b 33 1/3% support test—2010. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						
17a 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization						
b 10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization						
18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions						

Part 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

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 SMYTH COUNTY COMMUNITY HOSPITAL	Employer identification number 54-0794913
---	--

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?

☐ Yes ☐ No

4a

Was a correction made?

☐ Yes ☐ No

b

If "Yes," describe in Part IV

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

1

Enter the amount directly expended by the filing organization for section 527 exempt function activities

▶ \$

2

Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities

▶ \$

3

Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b

▶ \$

4

Did the filing organization file Form 1120-POL for this year?

☐ Yes ☐ No

5

Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

Part II-A

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

- A
- Check
- ☐
- if the filing organization belongs to an affiliated group (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?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?	Yes		3,090
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?	Yes		1,403
	i Other activities? If "Yes," describe in Part IV		No	
j	Total lines 1c through 1i			4,493
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).	2a	
a	Current year		
b	Carryover from last year		
c	Total		
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
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SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2011

Open to Public Inspection

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
SMYTH COUNTY COMMUNITY HOSPITAL

Employer identification number
54-0794913

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

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

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

1

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

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

☐ 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

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

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

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i)

unrelated organizations

3a(i)

Yes

No

(ii)

related organizations

3a(ii)

b

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

3b

4

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

Part VI

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		3,141,729		3,141,729
b Buildings		65,407,654	14,748,202	50,659,452
c Leasehold improvements		65,442	64,433	1,009
d Equipment		40,902,611	34,849,681	6,052,930
e Other		12,714,308		12,714,308
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				72,569,428

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

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

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

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

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE HOSPITAL IS CLASSIFIED AS AN ORGANIZATION EXEMPT FROM INCOME TAXES UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE. AS SUCH, NO PROVISION FOR INCOME TAXES HAS BEEN MADE IN THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS FOR THE HOSPITAL. SOUTHWEST COMMUNITY HEALTH SERVICES (SWCH) IS A TAXABLE ENTITY AND ACCOUNTS FOR INCOME TAXES IN ACCORDANCE WITH FASB ASC 740, INCOME TAXES. AT JUNE 30, 2012, TAX RETURNS FOR FISCAL YEARS 2009 THROUGH 2011 ARE SUBJECT TO EXAMINATION BY THE INTERNAL REVENUE SERVICE. THE HOSPITAL HAD NO UNCERTAIN TAX POSITIONS AT JUNE 30, 2012 AND 2011. AS SUCH, NO INTEREST OR PENALTIES WERE RECOGNIZED IN THE CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS RELATED TO UNRECOGNIZED TAX BENEFITS.

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
SMYTH COUNTY COMMUNITY HOSPITAL

Employer identification number
54-0794913

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 checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals</div> <div><input type="checkbox"/> Applied uniformly to most 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%<input type="checkbox"/> 150%<input checked="" type="checkbox"/> 200%<input type="checkbox"/> Other _____%</div> 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%<input type="checkbox"/> 250%<input type="checkbox"/> 300%<input type="checkbox"/> 350%<input checked="" type="checkbox"/> 400%<input type="checkbox"/> Other _____%</div> 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"?	3a	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	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a		No
6b	If "Yes," did the organization make it available to the public?	6b		
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)			1,154,375		1,154,375	2 490 %
b Medicaid (from Worksheet 3, column a)			5,705,552	4,055,399	1,650,153	3 560 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			6,859,927	4,055,399	2,804,528	6 050 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			121,735		121,735	0 260 %
f Health professions education (from Worksheet 5)			170,588		170,588	0 370 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			11,321		11,321	0 020 %
j Total Other Benefits			303,644		303,644	0 650 %
k Total. Add lines 7d and 7j			7,163,571	4,055,399	3,108,172	6 700 %

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						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other			1,305		1,305	0 %
10Total			1,305		1,305	

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1	Yes	
2Enter the amount of the organization's bad debt expense	2	1,557,693	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	1,090,385	
4Provide 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

5Enter total revenue received from Medicare (including DSH and IME)	5	13,740,016	
6Enter Medicare allowable costs of care relating to payments on line 5	6	13,537,115	
7Subtract line 6 from line 5. This is the surplus or (shortfall).	7	202,901	
8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

Section C. Collection Practices

9aDid the organization have a written debt collection policy during the tax year?	9a	Yes	
9bIf "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.	9b	Yes	

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? 2

Name and address

[illegible]

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)

SMYTH COUNTY COMMUNITY 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 checked="" type="checkbox"/> A definition of the community served by the hospital facility b <input checked="" type="checkbox"/> Demographics of the community c <input checked="" 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 checked="" type="checkbox"/> How data was obtained e <input checked="" type="checkbox"/> The health needs of the community f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input checked="" 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 Yes	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 11		
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 Yes	
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 Yes	
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 checked="" type="checkbox"/> Hospital facility's website b <input checked="" type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5 Yes	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input checked="" type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input checked="" type="checkbox"/> Execution of the implementation strategy c <input checked="" 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 checked="" 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 checked="" type="checkbox"/> Prioritization of health needs in the community h <input checked="" 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	No
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 200 0000000000000% If "No," explain in Part VI the criteria the hospital facility used	9 Yes	

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 <u>400 0000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
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 type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input 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 checked="" 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 checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" 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 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		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		No

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.)

FRANCIS MARION MANOR

Name of Hospital Facility: _____

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 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 checked="" type="checkbox"/> A definition of the community served by the hospital facility b <input checked="" type="checkbox"/> Demographics of the community c <input checked="" 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 checked="" type="checkbox"/> How data was obtained e <input checked="" type="checkbox"/> The health needs of the community f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input checked="" 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 Yes	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 11		
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 Yes	
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 Yes	
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 checked="" type="checkbox"/> Hospital facility's website b <input checked="" type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5 Yes	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input checked="" type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input checked="" type="checkbox"/> Execution of the implementation strategy c <input checked="" 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 checked="" 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 checked="" type="checkbox"/> Prioritization of health needs in the community h <input checked="" 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	No
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 200 0000000000000% If "No," explain in Part VI the criteria the hospital facility used	9 Yes	

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 <u>400 0000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
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 type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input 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 checked="" 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 checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" 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 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		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		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? _____

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

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the 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, 6l, 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 6A MOUNTAIN STATES HEALTH ALLIANCE (MSHA) HAS HISTORICALLY PREPARED AND MADE PUBLIC A COMMUNITY BENEFIT REPORT TO INCLUDE INFORMATION FOR ALL OF THE HOSPITALS WITHIN THE HEALTH SYSTEM DURING FY12, MSHA DID NOT ISSUE A COMMUNITY BENEFIT REPORT HOWEVER, MSHA INTENDS TO PREPARE A COMMUNITY BENEFIT REPORT DURING FY13 SCCH, AS A MEMBER OF MSHA, IS INCLUDED IN MSHA'S REPORT

Identifier	ReturnReference	Explanation
		PART I, LINE 7 A COST TO CHARGE RATIO WAS DERIVED FROM THE SCHEDULE H APPLICABLE WORKSHEETS, INCLUDING WORKSHEET 2, RATIO OF PATIENT CARE COST TO CHARGES

Identifier	ReturnReference	Explanation
		PART II THE ACTIVITIES REPORTED IN PART II SEEK TO ACHIEVE SPECIFIED OBJECTIVES, INCLUDING IMPROVING ACCESS TO HEALTH SERVICES, ENHANCING PUBLIC HEALTH, AND RELIEF OF GOVERNMENT BURDEN THE ACTIVITIES ARE AVAILABLE TO THE GENERAL PUBLIC, FOCUSING ON LOW-INCOME CONSUMERS

Identifier	ReturnReference	Explanation
		<p>PART III, LINE 4 THE CALCULATED COST TO CHARGE RATIO (WORKSHEET 2) WAS APPLIED TO BAD DEBT CONTRA REVENUE AND PROVISION FOR BAD DEBT, IN DETERMINING LINE 2 THE VICE PRESIDENT OF PATIENT FINANCIAL SERVICES AND CFO ESTIMATE THAT 70% OF TOTAL BAD DEBT EXPENSE WAS ASSUMED ATTRIBUTABLE TO PATIENTS LIKELY ELIGIBLE FOR FINANCIAL ASSISTANCE WE HAVE MANY INSTANCES DURING THE YEAR OF PATIENTS WITH LARGE ACCOUNT BALANCES AND NO HEALTH INSURANCE COVERAGE THAT WE ARE SURE WOULD QUALIFY FOR CHARITY CARE ALTHOUGH HOSPITAL TEAM MEMBERS ENCOURAGE THESE INDIVIDUALS TO COMPLETE OUR FINANCIAL ASSISTANCE APPLICATION, MANY WILL NOT DO SO EVEN WHEN THESE INDIVIDUALS ARE TOLD WE FEEL SURE THEY DO QUALIFY FOR FULL OR PARTIAL ASSISTANCE, THEY STILL REFUSE TO COMPLETE OUR FINANCIAL ASSISTANCE APPLICATION REGARDING LINE 3, IT IS IMPLAUSIBLE TO DETERMINE THE AMOUNT OF SCCH'S BAD DEBT ASSOCIATED WITH THOSE PATIENTS WHO MAY HAVE MET THE CRITERIA SET FORTH IN OUR FINANCIAL ASSISTANCE POLICY WITHOUT HAVING A COMPLETE FINANCIAL ASSESSMENT WE ARE UNABLE TO DETERMINE OUR PATIENTS' FINANCIAL CIRCUMSTANCES UNLESS A COMPLETED FINANCIAL ASSESSMENT FORM IS VOLUNTARILY PROVIDED TO US WE CAN ASSERT THAT MORE THAN 90% OF OUR PATIENTS WHO HAVE PROVIDED COMPLETED FINANCIAL ASSESSMENT FORMS HAVE BEEN APPROVED FOR AT LEAST PARTIAL FINANCIAL ASSISTANCE FOOTNOTE DISCLOSURE FROM SCCH'S FY12 AUDITED FINANCIAL STATEMENT READS "NEW ACCOUNTING PRONOUNCEMENTS IN JULY 2011, THE FASB ISSUED ACCOUNTING STANDARD UPDATE (ASU) 2011-07, PRESENTATION AND DISCLOSURE OF PATIENT SERVICE REVENUE, PROVISION FOR BAD DEBTS, AND THE ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR CERTAIN HEALTH CARE ENTITIES THE ASU REQUIRES THE CHANGE OF PRESENTATION OF THE ESTIMATED PROVISION FOR BAD DEBTS IN THE CONSOLIDATED STATEMENTS OF OPERATIONS FROM AN OPERATING EXPENSE TO A DEDUCTION FROM PATIENT SERVICE REVENUE, NET OF CONTRACTUAL DEDUCTIONS AND DISCOUNTS, ALONG WITH ADDITIONAL DISCLOSURES ABOUT THE POLICIES FOR RECOGNIZING REVENUE AND ASSESSING BAD DEBTS, AND QUALITATIVE INFORMATION ABOUT CHANGES IN THE ALLOWANCE FOR DOUBTFUL ACCOUNTS THE HOSPITAL RETROACTIVELY ADOPTED ASU 2011-07 IN FISCAL YEAR 2012 THE ADOPTION OF ASU 2011-07 DID NOT HAVE A MATERIAL IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS "THE FOOTNOTES TO THE AUDITED FINANCIAL STATEMENT REPORT THE AMOUNT OF ESTIMATED UNCOLLECTIBLE SELF-PAY AND EXPLAIN THAT UNCOLLECTIBLE PATIENT ACCOUNTS RECEIVABLE ESTIMATED RESERVES ARE BASED UPON PRIOR COLLECTION HISTORY FOR GROUPS OF RECEIVABLES, KNOWN COLLECTION RISKS AND OTHER ENVIRONMENTAL FACTORS, INCLUDING THE AGE OF THE RECEIVABLES</p>

