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Part III

Statement of Program Service Accomplishments

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

☐ Yes ☒ No

1

Briefly describe the organization's mission

Serving our regional community by improving health Provision of healthcare and medical services

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 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 \$ 354,216,625 including grants of \$ ) (Revenue \$ 17,253,506 )

ACUTE CARE SERVICES - 137,082 INPATIENT ACUTE CARE DAYS

4b

(Code ) (Expenses \$ 18,648,904 including grants of \$ ) (Revenue \$ 53,121,433 )

PHYSICIAN PRACTICE SERVICES - 153,266 OUTPATIENT REGISTRATIONS

4c

(Code ) (Expenses \$ 6,057,047 including grants of \$ ) (Revenue \$ 17,253,506 )

AMBULATORY SURGICAL SERVICES - 7,748 SURGICAL PROCEDURES

4d

Other program services (Describe in Schedule O )

(Expenses \$ 14,054,687 including grants of \$ ) (Revenue \$ 40,034,796 )


















4e

Total program service expenses

392,977,263

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	No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	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 for escrow or custodial account liability, 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 Yes	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? 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 Yes	
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? 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 and XII 	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 and XII 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, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 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, highest 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 employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> . . . . .	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		No
b	If 'Yes' to line 35a, 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 11b and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

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

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	119	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	93	
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?	Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		No
6	Did the organization have members or stockholders?	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?	Yes	
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	Yes	
8b	Each committee with authority to act on behalf of the governing body?	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		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?		No
10b	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?		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	Yes	
11b Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	Yes	
12b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	Yes	
12c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	Yes	
13	Did the organization have a written whistleblower policy?	Yes	
14	Did the organization have a written document retention and destruction policy?	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?		
15a	The organization's CEO, Executive Director, or top management official	Yes	
15b	Other officers or key employees of the organization	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?	Yes	
16b	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?	Yes	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input checked="" type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
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 during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization KATHRYN THOMAS 220 CAMPUS BLVD SUTE 310 WINCHESTER, VA (540) 536-4300

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

**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 compensation. 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 organization compensated any current officer, director, or trustee

[illegible]



## Part VII

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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			
<b>1b Sub-Total . . . . .</b>										
<b>c Total from continuation sheets to Part VII, Section A . . . . .</b>										
<b>d Total (add lines 1b and 1c) . . . . .</b>								11,098,213	1,735,229	1,459,109

**2** Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization ▶35

		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 Yes	
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

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 ►0

Part VIII

Statement of Revenue

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

			(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	1,058,328			
	e	Government grants (contributions)	1e	857,676			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	1,784,831			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f . . . . .		3,700,835			
Program Service Revenue			Business Code				
	2a	PHYSICIAN SERVICES		53,121,433	53,121,433		
	b	LONG TERM CARE		15,075,268	15,075,268		
	c	HOME HEALTH SERVICES		8,974,368	8,974,368		
	d	AMBULATORY SURGICAL SERV		17,253,506	17,253,506		
	e	ACUTE CARE SERVICES		999,999,999	999,999,999		
	f	All other program service revenue		-662,486,169	-662,486,169		
	g	Total. Add lines 2a-2f . . . . .		431,938,405			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .		36,794,669		114,906	36,679,763
	4	Income from investment of tax-exempt bond proceeds . . . . .		0			
	5	Royalties . . . . .		0			
	6a	(i) Real					
		(ii) Personal					
		Gross rents					
		Less rental expenses					
	b	Rental income or (loss)					
	c	Net rental income or (loss) . . . . .		835,104		65,777	769,327
	7a	(i) Securities					
		(ii) Other					
		Gross amount from sales of assets other than inventory					
		Less cost or other basis and sales expenses					
	b	Gain or (loss)					
	c	Net gain or (loss) . . . . .		-169,954	-169,954		
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .					
	a						
	b	Less direct expenses . . . . .					
	c	Net income or (loss) from fundraising events . . . . .		0			
	9a	Gross income from gaming activities See Part IV, line 19 . . . . .					
	a						
	b	Less direct expenses . . . . .					
c	Net income or (loss) from gaming activities . . . . .		0				
10a	Gross sales of inventory, less returns and allowances . . . . .						
a			209,479,904				
b	Less cost of goods sold . . . . .		73,801,128				
c	Net income or (loss) from sales of inventory . . . . .		135,678,776		-136,511	135,815,287	
Miscellaneous Revenue		Business Code					
11a	REFUNDS,REBATES,DISCOUNTS			11,112,735	11,112,735		
b	MEANINGFUL USE GRANT			7,103,725	7,103,725		
c	DIABETIC MGMT PROGRAMS			688,983	688,983		
d	All other revenue . . . . .			926,012	926,012		
e	Total. Add lines 11a-11d . . . . .			19,831,455			
12	Total revenue. See Instructions . . . . .			628,609,290	451,599,906	44,172	173,264,377

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).

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.	1,600,131	1,600,131		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	125,750	125,750		
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	3,761,547		3,761,547	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	24,974		24,974	
7	Other salaries and wages.	236,846,667	199,751,563	37,095,104	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	16,253,384	13,707,767	2,545,617	
9	Other employee benefits.	26,055,090	21,974,322	4,080,768	
10	Payroll taxes.	16,676,338	13,962,575	2,713,763	
11	Fees for services (non-employees):				
a	Management.	0			
b	Legal.	538,173	32,875	505,298	
c	Accounting.	257,402		257,402	
d	Lobbying.	0			
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	1,718,300		1,718,300	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	113,900,350	35,751,079	78,149,271	
12	Advertising and promotion.	135,588	18,957	116,631	
13	Office expenses.	5,455,316	2,093,455	3,361,861	
14	Information technology.	146,222	108,254	37,968	
15	Royalties.	0			
16	Occupancy.	11,130,564	2,041,425	9,089,139	
17	Travel.	1,177,957	820,849	357,108	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	604,027	434,735	169,292	
20	Interest.	16,660,672	13,328,538	3,332,134	
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	46,727,833	37,382,266	9,345,567	
23	Insurance.	3,991,056	1,283,815	2,707,241	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	BIOMEDICAL SERVICES	3,212,599		3,212,599	
b	EQUIP RENTAL & MAINT	14,309,947	10,801,120	3,508,827	
c	PURCHASED SERVICES	23,174,680	8,532,091	14,642,589	
d	MEDICAL SUPPLIES	31,952,426	26,077,609	5,874,817	
e	All other expenses	5,866,016	3,148,087	2,717,929	
25	<b>Total functional expenses.</b> Add lines 1 through 24e.	582,303,009	392,977,263	189,325,746	0
26	<b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			1	0
	2	Savings and temporary cash investments		44,693,008	2	56,312,865
	3	Pledges and grants receivable, net			3	0
	4	Accounts receivable, net		89,989,616	4	93,718,414
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	0
	7	Notes and loans receivable, net		3,661,766	7	10,193,808
	8	Inventories for sale or use		11,740,862	8	12,246,543
	9	Prepaid expenses and deferred charges		11,964,874	9	10,101,299
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	1,082,477,116		
	b	Less accumulated depreciation	10b	463,740,760	10c	618,736,356
	11	Investments—publicly traded securities			11	0
	12	Investments—other securities See Part IV, line 11		378,903,667	12	364,222,850
	13	Investments—program-related See Part IV, line 11			13	0
	14	Intangible assets			14	0
	15	Other assets See Part IV, line 11		13,600,885	15	11,477,462
	16	<b>Total assets.</b> Add lines 1 through 15 (must equal line 34)		1,163,557,547	16	1,177,009,597
Liabilities	17	Accounts payable and accrued expenses		48,238,984	17	44,728,576
	18	Grants payable			18	
	19	Deferred revenue		346,363	19	401,981
	20	Tax-exempt bond liabilities		394,259,695	20	367,765,140
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17–24.) Complete Part X of Schedule D		140,553,420	25	168,378,697
	26	<b>Total liabilities.</b> Add lines 17 through 25		583,398,462	26	581,274,394
Net Assets or Fund Balances	<b>Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>					
	27	Unrestricted net assets		562,676,132	27	574,142,613
	28	Temporarily restricted net assets		13,058,016	28	15,918,915
	29	Permanently restricted net assets		4,424,937	29	5,673,675
	<b>Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.</b>					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		580,159,085	33	595,735,203
	34	Total liabilities and net assets/fund balances		1,163,557,547	34	1,177,009,597

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	628,609,290
2	Total expenses (must equal Part IX, column (A), line 25) . . . . .	2	582,303,009
3	Revenue less expenses Subtract line 2 from line 1 . . . . .	3	46,306,281
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	4	580,159,085
5	Net unrealized gains (losses) on investments . . . . .	5	-626,273
6	Donated services and use of facilities . . . . .	6	
7	Investment expenses . . . . .	7	
8	Prior period adjustments . . . . .	8	-3,490,000
9	Other changes in net assets or fund balances (explain in Schedule O) . . . . .	9	-26,613,890
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	595,735,203

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? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited 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 separate basis	Yes	
2c	If "Yes," to line 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	
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
3b	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)

Public Charity Status and Public Support

OMB No 1545-0047

2012

Open to Public Inspection

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.

Department of the Treasury  
Internal Revenue Service

Name of the organization  
VALLEY HEALTH SYSTEM GROUP RETURN

Employer identification number  
80-0584319

Part I

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

An organization that normally receives (1) more than 33<sup>1</sup>/<sub>3</sub>% 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<sup>1</sup>/<sub>3</sub>% 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 - Non-functionally integrated
- 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 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 monetary support
			Yes	No	Yes	No	Yes	No	
Total									

Part II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)  
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here . . . . . ▶						

Section C. Computation of Public Support Percentage						
14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2011 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2012. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						▶
b 33 1/3% support test—2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						▶
17a 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization						▶
b 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization						▶
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions						▶

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2012. 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—2011. 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.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE D  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
VALLEY HEALTH SYSTEM GROUP RETURN

Employer identification number  
80-0584319

Part I

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

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

Part II

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

1

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

☐ Preservation of land for public use (e g , recreation or education)☐ Preservation of an historically important land area☐ Protection of natural habitat☐ Preservation of a certified historic structure☐ Preservation of open space

2

Complete lines 2a through 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, and not on a historic structure listed in the National Register

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

In Part XIII, 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 (ASC 958), 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 XIII, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116 (ASC 958), 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 (ASC 958) relating to these items

a

Revenues included in Form 990, Part VIII, line 1

▶\$ \_\_\_\_\_

b

Assets included in Form 990, Part X

▶\$ \_\_\_\_\_

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2012

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

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 XIII 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 XIII. Check here if the explanation has been provided in Part XIII

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back	
1a	Beginning of year balance	17,482,954	16,956,703	15,413,150	14,382,852	2,243,774
b	Contributions	2,129,545	1,206,212	1,264,697	1,156,453	-2,830,037
c	Net investment earnings, gains, and losses	3,145,648	8,737	1,193,581	783,382	
d	Grants or scholarships					2,262,094
e	Other expenditures for facilities and programs	1,103,743	688,698	914,726	909,537	
f	Administrative expenses					14,382,852
g	End of year balance	21,654,404	17,482,954	16,956,703	15,413,150	14,382,852

2

Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as

a

Board designated or quasi-endowment

b

Permanent endowment

26 490 %

c

Temporarily restricted endowment

73 510 %

The percentages in lines 2a, 2b, and 2c should equal 100%

3a

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

No

b

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

3b

No

4

Describe in Part XIII 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		19,657,950		19,657,950
b Buildings		743,371,405	262,695,827	480,675,578
c Leasehold improvements		4,364,453	2,236,908	2,127,545
d Equipment		275,499,242	175,468,098	100,031,144
e Other		39,584,066	23,339,927	16,244,139
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				618,736,356



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

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

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

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

**Part XIII 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, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
Part V, Line 4	Part V, Line 4 Intended uses of the endowment fund	Endowment funds will be used to purchase capital equipment and fund other projects which are intended to improve health delivery at Winchester Medical Center, Warren Memorial Hospital,Page Memorial Hospital, and Shenandoah Memorial Hospital. Funds will be used in accordance with the wishes of the donor per the governing documents of the gift.

SCHEDULE H  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Hospitals

OMB No 1545-0047

2012

Open to Public Inspection

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

Name of the organization  
VALLEY HEALTH SYSTEM GROUP RETURN

Employer identification number  
80-0584319

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1) . . . .	7	4,536	38,487,189		38,487,189	6 610 %
b Medicaid (from Worksheet 3, column a) . . . . .	16	8,238	78,180,696	51,999,351	26,181,345	4 500 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . .						
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . .	23	12,774	116,667,885	51,999,351	64,668,534	11 110 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . .	3,342	58,959	1,734,896	385,072	1,349,824	0 230 %
f Health professions education (from Worksheet 5) . . . .	2,337	4,395	6,550,532	12,595	6,537,937	1 120 %
g Subsidized health services (from Worksheet 6) . . . .	1	1,316	5,015,518	2,745,695	2,269,823	0 390 %
h Research (from Worksheet 7) . . . . .	25	210	2,535		2,535	
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . .	45	6,179	625,605		625,605	0 110 %
j <b>Total.</b> Other Benefits . . . .	5,750	71,059	13,929,086	3,143,362	10,785,724	1 850 %
k <b>Total.</b> Add lines 7d and 7j . .	5,773	83,833	130,596,971	55,142,713	75,454,258	12 960 %

Part II

Community Building Activities

Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development					
3	Community support	7	175	4,733	4,733	
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building	66	126	6,055	6,055	
7	Community health improvement advocacy					
8	Workforce development	12	90			
9	Other					
10	Total	85	391	10,788	10,788	

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1

Yes

2

Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

18,798,289

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5

Enter total revenue received from Medicare (including DSH and IME).

