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

<b>A For the 2011 calendar year, or tax year beginning 10-01-2011 and ending 09-30-2012</b>			
<b>B</b> Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization Herbert J Thomas Memorial Hospital Association		<b>D</b> Employer identification number 55-0404900
	Doing Business As Thomas Memorial Hospital		<b>E</b> Telephone number (304) 766-3528
	Number and street (or P O box if mail is not delivered to street address) 4605 MacCorkle Avenue SW	Room/suite	<b>G</b> Gross receipts \$ 186,533,302
	City or town, state or country, and ZIP + 4 South Charleston, WV 25309		
	<b>F</b> Name and address of principal officer Stephen P Dexter 4605 MacCorkle Avenue SW South Charleston, WV 25309		<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) <b>H(c)</b> Group exemption number ▶
<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) (Insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			
<b>J Website:</b> ▶ www.thomaswv.org			
<b>K</b> Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		<b>L</b> Year of formation 1946	<b>M</b> State of legal domicile WV

Part I		Summary	
Activities & Governance	<b>1</b> Briefly describe the organization's mission or most significant activities To provide health care services to residents of South Charleston, WV and surrounding communities    		
	<b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a) . . . . .	<b>3</b>	7
	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b) . . . . .	<b>4</b>	6
	<b>5</b> Total number of individuals employed in calendar year 2011 (Part V, line 2a) . . . .	<b>5</b>	1,478
	<b>6</b> Total number of volunteers (estimate if necessary) . . . . .	<b>6</b>	127
	<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12 . . . .	<b>7a</b>	8,650
	<b>b</b> Net unrelated business taxable income from Form 990-T, line 34 . . . .	<b>7b</b>	0
Revenue	<b>8</b> Contributions and grants (Part VIII, line 1h) . . . . .	<b>Prior Year</b>	<b>Current Year</b>
	<b>9</b> Program service revenue (Part VIII, line 2g) . . . . .	1,176,806	586,972
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d) . . . . .	153,251,120	166,250,434
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,340,111	1,276,389
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .	2,577,763	2,725,841
		159,345,800	170,839,636
Expenses	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3) . . . .	78,825	132,462
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4) . . . . .	0	0
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	69,665,510	70,991,385
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e) . . . . .	0	0
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		
	<b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e) . . . . .	97,744,062	106,181,675
	<b>18</b> Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	167,488,397	177,305,522
	<b>19</b> Revenue less expenses Subtract line 18 from line 12 . . . . .	-8,142,597	-6,465,886
Net Assets or Fund Balances		<b>Beginning of Current Year</b>	<b>End of Year</b>
	<b>20</b> Total assets (Part X, line 16) . . . . .	222,186,958	220,262,039
	<b>21</b> Total liabilities (Part X, line 26) . . . . .	160,635,326	172,612,781
	<b>22</b> Net assets or fund balances Subtract line 21 from line 20 . . . . .	61,551,632	47,649,258

**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.

<b>Sign Here</b>	***** Signature of officer			2013-07-16 Date	
	Charles O Covert Vice President & CFO Type or print name and title				
<b>Paid Preparer's Use Only</b>	Preparer's signature	Harry C Harless	Date	Check if self-employed <input type="checkbox"/>	Preparer's taxpayer identification number (see instructions) P01042847
	Firm's name (or yours if self-employed), address, and ZIP + 4	Amett Foster Toothman PLLC P O Box 2629 Charleston, WV 25329			EIN 55-0486667
					Phone no (304) 346-0441

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

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization’s mission

To provide health care services to residents of South Charleston, WV and surrounding communities

2

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

☐ Yes

☒ No

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

3

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

☐ Yes

☒ No

If “Yes,” describe these changes on Schedule O

4

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

4a

(Code ) (Expenses \$ 172,680,698 including grants of \$ 105,198 ) (Revenue \$ 163,631,653 )

Services provided by the hospital include 50,128 inpatient days and 192,652 outpatient visits The hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates Charges forgone for charity amounted to \$4,245,075 The hospital provided community education activities and sponsors free health screening and wellness programs

4b

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

4c

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

4d





















Other program services (Describe in Schedule O )

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

4e

Total program service expenses \$ 172,680,698


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	<b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4	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		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII 	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional 	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States? . . . . .	14a		No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, 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? <b>Note.</b> All Form 990 filers that operated one or more hospitals must attach audited financial statements . . . . . 	20b	Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22		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	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		No
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i> . . . . .	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or 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		No
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	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

<b>Part V</b> <b>Statements Regarding Other IRS Filings and Tax Compliance</b>						
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>						
		<b>Yes</b>	<b>No</b>			
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. . . . . .	<b>1a</b>	150			
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	<b>1b</b>	0			
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? . . . . .	<b>1c</b>	Yes			
<b>2a</b>	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return . . . . .	<b>2a</b>	1,478			
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?  <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	<b>2b</b>	Yes			
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year? . . . . .	<b>3a</b>	Yes			
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O . . . . .	<b>3b</b>	Yes			
<b>4a</b>	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)? . . . . .	<b>4a</b>				No
<b>b</b>	If "Yes," enter the name of the foreign country  _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts					
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . . .	<b>5a</b>				No
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	<b>5b</b>				No
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T? . . . . .	<b>5c</b>				
<b>6a</b>	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible? . . . . .	<b>6a</b>				No
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? . . . . .	<b>6b</b>				
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>					
<b>a</b>	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor? . . . . .	<b>7a</b>				No
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided? . . . . .	<b>7b</b>				
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? . . . . .	<b>7c</b>				No
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year . . . . .	<b>7d</b>				
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? . . . . .	<b>7e</b>				
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . . .	<b>7f</b>				
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? . . . . .	<b>7g</b>				
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? . . . . .	<b>7h</b>				
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? . . . . .	<b>8</b>				
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>					
<b>a</b>	Did the organization make any taxable distributions under section 4966? . . . . .	<b>9a</b>				
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person? . . . . .	<b>9b</b>				
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter					
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12 . . . . .	<b>10a</b>				
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	<b>10b</b>				
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter					
<b>a</b>	Gross income from members or shareholders . . . . .	<b>11a</b>				
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them ) . . . . .	<b>11b</b>				
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041? . . . . .	<b>12a</b>				
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	<b>12b</b>				
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>					
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state	<b>13a</b>				
<b>b</b>	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	<b>13b</b>				
<b>c</b>	Enter the aggregate amount of reserves on hand	<b>13c</b>				
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year? . . . . .	<b>14a</b>				No
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O . . .	<b>14b</b>				

Part VI

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year . . . . .		
1a	7		
b	Enter the number of voting members included in line 1a, above, who are independent . . . . .	1b	6
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . . . . .	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .	5	No
6	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	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following . . . . .		
a	The governing body? . . . . .	8a	Yes
b	Each committee with authority to act on behalf of the governing body? . . . . .	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O . . . . .	9	No

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

		Yes	No
10a	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 ▶ _____
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 ▶ Charles O Covert 4605 MacCorkle Ave SW South Charleston, WV 25309 (304) 766-3528

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) Michael DeWitt Secretary	1 00	X						0	0	0
(2) Daniel J Lauffer Trustee	1 00	X						0	375,994	51,502
(3) Tom McHugh Chairman	1 00	X						0	0	0
(4) Darshan Dave Trustee	1 00	X						0	0	0
(5) Steve White Trustee	1 00	X						0	0	0
(6) Nancy Fox Trustee	1 00	X						0	0	0
(7) Grace Vandecruze Trustee	1 00	X						0	0	0
(8) John Neville Trustee	1 00	X						0	0	0
(9) Betty Goad Trustee	1 00	X						0	0	0
(10) Stephen P Dexter President/CEO	40 00			X				622,304	0	25,265
(11) Charles O Covert Vice President/CFO	40 00			X				281,738	0	24,074
(12) Robert J Gray Senior Vice President	40 00			X				259,806	0	23,846
(13) Cynthia W Barnette Senior Vice President	40 00			X				262,003	0	23,826
(14) Tarek Anderson Neonatologist	40 00					X		296,922	0	19,824
(15) Magdaleno Nucum House Physician	40 00					X		162,005	0	16,200
(16) Paul Stobie Neonatologist	40 00					X		294,289	0	20,184
(17) Marybeth Smith Human Resources Director	40 00					X		158,349	0	4,392



## Part VII

<b>1b</b>	<b>Sub-Total . . . . .</b>	<b>▼</b>			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A . . . . .</b>	<b>▼</b>			
<b>d</b>	<b>Total (add lines 1b and 1c) . . . . .</b>	<b>▼</b>	2,629,724	375,994	209,113

**2** Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 40

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

## **Section B. Independent Contractors**

**1** Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. 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
Professional Anesthesia Associates 110 Roane St Charleston, WV 25302	Anesthesia service	1,421,331
Information Technology Associates 20 NW 4th St Suite 301 Evansville, IN 47708	Information systems consulting	1,030,419
Advanced Technical Solutions 107 Erskine Lane Scott Depot, WV 25560	Information systems consulting	824,785
HMP of Kanawha County PO Box 645037 Cincinnati, OH 452645037	Hospitalist physicians	775,000
Aramark 25271 Network Place Chicago, IL 606731252	Food service management	568,494

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 ▶35

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					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	586,972				
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f . . . . .			586,972			
Program Service Revenue			Business Code					
	2a	Patient services	622110	163,631,653	163,631,653			
	b	Electronic health reco	900099	2,618,781			2,618,781	
	c							
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f . . . . .			166,250,434			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . .			1,143,032	8,650	1,134,382	
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties . . . . .						
	6a	(i) Real		(ii) Personal				
		1,609,257						
		0						
		1,609,257						
	b	Less rental expenses						
	c	Rental income or (loss)						
	d	Net rental income or (loss) . . . . .			1,609,257		1,609,257	
	7a	(i) Securities		(ii) Other				
		15,030,900		796,123				
		15,025,022		668,644				
		5,878		127,479				
	b	Less cost or other basis and sales expenses						
	c	Gain or (loss)						
	d	Net gain or (loss) . . . . .			133,357		133,357	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .		a				
	b	Less direct expenses . . . . .		b				
	c	Net income or (loss) from fundraising events . .						
	9a	Gross income from gaming activities See Part IV, line 19 . . . . .		a				
	b	Less direct expenses . . . . .		b				
c	Net income or (loss) from gaming activities . .							
10a	Gross sales of inventory, less returns and allowances . . . . .		a					
b	Less cost of goods sold . . . . .		b					
c	Net income or (loss) from sales of inventory . .							
Miscellaneous Revenue		Business Code						
11a	Cafeteria & vending	722212	576,129				576,129	
b	Other income	900099	293,912				293,912	
c	Parking	812930	246,543				246,543	
d	All other revenue . . . . .							
e	Total. Add lines 11a-11d . . . . .			1,116,584				
12	Total revenue. See Instructions . . . . .			170,839,636	163,631,653	8,650	6,612,361	

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	132,462	132,462		
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 . . . . .	1,657,188	1,605,981	51,207	
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	52,863,120	51,229,650	1,633,470	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	5,178,441	5,018,427	160,014	
9	Other employee benefits . . . . .	7,505,831	7,273,901	231,930	
10	Payroll taxes . . . . .	3,786,805	3,669,793	117,012	
11	Fees for services (non-employees)				
a	Management . . . . .				
b	Legal . . . . .	172,344		172,344	
c	Accounting . . . . .	374,826		374,826	
d	Lobbying . . . . .	30,000		30,000	
e	Professional fundraising See Part IV, line 17 . . . . .				
f	Investment management fees . . . . .				
g	Other . . . . .	11,834,715	11,469,022	365,693	
12	Advertising and promotion . . . . .	486,310	471,283	15,027	
13	Office expenses . . . . .	13,585,216	13,165,433	419,783	
14	Information technology . . . . .	3,626,433	3,514,376	112,057	
15	Royalties . . . . .				
16	Occupancy . . . . .	4,237,936	4,106,984	130,952	
17	Travel . . . . .	112,113	108,649	3,464	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
19	Conferences, conventions, and meetings . . . . .				
20	Interest . . . . .	6,186,861	5,995,687	191,174	
21	Payments to affiliates . . . . .				
22	Depreciation, depletion, and amortization . . . . .	11,126,983	10,783,159	343,824	
23	Insurance . . . . .	4,503,130	4,363,983	139,147	
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	25,217,681	25,217,681		
b	Bad debts	16,147,197	16,147,197		
c	Healthcare provider tax	4,304,208	4,304,208		
d	Sales & use taxes	1,339,219	1,297,837	41,382	
e					
f	All other expenses	2,896,503	2,804,985	91,518	
25	Total functional expenses. Add lines 1 through 24f	177,305,522	172,680,698	4,624,824	0
26	Joint costs. Check here <input checked="" type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing . . . . .			441,331	1	353,213
	2	Savings and temporary cash investments . . . . .			42,040,443	2	26,936,639
	3	Pledges and grants receivable, net . . . . .				3	
	4	Accounts receivable, net . . . . .			15,480,102	4	15,601,841
	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 . . . . .			3,125,418	8	3,336,044
	9	Prepaid expenses and deferred charges . . . . .			1,286,698	9	1,313,792
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D . . . . .	10a	287,447,291			
	b	Less: accumulated depreciation . . . . .	10b	154,587,962	139,252,427	10c	132,859,329
	11	Investments—publicly traded securities . . . . .			17,904,904	11	35,295,065
	12	Investments—other securities. See Part IV, line 11 . . . . .			569,249	12	555,126
	13	Investments—program-related. See Part IV, line 11 . . . . .				13	
	14	Intangible assets . . . . .				14	
	15	Other assets. See Part IV, line 11 . . . . .			2,086,386	15	4,010,990
	16	Total assets. Add lines 1 through 15 (must equal line 34) . . . . .			222,186,958	16	220,262,039
Liabilities	17	Accounts payable and accrued expenses . . . . .			12,780,294	17	14,959,630
	18	Grants payable . . . . .				18	
	19	Deferred revenue . . . . .			49,163	19	127,756
	20	Tax-exempt bond liabilities . . . . .			102,127,331	20	101,098,724
	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 . . . . .			145,833	23	91,600
	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 . . . . .			45,532,705	25	56,335,071
	26	Total liabilities. Add lines 17 through 25 . . . . .			160,635,326	26	172,612,781
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 . . . . .			61,551,632	27	47,649,258
	28	Temporarily restricted net assets . . . . .				28	
	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 . . . . .			61,551,632	33	47,649,258
	34	Total liabilities and net assets/fund balances . . . . .			222,186,958	34	220,262,039

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	170,839,636
2	Total expenses (must equal Part IX, column (A), line 25)	2	177,305,522
3	Revenue less expenses Subtract line 2 from line 1	3	-6,465,886
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	61,551,632
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-7,436,488
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	47,649,258

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 Herbert J Thomas Memorial Hospital Association	Employer identification number 55-0404900
--	--

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 (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support							
Calendar year (or fiscal year beginning in)		(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7	Amounts from line 4						
8	Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9	Net income from unrelated business activities, whether or not the business is regularly carried on						
10	Other income (Explain in Part IV ) Do not include gain or loss from the sale of capital assets						
11	Total support (Add lines 7 through 10)						
12	Gross receipts from related activities, etc (See instructions )					12	
13	First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

Section C. Computation of Public Support Percentage			
14	Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))	14	
15	Public Support Percentage for 2010 Schedule A, Part II, line 14	15	
16a	<b>33 1/3% support test—2011.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization		
b	<b>33 1/3% support test—2010.</b> If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization		
17a	<b>10%-facts-and-circumstances test—2011.</b> If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization		
b	<b>10%-facts-and-circumstances test—2010.</b> If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization		
18	<b>Private Foundation</b> If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions		

Part IIIPart III

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

Section A. Public Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

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

Section D. Computation of Investment Income Percentage			
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17		
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18		
19a 33 1/3% support tests—2011. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization			
b 33 1/3% support tests—2010. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization			
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions			



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

Facts And Circumstances Test

Explanation

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 Herbert J Thomas Memorial Hospital Association	Employer identification number 55-0404900
--	--

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

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

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

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

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

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

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

Part II-A

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

- A

Check

☐

if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B

Check

☐

if the filing organization checked box A and "limited control" provisions apply

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

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

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

Part II-B

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		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		15,109
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		30,000
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV		No	
j	Total lines 1c through 1i			45,109
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
Explanation of Lobbying Activities	Part II-B, Line 1	Line 1f A portion of dues paid by the hospital to the American Hospital Association and the West Virginia Hospital Association is attributable to lobbying

SCHEDULE D  
(Form 990)

Supplemental Financial Statements

► 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.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
Herbert J Thomas Memorial Hospital Association

Employer identification number  
55-0404900

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

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

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

1

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

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

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

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

5

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

☐ Yes

☐ No

6

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

7

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

8

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

☐ Yes

☐ No

9

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

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

1a

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

b

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

(i)

Revenues included in Form 990, Part VIII, line 1

► \$ \_\_\_\_\_

(ii)

Assets included in Form 990, Part X

► \$ \_\_\_\_\_

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$ \_\_\_\_\_

b

Assets included in Form 990, Part X

► \$ \_\_\_\_\_

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

Cat No 52283D

Schedule D (Form 990) 2011

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

- 3

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

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations
- 4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV
- 5

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

☐ Yes

☐ No

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

- 1a

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

☐ Yes

☐ No
- b

If "Yes," explain the arrangement in Part XIV and complete the following table
- |    |        |
|----|--------|
|    | Amount |
| 1c |        |
| 1d |        |
| 1e |        |
| 1f |        |

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance
- 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 . . . . .