Identifier	ReturnReference	Explanation
		PART III, LINE 8 MEDICARE ALLOWABLE COSTS WERE REPORTED USING SCCH'S FILED MEDICARE COST REPORT (C/R) THE C/R USES A COST TO CHARGE RATIO BASED ON A STEP DOWN METHOD IN CARING FOR THE PATIENT, THERE ARE SEVERAL SERVICES THAT ARE CONSIDERED NON-ALLOWABLE SUCH AS TRANSPORTATION OF A PATIENT, COMFORT ITEMS TO INCLUDE A TELEVISION, MAGAZINES, OR A TELEPHONE ADDITIONAL NON-ALLOWABLE COSTS INCLUDE THE RECRUITMENT OF PHYSICIANS, PHYSICIAN GUARANTEES AND A PORTION OF THE BAD DEBT (30%) ASSOCIATED WITH THE CARE OF THE PATIENT MEDICARE LOSSES, INCLUDING SOME NON-ALLOWABLE COSTS, SHOULD BE COUNTED AS A COMMUNITY BENEFIT AS THIS IS THE COST OF CARE FOR SERVING THE AGING POPULATION AS A NOT-FOR-PROFIT ORGANIZATION, WE EXIST TO IDENTIFY AND RESPOND TO THE HEALTH CARE NEEDS OF THE COMMUNITY AND THE INDIVIDUAL WHILE MAINTAINING A HIGH LEVEL OF HEALTH CARE SERVICES WITHOUT LOSSES SINCE LOSSES DO OCCUR THROUGH THE CMS SYSTEM OF REIMBURSEMENT, THESE LOSSES ARE A COST OF DOING BUSINESS FOR OUR COMMUNITY AND SHOULD BE CONSIDERED A COMMUNITY BENEFIT AS A PARTICIPATING PROVIDER IN THE MEDICARE PROGRAM, SCCH IS REQUIRED TO PROVIDE THE FULL REGIMEN OF CARE FOR OUR MEDICARE POPULATION THERE ARE A NUMBER OF CARE REGIMENS THAT ARE COMPENSATED BY THE MEDICARE PROGRAM AT LEVELS BELOW OUR COST THEREFORE IT IS ONLY LOGICAL TO ALLOW SCCH TO REPORT THESE UNCOMPENSATED SERVICES AS A COMMUNITY BENEFIT ON THIS DOCUMENT BY MAKING THIS CHANGE, NON-PROFIT PROVIDERS WILL BE ENCOURAGED TO SUSTAIN IMPORTANT CARE DELIVERY MODELS FOR OUR AGING POPULATION IN SPITE OF THE FACT IT IS SOMETIMES ECONOMICALLY INJURIOUS

Identifier	ReturnReference	Explanation
		PART III, LINE 9B SCCH PROVIDES A PATIENT FRIENDLY BILLING FLOW CHART ON ITS WEBSITE THAT GUIDES A PATIENT THROUGH THE PROCESS, BEGINNING WITH ADMISSION AND ENDING WITH THE PATIENT'S ACCOUNT BEING SUCCESSFULLY RESOLVED SCCH FOLLOWS A STRONG COLLECTION PROGRAM THAT COMMUNICATES FINANCIAL RESPONSIBILITY TO THE PATIENT COLLECTION PRACTICES APPLY TO ALL PATIENTS, CHARITY AND NON-CHARITY IN ROUTINE CIRCUMSTANCES WHEN IT IS DETERMINED THAT A PATIENT HAS NOT RESPONDED TO REQUESTS FOR PAYMENT, AN ACCOUNT CAN BE REFERRED TO AN OUTSIDE COLLECTION AGENCY FOR COLLECTION ASSISTANCE SCCH ENSURES THAT OUTSIDE COLLECTION AGENCIES FOLLOW HOSPITAL BILLING AND COLLECTION GUIDELINES ONCE A DELINQUENT PATIENT ACCOUNT HAS BEEN SUBMITTED TO AN OUTSIDE COLLECTION AGENCY IT CAN BE RETRACTED IF IT IS DETERMINED THAT THE PATIENT IS ELIGIBLE FOR FINANCIAL ASSISTANCE ALL REQUESTS FOR FINANCIAL ASSISTANCE MUST BE ACCOMPANIED BY A COMPLETED FINANCIAL ASSESSMENT FORM AND SUPPORTING DOCUMENTATION

Identifier	ReturnReference	Explanation
SMYTH COUNTY COMMUNITY HOSPITAL		PART V, SECTION B, LINE 3 MSHA MET WITH TEN FOCUS GROUPS, EACH REPRESENTING ONE OF THE TEN HOSPITAL FACILITIES, INCLUDING SCCH, LOCATED IN NINE COUNTIES WITHIN MSHA'S CORE SERVICE AREA EACH GROUP CONSISTED OF PUBLIC HEALTH LEADERS, NURSES, NON-PROFIT DIRECTORS, COMMUNITY DEVELOPERS, FAITH BASED LEADERS, PUBLIC OFFICIALS AND SCHOOL REPRESENTATIVES EACH GROUP RANGED IN ATTENDANCE FROM 6 TO 21 INDIVIDUALS PARTICIPANTS WERE GIVEN SURVEYS TO DETERMINE A COUNTY'S HEALTH STATUS RATING, AVAILABLE RESOURCES, TOP HEALTH PRIORITIES, AND SUGGESTIONS FOR IMPROVEMENT OPEN DISCUSSION FOLLOWED THE COLLECTED INFORMATION WAS THEN PAIRED WITH STATISTICAL DATA IN ORDER TO PRIORITIZE HEALTH NEEDS THE SPECIFIC NEEDS FOR EACH COUNTY WERE INCLUDED IN THE APPROPRIATE FACILITY IMPLEMENTATION PLAN

Identifier	ReturnReference	Explanation
FRANCIS MARION MANOR		PART V, SECTION B, LINE 3 MSHA MET WITH TEN FOCUS GROUPS, EACH REPRESENTING ONE OF THE TEN HOSPITAL FACILITIES, INCLUDING JMH, LOCATED IN NINE COUNTIES WITHIN MSHA'S CORE SERVICE AREA EACH GROUP CONSISTED OF PUBLIC HEALTH LEADERS, NURSES, NON-PROFIT DIRECTORS, COMMUNITY DEVELOPERS, FAITH BASED LEADERS, PUBLIC OFFICIALS AND SCHOOL REPRESENTATIVES EACH GROUP RANGED IN ATTENDANCE FROM 6 TO 21 INDIVIDUALS PARTICIPANTS WERE GIVEN SURVEYS TO DETERMINE A COUNTY'S HEALTH STATUS RATING, AVAILABLE RESOURCES, TOP HEALTH PRIORITIES, AND SUGGESTIONS FOR IMPROVEMENT OPEN DISCUSSION FOLLOWED THE COLLECTED INFORMATION WAS THEN PAIRED WITH STATISTICAL DATA IN ORDER TO PRIORITIZE HEALTH NEEDS THE SPECIFIC NEEDS FOR EACH COUNTY WERE INCLUDED IN THE APPROPRIATE FACILITY IMPLEMENTATION PLAN

Identifier	ReturnReference	Explanation
SMYTH COUNTY COMMUNITY HOSPITAL		PART V, SECTION B, LINE 4 EACH HOSPITAL WITHIN THE MSHA SYSTEM COMPLETED A CHNA FOR THOSE HOSPITALS LOCATED IN THE SAME COUNTY, ONLY ONE COMMUNITY GROUP WAS SURVEYED FOR INSTANCE, JOHNSON CITY MEDICAL CENTER AND FRANKLIN WOODS COMMUNITY HOSPITAL ARE BOTH LOCATED IN WASHINGTON COUNTY, TENNESSEE WE SURVEYED 21 INDIVIDUALS FROM WASHINGTON COUNTY IN ORDER TO DETERMINE HEALTH PRIORITIES DICKENSON COUNTY COMMUNITY HOSPITAL AND NORTON COMMUNITY HOSPITAL ALSO HAS ONE COMMUNITY GROUP SURVEYED THESE TWO COUNTIES SERVE SIMILAR COMMUNITIES AND HAVE SIMILAR HEALTH RANKINGS ACCORDING TO AMERICA'S HEALTH RANKINGS EVEN THOUGH ONLY TWO COMMUNITY GROUPS SERVED ON BEHALF OF THE FOUR HOSPITALS LISTED, STATISTICAL DATA WAS COLLECTED FOR EACH INDIVIDUALLY SCCH'S CHNA WAS CONDUCTED WITH ALL MSHA HOSPITALS TO INCLUDE JOHNSON CITY MEDICAL CENTER, FRANKLIN WOODS COMMUNITY HOSPITAL, WOODRIDGE PSYCHIATRIC HOSPITAL, JAMES H & CECILE C QUILLEN REHABILITATION HOSPITAL, INDIAN PATH MEDICAL CENTER, SYCAMORE SHOALS HOSPITAL, JOHNSON COUNTY COMMUNITY HOSPITAL, RUSSELL COUNTY MEDICAL CENTER, SMYTH COUNTY COMMUNITY HOSPITAL, DICKENSON COMMUNITY HOSPITAL, AND NORTON COMMUNITY HOSPITAL

Identifier	ReturnReference	Explanation
FRANCIS MARION MANOR		PART V, SECTION B, LINE 4 EACH HOSPITAL WITHIN THE MSHA SYSTEM COMPLETED A CHNA FOR THOSE HOSPITALS ARE LOCATED IN THE SAME COUNTY, ONLY ONE COMMUNITY GROUP WAS SURVEYED FOR INSTANCE, JOHNSON CITY MEDICAL CENTER AND FRANKLIN WOODS COMMUNITY HOSPITAL ARE BOTH LOCATED IN WASHINGTON COUNTY, TENNESSEE WE SURVEYED 21 INDIVIDUALS FROM WASHINGTON COUNTY IN ORDER TO DETERMINE HEALTH PRIORITIES DICKENSON COUNTY COMMUNITY HOSPITAL AND NORTON COMMUNITY HOSPITAL ALSO HAS ONE COMMUNITY GROUP SURVEYED THESE TWO COUNTIES SERVE SIMILAR COMMUNITIES, AND HAVE SIMILAR HEALTH RANKINGS ACCORDING TO AMERICA'S HEALTH RANKINGS EVEN THOUGH ONLY TWO COMMUNITY GROUPS SERVED ON BEHALF OF THE FOUR HOSPITALS LISTED, STATISTICAL DATA WAS COLLECTED FOR EACH INDIVIDUALLY JMH'S CHNA WAS CONDUCTED WITH ALL MSHA HOSPITALS TO INCLUDE JOHNSON CITY MEDICAL CENTER, FRANKLIN WOODS COMMUNITY HOSPITAL, WOODRIDGE PSYCHIATRIC HOSPITAL, JAMES H & CECILE C QUILLEN REHABILITATION HOSPITAL, INDIAN PATH MEDICAL CENTER, SYCAMORE SHOALS HOSPITAL, JOHNSON COUNTY COMMUNITY HOSPITAL, RUSSELL COUNTY MEDICAL CENTER, SMYTH COUNTY COMMUNITY HOSPITAL, DICKENSON COMMUNITY HOSPITAL, AND NORTON COMMUNITY HOSPITAL

Identifier	ReturnReference	Explanation
SMYTH COUNTY COMMUNITY HOSPITAL		PART V, SECTION B, LINE 7 MSHA PUBLISHED ITS COMMUNITY HEALTH NEEDS ASSESSMENT ON JUNE 29 OF FY 12 THE DATA INCLUDED WAS COLLECTED OVER THE COURSE OF 2011 AND 2012 AN IMPLEMENTATION PLAN WAS CREATED FOR EACH HOSPITAL, AND EACH HOSPITAL'S BOARD APPROVED THE IMPLEMENTATION PLAN DURING THE MONTHS OF MAY AND JUNE 2012 NOW THAT THE IMPLEMENTATION PLANS HAVE BEEN ADOPTED, MSHA WILL BE ABLE TO BEGIN TAKING ACTION TO IMPROVE THE HEALTH PRIORITIES IN EACH COUNTY, THOUGH AT THIS POINT, NOT ALL OF THE PRIORITIES HAVE BEEN ADDRESSED DUE TO LACK OF RESOURCES, SOME OF THE MSHA FACILITIES WERE UNABLE TO ADDRESS ISSUES THAT WERE IDENTIFIED