5

226,950,228

6

Enter Medicare allowable costs of care relating to payments on line 5.

6

259,762,420

7

Subtract line 6 from line 5. This is the surplus (or shortfall).

7

-32,812,192

8

Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.

☐ Cost accounting system

☒ Cost to charge ratio

☐ Other

Section C. Collection Practices

9a

Did the organization have a written debt collection policy during the tax year?

9a

Yes

b

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

9b

Yes

Part IV

Management Companies and Joint Ventures

(owned 10% or more by officers, directors, trustees, key employees, and physicians—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 NORTHERN WV HOME HEALTH	HOME HEALTH SERVICES	100.000 %		
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)  
How many hospital facilities did the organization operate during the tax year?  
6

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
6	WAR MEMORIAL HOSPITAL INC 1 HEALTHY WAY BERKLEY SPRINGS,WV 25411	X	X			X		X			
5	HAMPSHIRE MEMORIAL HOSPITALIN 363 SUNRISE BLVD ROMNEY,WV 26757	X	X			X		X			
4	PAGE MEMORIAL HOSPITAL 200 MEMORIAL DRIVE LURAY,VA 22835	X	X			X		X			
3	SHENANDOAH MEMORIAL HOSPITAL 759 S MAIN STREET WOODSTOCK,VA 22664	X	X			X		X			
2	WARREN MEMORIAL HOSPITAL 1000 SHENANDOAH AVE FRONT ROYAL,VA 22630	X	X		X			X			
1	WINCHESTER MEDICAL CENTER 1840 AMHERST STREET WINCHESTER,VA 22601	X	X		X			X			



Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

WAR MEMORIAL HOSPITAL INC

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

6

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 . . . . . If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" 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)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>10</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted . . . . .	3 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4 Yes	
5 Did the hospital facility make its CHNA report widely available to the public? . . . . . If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a <input checked="" type="checkbox"/> Hospital facility's website		
b <input checked="" type="checkbox"/> Available upon request from the hospital facility		
c <input checked="" type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input checked="" type="checkbox"/> Execution of the implementation strategy		
c <input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
e <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input checked="" type="checkbox"/> Prioritization of health needs in its community		
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . . . .	7 Yes	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)? . . . . .	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .	8b	No
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
<b>9</b> Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		<b>9</b>	Yes
<b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 0000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>10</b>	Yes
<b>11</b> Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 0000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>11</b>	Yes
<b>12</b> Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)		<b>12</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> Income level			
<b>b</b> <input type="checkbox"/> Asset level			
<b>c</b> <input type="checkbox"/> Medical indigency			
<b>d</b> <input type="checkbox"/> Insurance status			
<b>e</b> <input checked="" type="checkbox"/> Uninsured discount			
<b>f</b> <input checked="" type="checkbox"/> Medicaid/Medicare			
<b>g</b> <input type="checkbox"/> State regulation			
<b>h</b> <input checked="" type="checkbox"/> Other (describe in Part VI)			
<b>13</b> Explained the method for applying for financial assistance? . . . . .		<b>13</b>	Yes
<b>14</b> 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)		<b>14</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
<b>b</b> <input type="checkbox"/> The policy was attached to billing invoices			
<b>c</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
<b>d</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
<b>e</b> <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
<b>f</b> <input checked="" type="checkbox"/> The policy was available upon request			
<b>g</b> <input checked="" type="checkbox"/> Other (describe in Part VI)			
Billing and Collections			
<b>15</b> 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? . . . . .		<b>15</b>	Yes
<b>16</b> Check all of the following 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			
<b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency			
<b>b</b> <input checked="" type="checkbox"/> Lawsuits			
<b>c</b> <input checked="" type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input checked="" type="checkbox"/> Other similar actions (describe in Part VI)			
<b>17</b> 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		<b>17</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency			
<b>b</b> <input checked="" type="checkbox"/> Lawsuits			
<b>c</b> <input checked="" type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input checked="" type="checkbox"/> Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☐

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☒

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☒

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	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)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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 checked="" 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 its 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)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals 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
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? . . . . . If "Yes," explain in Part VI		No

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

HAMPSHIRE MEMORIAL HOSPITALIN

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

5

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 . . . . . If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" 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)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>10</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted . . . . .	3 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4 Yes	
5 Did the hospital facility make its CHNA report widely available to the public? . . . . . If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a <input checked="" type="checkbox"/> Hospital facility's website		
b <input checked="" type="checkbox"/> Available upon request from the hospital facility		
c <input checked="" type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input checked="" type="checkbox"/> Execution of the implementation strategy		
c <input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
e <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input checked="" type="checkbox"/> Prioritization of health needs in its community		
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . . . .	7 Yes	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)? . . . . .	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .	8b	No
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
<b>9</b> Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		<b>9</b>	Yes
<b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 0000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>10</b>	Yes
<b>11</b> Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 0000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>11</b>	Yes
<b>12</b> Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)		<b>12</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> Income level			
<b>b</b> <input type="checkbox"/> Asset level			
<b>c</b> <input type="checkbox"/> Medical indigency			
<b>d</b> <input type="checkbox"/> Insurance status			
<b>e</b> <input checked="" type="checkbox"/> Uninsured discount			
<b>f</b> <input checked="" type="checkbox"/> Medicaid/Medicare			
<b>g</b> <input type="checkbox"/> State regulation			
<b>h</b> <input checked="" type="checkbox"/> Other (describe in Part VI)			
<b>13</b> Explained the method for applying for financial assistance? . . . . .		<b>13</b>	Yes
<b>14</b> 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)		<b>14</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
<b>b</b> <input type="checkbox"/> The policy was attached to billing invoices			
<b>c</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
<b>d</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
<b>e</b> <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
<b>f</b> <input checked="" type="checkbox"/> The policy was available upon request			
<b>g</b> <input checked="" type="checkbox"/> Other (describe in Part VI)			
Billing and Collections			
<b>15</b> 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? . . . . .		<b>15</b>	Yes
<b>16</b> Check all of the following 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			
<b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency			
<b>b</b> <input checked="" type="checkbox"/> Lawsuits			
<b>c</b> <input checked="" type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input checked="" type="checkbox"/> Other similar actions (describe in Part VI)			
<b>17</b> 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		<b>17</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency			
<b>b</b> <input checked="" type="checkbox"/> Lawsuits			
<b>c</b> <input checked="" type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input checked="" type="checkbox"/> Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☐

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☒

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☒

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	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)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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 checked="" 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 its 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)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals 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
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? . . . . . If "Yes," explain in Part VI		No

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

PAGE MEMORIAL HOSPITAL

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 4

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 . . . . . If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility			
b <input checked="" type="checkbox"/> Demographics of the community			
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d <input checked="" type="checkbox"/> How data was obtained			
e <input checked="" type="checkbox"/> The health needs of the community			
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs			
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests			
i <input checked="" 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)			
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>10</u>			
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted . . . . .	3	Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	Yes	
5 Did the hospital facility make its CHNA report widely available to the public? . . . . . If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes	
a <input checked="" type="checkbox"/> Hospital facility's website			
b <input checked="" type="checkbox"/> Available upon request from the hospital facility			
c <input checked="" type="checkbox"/> Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b <input checked="" type="checkbox"/> Execution of the implementation strategy			
c <input checked="" type="checkbox"/> Participation in the development of a community-wide plan			
d <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan			
e <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans			
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA			
g <input checked="" type="checkbox"/> Prioritization of health needs in its community			
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i <input type="checkbox"/> Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . . . .	7	Yes	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)? . . . . .	8a		No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .	8b		No
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____			

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
<b>9</b> Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		<b>9</b>	Yes
<b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 0000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>10</b>	Yes
<b>11</b> Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 0000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>11</b>	Yes
<b>12</b> Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)		<b>12</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> Income level			
<b>b</b> <input type="checkbox"/> Asset level			
<b>c</b> <input type="checkbox"/> Medical indigency			
<b>d</b> <input type="checkbox"/> Insurance status			
<b>e</b> <input checked="" type="checkbox"/> Uninsured discount			
<b>f</b> <input checked="" type="checkbox"/> Medicaid/Medicare			
<b>g</b> <input type="checkbox"/> State regulation			
<b>h</b> <input checked="" type="checkbox"/> Other (describe in Part VI)			
<b>13</b> Explained the method for applying for financial assistance? . . . . .		<b>13</b>	Yes
<b>14</b> 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)		<b>14</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
<b>b</b> <input type="checkbox"/> The policy was attached to billing invoices			
<b>c</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
<b>d</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
<b>e</b> <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
<b>f</b> <input checked="" type="checkbox"/> The policy was available upon request			
<b>g</b> <input checked="" type="checkbox"/> Other (describe in Part VI)			
Billing and Collections			
<b>15</b> 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? . . . . .		<b>15</b>	Yes
<b>16</b> Check all of the following 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			
<b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency			
<b>b</b> <input checked="" type="checkbox"/> Lawsuits			
<b>c</b> <input checked="" type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input checked="" type="checkbox"/> Other similar actions (describe in Part VI)			
<b>17</b> 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		<b>17</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency			
<b>b</b> <input checked="" type="checkbox"/> Lawsuits			
<b>c</b> <input checked="" type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input checked="" type="checkbox"/> Other similar actions (describe in Part VI)			



Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☐

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☒

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☒

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	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)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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 checked="" 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 its 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)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals 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
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? . . . . . If "Yes," explain in Part VI		No

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

SHENANDOAH MEMORIAL HOSPITAL

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

3

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 . . . . . If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility			
b <input checked="" type="checkbox"/> Demographics of the community			
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d <input checked="" type="checkbox"/> How data was obtained			
e <input checked="" type="checkbox"/> The health needs of the community			
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs			
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests			
i <input checked="" 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)			
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>10</u>			
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted . . . . .	3	Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	Yes	
5 Did the hospital facility make its CHNA report widely available to the public? . . . . . If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes	
a <input checked="" type="checkbox"/> Hospital facility's website			
b <input checked="" type="checkbox"/> Available upon request from the hospital facility			
c <input checked="" type="checkbox"/> Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b <input checked="" type="checkbox"/> Execution of the implementation strategy			
c <input checked="" type="checkbox"/> Participation in the development of a community-wide plan			
d <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan			
e <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans			
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA			
g <input checked="" type="checkbox"/> Prioritization of health needs in its community			
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i <input type="checkbox"/> Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . . . .	7	Yes	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)? . . . . .	8a		No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .	8b		No
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____			

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
<b>9</b> Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		<b>9</b>	Yes
<b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 0000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>10</b>	Yes
<b>11</b> Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 0000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>11</b>	Yes
<b>12</b> Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)		<b>12</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> Income level			
<b>b</b> <input type="checkbox"/> Asset level			
<b>c</b> <input type="checkbox"/> Medical indigency			
<b>d</b> <input type="checkbox"/> Insurance status			
<b>e</b> <input checked="" type="checkbox"/> Uninsured discount			
<b>f</b> <input checked="" type="checkbox"/> Medicaid/Medicare			
<b>g</b> <input type="checkbox"/> State regulation			
<b>h</b> <input checked="" type="checkbox"/> Other (describe in Part VI)			
<b>13</b> Explained the method for applying for financial assistance? . . . . .		<b>13</b>	Yes
<b>14</b> 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)		<b>14</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
<b>b</b> <input type="checkbox"/> The policy was attached to billing invoices			
<b>c</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
<b>d</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
<b>e</b> <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
<b>f</b> <input checked="" type="checkbox"/> The policy was available upon request			
<b>g</b> <input checked="" type="checkbox"/> Other (describe in Part VI)			
Billing and Collections			
<b>15</b> 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? . . . . .		<b>15</b>	Yes
<b>16</b> Check all of the following 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			
<b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency			
<b>b</b> <input checked="" type="checkbox"/> Lawsuits			
<b>c</b> <input checked="" type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input checked="" type="checkbox"/> Other similar actions (describe in Part VI)			
<b>17</b> 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		<b>17</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency			
<b>b</b> <input checked="" type="checkbox"/> Lawsuits			
<b>c</b> <input checked="" type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input checked="" type="checkbox"/> Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☐

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☒

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☒

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	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)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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 checked="" 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 its 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)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals 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
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? . . . . . If "Yes," explain in Part VI		No

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

WARREN MEMORIAL HOSPITAL

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

2

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 . . . . . If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input checked="" type="checkbox"/> How data was obtained		
e	<input checked="" type="checkbox"/> The health needs of the community		
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input checked="" 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)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 <u>10</u>		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted . . . . .	3	Yes
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	Yes
5	Did the hospital facility make its CHNA report widely available to the public? . . . . . If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes
a	<input checked="" type="checkbox"/> Hospital facility's website		
b	<input checked="" type="checkbox"/> Available upon request from the hospital facility		
c	<input checked="" type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	<input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input checked="" type="checkbox"/> Execution of the implementation strategy		
c	<input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d	<input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input checked="" type="checkbox"/> Prioritization of health needs in its community		
h	<input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . . . .	7	Yes
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)? . . . . .	8a	No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .	8b	No
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
<b>9</b> Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		<b>9</b>	Yes
<b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 0000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>10</b>	Yes
<b>11</b> Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 0000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>11</b>	Yes
<b>12</b> Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)		<b>12</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> Income level			
<b>b</b> <input type="checkbox"/> Asset level			
<b>c</b> <input type="checkbox"/> Medical indigency			
<b>d</b> <input type="checkbox"/> Insurance status			
<b>e</b> <input checked="" type="checkbox"/> Uninsured discount			
<b>f</b> <input checked="" type="checkbox"/> Medicaid/Medicare			
<b>g</b> <input type="checkbox"/> State regulation			
<b>h</b> <input checked="" type="checkbox"/> Other (describe in Part VI)			
<b>13</b> Explained the method for applying for financial assistance? . . . . .		<b>13</b>	Yes
<b>14</b> 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)		<b>14</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
<b>b</b> <input type="checkbox"/> The policy was attached to billing invoices			
<b>c</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
<b>d</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
<b>e</b> <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
<b>f</b> <input checked="" type="checkbox"/> The policy was available upon request			
<b>g</b> <input checked="" type="checkbox"/> Other (describe in Part VI)			
Billing and Collections			
<b>15</b> 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? . . . . .		<b>15</b>	Yes
<b>16</b> Check all of the following 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			
<b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency			
<b>b</b> <input checked="" type="checkbox"/> Lawsuits			
<b>c</b> <input checked="" type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input checked="" type="checkbox"/> Other similar actions (describe in Part VI)			
<b>17</b> 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		<b>17</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency			
<b>b</b> <input checked="" type="checkbox"/> Lawsuits			
<b>c</b> <input checked="" type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input checked="" type="checkbox"/> Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☐