(ii)

related organizations . . . . .

b

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

	Yes	No
3a(i)		
3a(ii)		
3b		
- 4 Describe in Part XIV the intended uses of the organization's endowment funds
- Part VI Land, Buildings, and Equipment.** See Form 990, Part X, line 10.
- | Description of property  | (a) Cost or other basis (investment) | (b)Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|--|--------------------------------------|--------------------------------|------------------------------|----------------|
| 1a Land . . . . .  |                                      | 11,689,559                     |                              | 11,689,559     |
| b Buildings . . . . .  |                                      | 148,842,151                    | 59,141,977                   | 89,700,174     |
| c Leasehold improvements . . . . .   |                                      |                                |                              |                |
| d Equipment . . . . .  |                                      | 115,523,705                    | 91,991,053                   | 23,532,652     |
| e Other . . . . .  |                                      | 11,391,876                     | 3,454,932                    | 7,936,944      |
| Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶ |                                      |                                |                              | 132,859,329    |
- Schedule D (Form 990) 2011



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	170,839,636
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	177,305,522
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	-6,465,886
4	Net unrealized gains (losses) on investments	4	1,773,833
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-9,210,321
9	Total adjustments (net) Add lines 4 - 8	9	-7,436,488
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-13,902,374

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	154,041,513
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	0
3	Subtract line 2e from line 1 . . . . .	3	154,041,513
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	16,798,123
c	Add lines 4a and 4b . . . . .	4c	16,798,123
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12 ) . . . . .	5	170,839,636

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements . . . . .	1	160,488,409
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	0
3	Subtract line 2e from line 1 . . . . .	3	160,488,409
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	16,817,113
c	Add lines 4a and 4b . . . . .	4c	16,817,113
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18 ) . . . . .	5	177,305,522

Part XIV

Supplemental Information

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

Identifier	Return Reference	Explanation
Part XI, Line 8 - Other Adjustments		Income from K-1 - Premier Purchasing Partners LP -650,926 Defined benefit pension plan adjustment -9,174,683 Distributions from Premier Purchasing Partners LP 655,288 Equity transfer to related exempt organization -40,000 Total to Schedule D, Part XI, Line 8 -9,210,321
Part XII, Line 4b - Other Adjustments		Income from K-1 Premier Purchasing Partners LP 650,926 Bad debts deducted from income in the financial statements 16,147,197
Part XIII, Line 4b - Other Adjustments		Distributions from Premier Purchasing Partners LP 655,288 Bad debts deducted from income in the financial statements 16,147,197 Equipment contributed to related organization 14,628



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**  
Herbert J Thomas Memorial Hospital Association

**Employer identification number**  
55-0404900

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 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	3a	Yes	
4	Did the organization's policy provide free or discounted care to the "medically indigent"? . . . . .	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount? . . . . .	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .	5c		
6a	Did the organization prepare a community benefit report during the tax year? . . . . .	6a		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) . . . . .			1,728,595		1,728,595	1 070 %
b Medicaid (from Worksheet 3, column a) . . . . .			23,656,748	14,636,363	9,020,385	5 600 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .						
d <b>Total</b> Charity Care and Means-Tested Government Programs . . . . .			25,385,343	14,636,363	10,748,980	6 670 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .						
f Health professions education (from Worksheet 5) . . . . .						
g Subsidized health services (from Worksheet 6) . . . . .						
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .			98,070		98,070	0 060 %
j <b>Total</b> Other Benefits . . . . .			98,070		98,070	0 060 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			25,483,413	14,636,363	10,847,050	6 730 %

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						
10Total						

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		No
2Enter the amount of the organization's bad debt expense	2	15,126,881	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3		
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	37,475,341	
6Enter Medicare allowable costs of care relating to payments on line 5	6	38,238,898	
7Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-763,557	
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 type="checkbox"/> Cost to charge ratio <input checked="" 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		No

Part IVManagement Companies and Joint Ventures (see instructions)

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

## Section A. Hospital Facilities

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

## Name and address

**Schedule H (Form 990) 2011**

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

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

Herbert J Thomas Memorial Hospital

Name of Hospital Facility:

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 . . . . . If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1		
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4		
5 Did the hospital facility make its Needs Assessment widely available to the public? . . . . . If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5		
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % 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 __% If "No," explain in Part VI the criteria the hospital facility used	10	No
11	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input 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 type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input checked="" type="checkbox"/> Other (describe in Part VI)	13	Yes

Billing and Collections

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

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input 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, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc )
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		Part I, Line 3c The hospital provides a 20% discount to individuals who do not have commercial insurance coverage and who do not qualify for Medicare, Medicaid, or free care An additional 20% prompt pay discount is provided to patients who pay at the time services are rendered



Identifier	ReturnReference	Explanation
		Part I, Line 7 The cost of charity care and unreimbursed Medicaid was estimated using a cost to charge ratio derived from Worksheet 2 of the Schedule H instructions The cost of community health improvement services and community benefit operations was calculated based on the hospita's accounting records The amount of cash and in-kind contributions to community groups was obtained from the hospital's accounting records

Identifier	ReturnReference	Explanation
		Part I, Line 7, Column (f) The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A ), but subtracted for purposes of calculating the percentage in this column is \$ 16147197

Identifier	ReturnReference	Explanation
		Part III, Line 4 Bad debt expense is described in the consolidated financial statements as follows Patient accounts receivable are carried at the original charge less an estimate made for doubtful or uncollectible accounts The allowance is based upon a review of the outstanding balances aged by financial class Management uses collection percentages based upon historical collection experience to determine collectibility Management also reviews troubled, aged accounts to determine collection potential Patient accounts receivable are written off when deemed uncollectible Recoveries of accounts previously written off are recorded as a reduction to bad debt expense when received The amount of patient charges written off reported on line 2 represents amounts that were actually billed to patients, less any payments subsequently received For example, if an uninsured patient received the 20% uninsured discount and subsequently made only partial payment, the amount written off would be the discounted amount less the subsequent payment

Identifier	ReturnReference	Explanation
		Part III, Line 8 Medicare costs were obtained from the Hospital's Medicare cost report

Identifier	ReturnReference	Explanation
		Part III, Line 9b The organization's collection policies do not apply to patients that are known to qualify for charity care. Additionally, the organization has a separate Patient Assistance Policy, patients who qualify for charity care under the policy do not receive a bill.

Identifier	ReturnReference	Explanation
Herbert J Thomas Memorial Hospital		Part V, Section B, Line 10 The hospital provides a 20% discount to individuals who do not have commercial insurance coverage and who do not qualify for Medicare, Medicaid, or free care An additional 20% prompt pay discount is provided to patients who pay at the time service is rendered

Identifier	ReturnReference	Explanation
Herbert J Thomas Memorial Hospital		Part V, Section B, Line 13g At the point of registration for all uninsured patients, we print out and give them the charity forms to apply for our program We explain to them what this means and tell them they must forward these completed items with the requested documentation to RPAS (our billing office), the address is on the form We have them sign page one (acknowledgement) and scan it into the account for verification they were given and have had the process explained to them For those patients who come into our office after they receive a bill, we will explain this same process for them Notification about financial assistance available from Thomas Health System shall include a contact number, shall be disseminated by Thomas Health System by various means, which may include, but are not limited to, the publication of notices in patient bills and by conspicuously displaying the FAP within the hospital and at other public places as Thomas Health System may elect Hard copies of the FAP are available for interested persons free of charge The FAP is posted on Thomas Health System's web page Thomas Health System may also publish and widely publicize a summary of this Financial Assistance Policy within the hospital, facility websites, brochures and at other places within the community served by the hospital as may be elected

Identifier	ReturnReference	Explanation
Herbert J Thomas Memorial Hospital		Part V , Section B, Line 19d The hospital analyzed its reimbursements from commercial insurance carriers and determined that reimbursements were approximately 80% of charges Accordingly, the hospital provides a 20% discount to all patients who do not have commercial insurance coverage and who do not qualify for Medicare, Medicaid, or free care There is an additional 20% prompt pay discount if mayment is made at the time of service



Identifier	ReturnReference	Explanation
		Part VI, Line 2 The hospital is a member of the Kanawha Coalition for Community Health Improvement The Coalition conducts a survey every three years to assess health care needs of the community Results of the survey are presented in a meeting of community leaders and other interested persons, and are conveyed to the general public by local media Results of the most recent survey were released in September, 2011

Identifier	ReturnReference	Explanation
		Part VI, Line 3 The hospital informs and educates patients about their eligibility for assistance by (1) providing a copy of the policy, or a summary thereof, and financial assistance contact information to patients as part of the intake process, (2) including the policy, or a summary thereof, along with financial assistance contact information, in patient bills, and (3) discussing with the patient the availability of various government benefits, such as Medicaid or state programs, and assisting the patient with qualification for such programs, where applicable For those patients who come into our office after they receive a bill, we explain this same process to them We also employ an outside agency, Advanced Patient Advocacy (APA), to speak with patients regarding Medicaid and other state and federal funding options APA may speak with the patient during a stay or visit or after discharge

Identifier	ReturnReference	Explanation
		Part VI, Line 4 The organization's geographic service area includes approximately 476,000 persons in a 12 county area of south-central West Virginia Heart disease, cancer and pulmonary disease are the leading causes of death in the service area Patients in the service area are typical of West Virginia as a whole The population served is 48% male, 52% female Approximately 20% of residents in the area have no healthcare insurance coverage and no family doctor or other healthcare provider Except for the area within the Charleston, WV city limits, all of the counties in the organization's geographic service area are federally-designated Medically Underserved and Health Manpower Shortage Areas

Identifier	ReturnReference	Explanation
		Part VI, Line 5 All members of the hospital's Board of Directors reside in the local community The hospital extends medical staff privileges to all qualified physicians in the community who meet specific credentialing criteria The hospital's 24 hour emergency room is available to all persons, regardless of ability to pay The hospital prepares its budget to ensure adequate funding for capital improvements that are made on an on-going basis During the year, the hospital received \$586,972 in contributions These contributions enabled the hospital to fund its capital improvements and to provide financial sssistance to individuals unable to pay for some or all or their care

Identifier	ReturnReference	Explanation
		Part VI, Line 6 The hospital, along with St Francis Hospital, is part of Thomas Health System, Inc The health system was formed to forge a partnership based on the strength of the two established hospitals Bringing the two hospitals under the umbrella of the Thomas Health System allows them to provide innovative and cost-effective health care services to the Kanawha Valley and surrounding areas Economies of scale have allowed for cost reductions in numerous areas, while providing advanced technology to a larger community, with access to the highest quality of physicians, nurses and support staff in our service area The system provides a wide range of services that serves the entire community

Name of the organization  
Herbert J Thomas Memorial Hospital Association

Employer identification number  
55-0404900

Part I

General Information on Grants and Assistance

- 1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . .

Yes

No

2

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

Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed . . . . .
- | (a) Name and address of organization or government  | (b) EIN    | (c) IRC Code section if applicable | (d) Amount of cash grant | (e) Amount of non-cash assistance | (f) Method of valuation (book, FMV, appraisal, other) | (g) Description of non-cash assistance | (h) Purpose of grant or assistance   |
|---|------------|------------------------------------|--------------------------|-----------------------------------|---|--|--|
| (1) West Virginia Symphony Orchestra IncPO Box 2292 Charleston, WV 25328                            | 55-0339426 | 501(c)(3)                          | 13,500                   |                                   |   |  | Sponsorship of concert and fund raising gala   |
| (2) WV Health Right1520 Washington St East Charleston, WV 25311                                     | 31-1066881 | 501(c)(3)                          | 30,000                   |                                   |   |  | Support for a free clinic that provides medical care and drugs to the uninsuredSupport for a free clinic that supplies medical care and drugs to the uninsuredTo support a free clinic located in Charleston, WV that supplies free drugs to the uninsured |
| (3) Charleston Area Alliance 1116 Smith St Charleston, WV 25301                                     | 55-6024192 | 501(c)(4)                          | 6,400                    |                                   |   |  | Support for economic development programs  |
| (4) Charleston Hospital Hospital Inc dba St Francis Hospital333 Laidley Street Charleston, WV 25301 | 61-1272692 | 501(c)(3)                          |                          | 14,628                            | Book value  | Equipment                              | To assist the efforts of St Francis Hospital   |
| (5) CAMC Health Education and Research Institute Inc 3200 MacCorkle Avenue SE Charleston, WV 25304  | 55-0753754 | 501(c)(3)                          | 27,264                   |                                   |   |  | Health education and research that benefits the people of Kanawha County   |
|   |            |                                    |                          |                                   |   |  |  |
|   |            |                                    |                          |                                   |   |  |  |
|   |            |                                    |                          |                                   |   |  |  |
|   |            |                                    |                          |                                   |   |  |  |
|   |            |                                    |                          |                                   |   |  |  |
|   |            |                                    |                          |                                   |   |  |  |
|   |            |                                    |                          |                                   |   |  |  |
|   |            |                                    |                          |                                   |   |  |  |
|   |            |                                    |                          |                                   |   |  |  |
- 2

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

4

3

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

1
- For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 50055P

Schedule I (Form 990) 2011

**Part III**

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

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

**Part IV**

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

Identifier	Return Reference	Explanation
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Schedule J  
(Form 990)

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 Herbert J Thomas Memorial Hospital Association	Employer identification number 55-0404900
--	--

Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
	<div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain	1b	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply		
	<div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div>		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
a	Receive a severance payment or change-of-control payment?	4a	No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	No
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) Daniel J Lauffer	(i)	0	0	0	0	0	0	0
	(ii)	309,191	60,895	5,908	31,536	23,654	431,184	0
(2) Stephen P Dexter	(i)	510,619	86,800	24,885	9,072	16,193	647,569	0
	(ii)	0	0	0	0	0	0	0
(3) Charles O Covert	(i)	245,507	28,878	7,353	6,530	17,544	305,812	0
	(ii)	0	0	0	0	0	0	0
(4) Robert J Gray	(i)	226,012	26,700	7,094	6,302	17,544	283,652	0
	(ii)	0	0	0	0	0	0	0
(5) Cynthia W Barnette	(i)	222,751	31,723	7,529	6,282	17,544	285,829	0
	(ii)	0	0	0	0	0	0	0
(6) Tarek Anderson	(i)	296,922	0	0	3,672	16,152	316,746	0
	(ii)	0	0	0	0	0	0	0
(7) Magdaleno Nucum	(i)	162,005	0	0	0	16,200	178,205	0
	(ii)	0	0	0	0	0	0	0
(8) Paul Stobie	(i)	294,289	0	0	3,672	16,512	314,473	0
	(ii)	0	0	0	0	0	0	0
(9) Marybeth Smith	(i)	142,264	16,085	0	2,352	2,040	162,741	0
	(ii)	0	0	0	0	0	0	0
(10) Rodney Dean	(i)	292,308	0	0	0	0	292,308	0
	(ii)	0	0	0	0	0	0	0
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

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

Schedule K (Form 990)	Supplemental Information on Tax Exempt Bonds ▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990). ▶ Attach to Form 990. ▶ See separate instructions.										OMB No 1545-0047		
											2011		
	Department of the Treasury Internal Revenue Service											Open to Public Inspection	
Name of the organization Herbert J Thomas Memorial Hospital Association										Employer identification number 55-0404900			

Part I

Bond Issues

(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A West Virginia Hospital Finance Authority	62-1256910	956622XRO	06-30-2008	94,030,170	Capital expenditures and equipment purchases		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	719,812							
2	Amount of bonds defeased								
3	Total proceeds of issue	92,695,993							
4	Gross proceeds in reserve funds	7,223,714							
5	Capitalized interest from proceeds	10,534,952							
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds	1,489,249							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	73,448,078							
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2010							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III

Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?	X							
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X							
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government <div>▶</div>	3 000 %							
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government <div>▶</div>								
6	Total of lines 4 and 5	3 000 %							
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV

Arbitrage

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

Part V

Procedures To Undertake Corrective Action

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

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
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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  
Herbert J Thomas Memorial Hospital Association

Employer identification number  
55-0404900

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 6	Thomas Health System, Inc , a nonprofit corporation organized under the laws of the State of West Virginia, is the sole member of the organization
	Form 990, Part VI, Section A, line 7a	The organization's board of directors is elected by its sole member, Thomas Health System, Inc
	Form 990, Part VI, Section B, line 11	Thomas Health System, Inc (the System) is the sole member of the organization The System's finance committee is responsible for financial management of the organization The 990 is reviewed by the organization's CFO and the chairman of the finance committee The 990 is then discussed with the System's finance committee and a copy is provided to all board members before it is filed with the IRS
	Form 990, Part VI, Section B, line 12c	The organization regularly and consistently monitors and enforces compliance with our written conflict of interest policy by asking annually that all Trustees, officers and employees (managers) who have decision making/purchasing authority disclose any potential conflicts of interest Disclosure forms are signed annually then logged onto a spread sheet that identifies any potential conflicts
	Form 990, Part VI, Section B, line 15	The Executive Compensation Committee, comprised of members who are free of any conflicts of interest, adheres to a disciplined process for reviewing compensation for senior executives to ensure that the compensation is reasonable The Committee has retained an independent consulting and advisory firm, Yaffe & Company, to provide appropriate market data as to comparability The Committee reviews comparability data and other relevant evidence and approves the compensation of senior executives, provided, however, that in the case of the CEO, the Board, after review of the comparability data and other relevant evidence, including a recommendation from the Committee, has the final approval with regard to the CEO's compensation Only those Board members who are free of conflicts of interest vote on the CEO's compensation All compensation decisions, including the comparability data reviewed and any other relevant information considered, are contemporaneously documented in meeting minutes
	Form 990, Part VI, Section C, line 19	The Hospital makes its governing documents, conflict of interest policy and financial statements available to the public upon request These documents are maintained in the administrative offices of the hospital and are provided via copy upon request The documents also can be reviewed on site at the hospital upon advance notice
Hours worked for related organization	Form 990, Part VII, Section A	Daniel J Lauffer, Trustee, is the CEO of Charleston Hospital, Inc dba St Francis Hospital Mr Lauffer works 40 hours per week for St Francis Hospital
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized gains on investments 1,773,833 Income from K-1 - Premier Purchasing Partners LP -650,926 Defined benefit pension plan adjustment -9,174,683 Distributions from Premier Purchasing Partners LP 655,288 Equity transfer to related exempt organization -40,000 Total to Form 990, Part XI, Line 5 -7,436,488
Explanation of amounts reported	Schedule K	On June 30, 2008, the West Virginia Hospital Finance Authority issued \$148,920,000 Hospital Improvement Revenue Bonds Series 2008 on behalf of Thomas Health System, Inc Thomas Health System, Inc is the sole member of Herbert J Thomas Memorial Hospital Association (Thomas Memorial Hospital) and Charleston Hospital, Inc dba St Francis Hospital Bond proceeds, and related liability, were allocated between the two hospitals Total proceeds of the issue reported in Part II, line 3 are net of bond discount in the amount of \$1,333,842

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  
Herbert J Thomas Memorial Hospital Association

Employer identification number  
55-0404900

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) Thomas Health System Inc  4605 MacCorkle Avenue SW  South Charleston, WV 25309 26-0440674	Corporate office	WV	501(c)(3)	Line 3	N/A		No
(2) St Francis Hospital  333 Laidley St  Charleston, WV 25301 61-1272692	Hospital	WV	501(c)(3)	Line 3	N/A		No
(3) THS Physician Partners Inc  4605 MacCorkle Avenue SW  South Charleston, WV 25309 45-4395947	Medical services	WV	501(c)(3)	Line 3	N/A		No

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproporionate 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	

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) THM Services Inc 437 Division Street Ste 311 South Charleston, WV 25309 55-0676607	Equipment sales, rental and related services, vending sales	WV	N/A	C	143,264	5,167,361	100 000 %

Part V

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

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

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

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

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)			

Schedule R (Form 990) 2011



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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**THOMAS HEALTH SYSTEM, INC.  
AND SUBSIDIARIES**

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***Consolidated  
Financial Statements***

***September 30, 2012***

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## CONTENTS

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1
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CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated balance sheets	2
Consolidated statements of operations	3
Consolidated statements of changes in net assets	4
Consolidated statements of cash flows	5
Notes to consolidated financial statements	6 - 29

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION	30
---	----

SUPPLEMENTARY INFORMATION	
Thomas Health System, Inc consolidating balance sheet 2012	31
Thomas Health System, Inc consolidating balance sheet 2011	32
Thomas Health System, Inc consolidating statement of operations 2012	33
Thomas Health System, Inc consolidating statement of operations 2011	34
Thomas Health System, Inc consolidating statement of changes in net assets 2012	35
Thomas Health System, Inc consolidating statement of changes in net assets 2011	36
Herbert J Thomas Memorial Hospital Association consolidating balance sheet 2012	37
Herbert J Thomas Memorial Hospital Association consolidating balance sheet 2011	38
Herbert J Thomas Memorial Hospital Association consolidating statement of operations 2012	39
Herbert J Thomas Memorial Hospital Association consolidating statement of operations 2011	40
Herbert J Thomas Memorial Hospital Association consolidating statement of changes in net assets 2012	41
Herbert J Thomas Memorial Hospital Association consolidating statement of changes in net assets 2011	42

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## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Audit Committee of the  
Board of Directors  
Thomas Health System, Inc  
and Subsidiaries  
South Charleston, West Virginia

We have audited the accompanying consolidated balance sheets of Thomas Health System, Inc and subsidiaries (the System) as of September 30, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Thomas Health System, Inc and subsidiaries as of September 30, 2012 and 2011, and the results of their operations, changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**ARNETT FOSTER TOOTHMAN PLLC**

*Arnett Foster Toothman PLLC*

Charleston, West Virginia  
January 25, 2013

101 Washington Street East | P O Box 2629  
Charleston, WV 25329  
304 346 0441 | 800 642 2601

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

September 30, 2012 and 2011

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 22,236,385	\$ 18,769,085
Investments	-	256,242
Assets limited as to use (Note 3)	13,304,359	13,421,160
Patient accounts receivable, net of allowance for doubtful accounts of \$24,196,000 in 2012 and \$20,301,000 in 2011 (Note 1)	25,628,774	25,409,998
Supplies inventories	7,808,127	7,523,989
Prepaid and other current assets	6,017,500	3,595,806
<b>Total current assets</b>	<b>74,995,145</b>	<b>68,976,280</b>
<b>Assets limited as to use, net of current portion (Note 3)</b>	<b>43,369,225</b>	<b>40,097,679</b>
<b>Property and equipment, net (Note 5)</b>	<b>171,005,275</b>	<b>179,267,956</b>
<b>Other assets</b>		
Investments	56,001	27,337
Deferred financing costs, net	2,321,357	2,429,427
Pledges receivable, net of current portion	80,854	502,648
Other	470,488	608,451
	<b>2,928,700</b>	<b>3,567,863</b>
<b>Total assets</b>	<b>\$ 292,298,345</b>	<b>\$ 291,909,778</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Current portion of long-term debt (Note 6)	\$ 2,355,162	\$ 1,885,698
Accounts payable and accrued expenses	17,524,178	16,139,020
Accrued salaries and benefits	9,396,621	9,037,019
Accrued self-insurance liability (Note 10)	2,507,521	2,627,322
Estimated third-party payor settlements	1,628,930	2,138,416
<b>Total current liabilities</b>	<b>33,412,412</b>	<b>31,827,475</b>
<b>Accrued pension and postretirement benefits (Note 14)</b>	<b>37,464,650</b>	<b>29,146,013</b>
<b>Accrued self-insurance liability (Note 10)</b>	<b>10,047,479</b>	<b>7,659,678</b>
<b>Long-term debt, net of current portion (Note 6)</b>	<b>152,902,842</b>	<b>153,425,440</b>
<b>Total liabilities</b>	<b>233,827,383</b>	<b>222,058,606</b>
<b>Net assets</b>		
Unrestricted	56,091,303	67,204,839
Temporarily restricted	1,322,561	1,589,235
Permanently restricted (Note 19)	1,057,098	1,057,098
<b>Total net assets</b>	<b>58,470,962</b>	<b>69,851,172</b>
<b>Total liabilities and net assets</b>	<b>\$ 292,298,345</b>	<b>\$ 291,909,778</b>

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended September 30, 2012 and 2011

	2012	2011
<b>Unrestricted revenue, gains and other support</b>		
Patient service revenue (net of contractual allowances and discounts)	\$ 271,984,777	\$ 255,072,448
Less Provision for bad debts	<u>(25,793,981)</u>	<u>(22,307,241)</u>
<b>Net patient service revenue (Note 8)</b>	<b>246,190,796</b>	<b>232,765,207</b>
Investment income (Note 3)	931,561	1,590,286
Rental income	3,326,380	3,159,133
Other revenue (Note 20)	6,253,557	1,728,356
Grant income	41,655	38,642
Public support – donations	808,353	1,877,521
<b>Total revenue, gains and other support</b>	<b><u>257,552,302</u></b>	<b><u>241,159,145</u></b>
<b>Expenses</b>		
Salaries and wages	85,920,482	82,699,096
Employee benefits	24,311,585	24,941,452
Supplies and other	82,486,586	81,732,243
Purchased services	29,468,642	25,905,018
Depreciation and amortization	15,301,234	16,513,830
West Virginia provider tax	7,439,746	4,999,099
Interest	10,146,846	10,233,656
Insurance	6,595,119	3,212,644
<b>Total expenses</b>	<b><u>261,670,240</u></b>	<b><u>250,237,038</u></b>
<b>Deficiency of revenues over expenses</b>	<b>(4,117,938)</b>	<b>(9,077,893)</b>
<b>Other changes in net assets</b>		
Net unrealized gains and (losses) on investments (Note 3)	1,773,833	(27,609)
Net assets released from restriction	349,568	-
Defined benefit pension plan adjustment (Note 14)	(9,174,683)	3,948,901
Change in fair value of derivatives (Note 7)	<u>55,684</u>	<u>35,602</u>
<b>Decrease in unrestricted net assets</b>	<b><u>\$ (11,113,536)</u></b>	<b><u>\$ (5,120,999)</u></b>

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended September 30, 2012 and 2011

	2012	2011
<b>Unrestricted net assets</b>		
Deficiency of revenues over expenses	\$ (4,117,938)	\$ (9,077,893)
Net unrealized gains and (losses) on investments (Note 3)	1,773,833	(27,609)
Net assets released from restriction	349,568	-
Defined benefit pension plan adjustment (Note 14)	(9,174,683)	3,948,901
Change in fair value of derivatives (Note 7)	55,684	35,602
<b>Decrease in unrestricted net assets</b>	<b>(11,113,536)</b>	<b>(5,120,999)</b>
<b>Temporarily restricted net assets</b>		
Public support - donations	82,894	52,686
Net assets released from restriction	(349,568)	(571,904)
<b>Decrease in temporarily restricted net assets</b>	<b>(266,674)</b>	<b>(519,218)</b>
<b>Permanently restricted net assets</b>		
Public support - donations	-	7,655
<b>Increase in permanently restricted net assets</b>	<b>-</b>	<b>7,655</b>
<b>Decrease in net assets</b>	<b>(11,380,210)</b>	<b>(5,632,562)</b>
<b>Net assets, beginning of year</b>	<b>69,851,172</b>	<b>75,483,734</b>
<b>Net assets, end of year</b>	<b>\$ 58,470,962</b>	<b>\$ 69,851,172</b>



## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended September 30, 2012 and 2011**

	2012	2011
<b>Cash Flows From Operating Activities</b>		
Decrease in net assets	\$ (11,380,210)	\$ (5,632,562)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	15,301,234	16,513,830
Gain on sale of property and equipment	(113,751)	-
Provision for doubtful accounts	25,793,981	22,307,241
Net realized and unrealized gains on investments	(2,119,542)	(1,070,603)
Defined benefit pension plan adjustment	9,174,683	(3,948,901)
Restricted contributions and income, net	266,674	511,563
Change in working capital components		
(Increase) decrease in		
Patient accounts receivable	(26,012,757)	(23,371,034)
Supplies inventories	(284,138)	(44,324)
Other assets	(1,753,867)	(157,437)
Increase (decrease) in		
Accounts payable and accrued expenses	1,385,158	(269,028)
Accrued salaries and benefits	359,602	889,342
Estimated third-party payor settlements	(509,486)	567,596
Other liabilities	1,411,954	1,171,540
<b>Net cash provided by operating activities</b>	<b>11,519,535</b>	<b>7,467,223</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(6,059,654)	(8,630,599)
Proceeds from sale of property and equipment	831,631	-
Purchases of assets limited as to use	(59,339,924)	(49,697,028)
Sales of assets limited as to use	58,532,299	50,049,114
<b>Net cash used in investing activities</b>	<b>(6,035,648)</b>	<b>(8,278,513)</b>
<b>Cash Flows From Financing Activities</b>		
Principal payments on long-term obligations	(2,076,662)	(782,209)
Proceeds from the issuance of long-term debt	326,749	542,751
Restricted contributions and income, net	(266,674)	(511,563)
<b>Net cash used in financing activities</b>	<b>(2,016,587)</b>	<b>(751,021)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,467,300</b>	<b>(1,562,311)</b>
<b>Cash and cash equivalents, beginning</b>	<b>18,769,085</b>	<b>20,331,396</b>
<b>Cash and cash equivalents, ending</b>	<b>\$ 22,236,385</b>	<b>\$ 18,769,085</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 9,846,004	\$ 9,870,119
Capital lease obligations for new equipment	\$ 1,696,779	\$ -

# THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Note 1. Nature of Operations and Significant Accounting Policies

**Nature of operations:** Thomas Health System, Inc (the System) is a not-for-profit corporation organized and existing under the laws of the State of West Virginia. The System was incorporated on December 4, 2006, in connection with a reorganization of Herbert J. Thomas Memorial Hospital Association and the acquisition of Charleston Hospital, Inc (d/b/a Saint Francis Hospital). The System is the sole corporate member of both entities. Subsidiaries of the System are as follows:

- Herbert J. Thomas Memorial Hospital Association (Thomas Memorial) – A not-for-profit corporation organized and existing under the laws of the State of West Virginia. Thomas Memorial operates a 260 bed acute care hospital under the name Thomas Memorial Hospital in South Charleston, West Virginia. The subsidiary of Thomas Memorial is as follows:
  - TMH Services, Inc (TMH Services) – A wholly owned, for-profit corporation that provides services including the sales and rental of communications equipment and related services, vending sales, and various other services.
- Foundation for the Thomas Memorial and Saint Francis Hospitals, Inc's (name, bylaws and articles of incorporation changed September 24, 2011) previously Thomas Memorial Hospital Foundation, Inc (the Foundation) – A Foundation established to solicit, raise, hold and invest contributions, gifts, bequests and devises for the purpose of providing support to Thomas Memorial and Saint Francis.
- Charleston Hospital, Inc (d/b/a Saint Francis Hospital) (Saint Francis) – A not-for-profit corporation organized and existing under the laws of the State of West Virginia. Saint Francis operates a 123 bed acute care hospital under the name Saint Francis Hospital in Charleston, West Virginia.
- THS Physician Partners, Inc (THS Physician Partners) – A newly-formed corporation organized and existing under the laws of the State of West Virginia, formed to employ physicians. The corporation has filed a request for tax exempt status with the IRS.