Identifier	ReturnReference	Explanation
FRANCIS MARION MANOR		PART V, SECTION B, LINE 7 MSHA PUBLISHED ITS COMMUNITY HEALTH NEEDS ASSESSMENT ON JUNE 29 OF FY 12 THE DATA INCLUDED WAS COLLECTED OVER THE COURSE OF 2011 AND 2012 AN IMPLEMENTATION PLAN WAS CREATED FOR EACH HOSPITAL, AND EACH HOSPITAL'S BOARD APPROVED THE IMPLEMENTATION PLAN DURING THE MONTHS OF MAY AND JUNE 2012 NOW THAT THE IMPLEMENTATION PLANS HAVE BEEN ADOPTED, MSHA WILL BE ABLE TO BEGIN TAKING ACTION TO IMPROVE THE HEALTH PRIORITIES IN EACH COUNTY, THOUGH AT THIS POINT, NOT ALL OF THE PRIORITIES HAVE BEEN ADDRESSED DUE TO LACK OF RESOURCES, SOME OF MSHA FACILITIES WERE UNABLE TO ADDRESS ISSUES THAT WERE IDENTIFIED

Identifier	ReturnReference	Explanation
SMYTH COUNTY COMMUNITY HOSPITAL		PART V, SECTION B, LINE 13G DURING THE ADMISSION PROCESS, PATIENTS ARE TOLD THAT THE HOSPITAL HAS A FINANCIAL ASSISTANCE POLICY AND ADMISSION PAPERS ARE GIVEN TO EACH PATIENT ADVISING THEM OF THE POLICY BILLING CORRESPONDENCE ALSO ADVISES THAT FINANCIAL ASSISTANCE MAY BE AVAILABLE A COMMUNITY RESOURCE GUIDE REPORTS THAT THE HOSPITAL HAS A FINANCIAL ASSISTANCE POLICY

Identifier	ReturnReference	Explanation
FRANCIS MARION MANOR		PART V, SECTION B, LINE 13G DURING THE ADMISSION PROCESS, PATIENTS ARE TOLD THAT THE HOSPITAL HAS A FINANCIAL ASSISTANCE POLICY AND ADMISSION PAPERS GIVEN TO EACH PATIENT ADVISE THEM OF THE POLICY BILLING CORRESPONDENCE ALSO ADVISES THAT FINANCIAL ASSISTANCE MAY BE AVAILABLE A COMMUNITY RESOURCE GUIDE REPORTS THAT THE HOSPITAL HAS A FINANCIAL ASSISTANCE POLICY

Identifier	ReturnReference	Explanation
SMYTH COUNTY COMMUNITY HOSPITAL		PART V, SECTION B, LINE 19D UNINSURED PATIENTS RECEIVE A 50% DISCOUNT, AND, BASED ON OTHER FACTORS SUCH AS INCOME OR MEDICAL INDIGENCY, MAY QUALIFY FOR AN ADDITIONAL DISCOUNT

Identifier	ReturnReference	Explanation
FRANCIS MARION MANOR		PART V, SECTION B, LINE 19D UNINSURED PATIENTS RECEIVE A 50% DISCOUNT, AND, BASED ON OTHER FACTORS SUCH AS INCOME OR MEDICAL INDIGENCY, MAY QUALIFY FOR AS ADDITIONAL DISCOUNT

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 2 MSHA INCLUDED AMERICA'S HEALTH RANKINGS (AHR) IN ITS ASSESSMENT IN ORDER TO BETTER DEFINE THE HEALTH CARE NEEDS OF THE COMMUNITIES IT SERVES TENNESSEE RANKED 39TH AND VIRGINIA RANKED 20TH, HOWEVER, IT SHOULD BE NOTED THAT SOUTHWEST VIRGINIA (WHERE MSHA FACILITIES ARE LOCATED) CLOSELY RESEMBLES THE HEALTH RANKINGS FOR TENNESSEE AMERICA'S HEALTH RANKINGS ARE BASED ON A SERIES OF MEASURES INCLUDING SEVERAL HEALTH OUTCOMES AND HEALTH FACTORS A SURVEY WAS GIVEN TO 67 INDIVIDUALS REPRESENTING THE NINE COUNTIES IN WHICH MSHA OWNS A FACILITY THESE INDIVIDUALS INCLUDED PHYSICIANS, PUBLIC HEALTH LEADERS, NON-PROFIT DIRECTORS, SCHOOL NURSES AND OFFICIALS, AND BUSINESS LEADERS A SURVEY WAS GIVEN TO EACH INDIVIDUAL SEEKING FEEDBACK REGARDING AVAILABLE RESOURCES IN EACH AREA, THE HEALTH STATUS, HEALTH PRIORITIES, AND SUGGESTIONS FOR IMPROVEMENT THE MAJORITY OF RESPONSES SUGGESTED FOCUSING ON EDUCATION IN ORDER TO PROMOTE HEALTHY HABITS OTHER RESPONSES INCLUDED MAKE PHYSICAL EDUCATION A REQUIREMENT AS PART OF SCHOOL CURRICULUM, IMPROVE NATURAL TRAILS AND WALKWAYS, INCREASE COMMUNITY SUPPORT FOR SMOKE-FREE AREAS, PARTNER WITH LOCAL FARMER'S MARKETS, SHARE HEALTH INFORMATION BETWEEN PHARMACIES, NETWORK WITH SMALL BUSINESSES AND NON-PROFITS IN ORDER TO AVOID DUPLICATING RESOURCES, AND PROVIDE EARLY SCREENINGS FOR THE UNINSURED OR UNDERINSURED OVERALL, THE COMMUNITY MEMBERS GAVE MSHA'S CORE SERVICE AREA A HEALTH STATUS RANKING OF 4 24 OUT OF 10 (1 BEING THE LOWEST, 10 BEING THE HIGHEST) ALSO, ALL 67 PARTICIPANTS AGREED THAT OBESITY, CANCER, HEART DISEASE AND DIABETES WERE THE TOP HEALTH PRIORITIES IN EACH COUNTY AHR REPORTS THAT TENNESSEE AND VIRGINIA BOTH SAW AN INCREASE IN DIABETES AND OBESITY WITHIN THE PAST TEN YEARS TENNESSEE ALSO RANKED 44TH FOR CARDIOVASCULAR DISEASE AND 46TH FOR CANCER DEATHS VIRGINIA OVERALL HAD A BETTER RANKING IN THESE TWO CATEGORIES, BUT AS STATED EARLIER, SOUTHWEST VIRGINIA CLOSELY RESEMBLES TENNESSEE MSHA PLANS TO USE THE AVAILABLE RESOURCES TO START IMPROVING THE HEALTH STATUS OF NORTHEAST TENNESSEE AND SOUTHWEST VIRGINIA</p>

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 SCCH PROVIDES COMMUNICATION OF FINANCIAL ASSISTANCE ON ITS WEB SITE AND ON POSTERS PLACED IN PROMINENT AREAS SUCH AS ADMITTING AREAS, EMERGENCY DEPARTMENTS AND PATIENT PAYMENT (CASHIER) LOCATIONS PRINTED EDUCATIONAL MATERIALS INCLUDING FINANCIAL ASSISTANCE CONTACT INFORMATION ARE ALSO PROVIDED IN THE PATIENT'S ADMITTING PAPERWORK POSTERS AND REFERENCE MATERIALS ARE WRITTEN IN BOTH ENGLISH AND SPANISH ADMITTING STAFF ARE TRAINED TO EDUCATE PATIENTS ON SCCH'S FINANCIAL ASSISTANCE POLICY SCCH ALSO HAS FINANCIAL COUNSELORS WHICH COMMUNICATE THE PATIENT'S FINANCIAL RESPONSIBILITY PRIOR TO SERVICE AS WELL AS PROVIDE EDUCATION ON SCCH'S FINANCIAL ASSISTANCE POLICY THESE COUNSELORS ALSO HELP UNINSURED PATIENTS DETERMINE SOURCES OF PAYMENT FOR MEDICAL BILLS AND HELP PATIENTS DETERMINE ELIGIBILITY FOR PROGRAMS SUCH AS MEDICAID IN ADDITION, SCCH CONTRACTS WITH THE COMPANY FIRSTSOURCE SOLUTIONS USA TO WORK WITH SELF-PAYING PATIENTS WHO HAVE LIMITED FINANCIAL RESOURCES FIRSTSOURCE SOLUTIONS USA DETERMINES A PATIENT'S ELIGIBILITY IN MEDICAL COVERAGE OPTIONS AND ASSISTS WITH THEIR ENROLLMENT SCCH BEARS THE COST FOR THE FIRSTSOURCE SOLUTIONS USA PROGRAM

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 SCCH IS LOCATED IN MARION, SMYTH COUNTY, WHICH IS IN RURAL SOUTHWEST VIRGINIA BOTH NORTHEAST TENNESSEE AND SOUTHWEST VIRGINIA (SWVA) ARE LOCATED WITHIN THE APPALACHIAN MOUNTAINS, SPECIFICALLY THE BLUE RIDGE MOUNTAIN REGION AND TENNSSEE VALLEY SWVA IS CONSIDERED RURAL AND MUCH DIFFERENT THAN THE REST OF THE STATE SWVA HAS BEEN AND REMAINS A MAJOR COAL MINING REGION SMYTH COUNTY IS A FEDERALLY DESIGNATED MEDICALLY UNDERSERVED AREA AND HAS A HIGH RATE OF INDIVIDUALS WHO ARE UNINSURED THE POPULATION OF SMYTH COUNTY WAS 31,718 IN 2012 AND, ACCORDING TO THE U S CENSUS BUREAU, MARION HAS A POPULATION OF 5,936 THE MEDIAN AGE OF RESIDENTS OF SMYTH COUNTY IS 40, WHICH IS OLDER THAN THE MEDIAN AGE OF 36 8 IN THE UNITED STATES SMYTH COUNTY HAS A MEDIAN HOUSEHOLD INCOME OF \$34,533, WHICH IS WELL BELOW \$52,762, THE MEDIAN HOUSEHOLD INCOME OF THE U S IT IS ESTIMATED THAT 20 3% OF SMYTH COUNTY'S RESIDENTS LIVE IN POVERTY COMPARED TO 10 7% STATEWIDE

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 THE MAJORITY OF SCCH'S GOVERNING BODY IS COMPRISED OF PERSONS WHO RESIDE IN THE ORGANIZATION'S PRIMARY SERVICE AREA PHYSICIANS THAT REQUEST PRIVILEGES WHO ARE QUALIFIED AND CREDENTIALLED ARE EXTENDED PRIVILEGES BY SCCH SCCH IS DEDICATED TO OPERATING EFFICIENTLY SO THAT WASTE IS MINIMIZED AND SURPLUSES MAY BE APPLIED TO MAINTAINING ADEQUATE FACILITIES AND EQUIPMENT FOR THE CARE OF OUR PATIENTS VARIOUS CHECKS AND BALANCES ARE ESTABLISHED TO ENSURE THAT EXPENDITURES FOR OPERATING EXPENSES AND CAPITAL COSTS ARE REASONABLE AND NECESSARY

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 SCCH IS A 44-BED, ACUTE CARE FACILITY OPERATED UNDER THE DIRECTION OF A 13-MEMBER BOARD OF DIRECTORS PRIMARILY COMPRISED OF LOCAL COMMUNITY RESIDENTS. ADDITIONALLY, SCCH HAS A 109-BED NURSING CARE FACILITY THAT OFFERS BOTH SKILLED NURSING CARE AND NURSING CARE. SCCH IS MAJORITY OWNED BY MOUNTAIN STATES HEALTH ALLIANCE (MSHA) BASED IN JOHNSON CITY, TENNESSEE. MSHA IS INTEGRATED BOTH VERTICALLY AND HORIZONTALLY AND IS THE LARGEST REGIONAL HEALTHCARE SYSTEM WITH 13 HOSPITALS. MSHA PROVIDES CARE TO PEOPLE IN 29 COUNTIES IN TENNESSEE, VIRGINIA, KENTUCKY, AND NORTH CAROLINA. SCCH SERVES AS THE COUNTY'S PRIMARY HEALTH SERVICE PROVIDER. PATIENTS BENEFIT FROM SCCH'S AFFILIATION WITH A HEALTHCARE SYSTEM WHERE THEY CAN BE EFFICIENTLY MOVED ALONG AN INTEGRATED, COMPREHENSIVE CONTINUUM OF CARE AS THEIR HEALTH STATUS DICTATES. PATIENTS CAN BE MOVED TO THE SYSTEM'S FLAGSHIP FACILITY, JOHNSON CITY MEDICAL CENTER, WHICH IS A TERTIARY CARE FACILITY PROVIDING ADVANCED TREATMENT OPTIONS.