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☒

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☒

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	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)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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 checked="" 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 its 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)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals 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
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? . . . . . If "Yes," explain in Part VI		No

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

WINCHESTER MEDICAL CENTER

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 . . . . . If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input checked="" type="checkbox"/> How data was obtained		
e	<input checked="" type="checkbox"/> The health needs of the community		
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input checked="" 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)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 <u>10</u>		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted . . . . .	3	Yes
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	Yes
5	Did the hospital facility make its CHNA report widely available to the public? . . . . . If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes
a	<input checked="" type="checkbox"/> Hospital facility's website		
b	<input checked="" type="checkbox"/> Available upon request from the hospital facility		
c	<input checked="" type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	<input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input checked="" type="checkbox"/> Execution of the implementation strategy		
c	<input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d	<input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input checked="" type="checkbox"/> Prioritization of health needs in its community		
h	<input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . . . .	7	Yes
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)? . . . . .	8a	No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .	8b	No
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		



Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
<b>9</b> Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		<b>9</b>	Yes
<b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 0000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>10</b>	Yes
<b>11</b> Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 0000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>11</b>	Yes
<b>12</b> Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)		<b>12</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> Income level			
<b>b</b> <input type="checkbox"/> Asset level			
<b>c</b> <input type="checkbox"/> Medical indigency			
<b>d</b> <input type="checkbox"/> Insurance status			
<b>e</b> <input checked="" type="checkbox"/> Uninsured discount			
<b>f</b> <input checked="" type="checkbox"/> Medicaid/Medicare			
<b>g</b> <input type="checkbox"/> State regulation			
<b>h</b> <input checked="" type="checkbox"/> Other (describe in Part VI)			
<b>13</b> Explained the method for applying for financial assistance? . . . . .		<b>13</b>	Yes
<b>14</b> 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)		<b>14</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
<b>b</b> <input type="checkbox"/> The policy was attached to billing invoices			
<b>c</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
<b>d</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
<b>e</b> <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
<b>f</b> <input checked="" type="checkbox"/> The policy was available upon request			
<b>g</b> <input checked="" type="checkbox"/> Other (describe in Part VI)			
Billing and Collections			
<b>15</b> 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? . . . . .		<b>15</b>	Yes
<b>16</b> Check all of the following 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			
<b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency			
<b>b</b> <input checked="" type="checkbox"/> Lawsuits			
<b>c</b> <input checked="" type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input checked="" type="checkbox"/> Other similar actions (describe in Part VI)			
<b>17</b> 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		<b>17</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency			
<b>b</b> <input checked="" type="checkbox"/> Lawsuits			
<b>c</b> <input checked="" type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input checked="" type="checkbox"/> Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☐

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☒

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☒

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	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)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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 checked="" 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 its 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)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals 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
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? . . . . . If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year?

5

Name and address	Type of Facility (describe)
1 SHENANDOAH MEMORIAL HOSPITAL FOUNDATION INC 759 S MAIN STREET WOODSTOCK, VA 22664	HOSPITAL FOUNDATION
2 THE WARREN MEMORIAL HOSPITAL FOUNDATION 1000 SHENANDOAH AVE FRONT ROYAL, VA 22630	HOSPITAL FOUNDATION
3 THE WINCHESTER MEDICAL CENTER FOUNDATION 1840 AMHERST STREET WINCHESTER, VA 22601	HOSPITAL FOUNDATION
4 SURGI CENTER OF WINCHESTER INC 1840 AMHERST STREET WINCHESTER, VA 22601	AMBULATORY SURGICAL CLINIC
5 VALLEY PHYSICIAN ENTERPRISE INC 220 CAMPUS BLVD WINCHESTER, VA 22601	PHYSICIAN PRACTICES
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, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc )
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
	Part VI - Additional Information	Valley Health (VH) has affiliated hospitals located in Virginia and West Virginia In the last five years, 2008, 2009, 2010, 2011, and (including this year's filing-2012), VH has voluntarily participated in the statewide Virginia Hospital and Healthcare Association's Annual Community Benefit Survey by providing all relevant community benefit data for its Virginia-affiliated hospitals Although the State of West Virginia does require certain financial data to be submitted annually, there is no known requirement to provide specific community benefit-related data to the State of West Virginia or the West Virginia Hospital Association
	Part V - Explanation of Number of Facility Type	Six Hospital Foundations

Identifier	ReturnReference	Explanation
	Part VI - States Where Community Benefit Report Filed	VA WV
	Part VI - Affiliated Health Care System Roles and Promotion	<p>Valley Health (VH) and its affiliated entities contribute significantly to the health of the communities they serve. In the primary market, VH is generally the dominant health provider resource. In the secondary market, where the public typically has a wider range of choice within a similar driving distance, VH still provides a dominant portion of care to the population. The medical staff of our combined entities numbers over 500 and includes independent practitioners and employed physicians. We have a relationship with Virginia Commonwealth University School of Medicine whereby surgical residents serve rotations in Winchester. We also provide hospital settings in Winchester and Front Royal for physicians in the Shenandoah Valley Family Practice Residency Program to refine their clinical skills. We assist in recruiting new physicians to the community to fill gaps in service. VH also trains nurses and allied health professionals through relationships with over 50 colleges and universities. VH's volunteer Board of Trustees provides direction for the organization. Similar groups of trustees are in place at each of our six hospitals and several subsidiaries (Valley Regional Enterprises, Valley Physician Enterprise, Surgi-Center, etc.) VH reviews the facilities needs of system entities on a regular basis and investments are made as appropriate using accumulated surpluses, issuance of bonds and philanthropy.</p> <p>Construction projects underway in 2012 included the opening of the North Tower for Winchester Medical Center, a replacement hospital for Page Memorial Hospital in Luray, VA and the opening of War Memorial Hospital in Berkely Springs, WV. Each hospital in the system offers community education programs and screenings to identify health problems at their earliest and most easily treated phase. Some exciting examples of our community outreach include STAMINA, an exercise and nutrition program offered to fourth grade students in Shenandoah County by Shenandoah Memorial Hospital. The program links diet, exercise and long-term health into a stimulating class activity. We also support Camp Super Kids in Winchester which provides a three-day, physician-supervised camp experience for children with asthma. Project IMPACT is funded by VH for athletes in Winchester and Frederick, Warren, and Clark counties. We screen the athletes' neurological function prior to the start of competition. Should a student incur a head injury and a concussion is suspected, the athlete's neurological functioning is retested and compared to the baseline. Through the Internet we invite the public to take a free on-line Heart Aware survey that identifies their risk for heart disease. Those with troubling results are eligible for a free consultation. We provide substantial direct and in-kind support to Free Clinics in Winchester, Front Royal, Woodstock and Luray, VA and Martinsburg, WV. VH is a six-hospital healthcare delivery system headquartered in Winchester, Virginia. The healthcare delivery system has a service area that encompasses two independent cities in Virginia as well as 18 counties in the northern Shenandoah Valley of Virginia, West Virginia, and Maryland. In addition to VH hospital facilities, the healthcare delivery system also has a freestanding ambulatory surgery center, the Surgi-Center of Winchester (Winchester, Virginia), Valley Physician Enterprise (a subsidiary that manages all employed physician arrangements) and Valley Wellness and Fitness Center. VH's Mission is "To Serve the Regional Community by Improving Health." The organization has embraced well-care as seriously as sick-care. We built the VH Wellness and Fitness Center in Winchester, we operate the Hampshire Wellness and Fitness Center, and we offer fitness programs in Front Royal, Luray and Berkeley Springs. The system is the lead organization in an annual Safety Fair for kids. VH provides numerous healthcare screening programs to detect such diseases as diabetes, hypertension and many forms of cancer. Screenings provide reassurance that individuals are healthy, or enable them to pursue treatment early in a disease process when it is easier to overcome. When acute health issues arise, VH is well positioned with six hospitals to provide the necessary acute care services. At discharge, if post-hospital care is considered necessary, VH offers a wide selection of post-acute and long-term service options.</p>

Identifier	ReturnReference	Explanation
	Part VI - Community Building Activities	Valley Health (VH) engages in a series of "Community Building Activities" every year including coalition building, community health improvement advocacy, community support, economic development, physical improvements and housing and workforce development programs. VH is a very active corporate citizen in its service area. VH's Community Building Activities include but are not limited to the following: Workforce Job Fair, United Way Day of Caring volunteer efforts, regional chambers of commerce board involvement, Rotary Club Family Fun Days, Our Health coalition building, Literacy Council volunteerism, Area Agencies on Aging programs, Community Sharps Programs, Concern Hotline funding, Boys and Girls Club and Big Brothers-Big Sisters funding, Shelter for Abused Women funding, Youth Development Center activities, Parrish Nursing, and Blue Ridge Hospice programs. Although many of its Community Building Activities do not provide any form of direct patient care, VH believes that its community building programs provide significant indirect community benefit. For example, by having numerous volunteers go into the community on the United Way "Day of Caring," system employees are able to work on seniors' and disabled individuals' homes. Through simple household improvements, VH makes home safer and more secure, helping occupants avoid potential injuries. Through Literacy Council volunteerism, VH employees assist individuals learning to read and/or write, opening the door to better paying jobs. By way of a Community Sharps program, VH facilities reduce the risk to patients, and family members. A leftover medicine disposal program helps protect the Shenandoah Valley watershed from environmental pollutants. VH is the largest employer in its service area, with the largest proportion of skilled workers. As a result, it has an extensive economic impact on the communities where its employees live and work. VH is committed to being an engaged and dependable corporate citizen. Sometimes, this means engaging the community in ways other than the direct provision of healthcare services. The Community Building Activities that VH engages in have tangible benefits to the communities served.
	Part VI - Community Information	Valley Health (VH) serves an eighteen (18) county area of Virginia, West Virginia and Maryland and two independent cities in Virginia. The total coverage area is approximately 6,766 square miles. (Square miles are in parentheses.) In the northern Shenandoah Valley of Virginia, VH provides services to patients residing in Frederick (415), Clarke (177), Warren (214), Shenandoah (512), Page (311), Rappahannock (267), Fauquier (650) and Loudoun (520) counties and the independent cities of Winchester (9) and Harrisonburg (18). In the greater eastern panhandle of West Virginia, VH provides services to patients residing in Jefferson (210), Berkeley (321), Morgan (229), Hampshire (642), Hardy (583), Grant (477) and Mineral (328) Counties. In Maryland, VH facilities provide services for those residing in Washington (458) and Allegany (425) Counties. With the exception of several large population centers (Winchester, Harrisonburg and a major segment of Loudoun County, VA and Martinsburg, WV), the majority of the service area population resides in a rural-dominated environment. VH has designated three service areas - a primary, a secondary and a tertiary service area - in which it provides healthcare services, or transportation to services. The primary service area consists of the City of Winchester, Frederick, Clarke, Warren, Shenandoah, Page and Rappahannock Counties of Virginia. The secondary service area consists of Jefferson, Berkeley, Morgan, Hampshire and Hardy Counties of West Virginia. The tertiary service area consists of Loudoun, Fauquier and Rockingham Counties and Harrisonburg City in Virginia, Grant and Mineral Counties of West Virginia and Washington and Allegany Counties of Maryland. The total estimated population of the primary service area in 2012 was 495,381. The total estimated population of the secondary service area in 2012 was 291,342. For the tertiary service area in 2012 the total estimated population was 204,039. The primary service area is projected to grow to 298,776 or 2.6% by 2018. The secondary service area is projected to grow to 210,230 or 3.0% by 2018. The overall catchment area population is approximately 89% white/Caucasian while the remaining 11% falls into other races/ethnic groups including Hispanic or Latino population at 5%. According to population demographic data provided by Claritas, Inc., the number of residents aged 65 and over is expected to increase rapidly, while the 18-44 cohorts will see a decline for the area assessed. At approximately 20 percent, Grant and Morgan Counties have the highest population aged 65 or older. Since VH's service area is predominantly rural, many of the counties are designated as primary care, dental and/or mental health "health professional shortage areas" (HPSAs) and/or Medically Underserved Area/Populations by the federal government. VH provides a wide range of clinical services to the communities it serves through a full network of acute care hospitals (including four critical access hospitals), rural health clinics and other support programs. VH provides patient access to progressive diagnostic and technologically advanced clinical services to the residents of the regions served. For community benefit reporting and not included within this IRS 990 Schedule H return, VH (parent organization) has provided approximately \$2.3 million in total community benefit and other measures (to include Community Building).