**A summary of significant accounting policies is as follows:**

**Basis of consolidation:** The accompanying consolidated financial statements include the accounts of the System and its subsidiaries and are collectively referred to in these statements as the "System." All significant intercompany transactions and balances have been eliminated in consolidation.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in determining the allowance for doubtful accounts, estimated third-party payor settlements, accrued pension, accrued medical malpractice cost and accrued health insurance cost. It is at least reasonably possible that the significant estimates used will change within the next year.

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

**Unrestricted** – Resources over which the Board of Directors has discretionary control. The retained earnings of Thomas Memorial's for-profit subsidiary, TMH Services, are also included in this classification of net assets.

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

**Temporarily restricted** – Resources subject to donor imposed restrictions, which will be satisfied by actions of the System or passage of time. These net assets primarily consist of Foundation investments restricted for scholarships and Thomas Memorial capital projects.

**Permanently restricted** – Resources subject to donor imposed restrictions that they be maintained permanently by the System or for which perpetual trusts have been established. The donors of these resources permit the System to use all or part of the income earned on related investments, excluding capital appreciation, for scholarships, capital projects and other unrestricted purposes.

**Cash and cash equivalents:** Cash and cash equivalents include all highly liquid debt instruments with an original maturity of three months or less. The System routinely invests its surplus operating funds in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations.

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

There was no change in the System's allowance for doubtful accounts for self-pay patients as a percent of self-pay accounts receivable at September 30, 2012, from that at September 30, 2011. The System's self-pay writeoffs increased \$3,847,000 from approximately \$22,307,000 for the fiscal year 2011 to approximately \$25,794,000 for fiscal year 2012. The increase was the result of negative trends experienced in the collection of amounts from self-pay patient in fiscal year 2012. The System has not changed its charity care or uninsured discount policies during 2012 or 2011. The System does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

The Systems' allowance for doubtful accounts for self-pay patient was 97% of self-pay accounts receivable at September 30, 2012 and 2011.

**Pledges receivable:** The Foundation has pledges receivable approximating \$786,000 and \$1,287,000 as of September 30, 2012 and 2011, respectively. As of September 30, 2012 and 2011, payments of approximately \$705,000 and \$784,000, respectively, are expected to be received within one year and are included in prepaid and other current assets, and \$81,000 and \$503,000 within one to five years and are included in other long-term assets, respectively.

**Supplies inventories:** Supplies inventories are stated at latest invoice cost, which approximates lower of cost (first-in, first-out method) or market.

**Assets limited as to use:** Assets limited as to use primarily include assets held by trustees under indenture agreements and internally designated amounts by the Board for the System's self-insurance program and future capital improvements. Amounts required to meet the current liabilities of the System are reclassified as current in the accompanying consolidated balance sheets.

**Investments:** Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the deficiency of revenues over expenses unless the income or loss is restricted by donor or law, in which case the income or loss is reported as a change in temporarily or permanently restricted net assets in the consolidated statement of changes in net assets. Realized net gains and losses are computed based on the original cost of the investment sold. Unrealized gains and losses on investments are excluded from the deficiency of revenues over expenses.

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**Property and equipment:** Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Expenditures for repairs and maintenance are charged to expense as incurred. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of land, buildings, and equipment are reported at fair value and are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the System reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Deferred financing costs:** Deferred financing costs are amortized over the remaining life of the debt using the interest method. Total net unamortized debt issue costs at September 30, 2012 and 2011 are \$2,837,934 and are included in other long-term assets. Accumulated amortization of debt issue costs at September 30, 2012 and 2011 is \$516,577 and \$408,507, respectively.

**Deficiency of revenues over expenses:** The consolidated statement of operations includes *deficiency of revenues over expenses*. Changes in unrestricted net assets which are excluded from *deficiency of revenues over expenses*, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and amounts necessary to recognize defined benefit pension plan adjustments.

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

**Charity care:** The System maintains a written charity care plan for which the purpose is the provision of health services to individuals who have demonstrated the inability to pay for all or part of the services. Records are maintained to identify and monitor the level of charity care provided by the System. These records include the amount of regular charges foregone for services and supplies furnished under the charity care plan and the estimated cost of those services and supplies. The System's policy is not to pursue collection of amounts determined to qualify as charity care if the patient has an annual income equal to or below 200% of the Federal Poverty Income levels. Accordingly, the System does not report these amounts in net revenues or in the allowance for doubtful accounts. Charity care services, as measured by gross charges foregone were \$6,001,258 and \$6,615,119 for the years ended September 30, 2012 and 2011, respectively. Of the System's total expenses reported for the years ended September 30, 2012 and 2011, an estimated \$2,411,000 and \$2,786,000, respectively, arose from providing services to qualified charity patients. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the System's total expenses, divided by gross patient service revenue.

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**Donor-restricted gifts:** Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

**Estimated malpractice costs:** The provision for estimated medical malpractice claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

**Income taxes:** The System, Thomas Memorial, the Foundation and Saint Francis are recognized as exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state statutes relating to not-for-profit organizations. THS Physician Partners has filed a request for tax-exempt status with the IRS. Under applicable provisions of the Internal Revenue Code and state statutes, TMH Services, which is a for-profit entity and subject to Federal and state income taxes, elected to be treated as a C-corporation for income tax purposes.

The System is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The management of the System believes it is no longer subject to income tax examinations for years prior to the fiscal year ended September 30, 2009.

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

**Derivative Instruments and Hedging Activities:** The System utilizes derivative financial instruments to reduce interest rate risk. The System does not hold or issue derivative financial instruments for trading purposes. The System recognizes all derivatives as either assets or liabilities and measures those instruments at fair value. The changes in the fair value of the System derivative instruments are recorded as changes in net assets as they qualify for hedge accounting.

**Reclassifications:** Certain reclassifications were made in the 2011 financial statements to conform to the 2012 presentation.

**Subsequent events:** The System has evaluated subsequent events through January 25, 2013, the date on which the financial statements were available to be issued.

**New or recent accounting pronouncements:** Health Care Entities Topic 954 (Accounting Standards Update No. 2010-23) of the FASB Accounting Standards Codification *Measuring Charity Care for Disclosure* is effective for fiscal years beginning after December 15, 2010 and must be applied retrospectively. Management's policy for providing charity care, as well as the level of charity care provided, shall be disclosed in the financial statements. Such disclosure shall be measured based on the provider's costs of providing charity care services. If costs cannot be specifically attributed to services provided to charity care patients (for example, based on a cost accounting system), management may estimate the costs of those services using reasonable techniques. The System adopted the amended disclosures on September 30, 2012. This note presents the amended disclosures under the charity care caption. Since the new guidance amends disclosure requirements only, its adoption did not impact the System's consolidated financial statements.

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Health Care Entities Topic 954 (Accounting Standards Update No. 2010-24) of the FASB Accounting Standards Codification *Presentation of Insurance Claims and Related Insurance Recoveries* is effective for fiscal years beginning after December 15, 2010. A health care entity should not net insurance recoveries for medical malpractice claims against a related medical malpractice claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. A cumulative-effect adjustment should be recognized in opening net assets in the period of adoption if a difference exists between any liability and insurance receivables recorded as a result of application. The System adopted Topic 954 (No. 2010-24) requirements on October 1, 2011. Implementation of this standard did not impact the consolidated financial statements.

In July 2011, the FASB issued ASU 2011-07, Health Care Entities (Topic 954) *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The amendments in this Update, which become effective for fiscal years ending after December 15, 2012, require certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts. The amendments also require disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The System adopted the amended requirements in its 2011 and 2012 annual consolidated financial statements. The impact was to reduce net patient service revenue by \$25,793,981 and \$22,307,241 for 2012 and 2011, respectively, and a corresponding decrease in total expenses.

In May 2011, the FASB issued *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 amends Accounting Standards Codification (ASC) Section 820 to provide for common fair value measurement and disclosure requirements for financial statements in accordance with accounting principles generally accepted in the United States of America as with those prepared under International Financial Reporting Standards. Consequently, the amendments of the ASU change the wording used to describe many of the requirements of accounting principles generally accepted in the United States of America for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the FASB did not intend for the amendments in this ASU to result in a change in the application of the requirements in ASC Section 820. This ASU is effective on a prospective basis for fiscal years beginning after December 15, 2011, with early adoption not permitted. Management does not believe that the adoption of this ASU will materially impact the System's financial reporting.

In December 2011, the FASB issued *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities* (ASU 2011-11). The objective of ASU 2011-11 is to provide enhanced disclosures that will enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities within the scope of this ASU. The amendments require enhanced disclosures by requiring improved information about financial instruments and derivative instruments that are either offset in accordance with existing provisions and requirements of the ASC or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with existing provisions and requirements of the Accounting Standards Codification. An entity is required to apply the amendments of this ASU for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. Management does not believe that the adoption of this ASU will materially impact the System's financial reporting.

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 2. Cash Concentrations**

The System maintains cash in demand deposit accounts with Federally insured banks. At times the balance in these accounts may be in excess of Federally insured limits. In management's opinion, the amounts in excess of FDIC limits do not pose a significant risk.

**Note 3. Investments*****Assets Limited as to Use***

The composition of assets limited as to use at September 30, 2012 and 2011, respectively is set forth in the following table. Investments are stated at fair value.

	2012	2011
<b>Under self-insurance program:</b>		
Cash and cash equivalents	\$ 718,440	\$ 759,730
Corporate bonds	99,009	94,454
Mutual funds	9,773,353	8,574,876
<b>Total</b>	<b>10,590,802</b>	<b>9,429,060</b>
<b>Held by Trustee Under Indenture Agreement</b>		
Cash and cash equivalents	6,458,412	11,729,354
United States government obligations	11,491,204	6,092,450
<b>Total</b>	<b>17,949,616</b>	<b>17,821,804</b>
<b>By Board of Directors for future capital expenditures and deferred compensation:</b>		
Cash and cash equivalents	1,024,000	11,995,966
Mutual funds	12,371,774	914,193
United States government obligations	9,682,034	9,967,475
Equity securities	1,070,819	-
<b>Total</b>	<b>24,148,627</b>	<b>22,877,634</b>
<b>Foundation investments restricted for future support of Thomas Memorial projects:</b>		
Cash and cash equivalents	135,904	99,786
United States government obligations	316,065	321,240
Corporate bonds	1,221,757	927,955
Mutual funds	1,575,383	1,488,729
Equity securities	735,430	552,631
<b>Total</b>	<b>3,984,539</b>	<b>3,390,341</b>
<b>Total assets limited as to use</b>	<b>56,673,584</b>	<b>53,518,839</b>
<b>Less assets limited as to use that are required for current liabilities</b>	<b>13,304,359</b>	<b>13,421,160</b>
<b>Noncurrent assets limited as to use</b>	<b>\$ 43,369,225</b>	<b>\$ 40,097,679</b>

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Other Investments**

Other investments included in current and long-term investments, stated at fair value, at September 30, 2012 and 2011 include

	2012	2011
Certificate of Deposit	\$ -	\$ 256,242
Partnership investments – TMH Services, Inc (Note 17)	<u>56,001</u>	<u>27,337</u>
	<u>\$ 56,001</u>	<u>\$ 283,579</u>

Investment income and gains for assets limited as to use, cash equivalents and other investments are comprised of the following for the year ended September 30, 2012 and 2011

	2012	2011
Investment income included in revenues		
Interest and dividend income	\$ 585,852	\$ 492,074
Realized gains	<u>345,709</u>	<u>1,098,212</u>
	<u>\$ 931,561</u>	<u>\$ 1,590,286</u>
Other changes in unrestricted net assets		
Unrealized gains (losses) on investments	<u>\$ 1,773,833</u>	<u>\$ (27,609)</u>

The System has various investments in equity securities and other investment securities. These investment securities are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that the changes in risks in the near-term could materially affect the amounts reported in the balance sheet and the statement of operations and changes in net assets.

The System continually reviews non-trading investments for impairment conditions that indicate that an other-than-temporary decline in market value has occurred. In conducting this review, numerous factors are considered which, individually or in combination, indicate that a decline is other-than-temporary and that a reduction of the carrying value is required. These factors include specific information pertaining to an individual company or a particular industry and general market conditions that reflect prospects for the economy as a whole. Based on this review, the System did not recognize an other-than-temporary loss during the years ended September 30, 2012 and 2011.

The System does not require collateral to secure its investments.

**Note 4. Fair Value of Financial Instruments**

The Fair Value Measurements and Disclosures Topic of the FASB Codification defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The Topic defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The topic also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1:** Quoted prices for identical assets or liabilities traded in active exchange markets, such as the New York Stock Exchange



## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

**Fair Value Measurements**

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

**Investments and Assets Limited as to Use:** Investment securities and assets limited as to use are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating. Level 1 securities include those traded on an active exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities issued by government sponsored entities, mortgage-backed securities and municipal bonds.

**Financial Instruments Measured at Fair Value on a Recurring Basis**

The tables below present the recorded amount of assets and liabilities measured at fair value on a recurring basis at September 30, 2012 and 2011.