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	VA

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
SMYTH COUNTY COMMUNITY HOSPITAL

Employer identification number
54-0794913

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

2

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

3

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

Part III

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

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

Part IV

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

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 THE ORGANIZATION HAS GUIDELINES IN PLACE THAT ARE TO BE USED IN REVIEWING THE ELIGIBILITY OF GRANTEEES ALL GRANTS REQUIRE WRITTEN DOCUMENTATION AND APPROPRIATE LEVELS OF APPROVAL

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
SMYTH COUNTY COMMUNITY HOSPITAL

Employer identification number
54-0794913

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"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div> <div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input checked="" type="checkbox"/> Health or social club dues or initiation fees</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"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div> <div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div>		
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	No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c	No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a	The organization?	5a	No
b	Any related organization?	5b	No
	If "Yes," to line 5a or 5b, describe in Part III		
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a	The organization?	6a	No
b	Any related organization?	6b	No
	If "Yes," to line 6a or 6b, describe in Part III		
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	No
8	Were any amounts reported in Form 990, Part VII, paid or 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	

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space needed.

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

Note. The sum of columns (B)(i)-(iii) 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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) ANN FLEMING	(i)	0	0	0	0	0	0	0
	(ii)	345,309	116,778	39,233	47,553	19,175	568,048	0
(2) CINDY SALYER	(i)	0	0	0	0	0	0	0
	(ii)	179,125	58,693	4,076	20,647	22,306	284,847	0
(3) JOHN SCHARIO	(i)	0	0	0	0	0	0	0
	(ii)	151,737	0	30,182	15,358	9,534	206,811	0
(4) LINDA WHITE	(i)	0	0	0	0	0	0	0
	(ii)	181,225	54,962	12,457	20,600	18,563	287,807	0
(5) JOHN JETER	(i)	0	0	0	0	0	0	0
	(ii)	128,011	7,225	6,041	3,955	17,017	162,249	0
(6) MATTHEW JUSTUS	(i)	0	0	0	0	0	0	0
	(ii)	204,637	0	0	4,822	522	209,981	0
(7) PAMELA DELOACH	(i)	0	0	0	0	0	0	0
	(ii)	188,287	500	0	6,324	8,994	204,105	0
(8) SAMUEL SMALL	(i)	0	0	0	0	0	0	0
	(ii)	174,850	250	0	5,314	7,127	187,541	0
(9) ANTONIO DE LA ROSA	(i)	0	0	0	0	0	0	0
	(ii)	126,514	0	21,863	7,761	13,326	169,464	0
(10) BELDON FLEMING	(i)	0	0	0	0	0	0	0
	(ii)	136,781	1,575	0	7,010	16,288	161,654	0

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	FIRST-CLASS OR CHARTER TRAVEL IS NOT A COVERED TRAVEL EXPENSE FOR EXECUTIVES, THEY ARE LIMITED TO BUSINESS OR COACH CLASS FARES ON COMMERCIAL FLIGHTS
	PART I, LINE 4B	PART I, LINE 4B SEVERANCE NON-QUALIFIED EQUITY-BASED ANN FLEMING 0 35,303 0 CINDY SALYER 0 9,411 0 JOHN SCHARIO 0 15,358 0 LINDA WHITE 0 9,364 0 THE ABOVE INDIVIDUALS PARTICIPATED IN A 457(F) RETIREMENT PLAN PROVIDED BY MOUNTAIN STATES HEALTH ALLIANCE (MSHA). THE 457(F) PLAN IS A NONQUALIFIED TAX-DEFERRED COMPENSATION PLAN AVAILABLE TO A SELECT GROUP OF KEY EXECUTIVES FOR THE INTENT OF SUPPORTING RETENTION AND TO OFFER A COMPETITIVE TOTAL RETIREMENT PROGRAM. ACCOUNT BALANCES HAVE A "SUBSTANTIAL RISK OF FORFEITURE." IN ADDITION TO CREDITOR RISK, SUBSTANTIAL RISK OF FORFEITURE IS CREATED THROUGH DEFAULT RISK IF THE PARTICIPANT'S EMPLOYMENT WITH MSHA IS TERMINATED PRIOR TO AGE 65. HOWEVER, THE 457(F) PLAN CONTAINS A NON-COMPETE PROVISION THAT PROVIDES THE ACCOUNT BALANCE TO BE PAID IN A LUMP SUM AFTER THE EXECUTIVE SATISFIES THE TWO-YEAR NON-COMPETE PERIOD. THIS PROVISION APPLIES TO EMPLOYER CONTRIBUTIONS IF THE EXECUTIVE HAS PROVIDED ELIGIBLE SERVICE FOR SIX OR MORE YEARS. (ELIGIBLE SERVICE IS OFFICER SERVICE THAT PERMITTED THE EXECUTIVE TO PARTICIPATE IN THE PLAN.) THE EXECUTIVE WILL RECEIVE THE ENTIRE ACCOUNT BALANCE IF HE/SHE BECOMES DISABLED, DIES OR IF THE EXECUTIVE TERMINATES FOR "GOOD REASON" OR IS INVOLUNTARILY TERMINATED WITHOUT "GOOD CAUSE" WITHIN A 24 MONTH PERIOD AFTER A CHANGE-OF-CONTROL OCCURS. DISTRIBUTIONS FROM THIS PLAN ARE SUBJECT TO FEDERAL, STATE, AND LOCAL TAXES ON THE ENTIRE ACCOUNT BALANCE UPON DISTRIBUTION.
SUPPLEMENTAL INFORMATION	PART III	PART I, LINE 3 CEO SALARY AND BENEFITS ARE SUBJECT TO THE MOUNTAIN STATES HEALTH ALLIANCE (MSHA) COMPENSATION COMMITTEE PROCESS, WHEREBY THE MSHA CEO RECOMMENDS THE SALARY AND IT IS REVIEWED AND APPROVED BY THE COMPENSATION COMMITTEE, BASED UPON MARKET DATA MADE AVAILABLE BY THIRD PARTY CONSULTANTS. THE COMPENSATION COMMITTEE HAS FINAL APPROVAL OF MSHA'S CEO RECOMMENDATIONS FOR PAY AND BENEFITS FOR THE SCCH CEO AND ALL OTHER EXECUTIVES WITHIN MSHA.

Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
SMYTH COUNTY COMMUNITY HOSPITAL

Employer identification number
54-0794913

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
Total ► \$										

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) BETTY KIRK	FAMILY MEMBER OF JIM BEAR	76,057	JIM BEAR, SCCH BOARD TREASURER, IS A FAMILY MEMBER OF BETTY KIRK, AN EMPLOYEE OF SCCH		No
(2) REBECCA SPARGER	FAMILY MEMBER OF JAMES PATTERSON, M D	26,495	JAMES PATTERSON, M D , SCCH BOARD MEMBER, IS A FAMILY MEMBER OF REBECCA SPARGER, AN EMPLOYEE OF SCCH		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
SMYTH COUNTY COMMUNITY HOSPITAL

Employer identification number
54-0794913

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	MOUNTAIN STATES HEALTH ALLIANCE IS THE 80% MEMBER OF SMYTH COUNTY COMMUNITY HOSPITAL SMYTH COUNTY COMMUNITY HOSPITAL FOUNDATION IS THE 20% MEMBER OF SMYTH COUNTY COMMUNITY HOSPITAL
	FORM 990, PART VI, SECTION A, LINE 7A	THE MOUNTAIN STATES HEALTH ALLIANCE (MSHA) CLASS IS ELECTED BY THE MSHA BOARD OF DIRECTORS AND THE SMYTH COUNTY COMMUNITY HOSPITAL CLASS IS ELECTED BY THE SMYTH COUNTY COMMUNITY HOSPITAL FOUNDATION BOARD OF DIRECTORS NEITHER SIDE CAN VETO AN APPOINTMENT
	FORM 990, PART VI, SECTION A, LINE 7B	CERTAIN DECISIONS OF THE BOARD ARE, PURSUANT TO CHARTER AND VIRGINIA STATUTE, SUBJECT TO APPROVAL OF THE MEMBERS THESE DECISIONS INCLUDE DISSOLUTION OF THE CORPORATION, MERGER OF THE CORPORATION, NON-ORDINARY COURSE OF BUSINESS SALE OF ASSETS, ETC NO ORDINARY, DAY TO DAY DECISIONS ARE SUBJECT TO MEMBER APPROVAL
	FORM 990, PART VI, SECTION B, LINE 11	THE FORM 990, WHICH WAS PREPARED BY AN INDEPENDENT ACCOUNTING FIRM, WAS REVIEWED BY FINANCIAL MANAGEMENT PRIOR TO FILING COPIES OF THE RETURN WERE MADE AVAILABLE TO THE BOARD TRUSTEES
	FORM 990, PART VI, SECTION B, LINE 12C	ANNUALLY, THE AUDIT AND COMPLIANCE DEPARTMENT PROVIDES THE POLICY AND CONFLICT OF INTEREST DISCLOSURE FORMS TO ALL COVERED PERSONS EACH PERSON IS REQUIRED TO PROVIDE A COMPLETED DISCLOSURE FORM, NOTING ANY CONFLICTS OR ATTESTING THEY HAVE "NONE", AND RETURN THE FORMS TO THE AUDIT AND COMPLIANCE DEPARTMENT ANY NOTED DISCLOSURES ARE FORWARDED TO THE APPROPRIATE MANAGEMENT OR BOARD PERSONNEL TO EVALUATE AND UTILIZE WHEN A TRANSACTION INVOLVING A CONFLICTED PERSON ARISES ADDITIONALLY, PERSONNEL WHO HAVE A CONFLICT ARISE BETWEEN THE ANNUAL DISTRIBUTION OF THE POLICY AND FORMS ARE REQUIRED TO DISCLOSE THE CONFLICT AND WOULD BE DISCIPLINED IN ANY INSTANCE WHERE THEY HAVE NOT DISCLOSED AND THEY ENGAGE IN A CONFLICTED TRANSACTION
	FORM 990, PART VI, SECTION B, LINE 15	LINE 15A - COMPENSATION PROCESS FOR TOP OFFICIAL THE CEO COMPENSATION IS SUBJECT TO THE MSHA COMPENSATION COMMITTEE PROCESS, WHEREBY THE MSHA CEO RECOMMENDS THE SALARY AND IT IS REVIEWED AND APPROVED BY THE COMPENSATION COMMITTEE, BASED UPON MARKET DATA MADE AVAILABLE BY THIRD PARTY CONSULTANTS, JUST LIKE ANY OTHER MSHA EXECUTIVE BELOW THE MSHA CEO AND CFO LEVEL LINE 15B - COMPENSATION PROCESS FOR OFFICERS THE BOARD ALSO APPROVES PAY AND BENEFITS FOR THE CFO THE COMPENSATION COMMITTEE REVIEWS AND HAS FINAL APPROVAL OF CEO RECOMMENDATIONS FOR PAY AND BENEFITS FOR ALL OTHER EXECUTIVES
	FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY ARE AVAILABLE UPON REQUEST TO APPROPRIATE PARTIES REQUESTING THEM FINANCIAL STATEMENTS ARE MADE AVAILABLE UPON REQUEST TO APPROPRIATE PARTIES REQUESTING THEM, AND THEY ARE MADE AVAILABLE TO THOSE PARTIES WHO OWN INDEBTEDNESS OF THE COMPANY ON A QUARTERLY BASIS
TRUSTEE COMPENSATION	FORM 990, PART VII, SECTION A,	HOSPITAL BOARD OF TRUSTEES MEMBERS ANN FLEMING, CHELSEA HAMANN, JOHN SCHARIO, CINDY SALYER, JIM PATTERSON, M D , AND JIM MCDOWELL, M D HAVE FORM 990 REPORTABLE RELATED COMPENSATION DERIVED FROM SERVICES THEY PROVIDED TO RELATED ORGANIZATIONS THEY DO NOT RECEIVE COMPENSATION FOR SERVICES AS HOSPITAL BOARD TRUSTEES
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	WRITE-OFF OF INTERCOMPANY DEBT 5,086,979 CHANGE IN TEMP RESTRICTED NET ASSETS 10,041 PARTNERSHIP INCOME NOT ON BOOKS -110,578 NET UNREALIZED LOSSES ON INVESTMENTS - 1,012,082 PRIOR PERIOD ADJUSTMENTS 39,704 TOTAL TO FORM 990, PART XI, LINE 5 4,014,064