Identifier	ReturnReference	Explanation
	Part VI - Patient Education of Eligibility for Assistance	Valley Health (VH) rigorously applies the criteria set forth in Code of Virginia 32 1-137 01 regarding informing and educating patient regarding charity assistance opportunities and eligibility This criteria is applied at all facilities 1 Posting of policies regarding free and discounted care in conspicuous, public areas of our facilities 2 Providing/having a handout of the eligibility criteria and procedures for applying for assistance at the point of service or admission 3 Notifying patients of the availability of assistance through messages on our billing statements 4 Policy and eligibility statements and associated application(s) are available on the VH public web site (www.valleyhealthlink.com) Financial packets are available at the point of admission and through financial counselors located throughout our facilities
	Part VI - Needs Assessment	Assessments were conducted because Valley Health wants to understand community health care needs and to integrate these considerations into strategy and program development Valley Health also is assessing community health care needs to respond to current or emerging regulatory requirements The assessments indicate that health care needs in the region are significant, and that they vary greatly across the geographic areas served by Valley Health This report first analyzes health care needs in the community served by Valley Health in its entirety The first section generally reports results at a county level of detail That section is followed by an assessment of each Valley Health hospital community, with findings reported at both a county and zip-code level of detail The assessment relies both on secondary and primary data Primary data was gathered from external and internal stakeholders via interviews, a web-based survey instrument, and focus groups These stakeholders represent the broad interests of the communities served by Valley Health and include public health officials, other community members, and Valley Health - affiliated executives, clinicians, administrators, and staff Each section of the report concludes with a summary of the principal findings and health care needs in the various communities, taking into account all quantitative and qualitative findings Health care needs assessments seek to identify the most significant health care needs for particular geographic areas or populations Accordingly, the following topics and data frequently are assessed 1 Demographics (trends, comparisons, pockets of vulnerable people), 2 Economic issues (unique characteristics, strengths and weaknesses, impacts of state budget cuts), 3 Education issues, 4 Family issues (child care, family violence), 5 Community issues (homelessness, housing, environmental concerns, transportation and traffic, crime, availability of social services), 6 Health status indicators such as 7 Morbidity rates for various diseases and conditions, and 8 Mortality rates (leading causes of death), 9 Health access indicators (e g , uninsurance rates, ambulatory care sensitive discharges,use of emergency rooms for non-emergent care) 10 Health disparities indicators, as available, and 11 Delivery system capacity and characteristics Valley Health defined the geographic areas (communities) to be assessed The assessments focused on zip codes in each hospital's service area that fall within the 14-county region identified as Valley Health's core service area In the report, counties and zip codes generally are presented in alphabetical or numerical order However, these areas may be arranged differently to facilitate drawing conclusions from the data presented Principal data sets for the quantitative analyses include 1 Demographic data provided by Valley Health (from Claritas, Inc ) and from the US Census Bureau, 2 Discharge data for Virginia and West Virginia provided by Valley Health, 3 Health status and access indicators available from the Community Health Status Indicators Project, County Health Rankings, and several other sources, 4 Additional internal data from Valley Health Identifying the most significant health care needs involves benchmarking and trend analysis Accordingly, statistics for several health status and health access indicators were analyzed and compared to state-wide and national benchmarks or goals The assessment considers multiple data sources, including indicators from state and federal agencies Multiple data sources and stakeholder views are important to assessing the level of consensus that exists regarding community health care needs that represent potential priorities for programmatic response The assessment also quantified and analyzed ambulatory care sensitive (ACS) discharges The ACS discharges methodology quantifies inpatient admissions for diabetes, perforated appendixes, chronic obstructive pulmonary disease, hypertension, congestive heart failure, dehydration, bacterial pneumonia, urinary tract infection, asthma, and other conditions that, in theory, could have been prevented if adequate ambulatory care resources were available and accessed by consumers Findings from the ACS analysis are presented at the county, zip code, and Valley Health hospital-level of detail The methodologies for quantifying ACS discharges have been well-tested for more than a decade Disproportionately large numbers of ACS discharges indicate potential problems with the availability or accessibility of ambulatory (primary) care services The Agency for Healthcare Research and Quality, part of the US Department of Health and Human Services, publishes software and methodologies for assessing ACS discharges The AHRQ software was applied to analyze the prevalence of ACS discharges in geographic areas served by Valley Health and in each of the hospitals The ACS analysis provides a single indicator of potential health status, access, and other problems - allowing comparisons to be made reliably across geographic areas and hospitals This analysis also allows demonstrating a possible "return on investment" from interventions that reduce admissions (for example, for uninsured or Medicaid patients) that could have been prevented through better access to ambulatory care resources

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 6	Part V, Line 18e - Other Actions Took Before Any Collection Actions	At least three, and usually more, routine (monthly) billing statements are mailed At least one telephone contact attempt is made, usually multiple attempts Contract with third party to contact/assist with eligibility for state and federal assistance programs
Number of Hospital Faciltiy - 5	Part V, Line 18e - Other Actions Took Before Any Collection Actions	At least three, and usually more, routine (monthly) billing statements are mailed At least one telephone contact attempt is made, usually multiple attempts Contract with third party to contact/assist with eligibility for state and federal assistance programs



Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 4	Part V, Line 18e - Other Actions Took Before Any Collection Actions	At least three, and usually more, routine (monthly) billing statements are mailed At least one telephone contact attempt is made, usually multiple attempts Contract with third party to contact/assist with eligibility for state and federal assitance programs
Number of Hospital Faciltiy - 3	Part V, Line 18e - Other Actions Took Before Any Collection Actions	At least three, and usually more, routine (monthly) billing statements are mailed At least one telephone contact attempt is made, usually multiple attempts Contract with third party to contact/assist with eligibility for state and federal assitance programs

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 2	Part V, Line 18e - Other Actions Took Before Any Collection Actions	At least three, and usually more, routine (monthly) billing statements are mailed At least one telephone contact attempt is made, usually multiple attempts Contract with third party to contact/assist with eligibility for state and federal assistance programs
Number of Hospital Faciltiy - 1	Part V, Line 18e - Other Actions Took Before Any Collection Actions	At least three, and usually more, routine (monthly) billing statements are mailed At least one telephone contact attempt is made, usually multiple attempts Contract with third party to contact/assist with eligibility for state and federal assistance programs

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 6	Part V, Line 17e - Other Collection Actions by Facility or Third Party Engaged	Garnishment
Number of Hospital Facility - 5	Part V, Line 17e - Other Collection Actions by Facility or Third Party Engaged	Garnishment

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 4	Part V, Line 17e - Other Collection Actions by Facility or Third Party Engaged	Garnishment
Number of Hospital Faciltiy - 3	Part V, Line 17e - Other Collection Actions by Facility or Third Party Engaged	Garnishment

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 2	Part V, Line 17e - Other Collection Actions by Facility or Third Party Engaged	Garnishment
Number of Hospital Facility - 1	Part V, Line 17e - Other Collection Actions by Facility or Third Party Engaged	Garnishment

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 6	Part V, Line 16e - Other Collection Actions Against a Patient	Garnishment
Number of Hospital Faciltiy - 5	Part V, Line 16e - Other Collection Actions Against a Patient	Garnishment

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 4	Part V, Line 16e - Other Collection Actions Against a Patient	Garnishment
Number of Hospital Faciltiy - 3	Part V, Line 16e - Other Collection Actions Against a Patient	Garnishment

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 2	Part V, Line 16e - Other Collection Actions Against a Patient	Garnishment
Number of Hospital Facility - 1	Part V, Line 16e - Other Collection Actions Against a Patient	Garnishment



Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 6	Part V, Line 14g - Other Means Hospital Facility Publicized the Policy	Billing statements notified patients of financial assistance availability and directed them to website and telephone number Also each uninsured admission is visited in room and provided financial assistance interview, written explanation, and financial assistance application
Number of Hospital Faciltiy - 5	Part V, Line 14g - Other Means Hospital Facility Publicized the Policy	Billing statements notified patients of financial assistance availability and directed them to website and telephone number Also each uninsured admission is visited in room and provided financial assistance interview, written explanation, and financial assistance application

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 4	Part V, Line 14g - Other Means Hospital Facility Publicized the Policy	Billing statements notified patients of financial assistance availability and directed them to website and telephone number Also each uninsured admission is visited in room and provided financial assistance interview, written explanation, and financial assistance application
Number of Hospital Faciltiy - 3	Part V, Line 14g - Other Means Hospital Facility Publicized the Policy	Billing statements notified patients of financial assistance availability and directed them to website and telephone number Also each uninsured admission is visited in room and provided financial assistance interview, written explanation, and financial assistance application

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 2	Part V, Line 14g - Other Means Hospital Facility Publicized the Policy	Billing statements notified patients of financial assistance availability and directed them to website and telephone number Also each uninsured admission is visited in room and provided financial assistance interview, written explanation, and financial assistance application
Number of Hospital Faciltiy - 1	Part V, Line 14g - Other Means Hospital Facility Publicized the Policy	Billing statements notified patients of financial assistance availability and directed them to website and telephone number Also each uninsured admission is visited in room and provided financial assistance interview, written explanation, and financial assistance application

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 6	Part V, Line 12h - Other Factors Used in Determining Amounts Charged Patients	Family / Residence Size
Number of Hospital Facility - 5	Part V, Line 12h - Other Factors Used in Determining Amounts Charged Patients	Family / Residence Size

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 4	Part V, Line 12h - Other Factors Used in Determing Amounts Charged Patients	Family / Residence Size
Number of Hospital Faciltiy - 3	Part V, Line 12h - Other Factors Used in Determing Amounts Charged Patients	Family / Residence Size

Identifier	ReturnReference	Explanation
Number of Hospital Facility - 2	Part V, Line 12h - Other Factors Used in Determining Amounts Charged Patients	Family / Residence Size
Number of Hospital Facility - 1	Part V, Line 12h - Other Factors Used in Determining Amounts Charged Patients	Family / Residence Size

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 6	Part V, Line 5c - Description of Making Needs Assessment Widely Available	Community presentations were given in each of the counties served to include the following Winchester City, Clarke, Frederick, Warren, Shenanodah, Page, Rappahannock, Berkeley, Jefferson, Hampshire, Hardy, Morgan, Mineral, and Grant Counties
Number of Hospital Faciltiy - 5	Part V, Line 5c - Description of Making Needs Assessment Widely Available	Community presentations were given in each of the counties served to include the following Winchester City, Clarke, Frederick, Warren, Shenanodah, Page, Rappahannock, Berkeley, Jefferson, Hampshire, Hardy, Morgan, Mineral, and Grant Counties

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 4	Part V, Line 5c - Description of Making Needs Assessment Widely Available	Community presentations were given in each of the counties served to include the following Winchester City, Clarke, Frederick, Warren, Shenanodah, Page, Rappahannock, Berkeley, Jefferson, Hampshire, Hardy, Morgan, Mineral, and Grant Counties
Number of Hospital Faciltiy - 3	Part V, Line 5c - Description of Making Needs Assessment Widely Available	Community presentations were given in each of the counties served to include the following Winchester City, Clarke, Frederick, Warren, Shenanodah, Page, Rappahannock, Berkeley, Jefferson, Hampshire, Hardy, Morgan, Mineral, and Grant Counties



Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 2	Part V, Line 5c - Description of Making Needs Assessment Widely Available	Community presentations were given in each of the counties served to include the following Winchester City, Clarke, Frederick, Warren, Shenanodah, Page, Rappahannock, Berkeley, Jefferson, Hampshire, Hardy, Morgan, Mineral, and Grant Counties
Number of Hospital Faciltiy - 1	Part V, Line 5c - Description of Making Needs Assessment Widely Available	Community presentations were given in each of the counties served to include the following Winchester City, Clarke, Frederick, Warren, Shenanodah, Page, Rappahannock, Berkeley, Jefferson, Hampshire, Hardy, Morgan, Mineral, and Grant Counties

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 6	Part V, Line 4 - List Other Hospital Facilities that Jointly Conducted Needs Assessment	Valley Health is comprised of six hospitals, War Memorial Hospital is one of those hospitals Each hospital has its own assessment and then an overall assessment for Valley Health was produced
Number of Hospital Faciltiy - 5	Part V, Line 4 - List Other Hospital Facilities that Jointly Conducted Needs Assessment	Valley Health is comprised of six hospitals, Hampshire Memorial Hospital is one of those hospitals Each hospital has its own assessment and then an overall assessment for Valley Health was produced

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 4	Part V, Line 4 - List Other Hospital Facilities that Jointly Conducted Needs Assessment	Valley Health is comprised of six hospitals, Page Memorial Hospital is one of those hospitals Each hospital has its own assessment and then an overall assessment for Valley Health was produced
Number of Hospital Faciltiy - 3	Part V, Line 4 - List Other Hospital Facilities that Jointly Conducted Needs Assessment	Valley Health is comprised of six hospitals, Shenandoah Memorial Hospital is one of those hospitals Each hospital has its own assessment and then an overall assessment for Valley Health was produced

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 2	Part V, Line 4 - List Other Hospital Facilities that Jointly Conducted Needs Assessment	Valley Health is comprised of six hospitals, Warren Memorial Hospital is one of those hospitals Each hospital has its own assessment and then an overall assessment for Valley Health was produced
Number of Hospital Faciltiy - 1	Part V, Line 4 - List Other Hospital Facilities that Jointly Conducted Needs Assessment	Valley Health is comprised of six hospitals, Winchester Medical Center is one of those hospitals Each hospital has its own assessment and then an overall assessment for Valley Health was produced

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 6	Part V, Line 3 - Account Input from Person Who Represent the Community	Community organizations, local businesses, and civic groups as well as people from the community attended one of the following focus groups, interviews, or an online survey
Number of Hospital Faciltiy - 5	Part V, Line 3 - Account Input from Person Who Represent the Community	Community organizations, local businesses, and civic groups as well as people from the community attended one of the following focus groups, interviews, or an online survey