	Total at September 30, 2012	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
<b>Assets:</b>				
<b>Assets limited as to use</b>				
<b>Cash and cash equivalents</b>	<b>\$ 8,336,756</b>	<b>\$ 8,336,756</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Corporate stocks</b>				
Consumer Goods	271,598	271,598	-	-
Energy	109,154	109,154	-	-
Financials	1,187,189	1,187,189	-	-
Health Care	57,999	57,999	-	-
Industrials	26,326	26,326	-	-
Information Technology	72,389	72,389	-	-
Services	33,747	33,747	-	-
Telecommunications	47,847	47,847	-	-
	<b>1,806,249</b>	<b>1,806,249</b>	<b>-</b>	<b>-</b>
<b>Corporate bonds</b>	<b>1,320,766</b>	<b>-</b>	<b>1,320,766</b>	<b>-</b>

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Total at September 30, 2012	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
<b>Government obligations</b>				
FHLB	4,072,420	-	4,072,420	-
FFCB	5,209,038	-	5,209,038	-
FNMA	5,903,075	55,172	5,847,903	-
FHLMC	5,022,856	-	5,022,856	-
U S Treasury obligation	1,281,914	260,894	1,021,020	-
	<u>21,489,303</u>	<u>316,066</u>	<u>21,173,237</u>	<u>-</u>
<b>Mutual funds</b>				
Fixed income funds	5,734,955	5,734,955	-	-
Equity funds	17,985,555	17,985,555	-	-
	<u>23,720,510</u>	<u>23,720,510</u>	<u>-</u>	<u>-</u>
Total investments at fair value	<u>\$ 56,673,584</u>	<u>\$ 34,179,581</u>	<u>\$ 22,494,003</u>	<u>\$ -</u>
<b>Liabilities:</b>				
Derivative financial instruments	<u>\$ (92,321)</u>	<u>\$ -</u>	<u>\$ (92,321)</u>	<u>\$ -</u>
	Total at September 30, 2011	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Assets:</b>				
<b>Assets limited as to use</b>				
<b>Cash and cash equivalents</b>	<u>\$ 24,584,836</u>	<u>\$ 24,584,836</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Corporate stocks</b>				
Consumer Goods	183,138	183,138	-	-
Energy	75,476	75,476	-	-
Financials	25,762	25,762	-	-
Health Care	41,502	41,502	-	-
Industrials	8,320	8,320	-	-
Information Technology	50,162	50,162	-	-
Services	49,934	49,934	-	-
Telecommunications	38,731	38,731	-	-
Other	79,606	79,606	-	-
	<u>552,631</u>	<u>552,631</u>	<u>-</u>	<u>-</u>
<b>Corporate bonds</b>	<u>1,022,409</u>	<u>-</u>	<u>1,022,409</u>	<u>-</u>
<b>Government obligations</b>				
FHLB	4,787,615	-	4,787,615	-
FNMA	7,934,023	-	7,934,023	-
FHLMC	3,413,792	-	3,413,792	-
U S Treasury obligation	115,045	115,045	-	-
Other	130,690	130,690	-	-
	<u>16,381,165</u>	<u>245,735</u>	<u>16,135,430</u>	<u>-</u>

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Total at September 30, 2011	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Mutual funds</b>				
Fixed income funds	4,810,387	4,810,387	-	-
Equity funds	5,843,888	5,843,888	-	-
Blended funds	99,673	99,673	-	-
Alternative funds	223,850	223,850	-	-
	<u>10,977,798</u>	<u>10,977,798</u>	<u>-</u>	<u>-</u>
Total investments at fair value	<u>\$ 53,518,839</u>	<u>\$ 36,361,000</u>	<u>\$ 17,157,839</u>	<u>\$ -</u>
<b>Liabilities:</b>				
Derivative financial instruments	<u>\$ (148,005)</u>	<u>\$ -</u>	<u>\$ (148,005)</u>	<u>\$ -</u>

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

The System has no assets or liabilities that are recorded on a nonrecurring basis

**Fair Value of Financial Instruments**

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

*Patient accounts receivable:* The carrying amount reported in the balance sheet for patient accounts receivable approximates its fair value

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

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

*Long-term debt:* Fair values of the System's revenue notes are based on current traded value. The fair value of the System's remaining long-term debt is estimated using discounted cash flow analyses, based on the System's current incremental borrowing rates for similar types of borrowing arrangements. The carrying amount and fair values of the System's financial instruments at September 30, 2012 and 2011 are as follows

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 22,236,385	\$ 22,236,385	\$ 18,769,085	\$ 18,769,085
Patient accounts receivable	\$ 25,628,774	\$ 25,628,774	\$ 25,409,998	\$ 25,409,998
Accounts payable and accrued expenses	\$ 17,524,178	\$ 17,524,178	\$ 16,139,020	\$ 16,139,020
Estimated third-party settlements	\$ 1,628,930	\$ 1,628,930	\$ 2,138,416	\$ 2,138,416
Long-term debt	\$ 155,258,004	\$ 155,258,004	\$ 155,311,138	\$ 155,311,138

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 5. Property and Equipment**

A summary of the components of property and equipment at September 30, 2012 and 2011 follows

	2012	2011
Land	\$ 21,830,142	\$ 22,563,818
Land improvements	3,201,883	3,201,883
Buildings and improvements	182,499,756	181,257,144
Equipment	142,183,310	136,981,667
Construction in progress	-	1,203,235
	<u>349,715,091</u>	<u>345,207,747</u>
Less accumulated depreciation	<u>(178,709,816)</u>	<u>(165,939,791)</u>
Property and equipment, net	<u>\$ 171,005,275</u>	<u>\$ 179,267,956</u>

Capital lease assets at September 30, 2012 and 2011, included in property and equipment are as follows

	2012	2011
Equipment	\$ 3,046,439	\$ 1,339,174
Less accumulated amortization	<u>(1,462,361)</u>	<u>(1,042,095)</u>
	<u>\$ 1,584,078</u>	<u>\$ 297,079</u>

Thomas Memorial leases certain land, buildings and improvements, and equipment from the City of South Charleston for \$100 per annum. The present lease agreement expires in 2048.

The System is lessor of office space under various operating lease arrangements, principally to physicians and medical groups. The total cost of the approximately 200,000 square feet being leased has not been determined and is included in buildings and improvements.

**Note 6. Long-Term Debt**

A summary of long-term debt as of September 30, 2012 and 2011 follows

	2012	2011
Note payable, individual, due in monthly installments of \$5,024 including interest at 5% per annum, secured by real estate	\$ 91,600	\$ 145,833
Note payable, bank, due in monthly installments of \$51,249 for five years, with a balloon payment of remaining principle and interest due January 2014. Note bears interest at a variable rate of LIBOR plus 2.20%, adjusted for interest rate swap arrangement to obtain a fixed rate of 4.52%. Note is secured under Master Indenture of the Series 2008 bond issue	3,411,784	3,857,532
Note payable, bank, due in monthly installments of \$23,821 including interest at 6.25% per annum thru December 2034, secured by building and an assignment of all leases and rents	4,143,246	3,917,815
Hospital Revenue Bonds, Series 2008, terms below	147,780,000	148,920,000
Capital lease obligations, monthly payments ranging from \$2,310 to \$20,159, including interest ranging from 4.50% to 6.80% through April 2017, secured by related equipment	<u>1,584,078</u>	<u>311,442</u>

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2012	2011
	<b>157,010,708</b>	157,152,622
Less bond discount	<b>1,752,704</b>	1,841,484
Less current portion	<b>2,355,162</b>	1,885,698
Long-term debt	<b><u>\$ 152,902,842</u></b>	<b><u>\$ 153,425,440</u></b>

**Hospital Revenue Bonds (Thomas Health System, Inc.) Series 2008 Bonds**

The West Virginia Hospital Finance Authority (WVHFA) issued \$148,920,000 in Hospital Revenue Bonds on June 30, 2008. Pursuant to the loan agreement, the WVHFA loaned the System the net proceeds of the Bonds. The Bond proceeds were for the payment of the \$45,000,000 Bridge Loan, used to purchase assets of Saint Francis, to construct a Hospital Pavilion at Thomas Memorial and acquire equipment and other capital expenditures related to such campus, provide for capital expenditures for 2009, fund a debt service reserve fund for Bonds, fund capitalized interest on a portion of the Bonds and to pay the costs of issuance of the Bonds. The System is repaying the loan in installment payments, which provides for the payment of principal and interest on the Series 2008 Bonds in accordance with the stated maturity and redemption dates. Under the Master Indenture, the 2008 Notes are secured by the funds created with the Bond proceeds, all gross receipts of the System, and any and all other interests in real or personal property.

The Hospital Revenue Bonds, Series 2008, mature in various amounts through 2043. The stated fixed interest rates range from 5.0% to 6.75%.

The loan agreement and trust indenture of the Hospital Revenue Bonds, Series 2008 contain certain financial covenants, which include a debt service coverage ratio, days cash on hand liquidity ratio and certain indebtedness restrictions in any fiscal year. The System was in compliance with these requirements at September 30, 2012.

Scheduled principal payments on long-term debt obligations and payments on capital lease obligations are as follows:

Year ending September 30	Long-Term Obligations	Capital Lease Obligations	Total
2013	\$ 1,834,688	\$ 536,417	\$ 2,371,105
2014	4,346,615	459,163	4,805,778
2015	1,444,995	344,276	1,789,271
2016	1,521,072	246,943	1,768,015
2017	1,607,456	24,874	1,632,330
Thereafter	<u>144,671,804</u>	<u>-</u>	<u>144,671,804</u>
	<b><u>\$ 155,426,630</u></b>	1,611,673	157,038,303
Less amount representing interest under capital lease obligations		<u>(27,595)</u>	<u>(27,595)</u>
		<b><u>\$ 1,584,078</u></b>	<b><u>\$ 157,010,708</u></b>

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 7. Interest Rate Risk Management**

The System entered into an interest rate related derivative instrument to manage interest rate exposure on its 2009 note payable with Huntington Bank. The System does not enter into derivative instruments for any purpose other than interest rate management purposes. That is, the System does not speculate using derivative instruments.

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

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

The System issued variable-rate debt to pay off an existing line-of-credit. The debt obligation exposes the System to variability in interest payments due to changes in interest rates. Conversely, fixed-rate debt obligations can be more expensive to the System in times of declining interest rates. Management believes it is prudent to monitor and manage its cost of capital on a regular basis. To meet this objective, management from time to time may enter into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk.

In February 2009, the System entered into an interest rate swap agreement in the notional amount of \$4,925,000 related to the 2009 debt issue. The purpose of the swap was to convert the System's variable-rate cash flow exposure on the debt obligations to fixed rate cash flows. Under the terms of the interest rate swap, the System receives a variable interest rate payment (based on the Bond Rate, or if certain triggering events occur, an alternative floating rate option of USD-LIBOR-BBA) in exchange for making fixed interest rate payments (4.52%) to the swap counter-party, thereby creating the equivalent of fixed-rate debt.

Fair value of derivative instruments designated as hedging instruments are as follows:

Balance Sheet Location	Fair Value	
	2012	2011
<u>Cash Flow Hedges</u>		
Interest rate contract - Accounts payable and accrued expenses	<u>\$ (92,321)</u>	<u>\$ (148,005)</u>
Total derivative designated as hedging instruments	<u>\$ (92,321)</u>	<u>\$ (148,005)</u>

The following table summarizes the effect of the derivative instrument on the Statement of Changes in Net Assets for the years ended September 30, 2012 and 2011.

Derivatives Designated as Hedging Instruments for the Year Ending September 30	Gain Recognized in Income	Amount of Gain in Net Assets (Effective Portion)	
		2012	2011
<u>Cash Flow Hedges</u>			
Interest rate contract	Change in value of derivatives	<u>\$ 55,684</u>	<u>\$ 35,602</u>

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**Note 8. Net Patient Service Revenue and Supplemental Medicaid Funding**

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. A summary of the payment arrangements with major third-party payors follows:

- **Medicare**

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are paid primarily based on prospectively determined payment classifications.

For cost reimbursement items, the System is reimbursed at a tentative rate, with a final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare fiscal intermediary. The System's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization.

- **Medicaid**

Inpatient, acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. The System is reimbursed for outpatient services on an established fee-for-service methodology. Adult psychiatric services are reimbursed on the basis of cost. For cost reimbursed services, the System is reimbursed at a tentative rate, with a final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary.

- **Commercial Insurance Carriers**

The System also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the System under these agreements includes various discounts from established charges.

- **West Virginia Health Care Authority**

The Legislature of the State of West Virginia has created the Health Care Authority to regulate hospitals' gross patient revenue based on limitation orders compiled from rate schedules and budgets submitted by the hospitals on a periodic basis. If a hospital's charges are held to be excessive or unreasonable, the Health Care Authority may require rebates to consumers or adjustments to subsequent year revenue limits.

- **Medicaid Disproportionate Share Enhancement Program**

Under the West Virginia Medicaid Disproportionate Share Enhancement Program, funds are distributed based on, among other things, each particular hospital's cost of uncompensated care compared to other hospitals in the State. This reimbursement, approximating \$1,592,000 and \$1,506,000 for the years ended September 30, 2012 and 2011, respectively, has been included in net patient service revenue in the accompanying consolidated statement of operations. Funds received from this program are subject to retroactive adjustment.

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Funds received from this program have been audited through 2010. For 2011 and future years, settlements could occur. The laws and regulations governing the DSH settlement process are complex, involving statistical data from all participating hospitals, and subject to interpretation. Accordingly, the Hospital is not able to estimate the possible losses that could arise upon completion of the DSH settlement process in future years. The ultimate resolution of the settlement process could materially impact the System's future results of operations or cash flows in a particular period.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

A summary of gross and net patient service revenue for all of the System's payors for the years ended September 30, 2012 and 2011 follows:

	2012	2011
Gross patient service revenue	\$ 645,792,057	\$ 594,221,974
Supplemental Medicaid funding	5,093,755	-
Less provision for		
Contractual adjustments	372,899,777	332,534,407
Charity care	6,001,258	6,615,119
Bad debts	25,793,981	22,307,241
Net patient service revenue	<u>\$ 246,190,796</u>	<u>\$ 232,765,207</u>

The System recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the System recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the System's uninsured patients will be unable or unwilling to pay for the services provided. Thus the System records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized during the years ended September 30, 2012 and 2011, from these major payor sources, is as follows:

	Third-Party Payors	Self-Pay	Total All Payors
<b>2012</b>			
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 238,216,967</u>	<u>\$ 33,767,810</u>	<u>\$ 271,984,777</u>
	Third-Party Payors	Self-Pay	Total All Payors
<b>2011</b>			
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 225,542,267</u>	<u>\$ 29,530,181</u>	<u>\$ 255,072,448</u>

**Supplemental Medicaid Funding:** In 2012, the Federal Department of Health and Human Services Centers for Medicare and Medicaid Services approved a State of West Virginia Medicaid Plan Amendment. The Plan Amendment provides for supplemental Medicaid payments to the Hospital. These supplemental payments are made for medical services provided to Medicaid recipients. The program is limited to state fiscal years 2012 and 2013.

The approved supplemental payment methodology implements a provider tax as an expansion of the health care provider tax. The new revenues produced will be used as the state contribution toward drawing down additional federal matching dollars for Medicaid to enhance current hospital payment rates under a new Upper Payment Limit (UPL) program. In addition to the current tax of 2.5% currently imposed on providers of inpatient and outpatient hospital services, there is an additional tax of eighty-eight one hundredths of one percent (0.88%) on the gross receipts. The tax provisions expire on July 1, 2013 and are being implemented retroactively to July 1, 2011. Amounts charged to expense for the additional tax imposed amounted to \$2,346,186 and \$0 for the years ended September 30, 2012 and 2011, respectively, and is included within West Virginia provider tax in the accompanying consolidated statements of operations.



**THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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The supplemental payments for services provided are being implemented through quarterly installments to the System. The System recorded revenue totaling \$5,093,755 and \$0 for the supplemental Medicaid payments for the years ended September 30, 2012 and 2011, respectively.

**Note 9. Deferred Compensation Arrangements**

Thomas Memorial has an employee deferred compensation plan (the plan) for key employees created in accordance with Internal Revenue Code Section 457(f) and 457(b). Thomas Memorial has established a trust for the funds, and makes periodic elective contributions to the plan. Contributions are charged to salaries and wages expense. The amount held in trust at September 30, 2012 and 2011 was \$1,231,006 and \$927,144, respectively, and is recorded in assets limited as to use with an equal amount recorded in accrued salaries and benefits.