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
SMYTH COUNTY COMMUNITY HOSPITAL

Employer identification number
54-0794913

Part I

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

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

Part II

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

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

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) INTEGRATED SOLUTIONS HEALTH NETWORK LLC 400 N STATE OF FRANKLIN ROAD JOHNSON CITY, TN 37604 62-1711997	INVESTMENT COMPANY	TN	N/A	(D)	-5,125	3,440		No			No	0 050 %
(2) EMMAUS COMMUNITY HEALTHCARE PLLC 6070 HWY 11E PINEY FLATS, TN 37686 20-0577483	MEDICAL SERVICES	TN	N/A									
(3) MEDICAL SPECIALISTS OF JOHNSON CITY LLC 2528 WESLEY STREET STE 2 JOHNSON CITY, TN 37604 27-2199037	MEDICAL SERVICES	TN	N/A									

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

Yes

1c

No

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

No

1l

No

1m

No

1n

Yes

1o

No

1p

No

1q

No

1r

No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)			
(2)			
(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: 54-0794913
Name: SMYTH COUNTY COMMUNITY 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	
MOUNTAIN STATES HEALTH ALLIANCE 400 N STATE OF FRANKLIN ROAD JOHNSON CITY, TN 37604 62-0476282	HOSPITAL	TN	501(C) (3)	LINE 3	N/A		No
SMYTH COUNTY COMM FOUNDATION 1 HEALTH WAY MARION, VA 24354 31-1650055	SUPPORTING ORGANIZATION TO SCCH	VA	501(C) (3)	LINE 11A, I	N/A		No
NORTON COMMUNITY HOSPITAL 100 15TH STREET NORTHWEST NORTON, VA 24273 54-0566029	HOSPITAL	VA	501(C) (3)	LINE 3	N/A		No
DICKENSON COMMUNITY HOSPITAL ONE HOSPITAL DRIVE CLINTWOOD, VA 24228 77-0599553	HOSPITAL	VA	501(C) (3)	LINE 3	NORTON COMMUNITY HOSPITAL		No
JOHNSTON MEMORIAL HOSPITAL 16000 JOHNSTON MEMORIAL DRIVE ABINGDON, VA 24211 54-0544705	HOSPITAL	VA	501(C) (3)	LINE 3	N/A		No
ABINGDON PHYSICIAN PARTNERS 16000 JOHNSTON MEMORIAL DRIVE ABINGDON, VA 24211 20-5485346	MEDICAL SERVICES	VA	501(C) (3)	LINE 11A, I	JOHNSTON MEMORIAL HOSPITAL		No
MOUNTAIN STATES FOUNDATION 2335 KNOB CREEK ROAD STE 101 JOHNSON CITY, TN 37604 58-1418862	FUNDRAISING FOR MSHA HOSPITALS	TN	501(C) (3)	LINE 11A, I	MOUNTAIN STATES HEALTH ALLIANCE		No
MSHA AUXILIARY 400 N STATE OF FRANKLIN ROAD JOHNSON CITY, TN 37604 58-1418345	SUPPORTING ORGANIZATION TO MSHA HOSPITALS	TN	501(C) (3)	LINE 11A, I	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
SOUTHWEST COMMUNITY HEALTH SERVICES PO BOX 880 MARION, VA 24354 54-1460695	HEALTH SERVICES	VA	N/A	C	354,538	1,327,420	100 000 %
BLUE RIDGE MEDICAL MANAGEMENT CORPORATION 1021 WOAKLAND AVENUE STE 207 JOHNSON CITY, TN 37604 62-1490616	PHYSICIAN OFFICES	TN	N/A	C			
MEDISERVE MEDICAL EQUIP OF KINGSPORT 1021 WOAKLAND AVENUE STE 207 JOHNSON CITY, TN 37604 62-1212286	DURABLE MEDICAL EQUIPMENT	TN	N/A	C			
MOUNTAIN STATES PROPERTIES 1021 WOAKLAND AVENUE STE 207 JOHNSON CITY, TN 37604 62-1845895	PROPERTY MANAGEMENT	TN	N/A	C			
MOUNTAIN STATES PHYSICIAN GROUP 1019 WOAKLAND AVENUE STE 207 JOHNSON CITY, TN 37604 62-1700412	HEALTHCARE SERVICES	TN	N/A	C			
COMMUNITY HOME CARE INC 1460 PARK AVENUE NORTON, VA 24273 54-1453810	MEDICAL PRODUCTS	VA	N/A	C			
COMMUNITY PHYSICIANS SERV CORP 100 15TH STREET NW NORTON, VA 24273 54-1641446	PHYSICIAN SERVICES	VA	N/A	C			
WILSON PHARMACY INC PO BOX 5289 JOHNSON CITY, TN 37602 62-0329587	PHARMACY	TN	N/A	C			
CRESTPOINT HEALTH INSURANCE CO 208 SUNSET DRIVE SUITE 101 JOHNSON CITY, TN 37604 62-0381170	INSURANCE	TN		C			

**SMYTH COUNTY COMMUNITY
HOSPITAL AND SUBSIDIARY**

Audited Consolidated Financial Statements

Years Ended June 30, 2012 and 2011



SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Audited Consolidated Financial Statements

Years Ended June 30, 2012 and 2011

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Audited Consolidated Financial Statements

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PERSHING YOAKLEY & ASSOCIATES, P.C.
One Cherokee Mills, 2220 Sutherland Avenue
Knoxville, TN 37919
p: (865) 673-0844 | f: (865) 673-0173
www.pyapc.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Smyth County Community Hospital:

We have audited the accompanying consolidated balance sheets of Smyth County Community Hospital and subsidiary (the Hospital) as of June 30, 2012 and 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Smyth County Community Hospital and subsidiary as of June 30, 2012 and 2011, and the results of their operations and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Knoxville, Tennessee
November 26, 2012

Pershing Yoakley & Associates, P.C.

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY***Consolidated Balance Sheets***

	<i>June 30,</i>	
	<i>2012</i>	<i>2011</i>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,230,842	\$ 5,040,225
Short-term investment	-	538,811
Assets limited as to use	-	5,607,174
Patient accounts receivable, less estimated allowances for uncollectible accounts of \$1,942,386 in 2012 and \$2,379,257 in 2011	8,132,570	6,484,385
Other receivables, net	380,652	349,947
Inventories and prepaid expenses	1,241,823	1,352,200
TOTAL CURRENT ASSETS	10,985,887	19,372,742
ASSETS LIMITED AS TO USE, less current portion		
For capital improvements and operations	11,214,123	30,714,369
HELD-TO-MATURITY SECURITIES	11,244,415	12,389,418
PROPERTY, PLANT AND EQUIPMENT, net	73,257,174	36,342,101
OTHER ASSETS		
Investments in unconsolidated affiliates	747,011	78,396
Deferred financing costs, net	196,300	-
Other assets	-	12,850
Land held for expansion	-	1,610,651
TOTAL OTHER ASSETS	943,311	1,701,897
TOTAL ASSETS	\$ 107,644,910	\$ 100,520,527

	<i>June 30,</i>	
	<i>2012</i>	<i>2011</i>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt and capital lease obligation	\$ 259,646	\$ 628,300
Accounts payable and accrued expenses	3,171,661	9,137,292
Accrued salaries, compensated absences and amounts withheld	1,798,225	2,404,507
Estimated amounts due to third-party payors, net	1,228,979	1,005,201
Due to Member and other affiliates, net	829,359	14,166,020
TOTAL CURRENT LIABILITIES	7,287,870	27,341,320
OTHER LIABILITIES		
Long-term debt and capital lease obligation, less current portion	16,208,216	1,829,094
Estimated professional liability	296,619	1,064,547
Other long-term liabilities	713,614	677,158
TOTAL LIABILITIES	24,506,319	30,912,119
COMMITMENTS AND CONTINGENCIES - Note M		
NET ASSETS		
Unrestricted net assets	83,102,748	69,582,606
Temporarily restricted net assets	35,843	25,802
TOTAL NET ASSETS	83,138,591	69,608,408
TOTAL LIABILITIES AND NET ASSETS	\$ 107,644,910	\$ 100,520,527

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Consolidated Statements of Operations and Changes in Net Assets

	<i>Year Ended June 30,</i>	
	<i>2012</i>	<i>2011</i>
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenue, gains and support:		
Patient service revenue, net of contractual adjustments and discounts	\$ 46,045,264	\$ 50,708,081
Provision for bad debts	(5,563,191)	(6,051,723)
Net patient service revenue	40,482,073	44,656,358
Other operating revenue	1,071,125	1,144,718
Net assets released from restrictions used for operations	44,606	79,062
TOTAL REVENUE, GAINS AND SUPPORT	41,597,804	45,880,138
Expenses:		
Salaries and wages, including employee incentives of \$66,812 in 2012 and \$196,019 in 2011	20,246,862	25,172,939
Contract labor	160,201	264,512
Employee benefits	4,223,258	4,391,925
Fees - physician and other	7,228,402	3,925,083
Supplies	5,169,562	5,580,622
Utilities	1,001,762	930,393
Corporate allocation	1,790,645	2,220,725
Depreciation	4,748,103	5,377,454
Amortization	45,179	200,751
Interest and taxes	29,411	89,031
Other	2,430,438	3,352,026
TOTAL EXPENSES	47,073,823	51,505,461
OPERATING LOSS	(5,476,019)	(5,625,323)
Nonoperating gains (losses):		
Interest and dividends, net of investment fees	614,929	1,638,423
Net realized/unrealized gains (losses) on securities	(975,278)	2,583,011
Other nonoperating gains (losses)	56,016	(29,905)
NET NONOPERATING GAINS (LOSSES)	(304,333)	4,191,529
DEFICIT OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	(5,780,352)	(1,433,794)

	<i>Year Ended June 30,</i>	
	<i>2012</i>	<i>2011</i>
Capital contribution from Member - Note L	19,300,494	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	13,520,142	(1,433,794)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Restricted grants and contributions	54,647	61,046
Assets released from restrictions used for operations	(44,606)	(79,062)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	10,041	(18,016)
INCREASE (DECREASE) IN NET ASSETS	13,530,183	(1,451,810)
NET ASSETS, BEGINNING OF YEAR	69,608,408	71,060,218
NET ASSETS, END OF YEAR	\$ 83,138,591	\$ 69,608,408

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Consolidated Statements of Cash Flows

	<i>Year Ended June 30,</i>	
	<i>2012</i>	<i>2011</i>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 13,530,183	\$ (1,451,810)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for depreciation and amortization	4,793,282	5,578,205
Estimated provision for bad debts	5,563,191	6,051,723
Restricted grants and contributions	(54,647)	(61,046)
Gain on sale and disposal of assets, net	(109,720)	(41,165)
Capital contribution from Member	(19,300,494)	-
Increase (decrease) in cash due to change in:		
Net patient accounts receivable	(7,211,376)	(5,483,464)
Other receivables, net	(30,705)	(14,065)
Inventories and prepaid expenses	110,377	91,855
Other assets	12,850	37,605
Accounts payable and accrued expenses	(662,823)	641,040
Accrued salaries, compensated absences and amounts withheld	(606,282)	198,786
Estimated amounts due to third-party payors, net	223,780	493,822
Due to Member and other affiliates, net	6,236,747	618,830
Other long-term liabilities	227	(51,459)
Estimated professional liability	(767,928)	661,961
Total adjustments	(11,803,521)	8,722,628
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,726,662	7,270,818
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(46,060,520)	(18,704,574)
Sales (purchases) of short-term investment, net	538,811	(4,649)
Payments received from Member	-	7,700,000
Other net (increase) decrease in assets limited as to use for capital improvements and operations	2,707,418	(2,055,659)
Sales (purchases) of held-to-maturity securities, net	1,145,003	(663,758)
Investment in joint venture	(668,615)	-
Proceeds from sale of property, plant and equipment	541,993	492,722
NET CASH USED IN INVESTING ACTIVITIES	(41,795,910)	(13,235,918)