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 4	Part V, Line 3 - Account Input from Person Who Represent the Community	Community organizations, local businesses, and civic groups as well as people from the community attended one of the following focus groups, interviews, or an online survey
Number of Hospital Faciltiy - 3	Part V, Line 3 - Account Input from Person Who Represent the Community	Community organizations, local businesses, and civic groups as well as people from the community attended one of the following focus groups, interviews, or an online survey

Identifier	ReturnReference	Explanation
Number of Hospital Faciltiy - 2	Part V, Line 3 - Account Input from Person Who Represent the Community	Community organizations, local businesses, and civic groups as well as people from the community attended one of the following focus groups, interviews, or an online survey
Number of Hospital Faciltiy - 1	Part V, Line 3 - Account Input from Person Who Represent the Community	Community organizations, local businesses, and civic groups as well as people from the community attended one of the following focus groups, interviews, or an online survey

Identifier	ReturnReference	Explanation
	Part III, Line 9b - Provisions On Collection Practices For Qualified Patients	Throughout the collection process, Valley Health (VH) solicits information to determine if patients may qualify for charity or discounted assistance. Special attention is paid to patients who have qualified for charity assistance in the past six (6) months and/or have qualified at another facility within VH. For example, a patient who qualified within six months would not be required to submit an application or documentation to support assistance for the latest episode of care. Another example is a current patient would not be required to submit an application or documentation to support assistance if that documentation was on file from another VH hospital.
	Part III, Line 2 - Methodology Used To Estimate Bad Debt Expense	MANAGEMENT USES COLLECTION PERCENTAGES BASED UPON HISTORICAL COLLECTION EXPERIENCE TO DETERMINE ITS ALLOWANCES FOR BAD DEBT. MANAGEMENT REVIEWS TROUBLE, AGED ACCOUNTS TO DETERMINE COLLECTION POTENTIAL. PATIENT ACCOUNTS RECEIVABLES ARE WRITTEN OFF WHEN DEEMED UNCOLLECTIBLE. RECOVERIES OF ACCOUNTS PREVIOUSLY WRITTEN OFF ARE RECORDED AS A REDUCTION TO BAD DEBT EXPENSE WHEN RECEIVED. A COST TO CHARGE RATIO IS USED TO DETERMINE THE ORGANIZATION'S AT COST, BAD DEBT EXPENSE.



Identifier	ReturnReference	Explanation
	Part I, Line 6a - Related Organization Community Benefit Report	<p>Historically, Valley Health (VH) has used a number of methods to collect relevant data/information on the health needs of the communities it serves. In developing the system report, VH surveys patients, holds focus groups, explores state and federal health outcomes databases, and reviews internally-generated patient record and billing data. These initiatives have helped to identify pressing geographic and demographic health needs. In the autumn of 2009, formal planning began, and in June 2010 the community health needs assessment was completed. During the second half of the year VH tabulated and reviewed the health and other needs identified through the research. These needs were prioritized by region and then the health system determined which needs it would take the lead in tackling and which to address through community partnerships/collaboration. The scope of need is such that VH recognizes it lacks the resources and expertise to undertake all of the issues that the research uncovered. VH incorporated a needs assessment that United Way of the Northern Shenandoah Valley was planning, VH provides financial &amp; staff support, underwriting research expenses that would have fallen to the not-for-profit organization otherwise. VH shared all the research data widely to help local service providers (education, mental health, food aid, etc ), to obtain an overall depiction of the dominant issues. VH is aware of the new requirement to perform a community health needs assessment every three years. The recently completed needs assessment provides a baseline to measure against in 2013.</p>



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Schedule I  
(Form 990)

Department of the Treasury  
Internal Revenue Service

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

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

DLN: 93493324003143

OMB No 1545-0047

2012

Open to Public  
Inspection

Name of the organization  
VALLEY HEALTH SYSTEM GROUP RETURN

Employer identification number  
80-0584319

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. Part II can be duplicated 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) WINCHESTER MEDICAL CENTER 1840 AMHERST STREET WINCHESTER,VA 22601	54-0505979		367,389	0			CAPITAL EQUIP AND PROJECTS
(2) WINCHESTER CITY PUBLIC SCHOOL 12 N WASHINGTON STREET WINCHESTER,VA 22601	54-6001655		12,196	0			AED GRANT
(3) WARREN MEMORIAL HOSPITAL 1000 SHENANDOAH DRIVE FRONT ROYAL,VA 22630	54-0488103		22,899	0			CAPITAL EQUIP AND PROJECTS
(4) VIRGINIA CANCER SPECIALISTS 1870 AMHERST ST SUITE F WINCHESTER,VA 22601	54-1795091		163,282	0			INDIGENT CARE
(5) SHEN VALLEY COMP PHARM 1460 UNIVERSITY DRIVE WINCHESTER,VA 22601	04-3724034		61,802	0			CHARITY CARE
(6) FREE MEDICAL CLINIC CAMERON STREET WINCHESTER,VA 22601	54-1373296		314,324	0			CHARITY CARE
(7) FREDERICK CTY PUBLIC SCHOOLS PO BOX 3508 WINCHESTER,VA 22604	54-6001292		12,196	0			AED GRANT
(8) CLARKE COUNTY EDUCATIONAL FDN PO BOX 1252 BERRYVILLE,VA 22611	54-1606545		12,196	0			AED GRANT
(9) BLUE RIDGE TECHNICAL CENTER 280 LURAY AVENUE FRONT ROYAL,VA 22630	54-6001663		15,000	0			BIOMEDICAL SERVICES PROGRAM

2

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

8

3

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

1

**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.  
Part III can be duplicated if additional space is needed.

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance
(1) SCHOLARSHIPS	29	125,750		COST	
(2) EMPLOYEE ASSITANCE FUND	9	10,129		COST	

**Part IV**

**Supplemental Information.**

Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information

Identifier	Return Reference	Explanation
Grantmaker's Description of How Grants are Used		VIRTUALLY ALL OF THE ORGANIZATIONS PROVIDED WITH GRANT FUNDS ARE LOCAL, AND CLOSELY MONITORED BY VALLEY HEALTH'S MANAGEMENT AND BOARD PERIODIC REPORTS ARE OBTAINED AS WELL FROM THESE GRANTEES WHICH DISCUSS OPERATIONS AND BENEFITS RENDERED TO THE COMMUNITIES SERVED BEFORE FUNDING IS GRANTED, CONSISTENCY OF MISSION IS EVALUATED IN ORDER TO ASSURE LIKE DIRECTION WITH VALLEY HEALTH INITIATIVES

Software ID: 12000229

Software Version: 2012v2.0

EIN: 80-0584319

Name: VALLEY HEALTH SYSTEM GROUP RETURN

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
WINCHESTER MEDICAL CENTER1840 AMHERST STREET WINCHESTER,VA 22601	54-0505979		367,389	0			CAPITAL EQUIP AND PROJECTS
WINCHESTER CITY PUBLIC SCHOOL12 N WASHINGTON STREET WINCHESTER,VA 22601	54-6001655		12,196	0			AED GRANT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
WARREN MEMORIAL HOSPITAL1000 SHENANDOAH DRIVE FRONT ROYAL,VA 22630	54-0488103		22,899	0			CAPITAL EQUIP AND PROJECTS
VIRGINIA CANCER SPECIALISTS1870 AMHERST ST SUITE F WINCHESTER,VA 22601	54-1795091		163,282	0			INDIGENT CARE

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
SHEN VALLEY COMP PHARM1460 UNIVERSITY DRIVE WINCHESTER, VA 22601	04-3724034		61,802	0			CHARITY CARE
FREE MEDICAL CLINIC CAMERON STREET WINCHESTER, VA 22601	54-1373296		314,324	0			CHARITY CARE

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
FREDERICK CTY PUBLIC SCHOOLSPO BOX 3508 WINCHESTER,VA 22604	54-6001292		12,196	0			AED GRANT
CLARKE COUNTY EDUCATIONAL FDNPO BOX 1252 BERRYVILLE,VA 22611	54-1606545		12,196	0			AED GRANT



Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
BLUE RIDGE TECHNICAL CENTER280 LURAY AVENUE FRONT ROYAL,VA 22630	54-6001663		15,000	0			BIOMEDICAL SERVICES PROGRAM

Schedule J  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
VALLEY HEALTH SYSTEM GROUP RETURN

Employer identification number  
80-0584319

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			
	<input type="checkbox"/> First-class or charter travel	<input checked="" type="checkbox"/> Housing allowance or residence for personal use		
	<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence		
	<input checked="" type="checkbox"/> Tax idemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees		
	<input checked="" type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	Yes	
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III			
	<input checked="" type="checkbox"/> Compensation committee	<input checked="" type="checkbox"/> Written employment contract		
	<input checked="" type="checkbox"/> Independent compensation consultant	<input checked="" type="checkbox"/> Compensation survey or study		
	<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	4a	Yes	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	5a	Yes	
b	Any related organization?	5b	Yes	
	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	Yes	
b	Any related organization?	6b	Yes	
	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 Regulations 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		No

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

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii) Do not list any individuals that are not listed on Form 990, Part VII  
**Note.** The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual

(A) Name and Title		(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 as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								

**Part III** Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
Sch J, Part I, Line 6b	Part I, Line 6b Explanation of organization compensation contingent on net earnings from related or	A portion of senior management bonuses are based on the financial results of any given year with a residual on quality, patient safety, patient satisfaction, and project completion
Sch J, Part I, Line 5b	Part I, Line 5b Explanation of organization compensation based on revenues of related organization	A portion of senior management bonuses are based on the financial results of any given year with a residual on quality, patient safety, patient satisfaction, and project completion
Sch J, Part I, Line 1a	Part I, Line 1a Relevant information in regards to selections on 1a	

Software ID: 12000229  
Software Version: 2012v2.0  
EIN: 80-0584319  
Name: VALLEY HEALTH SYSTEM GROUP RETURN

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
VIRGINIA KILMER	(i) (ii)	131,074	15,620	417		13,741	160,852	
TROY GLEMBOT MD	(i) (ii)	331,229	32,735	71,495		32,925	468,384	
TONYA SMITH	(i) (ii)	199,273	27,782	262	19,496	30,560	277,373	
TIMOTHY W WILLOX MD	(i) (ii)			91,072			91,072	
SUZANNE STEVENS MD	(i) (ii)	400,005	78,490	1,806		32,657	512,958	
SUANNE THURMAN-GERSDORF	(i) (ii)	184,214		688	4,958	24,009	213,869	
Robert Meltvedt MD	(i) (ii)	359,049		1,901		32,436	393,386	
PHILLIP E GRAYBEAL II	(i) (ii)	142,268	18,172	10,984		27,130	198,554	
PATRICK NOLAN	(i) (ii)	204,912	30,184	518	19,927	30,853	286,394	
PATRICIA A DALY MD	(i) (ii)	147,827	21,887	58,617		25,711	254,042	
NICOLAS C RESTREPO MD	(i) (ii)	274,685	35,776	63,747	29,990	35,376	439,574	
NELSON T CLARK	(i) (ii)	166,009	20,928	121	15,502	16,362	218,922	
NEIL MCLAUGHLIN	(i) (ii)	157,857	18,376	979	13,985	28,080	219,277	
MATTHEW A POLK	(i) (ii)	160,077	64,804	119		24,505	249,505	
MARVIN T WAY	(i) (ii)	332,268	56,671	1,339	48,575	43,790	482,643	
MARK H MERRILL	(i) (ii)	628,776	111,000	17,949	130,441	46,757	934,923	
Margaret Loewith MD	(i) (ii)	21,563					21,563	
KATHRYN TAGNESI	(i) (ii)	222,770	29,114	1,667		28,439	281,990	
JOSEPH F HASHEM	(i) (ii)	224,994	217,392	483		27,590	470,459	
JORGE L POSADAS	(i) (ii)	256,913	34,982	134,753		28,812	455,460	

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
JOHN HOFFMAN MD	(i) (ii)	136,019	32,833	439		21,649	190,940	
JEFFREY FEIT	(i) (ii)	245,568	14,602	224		33,259	293,653	
James Wiedower MD	(i) (ii)	418,468	8,242	2,677		35,034	464,421	
James Boudier MD	(i) (ii)	471,417		1,152		37,292	509,861	
J CRAIG LEWIS	(i) (ii)	360,477	59,903	3,483	52,767	38,610	515,240	
GERALD BECHAMPS	(i) (ii)	194,282		1,106		17,376	212,764	
FLOYD HEATER	(i) (ii)	218,682	26,320	455	21,056	30,603	297,116	
ERICH BRUHN MD	(i) (ii)	257,658	10,174	47,244		28,837	343,913	
EDWARD R KOFSKY MD	(i) (ii)	600,018	20,661	201,147		39,950	861,776	
DAVID S SWITZER MD	(i) (ii)	170,019		144		25,398	195,561	
DAVID EPSTEIN MD	(i) (ii)	450,008	58,121	36,338		34,632	579,099	
CHRISTOPHER B RUMPF	(i) (ii)	106,346	56,560	457	24,201	7,743	195,307	
CHRISTINE LOWMAN	(i) (ii)	133,914	16,066	85		14,145	164,210	
CHARLES ROBERTS MD	(i) (ii)	321,224	194,158	14,836		24,792	555,010	
CARL S NAPPS	(i) (ii)			24,974			24,974	
BARBARA WALTER MD	(i) (ii)	209,394		821		14,781	224,996	
AUDREA H WYNN	(i) (ii)	401,543	172,995	966		29,108	604,612	
Anthony Neri MD	(i) (ii)	171,995	57,042	220		25,497	254,754	
ANDREW COHEN	(i) (ii)	130,050	30,296	512	-30,664	21,970	152,164	
ALFRED E PILONG	(i) (ii)	354,253	60,797	53,372	57,948	11,690	538,060	251,331