**Note 10. Commitments and Contingencies****Professional and General Liability Coverage**

The System is self-insured for medical malpractice and general liability claims up to \$10,000,000 per claim and \$10,000,000 in the aggregate annually. Losses in excess of these limits are insured with a claims-made excess policy with a commercial insurance carrier with limits up to \$10,000,000. The ultimate costs of malpractice claims, which include costs associated with litigating or settling claims, are accrued when the incidents that give rise to the claims occur. Estimated losses from asserted and unasserted claims are accrued based on the best estimates of the ultimate costs of the claims and the relationship of past reported incidents to eventual claims payments. All relevant information, including industry experience, actuarial calculations, historical experience, existing asserted claims, and reported incidents, is used in estimating the expected amount of claims to be paid. The accrual also includes an estimate of the losses that will result from unreported incidents, which are probable of having occurred before the end of the reporting period. Accrued malpractice costs, which are recorded in the current and noncurrent portions of accrued self-insurance liability, were \$12,555,000 and \$10,287,000 at September 30, 2012 and 2011, respectively. Accrued malpractice losses have not been discounted and in management's opinion provide an adequate reserve for loss contingencies.

The System established an irrevocable trust for the purpose of setting aside assets based on actuarial funding recommendations. Under the trust agreement, the trust assets can only be used for payment of malpractice and general liability losses, related expenses, and the cost of administering the trust. The trust fund is included in assets limited as to use. At September 30, 2012 and 2011, the fund had a balance of \$10,590,802 and \$9,429,060, respectively.

**Litigation**

The System is a defendant in various lawsuits wherein various amounts are claimed. In the opinion of management, the likelihood of an unfavorable outcome in excess of insurance coverage or self-insured malpractice reserves is remote and the judgments, if unfavorable, would not have a material adverse effect on the System's financial statements.

**Voluntary Self-Disclosure to Centers for Medicare and Medicaid Services (CMS)**

The System has made a Voluntary Disclosure Submission to CMS for a technical violation of a Stark II Amendment regulation in failing to obtain the signatures for a limited number of physician practices. If the System is found in violation of the regulation, the System could be subject to repayment and penalties and interest. No amount has been recorded as a liability because the ultimate outcome of the issue is unknown and the settlement amount, if any, cannot be determined at this time. In the opinion of management, the likelihood of an unfavorable outcome in excess of insurance coverage or self-insured reserves is remote and the judgments, if unfavorable, would not have a material adverse effect on the System's financial statements.

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 11. Functional Expenses**

The System provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	2012	2011
Health care services	\$ 253,600,189	\$ 242,022,231
General and administrative	7,491,446	7,020,255
Fundraising	578,605	1,194,552
<b>Total</b>	<b>\$ 261,670,240</b>	<b>\$ 250,237,038</b>

**Note 12. Concentrations of Credit Risk**

Thomas Memorial is located in South Charleston, West Virginia, and Saint Francis is located in Charleston, West Virginia. Together, they grant credit without collateral to their patients, many of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from the third-party payors and patients are as follows:

	2012	2011
Medicare	30%	31%
Medicaid	10%	7%
Private pay	2%	2%
Other payors	58%	60%
	<b>100%</b>	<b>100%</b>

**Note 13. Health Care Legislation and Regulation**

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

**Note 14. Pension Plans and Other Postretirement Benefit Plans****Thomas Memorial Defined Benefit Pension Plan (the Plan):**

Effective January 1, 2012, the Plan was amended to freeze future benefit accruals and to provide enhanced benefits through a voluntary early retirement plan. The Plan has experienced some volatility in recent years largely due to plan asset investment performance and actuarial gains or losses. Management hopes to control this volatility by applying this freeze of future benefit accruals and moving to a defined contribution plan.

The Plan covers substantially all full-time employees hired prior to January 1, 2012. All employees hired after December 31, 2011 will be eligible to participate in the Thomas Health System Deferred Compensation Plan described below. Benefits under the Plan are based on the employee's years of service and the employee's compensation during the years of employment. Thomas Memorial's funding

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

policy is to contribute annually such amounts as determined by actuarial computations to comply with the Employee Retirement Income Security Act of 1974 (ERISA) minimum funding requirements

The following tables set forth the changes in benefit obligations, changes in plan assets and components of net periodic benefit cost as of September 30

	2012	2011
<b>Change in projected benefit obligation</b>		
Benefit obligation at the beginning of year	\$ 81,871,686	\$ 83,218,751
Service cost	3,126,984	3,439,675
Interest cost	4,449,615	4,151,367
Actuarial (gain)/loss	15,790,538	(6,604,851)
Benefits paid	<u>(2,607,078)</u>	<u>(2,333,256)</u>
Benefit obligation at the end of year	<u>\$ 102,631,745</u>	<u>\$ 81,871,686</u>
<b>Change in plan assets</b>		
Fair value of plan assets at the beginning of year	\$ 52,725,673	\$ 50,383,377
Actual return on plan assets	9,513,500	(264,448)
Employer contributions	5,535,000	4,940,000
Benefits paid	<u>(2,607,078)</u>	<u>(2,333,256)</u>
Fair value of plan assets at the end of year	<u>65,167,095</u>	<u>52,725,673</u>
<b>Funded status at end of year</b>	<u>\$ (37,464,650)</u>	<u>\$ (29,146,013)</u>

Amounts recognized on balance sheet consist of:

	2012	2011
Noncurrent liabilities	\$ (37,464,650)	\$ (29,146,013)
	<u>\$ (37,464,650)</u>	<u>\$ (29,146,013)</u>

Accumulated amounts recognized in other changes in unrestricted net assets:

	2012	2011
Net actuarial loss	\$ (38,831,551)	\$ (29,137,501)
Prior service cost	<u>(3,765,405)</u>	<u>(4,284,772)</u>
	<u>\$ (42,596,956)</u>	<u>\$ (33,422,273)</u>

The accumulated benefit obligation was \$97,892,230 and \$78,333,064 at September 30, 2012 and 2011, respectively

Net periodic benefit cost and other amounts recognized in other changes in net assets:

	2012	2011
Net periodic benefit cost	\$ 4,678,954	\$ 5,199,540
Other changes in plan assets and benefit obligations recognized in unrestricted net assets		
Net (gain)/loss for period	10,896,786	(1,754,597)
Amortization of net(loss)/gain	(1,202,736)	(1,674,937)
Amortized prior service cost	<u>(519,367)</u>	<u>(519,367)</u>
Total amount recognized in other changes in net assets	<u>9,174,683</u>	<u>(3,948,901)</u>
Total recognized in net periodic benefit cost and other changes in net assets	<u>\$ 13,853,637</u>	<u>\$ 1,250,639</u>

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The estimated net loss that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is \$2,627,278 and \$1,202,736, respectively. The estimated prior service cost that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is \$519,367 and \$519,367, respectively.

The actuarially computed net periodic pension costs included the following components

	2012	2011
Service cost	\$ 3,126,984	\$ 3,439,675
Interest cost	4,449,615	4,151,367
Expected return on plan assets	(4,619,748)	(4,585,806)
Amortization of prior service cost	519,367	519,367
Recognized actuarial (gain)/loss	1,202,736	1,674,937
Net periodic benefit cost	<u>\$ 4,678,954</u>	<u>\$ 5,199,540</u>

## Additional Information

## Assumptions

Weighted average assumptions used to determine net periodic benefit cost for the years ended September 30, 2012 and 2011

	2012	2011
Discount rate	4.46%	5.52%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	3.00%	2.50%

The overall rate of expected return on assets assumption was based on historical returns, with adjustments made to reflect expectations of future returns. The extent to which the future expectations were recognized considered the target rates of return for the future, which have historically not changed.

## Plan Assets

The composition of plan assets at September 30, 2012 and 2011 is as follows

	2012	2011
Equity securities	61%	75%
Debt Securities	24%	22%
Other	15%	3%
	<u>100%</u>	<u>100%</u>

The tables below present the recorded amount of Plan assets measured at a fair value on a recurring basis at September 30, 2012 and 2011 under the fair value framework as described in Note 4

Plan Assets	Total at September 30, 2012	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Cash equivalents	\$ 4,409,337	\$ 4,409,337	\$ -	\$ -
Mutual Funds				
Fixed income funds	15,850,429	15,850,429	-	-
Equity funds	39,494,861	39,494,861	-	-
Diversified funds	5,412,468	5,412,468	-	-
	<u>60,757,758</u>	<u>60,757,758</u>	<u>-</u>	<u>-</u>
	<u>\$ 65,167,095</u>	<u>\$ 65,167,095</u>	<u>\$ -</u>	<u>\$ -</u>

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Plan Assets	Total at September 30, 2011	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
<b>Cash equivalents</b>	\$ 1,460,247	\$ 1,460,247	\$ -	\$ -
<b>Mutual Funds</b>				
Fixed income funds	14,683,880	14,683,880	-	-
Equity funds	31,640,325	31,640,325	-	-
Diversified funds	4,941,221	4,941,221	-	-
	<u>51,265,426</u>	<u>51,265,426</u>	<u>-</u>	<u>-</u>
	<u>\$ 52,725,673</u>	<u>\$ 52,725,673</u>	<u>\$ -</u>	<u>\$ -</u>

Thomas Memorial's Board of Directors determines the investment policy for the Plan. A strategic allocation within each asset class is employed based on the Plan's time horizon, risk tolerances, performance expectations, and asset class preferences. Investment managers have discretion to invest in any equity or fixed-income asset class, subject to the securities guidelines of the Plan's Investment Policy Statement.

**Cash Flow Information**

Thomas Memorial contributed \$5,535,000 and \$4,940,000 in 2012 and 2011, respectively, and expects to contribute \$5,100,000 to its pension plan in 2013.

**Estimated Fixed Benefit Payments**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Fiscal Year	Benefits
2013	\$ 2,840,162
2014	\$ 3,054,096
2015	\$ 3,339,768
2016	\$ 3,687,101
2017	\$ 4,041,863
2018 – 2022	\$ 26,814,114

**Thomas Memorial Deferred Compensation Plan**

In addition to the defined benefit pension plan, Thomas Memorial sponsors a deferred compensation plan under Section 401(k) of the Internal Revenue Code (IRC) (the Savings Plan). All full-time employees are eligible to participate in the Savings Plan. Employees are permitted to have elective deferrals under the Savings Plan during any calendar year up to specified regulatory maximums adjusted for qualified employees in accordance with IRC Section 402(g). Thomas Memorial makes a contribution equal to an employee's elective deferral, not to exceed 125% of an employee's effective compensation. All employee elective deferrals and employer contributions made on behalf of each participant are invested in a tax deferred annuity contract or custodial account and vest immediately. Thomas Memorial's expense relating to the Savings Plan approximated \$288,000 and \$297,000 in 2012 and 2011, respectively, which is included in employee benefits in the accompanying consolidated statements of operations.

**Thomas Health System Deferred Compensation Plan**

The System has a defined contribution retirement plan (the System Plan) covering substantially all its employees. Under the provisions of the System Plan, the System matches contributions at 100% for the first 4% that the employee contributes and matches 50% for the next two percentages up to a total match of 5% on a 6% employee contribution. Participants are fully vested immediately. Pension expense was \$1,006,031 and \$950,713 for 2012 and 2011, respectively.

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Thomas Health System Defined Contribution Plan**

Thomas Health System sponsors a 401(k) (Thomas Health System 401(k)) defined contribution plan available to substantially all employees hired prior to January 1, 2012. Under the provisions of the Thomas 401(k), the System matches contributions at 100% for the first 4% that the employee contributes and matches 50% for the next two percentages up to a total match of 5% on a 6% employee contribution. Participants are fully vested immediately. During 2012, the System's expense related to the Thomas 401(k) plan was \$87,158.

**Note 15. Lease Commitments and Total Rental Expense**

The System leases various equipment under operating leases with various expiration dates through July 2017. Total rental expense in 2012 and 2011 for all operating leases was approximately \$3,611,000 and \$3,486,000, respectively, and is included in supplies and other in the accompanying statement of operations.

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2012, that have initial or remaining lease terms in excess of one year:

Year ending September 30	Amount
2013	\$ 940,986
2014	693,170
2015	518,420
2016	409,125
2017	<u>170,101</u>
Total future minimum rental expense	<u>\$ 2,731,802</u>

**Note 16. Lessor Leasing Activities**

The System leases space under operating leases with terms of one to ten years. Rental income recognized from these leases was approximately \$2,496,000 and \$2,290,000 for 2012 and 2011, respectively.

The following is a schedule by year of future minimum rental income as of September 30, 2012 and 2011:

Year ending September 30	Amount
2013	\$ 2,607,548
2014	2,100,684
2015	1,628,789
2016	882,167
2017	357,334
Thereafter	<u>501,714</u>
Total future minimum rental income	<u>\$ 8,078,236</u>

**Note 17. Investments in Subsidiaries and Guarantee**

TMH Services is a 50% owner in a partnership which is currently accounted for under the equity method of accounting. Under the equity method, TMH Services recognizes its share of partnership income or loss as income or loss in its statement of operations and such amounts are added to, or subtracted from, its investment in subsidiaries. Dividends or other distributions received, if any, are treated as a reduction of the investment account.

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Combined and condensed financial information as of September 30, 2012 and 2011 for TMH Services' unconsolidated subsidiary follows

	2012	2011
Assets	\$ 2,136,989	\$ 2,133,314
Liabilities	\$ 2,024,986	\$ 2,078,640
Equity	\$ 112,003	\$ 54,674
Net Income	\$ 58,186	\$ 38,843

Total liabilities for the consolidated subsidiary at September 30, 2012 and 2011 include various mortgages, notes, and construction loans payable that total \$2,011,113 and \$2,064,219, respectively. TMH Services is a guarantor of these debt instruments. The debts are substantially collateralized by real estate and other assets to which they relate. TMH Services' partners are jointly and severally liable for the debt.

**Note 18. Related Party Transactions**

The System leases medical office space, primarily to physicians on staff, under noncancelable operating leases with terms generally ranging from one to ten years. Rental income under these operating leases was approximately \$1,372,000 and \$1,426,000 in 2012 and 2011, respectively, and is included in rental income in the accompanying consolidated statement of operations.

**Note 19. Endowment and Permanently Restricted Net Assets**

Topic 958-205 of the FASB Standards Codification (formerly FASB Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations - Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*), which, among other things, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds.

The endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support the following at September 30, 2012 and 2011:

	2012	2011
Scholarships – Auxiliary	\$ 27,676	\$ 28,325
Scholarships – Laboratory	98,593	98,293
Scholarships – LPN and RN	105,832	104,732
Scholarships – Surgery	32,705	32,705
Scholarships – Other	24,175	24,175
Endowment	768,117	768,868
	<u>\$ 1,057,098</u>	<u>\$ 1,057,098</u>

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors of the System has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the System considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

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

The System has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the System must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

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

Changes in endowment funds for the fiscal year ended September 30, 2012, consisted of the following:

	<b>Permanently Restricted</b>
<b>Net assets, beginning of the year</b>	<b>\$ 1,057,098</b>
Contributions	-
<b>Endowment net assets after contributions</b>	<b><u>\$ 1,057,098</u></b>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the System to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. There were no significant deficiencies of this nature which are reported in unrestricted net assets as of September 30, 2012 and 2011.



## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**Note 20. Electronic Health Records (EHR)**

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in 2011 for eligible hospitals and professionals that implement and achieve meaningful use of certified electronic health record (EHR) technology that demonstrate improved quality and effectiveness of care. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. An additional Medicaid incentive payment is available to providers that adopt, implement or upgrade certified EHR technology. However, in order to receive additional Medicaid incentive payments in subsequent years, providers must demonstrate continued meaningful use of EHR technology.