	<i>Year Ended June 30,</i>	
	<i>2012</i>	<i>2011</i>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt and capital lease obligation	(2,453,625)	(1,102,124)
Proceeds from long-term debt	16,464,093	2,195,485
Deferred financing costs	(205,250)	-
Payments received from Member for capital additions	22,400,000	9,708,153
Restricted grants and contributions received	54,647	61,046
NET CASH PROVIDED BY FINANCING ACTIVITIES	36,259,865	10,862,560
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,809,383)	4,897,460
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,040,225	142,765
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,230,842	\$ 5,040,225
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	\$ 46,975	\$ 85,281
Property and equipment purchased and included in accounts payable	\$ 304,366	\$ 5,607,174
Property and equipment transferred to Member and other affiliates	\$ 272,914	\$ -
Land held for expansion placed into service	\$ 1,610,651	\$ -
Capital contribution from Member through reduction in amounts due to Member	\$ 19,300,494	\$ -

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements

Years Ended June 30, 2012 and 2011

NOTE A--ORGANIZATION AND OPERATIONS

Smyth County Community Hospital (the Hospital) is a tax-exempt entity with operations located in Smyth County, Virginia. The Hospital's membership consists of Mountain States Health Alliance (the Alliance) and Smyth County Community Hospital Foundation (the Foundation), which maintain an 80% and 20% interest in the Hospital, respectively (Note L). The Hospital owns and operates a 44 bed acute care hospital, a home health agency and Francis Marion Manor, a 109 bed long-term care facility. Included in the Hospital's consolidated financial statements is its wholly owned subsidiary, Southwest Community Health Services, Inc. (SWCH), a taxable corporation that operates a pharmacy and provides other health services.

Although the Hospital is a beneficiary of the Foundation's activities, the Hospital has not recorded a beneficial interest in the Foundation as the assets of the Foundation may be directed to organizations other than the Hospital, including a wellness center operated by the Foundation. Should the Foundation be dissolved, its assets are not required to be contributed to the Hospital but to any qualified tax-exempt organization.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the Hospital and its subsidiary after elimination of all significant intercompany accounts and transactions. The Hospital classifies those activities directly associated with its mission of providing healthcare services, as well as other activities deemed significant to its operations, as operating activities.

Use of Estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Estimates associated with contractual allowances, allowances for uncollectible accounts, net patient service revenue, tax positions, accrued professional liability and asset retirement obligations are particularly susceptible to material change in the near term. Actual results could differ from these estimates.

Cash and Cash Equivalents: Cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents designated as assets limited as to use are not included as cash and cash equivalents in the Consolidated Balance Sheets.

Short-term Investment: Short-term investment consists of amounts held in a certificate of deposit.

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2012 and 2011

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

Held-to-Maturity Securities and Assets Limited as to Use: The Hospital records investments in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 954-320, *Investments-Debt and Equity Securities*, which allows not-for-profit organizations to report in a manner similar to business entities by identifying securities as available-for-sale or held-to-maturity and to exclude the unrealized gains and losses on those securities from the Performance Indicator (as defined below). At June 30, 2012 and 2011, investments in which the Hospital has the positive intent and ability to hold to maturity are accounted for as held-to-maturity and consist mainly of corporate bonds. Such investments are reported at amortized cost. Management annually evaluates the held-to-maturity investment portfolio and recognizes any "other-than-temporary" losses as deductions from the Performance Indicator (described below). Management's evaluation considers the amount of decline in fair value, as well as the time period of any such decline. Management does not believe any investment in the held-to-maturity portfolio to be other-than-temporarily impaired at June 30, 2012.

Assets limited as to use include designated assets set aside by the Board of Directors for future capital improvements and operating expenditures, over which the Board retains control and may at its discretion subsequently use for other purposes, as well as assets held under bond agreement for capital projects.

Any other debt and marketable equity securities with readily determinable fair values are considered trading securities and reported at fair value based on quoted market prices. Other investments without readily determinable fair values are reported at fair market value pursuant to FASB ASC 825, *Financial Instruments*. Management classifies assets limited as to use as short-term or long-term based upon the Hospital's need relative to specific current liabilities.

Realized gains and losses on assets limited as to use are computed using the specific identification method for cost determination. Investment income is reported net of related investment fees.

Investments in other entities, principally minor ownership in purchasing cooperatives, are reported on the cost basis of accounting.

Inventories: Inventories, consisting primarily of medical supplies, are stated at the lower of cost or market with cost determined by the first-in first-out method.

Property, Plant and Equipment: Property, plant and equipment is stated on the basis of cost or, if donated, at the fair value at the date of gift. Depreciation is computed by the straight-line method based on the estimated useful life of the asset. Equipment held under capital lease obligations is amortized under the straight-line method over the shorter of the lease term or estimated useful life. Amortization of equipment held under capital lease obligations is reported

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2012 and 2011

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

as part of depreciation expense in the accompanying Consolidated Statements of Operations and Changes in Net Assets. Renewals and betterments are capitalized and depreciated over their useful life, whereas costs of maintenance and repairs are expensed as incurred. The Hospital reviews long-lived assets for impairment whenever circumstances and situations change indicating that the carrying amounts may not be recoverable. At June 30, 2012, management believed there were no such impairments, although it is at least reasonably possible management's estimate may change in the near term.

Deferred Financing Costs: Deferred financing costs relate to issuance of bonds payable and are being amortized over the life of the bonds principally using the straight-line method.

Land Held for Expansion: Land held for expansion represents land purchased by the Hospital for relocation of the Hospital facility plus costs incurred to develop the infrastructure of such land. Such amounts were placed into service as property, plant and equipment after relocation to a new hospital facility during 2012 (Note D).

Estimated Professional Liability and Other Long-Term Liabilities: Professional liabilities include estimated reserves for reported and unreported professional liability claims based on historical data and actuarial assumptions (Note M). Other long-term liabilities consist of undiscounted obligations under deferred compensation arrangements and asset retirement obligations (Note F).

Net Patient Service Revenue/Receivables: Net patient service revenue is reported on the accrual basis in the period in which services are provided at estimated net realizable amounts, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Hospital's revenue recognition policies related to self-pay and other types of payors emphasize revenue recognition only when collections are reasonably assured; otherwise, such charges are excluded from net patient service revenue.

Patient accounts receivable are reported net of both an estimated allowance for uncollectible accounts and an estimated allowance for contractual adjustments. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, Medicaid and other third-party payment programs. Current operations are charged with an estimated provision for bad debts, based upon historical experience, known collection risks and other environmental factors, including the age of the receivables. The Hospital's policy does not require collateral or other security for patient accounts receivable. The Hospital routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies. Additions to the allowance for uncollectible

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2012 and 2011

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

accounts result from the provision for bad debts. Patient accounts written off as uncollectible are deducted from the allowance for uncollectible accounts.

Charity Care: The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Hospital and various guidelines outlined by the Federal Government. These policies define charity as those services for which no payment is anticipated and, as such, charges at established rates are not included in net patient service revenue. Charges forgone, based on established rates, totaled approximately \$4,100,000 for each of the years 2012 and 2011. The estimated costs of providing those services totaled approximately \$954,000 for each of the years ended June 30, 2012 and 2011. The estimated costs of providing charity care are based on a calculation which applies a ratio of costs to charges analysis with indirect costs allocated under a reasonable and systematic approach.

In addition to the charity care services described above, the Hospital provides a number of other services to benefit the poor for which little or no payment is received. Medicare, Medicaid and State indigent programs do not cover the full cost of providing care to beneficiaries of those programs. The Hospital also provides services to the community at large for which it receives little or no payment.

Deficit of Revenue, Gains and Support Over Expenses and Losses: The Consolidated Statements of Operations and Changes in Net Assets includes the caption *Deficit of Revenue, Gains and Support Over Expenses and Losses* (the Performance Indicator). Changes in unrestricted net assets which are excluded from the Performance Indicator include transfers of assets to and from Member and its affiliates and contributions of long-lived assets or amounts restricted to the purchase of long-lived assets, if any.

Income Taxes: The Hospital is classified as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes has been made in the accompanying consolidated financial statements for the Hospital. SWCH is a taxable entity and accounts for income taxes in accordance with FASB ASC 740, *Income Taxes* (Note K). At June 30, 2012, tax returns for fiscal years 2009 through 2011 are subject to examination by the Internal Revenue Service. The Hospital had no uncertain tax positions at June 30, 2012 and 2011. As such, no interest or penalties were recognized in the consolidated Statements of Operations and Changes in Net Assets related to unrecognized tax benefits.

Temporarily Restricted Net Assets: Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. When a donor or time restriction expires; that is, when a stipulated time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2012 and 2011

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

Consolidated Statements of Operations and Changes in Net Assets as net assets released from restrictions.

Fair Value of Financial Instruments: The fair value of the Hospital's financial instruments, other than certain investments which are discussed in Note C, approximates their carrying value due to the nature and terms of these assets and liabilities. Patient accounts receivable; other assets; accounts payable and accrued expenses; accrued salaries; compensated absences and amounts withheld; estimated amounts due to third party payors, net; due to Member and other affiliates, net amounts have short maturities or will otherwise be settled within a short period of time. The fair value of financial instruments reported as part of other long-term liabilities is not estimable, due to the unpredictable timing of payments and nature of the estimates involved.

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-06, *Fair Value Measurements and Disclosures (Topic 820) - Improving Disclosures about Fair Value Measurements*. ASU 2010-06 requires new disclosures regarding significant transfers in and out of Levels 1 and 2, as well as information about activity in Level 3 fair value measurements, including presenting information about purchases, sales, issuances and settlements on a gross versus a net basis in the Level 3 activity roll forward. In addition, ASU 2010-06 clarifies existing disclosures regarding input and valuation techniques, as well as the level of disaggregation for each class of assets and liabilities. The Hospital adopted ASU 2010-06 during the fiscal year ending June 30, 2011, except for the disclosures related to Level 3 purchases, sales, issuance and settlements, which were effective for the Hospital for 2012. The adoption of ASU 2010-06 did not have an impact on the Hospital's consolidated financial statements (Note O).

Date of Management's Review: The Hospital evaluated all events or transactions that occurred after June 30, 2012, through November 26, 2012, the date the consolidated financial statements were available to be issued. During this period, management did not note any material subsequent events that required recognition or disclosure in the June 30, 2012 consolidated financial statements.

New Accounting Pronouncements: In July 2011, the FASB issued Accounting Standard Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The ASU requires the change of presentation of the estimated provision for bad debts in the consolidated statements of operations from an operating expense to a deduction from patient service revenue, net of contractual deductions and discounts, along with additional disclosures about the policies for recognizing revenue and assessing bad debts, and qualitative information about changes in the allowance for doubtful accounts. The Hospital retroactively adopted ASU 2011-07 in fiscal year 2012. The adoption of ASU 2011-07 did not have a material impact on the consolidated financial statements.

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2012 and 2011

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

In August 2010, the FASB issued ASU 2010-24, *Health Care Entities - Presentation of Insurance Claims and Related Insurance Recoveries*. The amendments in the ASU clarify that a health care entity may not net insurance recoveries against related claim liabilities. In addition, the amount of the claim liability must be determined without consideration of insurance recoveries. Prior to this Update, healthcare entities were permitted to net insurance recoveries against the accrual of malpractice claims or similar liabilities. The amendments in this ASU became effective for the Hospital during 2012. However, there was no material impact on the accompanying consolidated financial statements upon adoption (Note M).

Reclassifications: Certain 2011 amounts have been reclassified to conform to the 2012 presentation.