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
ABDUR CHOWDHURY	(i) (ii)	160,014		568		28,207	188,789	

Schedule K (Form 990)	<div>Supplemental Information on Tax Exempt Bonds</div> <div>▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.</div> <div>▶ Attach to Form 990. ▶ See separate instructions.</div>	OMB No 1545-0047
		2012
		Open to Public Inspection

Department of the Treasury Internal Revenue Service	Name of the organization VALLEY HEALTH SYSTEM GROUP RETURN	Employer identification number 80-0584319
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Part I

Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A WEST VIRGINIA HOSPITAL FINANCE AUTHORITY		956622c28	12-17-2009	24,811,955	SEE STATEMENT		X		X		
B IDA OF CITY OF WINCHESTER	52-1232253	973129EQ8	12-17-2009	74,256,930	SEE STATEMENT		X		X		
C IDA OF CITY OF WINCHESTER	52-1232253	973129DW6	01-31-2007	91,415,663	SEE STATEMENT		X		X		

Part II

Proceeds

				A	B	C	D
1	Amount of bonds retired						
2	Amount of bonds legally defeased						
3	Total proceeds of issue			24,811,955	74,256,930	91,415,663	
4	Gross proceeds in reserve funds						
5	Capitalized interest from proceeds						
6	Proceeds in refunding escrows			14,508,990		14,508,990	
7	Issuance costs from proceeds			469,612	1,301,587	3,128,218	
8	Credit enhancement from proceeds						
9	Working capital expenditures from proceeds						
10	Capital expenditures from proceeds			24,342,343	66,536,885	73,778,455	
11	Other spent proceeds						
12	Other unspent proceeds			6,418,459	6,418,459		
13	Year of substantial completion			2011	2012	2008	YesNo
				YesNo	YesNo	YesNo	
14	Were the bonds issued as part of a current refunding issue?				X	X	
15	Were the bonds issued as part of an advance refunding issue?				X	X	
16	Has the final allocation of proceeds been made?				X	X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?			X	X	X	

Part III

Private Business Use

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



Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X		X		X		
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?	X		X		X			
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								
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								
6	Total of lines 4 and 5								
7	Does the bond issue meet the private security or payment test?								
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?								
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X		X		X			

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?	X		X		X			
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?								
b	Exception to rebate?								
c	No rebate due?								
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?								
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?	X		X		X			
b	Name of provider	WELLS FARGO		WELLS FARGO		MERRILL LYNCH			
c	Term of hedge	33 0000		33 0000		33 0000			
d	Was the hedge superintegrated?		X		X		X		
e	Was a hedge terminated?		X		X		X		

Part IV Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X		X		
b	Name of provider	NA		NA		NA			
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X		X		X			
6	Were any gross proceeds invested beyond an available temporary period?		X		X		X		
7	Has the organization established written procedures to monitor the requirements of section 148?		X		X		X		

Part V Procedures To Undertake Corrective Action

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has 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?		X		X		X		

Part VI Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).

Identifier	Return Reference	Explanation
Supplemental Information	Part VI	PART I LINE A Funds used to refinance 2003 of Warren Memorial Hospital and Shenandoah Memorial Hospital, purchase of equipment,construction of ambulatory care center at Warren,renovations and upgrades at Warren, Shenandoah, and Winchester Medical Center PART I LINE B Funds used for WMC Campus expansion, East Parking Garage and reimbursement for Diagnostic Center and campus expansion infrastructure PART I LINE C Funds used to build new Hampshire Memorial Hospital

Schedule L  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization VALLEY HEALTH SYSTEM GROUP RETURN	Employer identification number  80-0584319
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Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).

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

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No

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

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

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

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

Part III Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IV

Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
See Additional Data Table					

Part V

Supplemental Information

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

Identifier	Return Reference	Explanation
		1 Advanced Pain Relief Centers, Inc - Professional corporation with more than 5% owned by George Van Osten, MD, a current Trustee \$224,280 Professional services agreement2 Bedford Leasing LLC - Limited liability company with more than 5% ownership interests held by Thomas Oliver, MD, a current Trustee, and Mark E Levinson, MD a former Trustee \$400,400 Services Agreement3 Clinical Properties, LLC - Limited liability company with more than 5% ownership interest held by Gerald Bechamps, MD, a current Trustee \$206,296 Medical Office Lease4 CSA Med, P C - Professional corporation with more than 5% ownership interest held by Jonathan O'Neal, MD, a current Trustee \$403,333 Professional services agreement5 Front Royal Emergency Physicians, P C - Professional corporation with more than 5% ownership interest held by Mark R Pierce, MD, a current Trustee \$2,904,072 Professional services agreement6 Front Royal Family Practice, P C - Professional corporation with more than 5% ownership interests held by Thomas Ball, MD, a current Trustee, and Jennifer Barron, MD, a current Trustee \$161,839 Medical Office Lease \$484,884 Academic affiliation Agreement7 Urology Clinic of Winchester, PC - Limited liability company with more than 5% ownership interests held by Thomas Oliver, MD, a current Trustee, and Mark E Levinson, MD, a former Trustee \$143,991 Professional service agreement, employee lease8 Virginia Cancer Specialists, PC - Professional corporation with more than 5% ownership interests held by William Major, MD, a current Trustee \$291,542 Medical Office Lease10 Woodstock Internal Medicine Specialists, PC - Professional corporation with more than 5% ownership interests held by Jerry Germoth, a current Trustee and Vice Chair for SMH, and Gregory S Byrd, MD, a current Trustee \$120,132 Medical Office Lease \$177,184 Professional services agreements 11 Jennifer L Stanford- Current employee and family member of Dr Gregory Stanford, a former trustee12 Winchester Women's Specialists, PC - Professional corporation with more than 5% ownership interest held by James K Nashed, MD, a former trustee \$181,526 Medical Office Lease13 Susan Lessar- Current employee and family member of Dr Jeffrey Lessar, a current trustee 14 Adriana Posadas- Current employee and family member of Dr Jorge Posadas, a current trustee 15 Carolyn Neri- Independent Contractor arrangement and family member of Dr Anthony Neri, a former trustee 16 Shenandoah Oncology, PC - Professional corporation with more than 5% ownership interests held by William Major, MD, a current Trustee, and Nicholas Gemma, MD, a current trustee\$291,542 Medical Office Lease

Additional Data

Software ID: 12000229  
Software Version: 2012v2.0  
EIN: 80-0584319  
Name: VALLEY HEALTH SYSTEM GROUP RETURN

Form 990, Schedule L, Part IV - Business Transactions Involving Interested Persons

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Shenandoah Oncology PC	See Below	291,542	Medical Office Lease		No
(2) Carolyn Neri	See Below	12,490	Independent Contract		No
(3) Adriana Posadas	See Below	26,213	Employment Arrange		No
(4) Susan Lessar	See Below	69,346	Employment Arrange		No
(5) Winchester Womens Spec	See Below	181,526	Medical Office Lease		No
(6) Jennifer L Stanford	See Below	165,211	Employment Arrange		No
(7) Woodstock Int Med Spec P	See Below	297,316	Med Off Lease, Prof		No
(8) Virginia Cancer Spec	See Below	291,542	Medical Office Lease		No
(9) Urology Clinic of Winch	See Below	143,991	Prof Serv, Employ L		No
(10) Front Royal Family Pract	See Below	646,723	Med Office Lease, Ac		No
(11) Front Royal Emergency Phy	See Below	2,904,072	Prof Serv Agree		No
(12) CSA Med PC	See Below	403,333	Prof Serv Agree		No
(13) Clinical Properties LLC	See Below	206,296	Medical Office Lease		No
(14) Bedford Leasing LLC	See Below	400,400	Services Agree		No
(15) Advanced Pain Relief Cent	See Below	224,280	Professional Service		No

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

2012

Open to Public Inspection

Name of the organization VALLEY HEALTH SYSTEM GROUP RETURN	Employer identification number 80-0584319
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Identifier	Return Reference	Explanation
Form 990, Part XI, Line 9	Other Changes In Net Assets Or Fund Balances - Other Decreases	TRANSFERS TO AFFILIATES = -\$5444149
Form 990, Part XI, Line 9	Other Changes In Net Assets Or Fund Balances - Other Decreases	PENSION LIABILITY ADJUSTMENT = -\$24497386
Form 990, Part XI, Line 9	Other Changes In Net Assets Or Fund Balances - Other Increases	GAIN/LOSS ON INT RATE SWAP = \$3327645
Form 990, Part VI, Line 19	Form 990, Part VI, Line 19 Other Organization Documents Publicly Available	The organization makes all records available as required by law
Form 990, Part VI, Line 15a	Form 990, Part VI, Line 15a Compensation Review & Approval Process - CEO, Top Management	The Board of Trustees is responsible for the compensation review They use compensation literature and outside consultants to determine the appropriate compensation for the CEO, Officers, and Senior Management As new individuals are hired into management positions, recruiting firms use FMV information to establish salary and general compensation levels
Form 990, Part VI, Line 12c	Form 990, Part VI, Line 12c Explanation of Monitoring and Enforcement of Conflicts	All employees that are managers, have purchasing rights with defined limits, or may enter into a contract on behalf of the organization are required to sign a conflict of interest attestation upon employment and annually All employees can report breaches in VH policy VH has an employee integrity hotline and a compliance officer The audit committee is advised of compliance activity on a quarterly basis in addition to monthly follow up by the CEO on any immediate issues Any infractions can result in disciplinary action or dismissal
Form 990, Part VI, Line 11b	Form 990, Part VI, Line 11b Form 990 Review Process	The 990 is prepared by internal staff and undergoes several levels of review including the CFO and CEO Further, the board reviews the 990 during one of its recurring monthly meetings where any issues of concern or question are addressed by Senior Management
Form 990, Part VI, Line 6	Form 990, Part VI, Line 6 Explanation of Classes of Members or Shareholder	The corporation shall have two classes of members regular and honorary The number of regular members shall not exceed 100 In addition, there may be an unlimited number of honorary members Qualifications for both classes of membership shall be established in the Bylaws of the Corporation Honorary members have no voting or any other rights whatsoever Regular members shall have voting rights solely with respect to the election of regular members, honorary members and trustees, as established in the Bylaws of the Corporation
Form 990, Part III, Line 4d	Form 990, Part III, Line 4d Other Program Services Description	OTHER PROGRAM SERVICES 4 REHABILITATION SERVICES - 6,960 REHABILITATION INPATIENT DAYS OTHER PROGRAM SERVICES 5 LONG TERM CARE SERVICES - 59,907 INPATIENT LONG TERM CARE DAYS OTHER PROGRAM SERVICES 6 AMBULATORY SURGICAL SERVICES - 7,748 SURGICAL PROCEDURES OTHER PROGRAM SERVICES 7 PHYSICIAN PRACTICE SERVICES - 153,266 OUTPATIENT REGISTRATIONS
		Client Note 1 - Valley Health did not complete Schedule H, Part V, Section B questions, since the information was optional for the 2010 return

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

2012

Open to Public Inspection

Name of the organization  
VALLEY HEALTH SYSTEM GROUP RETURN

Employer identification number  
80-0584319

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

(a) Name, address, and EIN (if applicable) 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" to 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 entity?	
						Yes	No
(1) VALLEY HEALTH SYSTEM  220 CAMPUS BLVD  WINCHESTER, VA 22601 52-1357729	HEALTHCARE MGMT SERVICES	VA	501(C)(3)	11a	NA		No

Part III

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

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

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" to 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	(i) Section 512 (b)(13) controlled entity?	
								Yes	No



Part V

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

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

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 or (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

Dividends from related organization(s)

g

Sale of assets to related organization(s)

h

Purchase of assets from related organization(s)

i

Exchange of assets with related organization(s)

j

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

k

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

l

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

m

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

n

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

o

Sharing of paid employees with related organization(s)

p

Reimbursement paid to related organization(s) for expenses

q

Reimbursement paid by related organization(s) for expenses

r

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

s

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

1s

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

Yes

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-s)	(c) Amount involved	(d) Method of determining amount involved
(1) VALLEY HEALTH SYSTEM	q	5,914,534	

Schedule R (Form 990) 2012

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]

**Software ID:** 12000229  
**Software Version:** 2012v2.0  
**EIN:** 80-0584319  
**Name:** VALLEY HEALTH SYSTEM GROUP RETURN

**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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***Consolidated Financial  
Statements and  
Supplemental Information***

***December 31, 2012***

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**arnett  
foster  
toothman** pllc  
CPAs & Advisors

## CONTENTS

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INDEPENDENT AUDITORS' REPORT	1 – 2
FINANCIAL STATEMENTS	
Consolidated balance sheets	3
Consolidated statements of operations	4
Consolidated statements of changes in net assets	5
Consolidated statements of cash flows	6
Notes to consolidated financial statements	7 – 39
SUPPLEMENTARY INFORMATION	
Consolidating schedule – balance sheet information – 2012	40 – 41
Consolidating schedule – operating information – 2012	42
Consolidating schedule – balance sheet information – 2011	43 – 44
Consolidating schedule – operating information – 2011	45

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Valley Health System and Subsidiaries  
Winchester, Virginia

### ***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of Valley Health System and its subsidiaries), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Valley Health System and its subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

We have also audited the adjustment described in Note 11 that was applied to restate the 2011 consolidated financial statements. In our opinion, such adjustment is appropriate and has been properly applied.