For Medicare and Medicaid EHR incentive payments the System utilizes a grant accounting model to recognize these revenues. Under this accounting policy, EHR incentive payments were recognized as revenues when attestation that the EHR meaningful use criteria for the required period of time was demonstrated. Accordingly, the System recognized approximately \$4,415,000 of EHR revenues for the year ended September 30, 2012, comprised of \$3,510,000 of Medicare revenues and \$905,000 of Medicaid revenues. These amounts are included in Other Revenue in the accompanying consolidated statements of operations.

The System's attestation of compliance with the meaningful use criteria is subject to audit by the Federal government or its designee. The recognition of the grant income is based on management's best estimate and the amounts recognized are subject to change. Any subsequent changes in the recognition of the grant income will impact the results of operations in the period in which they occur.



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Audit Committee of the Board of Directors  
Thomas Health System, Inc. and Subsidiaries  
South Charleston, West Virginia

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying details of consolidation are presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

**ARNETT FOSTER TOOTHMAN PLLC**

*Arnett Foster Toothman PLLC*

Charleston, West Virginia  
January 25, 2013

101 Washington Street East | P O Box 2629  
Charleston, WV 25329  
304 346 0441 | 800 642 2601

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## CONSOLIDATING BALANCE SHEET

September 30, 2012

	Thomas Health System, Inc.	Thomas Memorial Hospital and Subsidiaries	Saint Francis Hospital	Foundation For the Thomas Memorial and St. Francis Hospitals, Inc.	THS Physician Partners, Inc.	Eliminations	Thomas Health System Consolidated Balance
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ -	\$ 10,594,983	\$ 11,310,014	\$ 330,950	\$ 438	\$ -	\$ 22,236,385
Investments	-	-	-	-	-	-	-
Assets limited as to use	-	13,304,359	-	-	-	-	13,304,359
Patient accounts receivable, net of allowance for doubtful accounts	-	15,578,283	10,050,491	-	-	-	25,628,774
Supplies inventories	-	3,336,044	4,472,083	-	-	-	7,808,127
Prepaid and other current assets	-	3,394,680	2,877,986	705,266	-	(960,432)	6,017,500
<b>Total current assets</b>	-	46,208,349	28,710,574	1,036,216	438	(960,432)	74,995,145
<b>Assets limited as to use, net</b>	-	39,237,581	147,105	3,984,539	-	-	43,369,225
<b>Property and equipment, net</b>	-	137,405,628	33,599,225	422	-	-	171,005,275
<b>Other Assets</b>							
Investments	-	56,001	-	-	-	-	56,001
Deferred financing costs, net	-	1,967,467	353,890	-	-	-	2,321,357
Pledges receivable, net	-	-	-	80,854	-	-	80,854
Other	-	313,476	157,012	-	-	-	470,488
	-	2,336,944	510,902	80,854	-	-	2,928,700
<b>Total assets</b>	\$ -	\$ 225,188,502	\$ 62,967,806	\$ 5,102,031	\$ 438	\$ (960,432)	\$ 292,298,345
<b>LIABILITIES AND NET ASSETS</b>							
<b>Current Liabilities</b>							
Current portion of long-term debt	\$ -	\$ 1,353,353	\$ 1,001,809	\$ -	\$ -	\$ -	\$ 2,355,162
Accounts payable and accrued expenses	-	12,329,551	6,128,196	26,863	-	(960,432)	17,524,178
Accrued salaries and benefits	-	6,289,200	3,072,545	-	34,876	-	9,396,621
Accrued self-insurance liability	-	2,507,521	-	-	-	-	2,507,521
Estimated third-party payor settlements	-	1,658,886	(29,956)	-	-	-	1,628,930
<b>Total current liabilities</b>	-	24,138,511	10,172,594	26,863	34,876	(960,432)	33,412,412
<b>Accrued pension and post- retirement benefits</b>	-	37,464,650	-	-	-	-	37,464,650
<b>Accrued self-insurance liability</b>	-	10,047,479	-	-	-	-	10,047,479
<b>Long-term debt, net of current portion</b>	-	105,184,077	47,718,765	-	-	-	152,902,842
<b>Total liabilities</b>	-	176,834,717	57,891,359	26,863	34,876	(960,432)	233,827,383
<b>Net assets</b>							
Unrestricted	-	48,353,785	5,073,232	2,698,724	(34,438)	-	56,091,303
Temporarily restricted	-	-	3,215	1,319,346	-	-	1,322,561
Permanently restricted	-	-	-	1,057,098	-	-	1,057,098
<b>Total net assets</b>	-	48,353,785	5,076,447	5,075,168	(34,438)	-	58,470,962
<b>Total liabilities and net assets</b>	\$ -	\$ 225,188,502	\$ 62,967,806	\$ 5,102,031	\$ 438	\$ (960,432)	\$ 292,298,345

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## CONSOLIDATING BALANCE SHEET

September 30, 2011

	Thomas Health System, Inc.	Thomas Memorial Hospital and Subsidiaries	Saint Francis Hospital	Foundation For the Thomas Memorial and St. Francis Hospitals, Inc.	Eliminations	Thomas Health System Consolidated Balance
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ -	\$ 10,663,614	\$ 7,916,443	\$ 189,028	\$ -	\$ 18,769,085
Investments	-	256,242	-	-	-	256,242
Assets limited as to use	-	13,421,160	-	-	-	13,421,160
Patient accounts receivable, net of allowance for doubtful accounts	-	15,456,544	9,953,454	-	-	25,409,998
Supplies inventories	-	3,125,418	4,398,571	-	-	7,523,989
Prepaid and other current assets	-	1,332,547	2,463,756	783,559	(984,056)	3,595,806
<b>Total current assets</b>	-	44,255,525	24,732,224	972,587	(984,056)	68,976,280
<b>Assets limited as to use, net</b>	-	36,707,338	-	3,390,341	-	40,097,679
<b>Property and equipment, net</b>	-	143,391,569	35,875,761	626	-	179,267,956
<b>Other Assets</b>						
Investments	-	27,337	-	-	-	27,337
Deferred financing costs, net	-	2,053,736	375,691	-	-	2,429,427
Pledges receivable, net	-	-	-	502,648	-	502,648
Other	-	327,599	280,852	-	-	608,451
	-	2,408,672	656,543	502,648	-	3,567,863
<b>Total assets</b>	\$ -	\$ 226,763,104	\$ 61,264,528	\$ 4,866,202	\$ (984,056)	\$ 291,909,778
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current Liabilities</b>						
Current portion of long-term debt	\$ -	\$ 1,018,114	\$ 867,584	\$ -	\$ -	\$ 1,885,698
Accounts payable and accrued expenses	-	11,445,876	5,651,493	25,707	(984,056)	16,139,020
Accrued salaries and benefits	-	5,502,568	3,534,451	-	-	9,037,019
Accrued self-insurance liability	-	2,627,322	-	-	-	2,627,322
Estimated third-party payor settlements	-	1,766,331	372,085	-	-	2,138,416
<b>Total current liabilities</b>	-	22,360,211	10,425,613	25,707	(984,056)	31,827,475
<b>Accrued pension and post- retirement benefits</b>	-	29,146,013	-	-	-	29,146,013
<b>Accrued self-insurance liability</b>	-	7,659,678	-	-	-	7,659,678
<b>Long-term debt, net of current portion</b>	-	105,484,307	47,941,133	-	-	153,425,440
<b>Total liabilities</b>	-	164,650,209	58,366,746	25,707	(984,056)	222,058,606
<b>Net assets</b>						
Unrestricted	-	62,112,895	2,894,567	2,197,377	-	67,204,839
Temporarily restricted	-	-	3,215	1,586,020	-	1,589,235
Permanently restricted	-	-	-	1,057,098	-	1,057,098
<b>Total net assets</b>	-	62,112,895	2,897,782	4,840,495	-	69,851,172
<b>Total liabilities and net assets</b>	\$ -	\$ 226,763,104	\$ 61,264,528	\$ 4,866,202	\$ (984,056)	\$ 291,909,778

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## CONSOLIDATING STATEMENT OF OPERATIONS

Year Ended September 30, 2012

	Thomas Health System, Inc.	Thomas Memorial Hospital and Subsidiaries	Saint Francis Hospital	Foundation For the Thomas Memorial and St. Francis Hospitals, Inc.	THS Physician Partners, Inc.	Eliminations	Thomas Health System Consolidated Balance
<b>Unrestricted revenue, gains and other support</b>							
Patient service revenue (net of contractual allowances and discounts)	\$ -	\$ 163,631,653	\$ 108,353,124	\$ -	\$ -	\$ -	\$ 271,984,777
Less Provision for doubtful accounts	-	(16,147,197)	(9,646,784)	-	-	-	(25,793,981)
<b>Net patient service revenue</b>	-	147,484,456	98,706,340	-	-	-	246,190,796
Investment income	-	539,618	46,612	345,331	-	-	931,561
Rental income	-	2,686,426	639,954	-	-	-	3,326,380
Other revenue	-	3,837,220	2,530,889	-	-	(114,552)	6,253,557
Grant income	-	19,155	22,500	-	-	-	41,655
Public support – donations	-	451,000	-	385,053	-	(27,700)	808,353
<b>Total revenue, gains and other support</b>	-	155,017,875	101,946,295	730,384	-	(142,252)	257,552,302
<b>Expenses</b>							
Salaries and wages	-	54,534,176	31,344,419	-	41,887	-	85,920,482
Employee benefits	-	16,444,404	7,834,827	-	32,354	-	24,311,585
Supplies and other	-	45,943,615	36,078,874	578,452	197	(114,552)	82,486,586
Purchased services	-	17,917,518	11,578,824	-	-	(27,700)	29,468,642
Depreciation and amortization	-	11,265,149	4,035,932	153	-	-	15,301,234
West Virginia provider tax	-	4,304,208	3,135,538	-	-	-	7,439,746
Interest	-	6,396,184	3,750,662	-	-	-	10,146,846
Insurance	-	4,516,253	2,078,866	-	-	-	6,595,119
<b>Total expenses</b>	-	161,321,507	99,837,942	578,605	74,438	(142,252)	261,670,240
<b>Excess (deficiency) of revenues over expenses</b>	-	(6,303,632)	2,108,353	151,779	(74,438)	-	(4,117,938)
<b>Other changes in net assets</b>							
Net unrealized gain on investments	-	1,773,833	-	-	-	-	1,773,833
Net assets released from restriction	-	-	-	349,568	-	-	349,568
Defined benefit pension plan adjustment	-	(9,174,683)	-	-	-	-	(9,174,683)
Change in fair value of derivatives	-	-	55,684	-	-	-	55,684
<b>Increase (decrease) in unrestricted net assets</b>	\$ -	\$ (13,704,482)	\$ 2,164,037	\$ 501,347	\$ (74,438)	\$ -	\$ (11,113,536)

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## CONSOLIDATING STATEMENT OF OPERATIONS

Year Ended September 30, 2011

	Thomas Health System, Inc.	Thomas Memorial Hospital and Subsidiaries	Saint Francis Hospital	Foundation For the Thomas Memorial and St. Francis Hospitals, Inc.	Eliminations	Thomas Health System Consolidated Balance
<b>Unrestricted revenue, gains and other support</b>						
Patient service revenue	\$ -	\$ 153,251,120	\$ 101,821,328	\$ -	\$ -	\$ 255,072,448
Less Provision for bad debts	-	(14,138,705)	(8,168,536)	-	-	(22,307,241)
<b>Net patient service revenue</b>	-	139,112,415	93,652,792	-	-	232,765,207
Investment income	-	1,718,743	81,776	(210,233)	-	1,590,286
Rental income	-	2,532,228	626,905	-	-	3,159,133
Other revenue	-	1,282,088	721,198	-	(274,930)	1,728,356
Grant income	-	21,126	17,516	-	-	38,642
Public support – donations	-	880,000	-	999,451	(1,930)	1,877,521
<b>Total revenue, gains and other support</b>	-	145,546,600	95,100,187	789,218	(276,860)	241,159,145
<b>Expenses</b>						
Salaries and wages	-	52,538,571	30,160,525	-	-	82,699,096
Employee benefits	-	17,091,080	7,850,372	-	-	24,941,452
Supplies and other	-	44,777,634	36,035,140	1,194,399	(274,930)	81,732,243
Purchased services	-	15,831,785	10,075,163	-	(1,930)	25,905,018
Depreciation and amortization	-	11,915,637	4,598,040	153	-	16,513,830
West Virginia provider tax	-	2,864,533	2,134,566	-	-	4,999,099
Interest	-	6,443,267	3,790,389	-	-	10,233,656
Insurance	-	2,255,903	956,741	-	-	3,212,644
<b>Total expenses</b>	-	153,718,410	95,600,936	1,194,552	(276,860)	250,237,038
<b>Deficiency of revenues over expenses</b>	-	(8,171,810)	(500,749)	(405,334)	-	(9,077,893)
<b>Other changes in net assets</b>						
Net unrealized loss on investments	-	(27,609)	-	-	-	(27,609)
Defined benefit pension plan adjustment	-	3,948,901	-	-	-	3,948,901
Change in fair value of derivatives	-	-	35,602	-	-	35,602
<b>Decrease in unrestricted net assets</b>	\$ -	\$ (4,250,518)	\$ (465,147)	\$ (405,334)	\$ -	\$ (5,120,999)

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS

Year Ended September 30, 2012

	Thomas Health System, Inc.	Thomas Memorial Hospital and Subsidiaries	Saint Francis Hospital	Foundation For the Thomas Memorial and St. Francis Hospitals, Inc.	THS Physician Partners, Inc.	Eliminations	Thomas Health System Consolidated Balance
<b>Unrestricted net assets</b>							
Excess (deficiency) of revenues over expenses	\$ -	\$ (6,303,632)	\$ 2,108,353	\$ 151,779	\$ (74,438)	\$ -	\$ (4,117,938)
Net unrealized gain on investments	-	1,773,833	-	-	-	-	1,773,833
Net assets released from restriction	-	-	-	349,568	-	-	349,568
Defined benefit pension plan adjustment	-	(9,174,683)	-	-	-	-	(9,174,683)
Changes in fair value of derivatives	-	-	55,684	-	-	-	55,684
<b>Increase (decrease) in unrestricted net assets</b>	-	(13,704,482)	2,164,037	501,347	(74,438)	-	(11,113,536)
<b>Temporarily restricted net assets</b>							
Public support – donations	-	-	-	82,894	-	-	82,894
Net assets released from restriction	-	-	-	(349,568)	-	-	(349,568)
<b>Decrease in temporarily restricted net assets</b>	-	-	-	(266,674)	-	-	(266,674)
<b>Permanently restricted net assets</b>							
Public support – donations	-	-	-	-	-	-	-
<b>Increase in permanently restricted net assets</b>	-	-	-	-	-	-	-
<b>Increase (decrease) in net assets</b>	-	(13,704,482)	2,164,037	234,673	(74,438)	-	(11,380,210)
<b>Net assets, beginning of year</b>	-	62,112,895	2,897,782	4,840,495	-	-	69,851,172
<b>Reclassification of net assets</b>	-	(54,628)	14,628	-	40,000	-	-
<b>Net assets, end of year</b>	\$ -	\$ 48,353,785	\$ 5,076,447	\$ 5,075,168	\$ (34,438)	\$ -	\$ 58,470,962

## THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

## CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS

Year Ended September 30, 2011

	Thomas Health System, Inc.	Thomas Memorial Hospital and Subsidiaries	Saint Francis Hospital	Foundation For the Thomas Memorial and St. Francis Hospitals, Inc.	Eliminations	Thomas Health System Consolidated Balance
<b>Unrestricted net assets</b>						
Deficiency of revenues over expenses	\$ -	\$ (8,171,810)	\$ (500,749)	\$ (405,334)	\$ -	\$ (9,077,893)
Net unrealized loss on investments	-	(27,609)	-	-	-	(27,609)
Defined benefit pension plan adjustment	-	3,948,901	-	-	-	3,948,901
Changes in fair value of derivatives	-	-	35,602	-	-	35,602
<b>Decrease in unrestricted net assets</b>	-	(4,250,518)	(465,147)	(405,334)	-	(5,120,999)
<b>Temporarily restricted net assets</b>						
Public support – donations	-	-	-	52,686	-	52,686
Investment income	-	-	-	-	-	-
Net assets released from restriction	-	-	-	(571,904)	-	(571,904)
<b>Decrease in temporarily restricted net assets</b>	-	-	-	(519,218)	-	(519,218)
<b>Permanently restricted net assets</b>						
Public support – donations	-	-	-	7,655	-	7,655
<b>Increase in permanently restricted net assets</b>	-	-	-	7,655	-	7,655
<b>Decrease in net assets</b>	-	(4,250,518)	(465,147)	(916,897)	-	(5,632,562)
<b>Net assets, beginning of year</b>	-	72,120,805	3,362,929	-	-	75,483,734
<b>Reclassification of net assets – Transfer control of TMH Foundation, Inc.</b>	-	(5,757,392)	-	5,757,392	-	-
<b>Net assets, end of year</b>	\$ -	\$ 62,112,895	\$ 2,897,782	\$ 4,840,495	\$ -	\$ 69,851,172



## HERBERT J. THOMAS MEMORIAL HOSPITAL ASSOCIATION

## CONSOLIDATING BALANCE SHEET

September 30, 2012

	Thomas Memorial Hospital	TMH Services Inc.	Eliminations	Thomas Memorial Hospital Consolidated Balance
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 10,066,708	\$ 528,275	\$ -	\$ 10,594,983
Investments	-	-	-	-
Assets limited as to use	13,304,359	-	-	13,304,359
Patient accounts receivable, net of allowance for doubtful accounts	15,578,283	-	-	15,578,283
Supplies inventories	3,336,044	-	-	3,336,044
Prepaid and other current assets	3,357,894	36,786	-	3,394,680
<b>Total current assets</b>	<b>45,643,288</b>	<b>565,061</b>	<b>-</b>	<b>46,208,349</b>
<b>Assets limited as to use, net</b>	<b>39,237,581</b>	<b>-</b>	<b>-</b>	<b>39,237,581</b>
<b>Property and equipment, net</b>	<b>132,859,329</b>	<b>4,546,299</b>	<b>-</b>	<b>137,405,628</b>
<b>Other Assets</b>				
Investments	-	56,001	-	56,001
Deferred financing costs, net	1,967,467	-	-	1,967,467
Pledges receivable, net	-	-	-	-
Other	554,374	-	(240,898)	313,476
	<b>2,521,841</b>	<b>56,001</b>	<b>(240,898)</b>	<b>2,336,944</b>
<b>Total assets</b>	<b>\$ 220,262,039</b>	<b>\$ 5,167,361</b>	<b>\$ (240,898)</b>	<b>\$ 225,188,502</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Current portion of long-term debt	\$ 1,244,646	\$ 108,707	\$ -	\$ 1,353,353
Accounts payable and accrued expenses	12,250,861	78,690	-	12,329,551
Accrued salaries and benefits	6,289,200	-	-	6,289,200
Accrued self-insurance liability	2,507,521	-	-	2,507,521
Estimated third-party payor settlements	1,658,886	-	-	1,658,886
<b>Total current liabilities</b>	<b>23,951,114</b>	<b>187,397</b>	<b>-</b>	<b>24,138,511</b>
<b>Accrued pension and post- retirement benefits</b>	<b>37,464,650</b>	<b>-</b>	<b>-</b>	<b>37,464,650</b>
<b>Accrued self-insurance liability</b>	<b>10,047,479</b>	<b>-</b>	<b>-</b>	<b>10,047,479</b>
<b>Long-term debt, net of current portion</b>	<b>101,149,538</b>	<b>4,034,539</b>	<b>-</b>	<b>105,184,077</b>
<b>Total liabilities</b>	<b>172,612,781</b>	<b>4,221,936</b>	<b>-</b>	<b>176,834,717</b>
<b>Net assets</b>				
Unrestricted	47,649,258	945,425	(240,898)	48,353,785
Temporarily restricted	-	-	-	-
Permanently restricted	-	-	-	-
<b>Total net assets</b>	<b>47,649,258</b>	<b>945,425</b>	<b>(240,898)</b>	<b>48,353,785</b>
<b>Total liabilities and net assets</b>	<b>\$ 220,262,039</b>	<b>\$ 5,167,361</b>	<b>\$ (240,898)</b>	<b>\$ 225,188,502</b>

## HERBERT J. THOMAS MEMORIAL HOSPITAL ASSOCIATION

## CONSOLIDATING BALANCE SHEET

September 30, 2011

	Thomas Memorial Hospital	TMH Services Inc.	Eliminations	Thomas Memorial Hospital Consolidated Balance
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 10,281,800	\$ 381,814	\$ -	\$ 10,663,614
Investments	-	256,242	-	256,242
Assets limited as to use	13,421,160	-	-	13,421,160
Patient accounts receivable, net of allowance for doubtful accounts	15,456,544	-	-	15,456,544
Supplies inventories	3,125,418	-	-	3,125,418
Prepaid and other current assets	1,320,038	12,509	-	1,332,547
<b>Total current assets</b>	<b>43,604,960</b>	<b>650,565</b>	<b>-</b>	<b>44,255,525</b>
<b>Assets limited as to use, net</b>	<b>36,707,338</b>	<b>-</b>	<b>-</b>	<b>36,707,338</b>
<b>Property and equipment, net</b>	<b>139,252,427</b>	<b>4,139,142</b>	<b>-</b>	<b>143,391,569</b>
<b>Other Assets</b>				
Investments	-	27,337	-	27,337
Deferred financing costs, net	2,053,736	-	-	2,053,736
Pledges receivable, net	-	-	-	-
Other	568,497	-	(240,898)	327,599
	<b>2,622,233</b>	<b>27,337</b>	<b>(240,898)</b>	<b>2,408,672</b>
<b>Total assets</b>	<b>\$ 222,186,958</b>	<b>\$ 4,817,044</b>	<b>\$ (240,898)</b>	<b>\$ 226,763,104</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Current portion of long-term debt	\$ 895,218	\$ 122,896	\$ -	\$ 1,018,114
Accounts payable and accrued expenses	11,348,808	97,068	-	11,445,876
Accrued salaries and benefits	5,502,568	-	-	5,502,568
Accrued self-insurance liability	2,627,322	-	-	2,627,322
Estimated third-party payor settlements	1,766,331	-	-	1,766,331
<b>Total current liabilities</b>	<b>22,140,247</b>	<b>219,964</b>	<b>-</b>	<b>22,360,211</b>
<b>Accrued pension and post- retirement benefits</b>	<b>29,146,013</b>	<b>-</b>	<b>-</b>	<b>29,146,013</b>
<b>Accrued self-insurance liability</b>	<b>7,659,678</b>	<b>-</b>	<b>-</b>	<b>7,659,678</b>
<b>Long-term debt, net of current portion</b>	<b>101,689,388</b>	<b>3,794,919</b>	<b>-</b>	<b>105,484,307</b>
<b>Total liabilities</b>	<b>160,635,326</b>	<b>4,014,883</b>	<b>-</b>	<b>164,650,209</b>
<b>Net assets</b>				
Unrestricted	61,551,632	802,161	(240,898)	62,112,895
Temporarily restricted	-	-	-	-
Permanently restricted	-	-	-	-
<b>Total net assets</b>	<b>61,551,632</b>	<b>802,161</b>	<b>(240,898)</b>	<b>62,112,895</b>
<b>Total liabilities and net assets</b>	<b>\$ 222,186,958</b>	<b>\$ 4,817,044</b>	<b>\$ (240,898)</b>	<b>\$ 226,763,104</b>

## HERBERT J. THOMAS MEMORIAL HOSPITAL ASSOCIATION

## CONSOLIDATING STATEMENT OF OPERATIONS

Year Ended September 30, 2012

	Thomas Memorial Hospital	TMH Services Inc.	Eliminations	Thomas Memorial Hospital Consolidated Balance
<b>Unrestricted revenue, gains and other support</b>				
Patient service revenue	\$ 163,631,653	\$ -	\$ -	\$ 163,631,653
Less Provision for bad debts	(16,147,197)	-	-	(16,147,197)
<b>Net patient service revenue</b>	<b>147,484,456</b>	<b>-</b>	<b>-</b>	<b>147,484,456</b>
Investment income	497,984	41,634	-	539,618
Rental income	1,855,800	830,626	-	2,686,426
Other revenue	3,733,118	128,659	(24,557)	3,837,220
Grant income	19,155	-	-	19,155
Public support – donations	451,000	-	-	451,000
<b>Total revenue, gains and other support</b>	<b>154,041,513</b>	<b>1,000,919</b>	<b>(24,557)</b>	<b>155,017,875</b>
<b>Expenses</b>				
Salaries and wages	54,449,942	84,234	-	54,534,176
Employee benefits	16,444,404	-	-	16,444,404
Supplies and other	45,560,453	384,246	(1,084)	45,943,615
Purchased services	17,912,428	28,563	(23,473)	17,917,518
Depreciation and amortization	11,126,983	138,166	-	11,265,149
West Virginia provider tax	4,304,208	-	-	4,304,208
Interest	6,186,861	209,323	-	6,396,184
Insurance	4,503,130	13,123	-	4,516,253
<b>Total expenses</b>	<b>160,488,409</b>	<b>857,655</b>	<b>(24,557)</b>	<b>161,321,507</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>(6,446,896)</b>	<b>143,264</b>	<b>-</b>	<b>(6,303,632)</b>
<b>Other changes in net assets</b>				
Net unrealized gain on investments	1,773,833	-	-	1,773,833
Defined benefit pension plan adjustment	(9,174,683)	-	-	(9,174,683)
<b>Increase (decrease) in unrestricted net assets</b>	<b>\$ (13,847,746)</b>	<b>\$ 143,264</b>	<b>\$ -</b>	<b>\$ (13,704,482)</b>

## HERBERT J. THOMAS MEMORIAL HOSPITAL ASSOCIATION

## CONSOLIDATING STATEMENT OF OPERATIONS

Year Ended September 30, 2011

	Thomas Memorial Hospital	TMH Services Inc.	Eliminations	Thomas Memorial Hospital Consolidated Balance
<b>Unrestricted revenue, gains and other support</b>				
Patient service revenue	\$ 153,251,120	\$ -	\$ -	\$ 153,251,120
Less Provision for bad debts	(14,138,705)	-	-	(14,138,705)
<b>Net patient service revenue</b>	139,112,415	-	-	139,112,415
Investment income	1,681,420	37,323	-	1,718,743
Rental income	1,663,206	869,022	-	2,532,228
Other revenue	1,183,689	126,215	(27,816)	1,282,088
Grant income	21,126	-	-	21,126
Public support – donations	880,000	-	-	880,000
<b>Total revenue, gains and other support</b>	144,541,856	1,032,560	(27,816)	145,546,600
<b>Expenses</b>				
Salaries and wages	52,457,683	80,888	-	52,538,571
Employee benefits	17,091,080	-	-	17,091,080
Supplies and other	44,275,628	503,271	(1,265)	44,777,634
Purchased services	15,818,949	39,387	(26,551)	15,831,785
Depreciation and amortization	11,817,533	98,104	-	11,915,637
West Virginia provider tax	2,864,533	-	-	2,864,533
Interest	6,225,647	217,620	-	6,443,267
Insurance	2,245,040	10,863	-	2,255,903
<b>Total expenses</b>	152,796,093	950,133	(27,816)	153,718,410
<b>Excess (deficiency) of revenues over expenses</b>	(8,254,237)	82,427	-	(8,171,810)
<b>Other changes in net assets</b>				
Net unrealized loss on investments	(27,609)	-	-	(27,609)
Defined benefit pension plan adjustment	3,948,901	-	-	3,948,901
<b>Increase (decrease) in unrestricted net assets</b>	<u>\$ (4,332,945)</u>	<u>\$ 82,427</u>	<u>\$ -</u>	<u>\$ (4,250,518)</u>

## HERBERT J. THOMAS MEMORIAL HOSPITAL ASSOCIATION

## CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS

Year Ended September 30, 2012

	Thomas Memorial Hospital	TMH Services Inc.	Eliminations	Thomas Memorial Hospital Consolidated Balance
<b>Unrestricted net assets</b>				
Excess (deficiency) of revenues over expenses	\$ (6,446,896)	\$ 143,264	\$ -	\$ (6,303,632)
Net unrealized gain on investments	1,773,833	-	-	1,773,833
Defined benefit pension plan adjustment	(9,174,683)	-	-	(9,174,683)
<b>Increase (decrease) in unrestricted net assets</b>	<b>(13,847,746)</b>	<b>143,264</b>	<b>-</b>	<b>(13,704,482)</b>
<b>Temporarily restricted net assets</b>				
Public support – donations	-	-	-	-
Investment income	-	-	-	-
Net assets released from restriction	-	-	-	-
<b>Decrease in temporarily restricted net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Permanently restricted net assets</b>				
Public support – donations	-	-	-	-
<b>Increase in permanently restricted net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net assets</b>	<b>(13,847,746)</b>	<b>143,264</b>	<b>-</b>	<b>(13,704,482)</b>
<b>Net assets, beginning of year</b>	<b>61,551,632</b>	<b>802,161</b>	<b>(240,898)</b>	<b>62,112,895</b>
<b>Reclassification of net assets</b>	<b>(54,628)</b>	<b>-</b>	<b>-</b>	<b>(54,628)</b>
<b>Net assets, end of year</b>	<b>\$ 47,649,258</b>	<b>\$ 945,425</b>	<b>\$ (240,898)</b>	<b>\$ 48,353,785</b>

## HERBERT J. THOMAS MEMORIAL HOSPITAL ASSOCIATION

## CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS

Year Ended September 30, 2011

	Thomas Memorial Hospital	TMH Services Inc.	TMH Foundation	Eliminations	Thomas Memorial Hospital Consolidated Balance
<b>Unrestricted net assets</b>					
Excess (deficiency) of revenues over expenses	\$ (8,254,237)	\$ 82,427	\$ -	\$ -	\$ (8,171,810)
Net unrealized loss on investments	(27,609)	-	-	-	(27,609)
Defined benefit pension plan adjustment	3,948,901	-	-	-	3,948,901
<b>Increase (decrease) in unrestricted net assets</b>	<b>(4,332,945)</b>	<b>82,427</b>	<b>-</b>	<b>-</b>	<b>(4,250,518)</b>
<b>Temporarily restricted net assets</b>					
Public support – donations	-	-	-	-	-
Investment income	-	-	-	-	-
Net assets released from restriction	-	-	-	-	-
<b>Decrease in temporarily restricted net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Permanently restricted net assets</b>					
Public support – donations	-	-	-	-	-
<b>Increase in permanently restricted net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net assets</b>	<b>(4,332,945)</b>	<b>82,427</b>	<b>-</b>	<b>-</b>	<b>(4,250,518)</b>
<b>Net assets, beginning of year</b>	<b>65,884,577</b>	<b>719,734</b>	<b>5,757,392</b>	<b>(240,898)</b>	<b>72,120,805</b>
<b>Reclassification of net assets - Transfer control of TMH Foundation, Inc.</b>	<b>-</b>	<b>-</b>	<b>(5,757,392)</b>	<b>-</b>	<b>(5,757,392)</b>
<b>Net assets, end of year</b>	<b>\$ 61,551,632</b>	<b>\$ 802,161</b>	<b>\$ -</b>	<b>\$ (240,898)</b>	<b>\$ 62,112,895</b>