NOTE C--HELD-TO-MATURITY SECURITIES AND ASSETS LIMITED AS TO USE

Assets limited as to use, which are reported at fair value and held-to-maturity securities, which are reported at amortized cost, consist of the following at June 30:

	2012	2011
Assets limited as to use:		
Cash, cash equivalents and money market funds	\$ 3,767,461	\$ 3,012,838
Fixed income and equity mutual funds	6,623,676	7,588,501
Equity securities	822,986	1,080,595
Due from Member	-	22,400,000
Other	-	2,239,609
	<u>\$ 11,214,123</u>	<u>\$ 36,321,543</u>
Held-to-maturity securities:		
Cash equivalents	\$ -	\$ 47,995
Corporate bonds	10,803,544	11,460,562
Municipal bonds	440,871	880,861
	<u>\$ 11,244,415</u>	<u>\$ 12,389,418</u>

At June 30, 2012 and 2011, the Hospital held debt securities and uninvested cash of \$11,244,415 and \$12,389,418, respectively, in a held-to-maturity portfolio. Such securities had net unrealized gains of \$775,610 and \$651,732 at June 30, 2012 and 2011, respectively. No security within the held-to-maturity portfolio had been at an unrealized loss position for over one year as of June 30, 2012. The contractual maturities of held-to-maturity securities at June 30, 2012 are \$1,893,646 due in one year or less, \$4,251,877 due from one to five years and \$5,098,892 due after five years.

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2012 and 2011

NOTE C--HELD-TO-MATURITY SECURITIES AND ASSETS LIMITED AS TO USE - Continued

At June 30, 2011, the Hospital held assets limited as to use in certain investments structured as a limited liability company of approximately \$2,240,000. The Hospital elected the fair value option, pursuant to FASB ASC 825, *Financial Instruments*, for its investment in this limited partnership. The objective of this election was to report the entire portfolio on the same measurement basis, thereby eliminating the mixed-attribute approach and better reflecting the overall economic position and result of the investment portfolio. The fair value of these instruments is estimated by the fund manager, based upon estimated market prices of the underlying assets. The Hospital liquidated such investments during 2012.

Investment fees of approximately \$73,000 and \$94,000 were recognized during the years ended June 30, 2012 and 2011, respectively, and are deducted from interest and dividends in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

Total net unrealized losses from assets limited as to use (excluding the held-to-maturity securities) as of June 30, 2012 and 2011 were \$3,446,019 and \$3,038,998, respectively. The components of the net realized and unrealized gains/(losses) from trading securities for the years ended June 30 2012 and 2011 is as follows:

	<i>2012</i>	<i>2011</i>
Net realized gains (losses) on sale of securities	\$ (568,257)	\$ 155,314
Net change in unrealized gains/losses on securities	(407,021)	2,427,697
	<u>\$ (975,278)</u>	<u>\$ 2,583,011</u>

At June 30, 2012, the Hospital held the following position in trading securities which individually exceeded 10% of the trading security portfolio:

<i>Fund</i>	<i>Percentage Held</i>
	14.3%
	22.6%
	12.5%
	31.7%

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2012 and 2011

NOTE D--PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30:

	<i>2012</i>	<i>2011</i>
Land	\$ 3,607,365	\$ 2,121,752
Buildings and leasehold improvements	65,473,096	17,590,501
Equipment	47,386,735	39,968,958
Equipment held under capital lease obligations	280,148	280,148
	<u>116,747,344</u>	<u>59,961,359</u>
Less: Allowances for depreciation and amortization	<u>(49,756,162)</u>	<u>(47,845,624)</u>
	66,991,182	12,115,735
Construction in progress (Note M)	6,265,992	24,226,366
	<u>\$ 73,257,174</u>	<u>\$ 36,342,101</u>

During 2010, the Hospital and the Alliance gave final approval to construction of a replacement hospital, which was completed during 2012. In conjunction with the final approval of construction of the replacement hospital, management changed the useful lives of certain buildings and equipment. Management has estimated the effect of accelerating depreciation on such buildings and equipment was approximately \$4,100,000 over a twenty-four month period beginning July 1, 2010. The Hospital recognized approximately \$2,093,000 and \$2,066,000 in accelerated depreciation related to the old facility during the years ended June 30, 2012 and 2011, respectively.

Interest capitalized related to the construction in progress related to the new replacement hospital, is recorded by the Alliance, as the debt associated with the proceeds used for the construction is the obligation of the Alliance. During 2012, the Hospital capitalized approximately \$82,000 in interest costs from debt associated with proceeds used by the Hospital for other ongoing capital projects.

NOTE E--LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Long-term debt and capital lease obligations consist of the following at June 30, 2012 and 2011:

<i>Description</i>	<i>Maturities</i>	<i>Rates</i>	<i>Outstanding Balance</i>	
			<i>2012</i>	<i>2011</i>
2011C Hospital Revenue Bonds	Uninsured term bonds, due July 1, 2031, subject to early redemption or tender	Variable, 0.16% at June 30, 2012	\$ 14,179,851	\$ -

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2012 and 2011

NOTE E--LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS - Continued

<i>Description</i>	<i>Maturities</i>	<i>Rates</i>	<i>Outstanding Balance</i>	
			<i>2012</i>	<i>2011</i>
2011E Taxable Bonds	Uninsured term bonds, due July 1, 2026, subject to early redemption or tender	Variable, 0.24% at June 30, 2012	2,284,242	-
Note payable secured by deed of trust related to property with a net book value of \$1,924,049 at June 30, 2011	Monthly interest payments through October 2011 and payment of \$575,568 in November 2011 (Redeemed in 2012)	5.50%	-	572,892
Line of credit secured by deed of trust related to property with a net book value of \$348,624 at June 30, 2011	Monthly principal and interest payments of \$9,441 maturing March 2015; remaining principal and accrued interest due March 2015 (Redeemed in 2012)	Prime - 0.50% (stated minimum and maximum interest rates of 3.50% and 6.25%, respectively)	-	1,872,949
Capital lease obligations secured by equipment with a net book value of \$0 at June 30, 2012 and 2011	Monthly principal and interest payments through April 2013	6.37% to 7.66%	3,769	11,553
			16,467,862	2,457,394
Less current portion			(259,646)	(628,300)
			<u>\$ 16,208,216</u>	<u>\$ 1,829,094</u>

During 2012, the Alliance issued variable rate tax-exempt Hospital Revenue Bonds through the Industrial Development Authority of Smyth County, Virginia totaling \$49,875,000 (Series 2011C Bonds) and variable rate taxable bonds totaling \$15,960,000 (Series 2011E Bonds) under the Mountain States Health Alliance Obligated Group (MSHA OG), of which \$14,179,851 and \$2,284,242 of the proceeds, respectively, were allocated to the Hospital, a member of the MSHA OG, and used to refinance a note payable and line of credit and to fund certain capital improvements and equipment acquisitions. The Hospital's portion of the bond obligations are included in the accompanying 2012 Consolidated Balance Sheet and their future maturities are included in the schedule below.

There are no specific covenants required by the Hospital regarding the Series 2011C Bonds and Series 2011E Bonds as such bonds were issued to the MSHA OG; however, management believes the MSHA OG is in compliance with all financial and operating covenants as of June 30, 2012.

As a member of the MSHA OG, the Hospital, along with other members, are jointly and severally liable for approximately \$1,010,000,000 in debt service (principal and interest) as of June 30, 2012 and matures through 2039.

The scheduled principal maturities of long-term debt and capital lease obligations at June 30, 2012 are as follows:

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2012 and 2011

NOTE E--LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS - Continued

<u>Year Ending June 30,</u>	
2013	\$ 259,646
2014	224,756
2015	238,802
2016	304,847
2017	320,297
Thereafter	<u>15,119,514</u>
	<u>\$ 16,467,862</u>

NOTE F--ASSET RETIREMENT OBLIGATION

FASB ASC 410, *Asset Retirement and Environmental Obligations*, requires that an asset retirement obligation associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable, even when the timing and/or method of settlement may be conditional on a future event. The Hospital has recorded an estimated asset retirement obligation related to asbestos contained in certain buildings owned by the Hospital. In the event these buildings undergo major renovations or are demolished, the state of Virginia imposes regulations that require the Hospital to handle and dispose of the asbestos in a special manner. The estimated net present value of the asset retirement obligation as of June 30, 2012 and 2011 was approximately \$711,000 and \$673,000, respectively, which is included in other long-term liabilities on the accompanying Consolidated Balance Sheets.

NOTE G--NET PATIENT SERVICE REVENUE

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the accompanying Consolidated Statements of Operations and Changes in Net Assets is as follows for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Inpatient service charges	\$ 59,518,593	\$ 61,064,858
Outpatient service charges	<u>105,979,772</u>	<u>112,404,118</u>
Gross patient service charges	165,498,365	173,468,976
Less:		
Estimated contractual adjustments and other discounts	115,330,333	118,654,168
Charity care	4,122,768	4,106,727
Provision for bad debts	<u>5,563,191</u>	<u>6,051,723</u>
	<u>125,016,292</u>	<u>128,812,618</u>
Net patient service revenue	<u>\$ 40,482,073</u>	<u>\$ 44,656,358</u>

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2012 and 2011

NOTE G--NET PATIENT SERVICE REVENUE - Continued

Net patient service revenue by major payor source for the years ended June 30, 2012 and 2011, net of contractual allowances and self-pay discounts (before the provision for bad debts), is as follows:

	<i>2012</i>	<i>2011</i>
Third-party payors	\$ 38,940,354	\$ 42,340,703
Self-pay	7,104,910	8,367,378
Patient service revenue	<u>\$ 46,045,264</u>	<u>\$ 50,708,081</u>

Deductibles and copayments under third-party payment programs, which are included within the third-party payor amount above, are the patient's responsibility and the Hospital considers these amounts in its determination of the provision for bad debts based on prior collection experience. Accounts receivable are also reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary, for expected uncollectible deductibles and copayments or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients, which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between discounted rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

The Hospital's allowance for doubtful accounts totaled \$1,942,386 and \$2,379,257 at June 30, 2012 and 2011, respectively. The allowance for doubtful accounts decreased from 27% of patient accounts receivable, net of contractual allowances, at June 30, 2011 to 19% of patient accounts receivable, net of contractual allowances, as of June 30, 2012. Write-offs, net of recoveries, for the years ending June 30, 2012 and 2011 were approximately \$6,000,000 and \$5,450,000, respectively, and relate primarily to self-pay patients. Write-offs of third-party accounts were not significant in the years ending June 30, 2012 and 2011. The Hospital has not experienced significant changes in write-off trends and has not changed its charity care policy for the year ended June 30, 2012. The provision for bad debts associated with the Hospital's ancillary service lines are not significant.

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2012 and 2011

NOTE H--THIRD-PARTY REIMBURSEMENT

The Hospital renders services to patients under contractual arrangements with Medicare, Medicaid, Blue Cross and various other commercial payors. The Medicare program pays for inpatient services on a prospective basis. Payments are based upon diagnosis related group assignments, which are determined by the patient's clinical diagnosis and medical procedures utilized. The Hospital also receives additional payments from Medicare based on the provision of services to a disproportionate share of Medicaid and other low income patients. Most Medicare outpatient services are reimbursed on a prospectively determined payment methodology. The Medicare program also reimburses certain other services on the basis of reasonable cost, subject to various prescribed limitations and reductions.

The Virginia Medicaid program reimbursement for inpatient hospital services is also based on a prospective payment system using both per case and per diem methodologies. Additional payments are made for the allowable costs of capital. Payments for outpatient services are based on Medicare cost reimbursement principles and settled through the filing of an annual Medicaid cost report.

Amounts earned under the contractual agreements with the Medicare and Medicaid programs are subject to review and final determination by the Medicare Administrative Contractor and other appropriate governmental authorities or their agents. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Activity with respect to audits and reviews of governmental programs has increased and is expected to increase in the future. No additional specific reserves or allowances have been established with regard to these increased audits and reviews as management is not able to estimate such amounts. Management believes that any adjustments from these increased audits and reviews will not have a material adverse impact on the consolidated financial statements. However, due to uncertainties in the estimation, it is at least reasonably possible that management's estimate will change in 2013, although the amount of any change cannot be estimated. During the years ended June 30, 2012 and 2011, net patient service revenue increased (decreased) by approximately \$(148,000) and \$51,000, respectively, relating to adjustments of prior years' estimates and final settlements of prior period cost reports.