***Other Matter***

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

ARNETT FOSTER TOOTHMAN PLLC

A handwritten signature in black ink that reads "Arnett Foster Toothman PLLC". The signature is written in a cursive, flowing style.

Charleston, West Virginia  
March 27, 2013

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

December 31, 2012 and 2011

		(Restated)
	2012	2011
	(In Thousands)	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 60,818	\$ 48,569
Investments	229,861	241,782
Assets limited as to use	7,748	14,586
Patient accounts receivable, net of estimated uncollectibles of \$39,591 in 2012 and \$37,845 in 2011	98,784	94,713
Inventory of supplies	15,006	14,929
Other current assets	13,769	11,652
<b>Total current assets</b>	<b>425,986</b>	<b>426,231</b>
<b>Assets limited as to use, net of amount required to meet current liabilities</b>	<b>136,420</b>	<b>133,096</b>
<b>Property and equipment, net</b>	<b>623,264</b>	<b>614,228</b>
<b>Other assets</b>		
Deferred financing costs, net	4,593	4,924
Goodwill	4,400	4,400
Investments	14,275	8,512
<b>Total other assets</b>	<b>23,268</b>	<b>17,836</b>
<b>Total assets</b>	<b>\$ 1,208,938</b>	<b>\$ 1,191,391</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Current installments of long-term debt	\$ 2,295	\$ 10,200
Accounts payable and accrued expenses	36,634	51,575
Accrued salaries and wages	24,489	21,245
Third-party settlements	7,463	1,367
Other current liabilities	395	802
<b>Total current liabilities</b>	<b>71,276</b>	<b>85,189</b>
<b>Long-term debt, excluding current installments</b>	<b>365,407</b>	<b>383,496</b>
<b>Accrued pension and postretirement obligations</b>	<b>124,783</b>	<b>94,826</b>
<b>Other liabilities</b>	<b>45,489</b>	<b>50,779</b>
<b>Total liabilities</b>	<b>606,955</b>	<b>614,290</b>
<b>Net assets</b>		
Unrestricted	580,390	559,618
Temporarily restricted	15,919	13,083
Permanently restricted	5,674	4,400
<b>Total net assets</b>	<b>601,983</b>	<b>577,101</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,208,938</b>	<b>\$ 1,191,391</b>

See accompanying notes to consolidated financial statements



## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2012 and 2011

	2012	(Restated) 2011
	(In Thousands)	
<b>Unrestricted revenues, gains and other support</b>		
Patient service revenue (net of contractual allowances and discounts)	\$ 712,041	\$ 702,502
Provision for bad debts	(42,025)	(49,950)
Net patient service revenue less provision for bad debts	670,016	652,552
Other operating revenue	30,681	34,163
Electronic health record incentive reimbursement	7,103	-
Investment income	33,316	18,528
Gifts and bequests	243	255
Net assets released from restrictions	1,049	689
<b>Total revenues, gains and other support</b>	<b>742,408</b>	<b>706,187</b>
<b>Expenses</b>		
Salaries and wages	293,561	278,929
Payroll taxes and benefits	73,748	66,643
Supplies and other	265,477	257,229
Depreciation and amortization	48,965	41,599
Interest expense	16,661	10,490
<b>Total expenses</b>	<b>698,412</b>	<b>654,890</b>
<b>Excess of revenues over expenses</b>	<b>43,996</b>	<b>51,297</b>
<b>Other changes in net assets</b>		
Net unrealized loss on investments	(2,054)	(19,868)
Change in value of derivatives	3,327	(19,404)
Change in pension plan funded status	(24,497)	(61,983)
Other changes	-	(3)
<b>Increase (decrease) in unrestricted net assets</b>	<b>\$ 20,772</b>	<b>\$ (49,961)</b>

See accompanying notes to consolidated financial statements

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
Years Ended December 31, 2012 and 2011

	2012	(Restated) 2011
	(In Thousands)	
<b>Unrestricted net assets</b>		
Excess of revenues over expenses	\$ 43,996	\$ 51,297
Net unrealized loss on investments	( 2,054)	(19,868)
Change in value of derivatives	3,327	(19,404)
Change in pension plan funded status	(24,497)	(61,983)
Other changes	-	(3)
<b>Increase (decrease) in unrestricted net assets</b>	<b>20,772</b>	<b>(49,961)</b>
<b>Temporarily restricted net assets</b>		
Contributions	2,130	1,207
Net assets released from restrictions	(1,049)	(689)
Net realized and unrealized gain on investments	1,881	220
Transfers and adjustments	(126)	(10)
<b>Increase in temporarily restricted net assets</b>	<b>2,836</b>	<b>728</b>
<b>Permanently restricted net assets</b>		
Transfers and adjustments	9	10
Net realized and unrealized gain (loss) on investments	1,265	(212)
<b>Increase (decrease) in permanently restricted net assets</b>	<b>1,274</b>	<b>(202)</b>
<b>Increase (decrease) in net assets</b>	<b>24,882</b>	<b>(49,435)</b>
Net assets, beginning of year, as previously reported - 2011	577,101	630,026
Prior period adjustment	-	(3,490)
Net assets, beginning of year, as restated - 2011	577,101	626,536
Net assets, end of year, as restated - 2011	\$ 601,983	\$ 577,101

See accompanying notes to consolidated financial statements

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2012 and 2011

	2012	2011
	(In Thousands)	
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 24,882	\$ (49,435)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Accretion of bond premium	(795)	(428)
Amortization of other assets	331	352
Depreciation and amortization	48,965	41,599
Net realized and unrealized (gains) losses on investments	(25,462)	6,008
Unrealized (gain) loss on derivatives	(3,327)	19,404
Provision for uncollectible accounts	42,025	49,950
(Gain) loss on sale of property and equipment	241	(241)
(Increase) decrease in		
Patient accounts receivable, net	(46,096)	(63,566)
Third-party settlements	6,096	2,242
Inventory of supplies	(77)	(997)
Other current assets	(2,117)	(601)
Other assets	(5,763)	(196)
Increase (decrease) in		
Accounts payable and accrued expenses	(14,941)	2,946
Accrued salaries and wages	3,244	1,894
Accrued pension and postretirement benefits	29,957	64,071
Other current liabilities	(407)	258
Other liabilities	(1,963)	4,296
<b>Net cash provided by operating activities</b>	<b>54,793</b>	<b>77,556</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(58,519)	(141,117)
Proceeds from sale of property and equipment	277	759
Proceeds from sale of investments	340,378	214,815
Purchases of investments	(299,481)	(145,118)
<b>Net cash used in investing activities</b>	<b>(17,345)</b>	<b>(70,661)</b>
<b>Cash flows from financing activities</b>		
Principal payments on long-term debt	(25,199)	(8,958)
<b>Net cash used in financing activities</b>	<b>(25,199)</b>	<b>(8,958)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>12,249</b>	<b>(2,063)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>48,569</b>	<b>50,632</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 60,818</b>	<b>\$ 48,569</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest, net of \$0 and \$3,937 thousand capitalized in 2012 and 2011, respectively	<b>\$ 12,629</b>	<b>\$ 9,214</b>

See accompanying notes to consolidated financial statements

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

#### Note 1. Summary of Significant Accounting Policies

**Organization:** Valley Health System (VHS) was incorporated on November 4, 1983 as a not-for-profit holding company organized exclusively for charitable, benevolent, educational and scientific purposes to support and encourage health care and related services through providing financial, management and other assistance to its affiliates and other organizations. Subsidiaries of VHS, all of which are wholly owned, are as follows:

- Winchester Medical Center, Inc (the Medical Center) — a 445 bed not-for-profit acute care hospital located in Winchester, Virginia
- Winchester Medical Center Foundation (the Winchester Foundation) — an independent, not-for-profit non-stock corporation. The purpose of the Winchester Foundation is to fund educational, scientific, and charitable endeavors. The Medical Center is the sole corporate member of the Winchester Foundation. The accounts and activity of the Winchester Foundation are consolidated with those of the Medical Center.
- Warren Memorial Hospital, Inc (Warren) — a not-for-profit corporation that owns and operates a 46 bed general short-term acute care hospital including a 120 bed long-term care facility located in Front Royal, Virginia
- Warren Memorial Hospital Foundation (the Warren Foundation) — an independent, not-for-profit non-stock corporation. The purpose of the Warren Foundation is to fund educational, scientific, and charitable endeavors. Warren is the sole corporate member of the Warren Foundation. The accounts and activity of the Warren Foundation are consolidated with those of Warren.
- Shenandoah Memorial Hospital, Inc (Shenandoah) — a not-for-profit corporation that owns and operates a 25 bed critical access hospital in Woodstock, Virginia
- Shenandoah Memorial Hospital Foundation (the Shenandoah Foundation) — an independent, not-for-profit non-stock corporation. The purpose of the Shenandoah Foundation is to fund educational, scientific, and charitable endeavors. Shenandoah is the sole corporate member of the Shenandoah Foundation. The accounts and activity of the Shenandoah Foundation are consolidated with those of Shenandoah.
- Valley Regional Enterprises, Inc (Valley Regional) — a for-profit organization which manages a home health care agency, leases and sells durable medical equipment and supplies, operates an ambulance service, an urgent care center, a retail pharmacy and provides physician office consulting services.
- Surgi-Center of Winchester, Inc (Surgi-Center) — a not-for-profit ambulatory surgical care center
- East Mountain Health Advantage, Inc (East Mountain) — a not-for-profit corporation that was organized on February 2, 2007, with VHS as its sole corporate member. East Mountain was organized for the primary purpose of owning and operating healthcare facilities in West Virginia, including Hampshire and War
- Hampshire Memorial Hospital, Inc (Hampshire) — a not-for-profit corporation that owns and operates a 14-bed critical access hospital including a 30-bed skilled nursing facility in Romney, West Virginia

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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- Hampshire Wellness Center, Inc – On January 19, 2008, East Mountain Health Advantage entered into a long-term lease agreement to lease and operate a 60,000 square foot wellness center. The lease agreement with the Hampshire County Development Authority is for a period of 20 years.

In 2008, Hampshire Wellness Center, Inc., a not-for-profit corporation, was established to operate the wellness center and assume responsibility for the lease. East Mountain Health Advantage is the sole corporate member of Hampshire Wellness Center, Inc.

- War Memorial Hospital, Inc. (War) – a not-for-profit corporation that owns and operates a 25-bed critical access hospital and a 16-bed skilled nursing facility in Berkeley Springs, West Virginia.
- Page Memorial Hospital, Inc. (Page) – a not-for-profit corporation that owns and operates a 25-bed critical access hospital in Luray, Virginia.
- Valley Physician Enterprise, Inc. (VPE) – a not-for-profit corporation formed for the purpose of employing physicians and providing office management services to non-employed physicians in the communities served by VHS.

**Principles of Consolidation:** The consolidated financial statements include the accounts of Valley Health System and its subsidiaries (collectively referred to as VHS in the accompanying footnotes). All significant intercompany balances and transactions are 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents:** Cash and cash equivalents are highly liquid interest-bearing bank deposits and repurchase agreements. The carrying amount of cash and cash equivalents approximates fair market value. For purposes of the statement of cash flows, VHS considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

**Patient Accounts Receivable:** Patient accounts receivable are carried at the original charge less an estimate made for doubtful or uncollectible accounts. In evaluating the collectability of accounts receivable, VHS analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. 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 collectability. Management also reviews troubled, aged accounts to determine collection potential. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), VHS records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. Recoveries of accounts previously written off are recorded as a reduction to bad debt expense when received. Effective February 1, 2011, interest is charged on patient accounts receivable at 7% per annum after the account is six months old. Prior to February 1, 2011, interest was not charged on patient accounts receivable.

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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VHS's allowance for doubtful accounts for self-pay patients remained consistent from 89 percent of self-pay accounts receivable at December 31, 2011, to 87 percent of self-pay accounts receivable at December 31, 2012. In addition, VHS's self-pay write offs decreased approximately \$8 million from \$50 million for the fiscal year 2011 to \$42 million for fiscal year 2012. During 2011, VHS changed its uninsured discount policies to 20% for patients with no third-party coverage and who did not qualify for charity care. VHS does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write offs from third-party payors.

**Investments:** Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenues over expenses unless the investments are trading securities. VHS does not require collateral to secure its investments.

**Assets Limited as to Use:** Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of VHS have been reclassified in the balance sheets at December 31, 2012 and 2011.

**Inventory of Supplies:** The inventory of supplies is maintained on a first-in, first-out basis and is stated at the lower of cost or market.

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

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, 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, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

**Deferred Financing Costs:** Deferred financing costs are amortized over the period the obligation is outstanding using the straight-line method, which is not materially different than the effective interest method. Amortization expense related to the deferred financing costs was \$331 thousand and \$252 thousand for 2012 and 2011, respectively.

**Goodwill:** VHS records as goodwill the excess of purchase price over the fair value of the identifiable net assets acquired. The FASB codification Topic 350, Accounting Standards Update No. 2011-08, *Goodwill and Other Intangible Assets*, permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. VHS elected to perform its annual analysis during the fourth quarter of each fiscal year. Impairment, of \$0 and \$100 thousand was identified during the years ended December 31, 2012 and 2011, respectively.

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**Temporarily and Permanently Restricted Net Assets:** Temporarily restricted net assets are those whose use by VHS has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by VHS in perpetuity.

**Excess of Revenues over Expenses:** The statements of operations include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on derivatives and investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, changes in pension funding status and 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).

**Net Patient Service Revenue:** VHS has agreements with third-party payors that provide for payments 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 the related services are rendered and adjusted in future periods as final settlements are determined.