Participation in the Medicare and Medicaid programs subjects the Hospital to significant rules and regulations; failure to adhere to such could result in fines, penalties or expulsion from the program. Management believes that adequate provision has been made for any adjustments, fines or penalties which may result from final settlements or violations of rules or regulations. Management has represented that the Hospital is in substantial compliance with these rules and regulations as of June 30, 2012.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations and employer

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2012 and 2011

NOTE H--THIRD-PARTY REIMBURSEMENT - Continued

groups. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

NOTE I--EMPLOYEE BENEFIT PLAN

The Hospital's employees are eligible to participate in a defined contribution plan sponsored by the Alliance and funded by employer and employee contributions. Contribution expenses under the terms of this plan totaled approximately \$621,000 and \$714,000 during the years ended June 2012 and 2011, respectively.

NOTE J--CONCENTRATIONS OF RISK

The Hospital operates in Smyth County, Virginia, which is a geographic concentration. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors based on charges at established rates is as follows as of June 30, 2012 and 2011:

	<i>2012</i>	<i>2011</i>
Medicare	44%	45%
Medicaid	11%	12%
Commercial	36%	30%
Patients	7%	11%
Other	2%	2%
	100%	100%

Approximately 97% and 98% of the consolidated total revenue, gains and support was related to the provision of healthcare services for the years ended June 30, 2012 and 2011, respectively. Admitting physicians are primarily practitioners in the local area.

The Hospital routinely invests in investment vehicles as listed in Note C. The Hospital's investment portfolio is managed by outside investment management companies. Investments in money market funds, equities and other vehicles that are held by safekeeping agents are not insured or guaranteed by the U.S. government.

At June 30, 2012, the Hospital had deposits in financial institutions in excess of the Federal Deposit Insurance Corporation's limits. Management believes that credit risk related to these deposits is minimal.

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2012 and 2011

NOTE K--INCOME TAXES

SWCH had net operating loss carryforwards for state and federal tax purposes of approximately \$5,614,000 and \$4,875,000 at June 30, 2012 and 2011, respectively, which expire through 2031.

The net operating loss carryforwards may be offset against future taxable income to the extent permitted by the Internal Revenue Code and Commonwealth of Virginia. Net deferred tax assets related to these carryforwards, as well as other items (primarily related party interest expense), have been completely offset through valuation allowances equal to these amounts. Due to net operating losses, there were no income taxes paid or incurred for the years ended June 30, 2012 and 2011.

NOTE L--RELATED PARTY TRANSACTIONS

During 2007, the Alliance acquired an 80% interest in the Hospital through a commitment to provide \$48,100,000 to the Hospital (designated for capital) plus a \$4,700,000 contribution to the Foundation, who retained a 20% interest in the Hospital. At June 30, 2011, \$22,400,000 related to this transaction was due from the Alliance and included in assets limited as to use in the accompanying Consolidated Balance Sheets. At June 30, 2012, all such amounts due to the Hospital have been received. During 2012, the Alliance contributed an additional \$19,300,494 to the Hospital for capital needs through the reduction of the Hospital's obligations due to the Alliance.

The Hospital had various net amounts due to the Alliance and other affiliates totaling \$829,359 at June 30, 2012 and \$14,166,020 at June 30, 2011. The payable amounts relate primarily to costs incurred by the Alliance, or affiliates of the Alliance, on behalf of the Hospital. Corporate allocation expense related to the Alliance was approximately \$1,791,000 and \$2,221,000 during the years ended June 30, 2012 and 2011, respectively.

NOTE M--COMMITMENTS AND CONTINGENCIES

Professional Liability and Workers' Compensation: The Hospital is covered for professional liability claims under the Alliance's \$25,000,000 umbrella liability policy that attaches over the 2012 self-insurance limits of \$10,000,000 per claim and a \$15,000,000 annual aggregate retention.

At June 30, 2012, the Hospital is involved in litigation relating to medical malpractice, workers' compensation and other claims arising in the ordinary course of business. There are also known incidents occurring through June 30, 2012 that may result in the assertion of additional claims, and other unreported claims may be asserted arising from services provided in the past. The Hospital has estimated and accrued for the cost of these unreported claims based on historical

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2012 and 2011

NOTE M--COMMITMENTS AND CONTINGENCIES - Continued

data and actuarial assumptions. The discount rate utilized in determining the liability was 5% at June 30, 2012 and 2011.

The Hospital has established accruals for both reported and unreported claims of approximately \$297,000 and \$1,065,000 as of June 30, 2012 and 2011, respectively. Management estimates that none of the asserted claims will ultimately settle above the self-insurance retention levels and, accordingly, has not recognized any insurance recovery receivables at June 30, 2012.

The Hospital is not self-insured for workers' compensation claims and insures benefits for bodily injury caused by accident or by disease with a policy with 2012 coverage limits of \$1,000,000 per accident or employee. Management has not identified any significant workers' compensation claims outstanding as of June 30, 2012, and, accordingly, has not recognized any insurance recovery receivables.

Additionally, the Hospital is self-insured for employee health claims and recognizes expense each year based upon actual claims paid and an estimate of claims incurred but not yet paid. There are no insurance recovery receivables recognized at June 30, 2012.

Operating Leases: The Hospital leases certain facilities and equipment under various leasing arrangements. Total lease expense incurred during the years ending June 30, 2012 and 2011 was approximately \$244,000 and \$739,000, respectively, and is included as part of other expenses in the accompanying Consolidated Statements of Operations and Changes in Net Assets. Future minimum lease payments for facilities and equipment with noncancelable terms greater than one year are as follows:

<u><i>Year Ended June 30,</i></u>	
2013	\$ 112,709
2014	112,709
2015	65,747
	<u>\$ 291,165</u>

Other Long-term Commitments: Estimated future minimum payments under various noncancellable maintenance contracts with remaining terms in excess of one year at June 30, 2012 total in the aggregate approximately \$1,400,000 through 2017.

Construction in Progress: Estimated costs from outstanding contracts and other commitments related to the completion of capital projects are approximately \$2,300,000 at June 30, 2012.

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2012 and 2011

NOTE M--COMMITMENTS AND CONTINGENCIES - Continued

Healthcare Industry: The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, Medicare fraud and abuse, and patient records privacy and security. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Management does not believe the increase in government activity will have a material adverse impact on the consolidated financial statements. However, due to uncertainties in the estimation, it is at least reasonably possible that management's estimate will change in 2013, although the amount of any change cannot be estimated. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

In March 2010, Congress adopted comprehensive healthcare insurance legislation, Patient Care Protection and Affordable Care Act and Health Care and Education Reconciliation Act. The legislation, among other matters, is designated to expand access to substantially all citizens by 2019 through a combination of public program expansion and private industry health insurance. Implementing regulations are generally required for these legislative acts, which are to be adopted over a period of years and, accordingly, the specific impact of any future regulations is not determinable.

NOTE N--OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

The Hospital does not present expense information by functional classification because its resources and activities are primarily related to providing healthcare services. Further, since the Hospital receives substantially all of its resources from providing healthcare services in a manner similar to a business enterprise, other indicators contained in these consolidated financial statements are considered important in evaluating how well management has discharged their stewardship responsibilities.

NOTE O--FAIR VALUE MEASUREMENT

FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, FASB ASC 820 establishes a fair value hierarchy.

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2012 and 2011

NOTE O--FAIR VALUE MEASUREMENT - Continued

Valuation Hierarchy: FASB ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Hospital's own assumptions.

In instances where the determination of the fair value hierarchy measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Hospital's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table sets forth, by level within the fair value hierarchy, the financial assets recorded at fair value on a recurring basis as of June 30:

	<i>Carrying Value</i>	<i>Quoted Prices in Active Markets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
Assets Measured at Fair Value on a Recurring Basis at June 30, 2012				
Cash equivalents	\$ 3,767,461	\$ 3,767,461	\$ -	\$ -
Mutual Funds:				
Equity mutual funds	6,137,239	6,137,239	-	-
Fixed income mutual funds	486,437	486,437	-	-
Common Stocks:				
Materials	48,675	48,675	-	-
Consumer discretionary	3,672	3,672	-	-
Consumer staples	29,677	29,677	-	-
Healthcare	56,530	56,530	-	-

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2012 and 2011

NOTE O--FAIR VALUE MEASUREMENT - Continued

	<i>Carrying Value</i>	<i>Quoted Prices in Active Markets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
Energy	64,340	64,340	-	-
Financials	165,304	165,304	-	-
Industrials	47,545	47,545	-	-
Information technology	155,727	155,727	-	-
Telecommunication services	125,555	125,555	-	-
Utilities	121,461	121,461	-	-
Other	4,500	4,500	-	-
	\$ 11,214,123	\$ 11,214,123	\$ -	\$ -
Assets Measured at Fair Value on a Recurring Basis at June 30, 2011				
Cash equivalents	\$ 3,012,838	\$ 3,012,838	\$ -	\$ -
Mutual Funds:				
Equity mutual funds	7,039,454	7,039,454	-	-
Fixed income mutual funds	549,047	549,047	-	-
Common Stocks:				
Materials	42,654	42,654	-	-
Consumer discretionary	5,334	5,334	-	-
Consumer staples	113,887	113,887	-	-
Healthcare	92,649	92,649	-	-
Energy	98,518	98,518	-	-
Financials	183,045	183,045	-	-
Industrials	95,919	95,919	-	-
Information technology	172,182	172,182	-	-
Telecommunication services	142,866	142,866	-	-
Utilities	129,146	129,146	-	-
Other	4,395	4,395	-	-
UBS Trumbull real estate fund	2,239,609	-	-	2,239,609
	\$ 13,921,543	\$ 11,681,934	\$ -	\$ 2,239,609

Assets limited as to use classified as Level 1 are measured using quoted market prices. Assets limited as to use classified as Level 3 are estimated by the fund manager, based upon estimated market prices of the underlying assets.

The following table sets forth a summary of changes in the fair value of the Hospital's Level 3 assets for the years ended June 30:

SMYTH COUNTY COMMUNITY HOSPITAL AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2012 and 2011

NOTE O--FAIR VALUE MEASUREMENT - Continued

	<i>2012</i>	<i>2011</i>
Balance, beginning of year	\$ 2,239,609	\$ 1,933,139
Total net realized and unrealized gains (losses)	68,948	204,822
Purchases, sales, issuances, and settlements, net	(2,308,557)	101,648
Balance, end of year	<u>\$ -</u>	<u>\$ 2,239,609</u>

NOTE P--FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments has been estimated by the Hospital using available market information as of June 30, 2012 and 2011, and valuation methodologies considered appropriate. The estimates presented are not necessarily indicative of amounts the Hospital could realize in a current market exchange. The carrying value of substantially all financial instruments approximates fair value due to the nature or term of the instruments, except as described below.

Long-Term Debt and Capital Leases: The Hospital's long-term debt and capital lease obligations secured by buildings and equipment were negotiated with various lenders. It is not practical to estimate the fair value of these obligations under current conditions. The carrying value of long-term debt with variable interest rates approximates fair value.

NOTE Q--JOINT OPERATING AGREEMENT

The Hospital entered into a Joint Operating Agreement (JOA) with Johnston Memorial Hospital, Inc. (JMH), an Alliance hospital affiliate, to fund and jointly operate a Cathertization Laboratory at JMH. The Hospital invested \$668,612 in August 2011 as required by the JOA, which represents 25% of the estimated budget for the start-up costs. On an annual basis, JMH shall distribute 25% of the net positive cash flow, as defined by the JOA, to the Hospital. In the event that negative net cash flow exists, the Hospital shall pay to JMH 25% of the difference between zero and the negative cash flow. As of June 30, 2012, the net positive cash flow as determined by management was insignificant; therefore, no amounts are receivable from JMH in the accompanying 2012 Consolidated Balance Sheet. The Hospital's investment of \$668,612, which is accounted for under the equity method of accounting, is included as part of investments in unconsolidated affiliates in the accompanying 2012 Consolidated Balance Sheet.