**Charity Care:** VHS provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because VHS does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

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

**Income Taxes and Unrelated Business Income Tax:** VHS and its subsidiaries have been recognized by the Internal Revenue Service as not-for-profit corporations as described in Section 501(c)(3) and Section 501(a), respectively, of the Internal Revenue Code (IRC), and similar sections of state statutes, and are exempt from Federal and State income taxes, except for Valley Regional, which is a for-profit corporation subject to income taxes at the statutory Federal and State rates.

There is currently very little guidance in the IRS Code on what activities should be subject to unrelated business income tax (UBIT). The IRS has indicated that they are studying the issue and may issue additional guidance. As a result, at this time there is uncertainty regarding whether VHS 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 VHS 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 VHS's non-taxable status is not expected to have a material effect on VHS's financial position or results of operations.

VHS is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. Management of VHS believes it is no longer subject to income tax examinations for years prior to the fiscal year ended December 31, 2009.

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**Subsequent Events:** VHS has evaluated subsequent events through March 27, 2013, the date on which the financial statements were available to be issued.

**Reclassifications:** Certain amounts in the 2011 consolidated financial statements have been reclassified to conform to the 2012 presentation. The reclassifications have no impact on previously reported change in net assets.

**New or Recent Accounting Pronouncements:** 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. Since the new guidance amends disclosure requirements only, its adoption did not impact VHS's consolidated balance sheets, statements of operations or cash flow statements. Note 19 reflects the amended disclosure requirements.

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 VHS's financial reporting.

## **Note 2. Net Patient Service Revenue and Charity Care Benefit**

VHS has agreements with third-party payors that provide for reimbursement to VHS at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between VHS billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows.



## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**Medical Center, Warren, Shenandoah, Hampshire, Page and War**

- **Medicare**

The Medical Center and Warren are reimbursed by Medicare under a prospective payment system (PPS). Under this methodology, inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services, and defined capital and medical education costs related to Medicare beneficiaries are paid based upon a cost reimbursement method, with a limited amount per discharge on certain nonacute patients. Reimbursement for cost reimbursable items is at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The majority of outpatient services are paid at prospectively determined rates per medical procedure. Classification of patients under the Medicare program and the appropriateness of their admission are subjected to an independent review by a peer review organization under contract.

Shenandoah, Hampshire, Page and War are licensed as Critical Access Hospitals. Inpatient services and most outpatient services rendered to Medicare program beneficiaries at Shenandoah, Hampshire, Page and War are paid based on a cost reimbursement methodology at 101% of allowable cost. Other outpatient services are paid based on fee schedules.

- **Medicaid**

Reimbursement for inpatients is based entirely on prospectively determined rates per discharge based on primary diagnosis code. Outpatient services are reimbursed based upon a cost reimbursement methodology. Hampshire and War are located in West Virginia and are reimbursed for inpatient and most outpatient services under a cost reimbursement methodology.

- **Anthem**

Inpatient services are reimbursed based on a prospectively determined rate per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are reimbursed by percentage of charges or fee schedule based on diagnosis and are not subject to retroactive adjustment.

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

Revenue from the Medicare and Medicaid programs accounted for approximately 46 percent and 11 percent, respectively, of VHS's gross patient revenue, for the year ended December 31, 2012 and 47 percent and 11 percent, respectively, of VHS's gross patient revenue, for the year ended December 31, 2011. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2012 and 2011 net patient service revenue decreased approximately \$2.5 million and \$91 thousand, respectively, due to changes in previously recorded estimates.

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Valley Regional and Surgi-Center**

Valley Regional and Surgi-Center are reimbursed under agreements with Medicare, Medicaid, and Anthem at prospectively determined rates for each procedure or service rendered

**Medicaid Provider Tax Disallowance**

The Centers for Medicare and Medicaid Services (CMS) has recently directed some local intermediaries to disallow the cost of provider taxes claimed in cost reports. Hospitals claimed the tax assessment as an allowable cost under the applicable regulations and the Provider Reimbursement Manual (PRM) sections. Hospitals have relied upon the fact that CMS approved applicable State Plan Amendments relating to the Provider Tax Assessments. Valley Health System has two critical access hospitals that paid the provider tax and included it as an allowable expense. The disallowance may be applied retroactively for several years. VHS has recorded a liability of approximately \$1.7 million and \$1.1 million in 2012 and 2011, respectively, for this potential liability. Management and various associations representing affected hospitals plan to appeal the disallowance. The ultimate outcome of the issue is unknown at this time.

**Charity Care**

VHS provides charity care to patients who are financially unable to pay for the health care services they receive. VHS's policy is not to pursue collection of amounts determined to qualify as charity care if the patient qualifies (up to 200% of the Federal Poverty Guidelines). A sliding scale discount is applied for those patients that qualify between 200% and 300% of the Federal Poverty Guidelines. Accordingly, VHS does not report these amounts in the net revenues or in the allowance for doubtful accounts. VHS determined the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries, wages and benefits, supplies, and other operating expenses, based on data from its cost accounting system. The costs of caring for charity care patients for the years ended December 31, 2012 and 2011 were approximately \$41.8 million and \$31.7 million, respectively.

VHS maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. The following information measures the level of charity care provided during the years ended December 31 (in thousands).

A summary of gross and net patient service revenue for all of VHS's payors for the years ended December 31, 2012 and 2011 follows (in thousands):

	<b>2012</b>	<b>2011</b>
Gross patient service revenue	\$ 1,377,190	\$ 1,258,089
Less provision for		
Contractual adjustments	582,647	492,188
Provision for bad debts	42,025	49,950
Charity care	82,502	63,399
Net patient service revenue	<u>\$ 670,016</u>	<u>\$ 652,552</u>

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

VHS 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, VHS 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 VHS's uninsured patients will be unable or unwilling to pay for the services provided. Thus VHS 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 December 31, 2012 and 2011 from these major payor sources, is as follows (in thousands):

	Third-Party Payors	Self-Pay	Total All Payors
<b>2012</b>			
Patient service revenue (net of contractual allowances and discounts)	\$ 683,860	\$ 28,181	\$ 712,041
<b>2011</b>			
Patient service revenue (net of contractual allowances and discounts)	\$ 668,579	\$ 33,923	\$ 702,502

**Note 3. Cash Concentrations**

VHS maintains cash and cash equivalents on deposit with financial institutions. At times the balance in these accounts may be in excess of Federally insured limits. However, management believes these financial institutions are financially sound and these concentrations do not present a significant risk to VHS.

**Note 4. Concentration of Credit Risk**

VHS grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 was as follows:

	2012	2011
Medicare	37%	31%
Medicaid	8%	13%
Anthem	19%	20%
Commercial and other	30%	30%
Self-pay	6%	6%
	<b>100%</b>	<b>100%</b>

**Note 5. Investments and Commitment**

VHS has investments in pooled investment funds, investments held by a trustee under existing debt agreements, investments held by financial institutions and individual investments in entities that provide related healthcare services.

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Pooled Investments:** The Medical Center, Warren, Shenandoah, their respective foundations, and Surgi-Center combine their investments in an investment pool which includes cash and cash equivalents, unrestricted investments and assets limited as to use. The pooled investment funds are allocated to these categories based upon an allocation formula approved by the Board of Trustees. The investments in the pool, are stated at fair value at December 31 and are summarized as follows (in thousands)

	2012	2011
Unrestricted investments	\$ 228,845	\$ 240,838
Assets limited as to use	112,782	89,247
<b>Total Pooled Investments</b>	<b>\$ 341,627</b>	<b>\$ 330,085</b>

The composition of investments held in the investment pool at December 31 at fair value, is as follows (in thousands)

	2012	2011
Money Market Funds	\$ 2,452	\$ 24,166
Municipal bonds	200	200
Common stock	35,838	17,649
Mutual funds	204,513	192,683
Private realty and resources ltd partnerships	18,373	29,660
Alternative investments	80,251	65,727
	<b>\$ 341,627</b>	<b>\$ 330,085</b>

Other investments that are in addition to the pooled investments that make up the composition of investments and assets limited as to use, as of December 31, 2012 and 2011, respectively, consist primarily of commercial paper, equity method investments, corporate and municipal bonds, mutual funds and cash and cash equivalents of approximately \$47 million and \$68 million, respectively.

At December 31, 2012, approximately 11% of VHS's investments, including pooled investments, are represented by one mutual fund that has a value that exceeds 10% of VHS's total investments. The PIMCO Total Return II Fund held 11% of total investments. This fund primarily invests in a diversified portfolio of fixed income securities with varying durations.

At December 31, 2011, approximately 15% of VHS's investments, including pooled investments, are represented by one mutual fund, which has a value that exceeds 10% of VHS's total investments. The PIMCO Total Return II Fund held 15% of total investments. This fund primarily invests in a diversified portfolio of fixed income securities with varying durations.

**Assets Limited as to Use**

The composition of assets limited as to use at December 31, the majority of which are included in the pooled investments, is as follows (in thousands)

	2012	2011
<b>By Board for capital improvements</b>		
Pooled investments	\$ 101,158	\$ 81,600
<b>Held by trustee under indenture agreements</b>		
U S Treasury securities	18,730	45,501
Cash and cash equivalents	80	60
Interest receivable	101	101
<b>Total</b>	<b>18,911</b>	<b>45,662</b>

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2012	2011
<b>Endowment Fund</b>		
Beneficial interest in trusts	3,379	5,348
<b>Total</b>	<b>3,379</b>	<b>5,348</b>
<b>Deferred Compensation plans</b>		
Mutual funds	9,096	7,425
<b>Restricted by Donors</b>		
Pooled investment funds	7,933	6,580
Pooled investment funds	1,186	1,067
Pooled investment funds	2,505	-
<b>Total</b>	<b>11,624</b>	<b>7,647</b>
<b>Total assets limited as to use</b>	<b>144,168</b>	<b>147,682</b>
<b>Less assets limited as to use that are required for current liabilities</b>	<b>(7,748)</b>	<b>(14,586)</b>
<b>Noncurrent assets limited as to use</b>	<b>\$ 136,420</b>	<b>\$ 133,096</b>

**Other Investments**

Other investments at December 31, 2012 and 2011 include (in thousands)

	2012	2011
<b>Investments recorded on equity method</b>	<b>\$ 14,110</b>	<b>\$ 8,377</b>
<b>Investments recorded on cost basis</b>	<b>165</b>	<b>135</b>
	<b>\$ 14,275</b>	<b>\$ 8,512</b>

Investments recorded on the equity method include \$7.9 million and \$5.2 million at December 31, 2012 and 2011, respectively, related to VHS's investment in Virginia Solutions SPC LTD (the Captive) (Note 18). VHS is accounting for its investment in the Captive, a 64% owned affiliate, by the equity method of accounting under which VHS's share of the net income of the Captive is recognized as income in VHS's statement of operations and added to the investment account, and dividends received, if any, from the Captive are treated as a reduction of the investment account. VHS's equity interest increased from 47% in 2011 to 64% in 2012. VHS's majority interest in the Captive does not give them the ability to exercise control. Condensed, unaudited, financial information of the Captive for the years ending December 31, 2012 and 2011 is as follows (in thousands):

	2012	2011
Cash and investments	\$ 53,897	\$ 46,178
Receivables and other assets	\$ 11,536	\$ 12,929
Unearned premiums	\$ (2,251)	\$ (3,511)
Claims reserve	\$ (37,113)	\$ (37,209)
Accounts payable and other accrued liabilities	\$ (6,819)	\$ (2,454)
Shareholder's (equity)	\$ (19,250)	\$ (15,933)
Net income	\$ 4,342	\$ 5,267

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investment income and gains and losses for investments, cash equivalents and assets limited as to use are comprised of the following for the years ending December 31 (in thousands)

	2012	2011
<b>Income</b>		
Investment income	\$ 5,800	\$ 4,668
Net realized gains on sale of securities	27,516	13,860
	<u>\$ 33,316</u>	<u>\$ 18,528</u>
<b>Other Changes in Unrestricted Net Assets</b>		
Net unrealized gains (losses) on other than trading securities	<u>\$ (2,054)</u>	<u>\$ (19,868)</u>

Interest and investment income is shown net of investment manager fees of \$680 thousand and \$611 thousand at December 31, 2012 and 2011, respectively

**Purchase Commitment**

Investment agreements with TIFF Realty and Resources II, GMO Renewable Resources, MIT Private Equity Fund, and Oaktree Private Investment Fund contain investment commitments of \$10 million, \$10.2 million, \$3.1 million, and \$7 million, respectively, of which approximately \$7.8 million is outstanding at December 31, 2012. Future increases in the investments will be made as requested by the manager of these funds and is based upon planned acquisitions of investment properties.

**Impairment**

Impairment is evaluated using numerous factors, and their relative significance varies case to case. Factors considered included length of time and extent to which the market value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability to retain the security in order to allow for an anticipated recovery in market value. If, based on the analysis, it is determined that the impairment is other-than-temporary, the security is written down to fair value, and a loss would be recognized in the statement of operations. At December 31, 2012 and 2011, VHS determined that no write-downs were necessary.

**Note 6. Temporarily Restricted and Permanently Restricted Net Assets and Endowments**

Temporarily restricted net assets are available for the following purposes at December 31 (in thousands)

	2012	2011
<b>Healthcare services</b>		
Indigent/charity care	\$ 2,391	\$ 2,035
Programs/equipment	11,189	6,591
Education	2,339	4,457
	<u>\$ 15,919</u>	<u>\$ 13,083</u>

Permanently restricted net assets at December 31, 2012 and 2011 are restricted to (in thousands)

	2012	2011
Investments to be held in perpetuity, the income from which is expendable to support indigent care, equipment purchases and health education	<u>\$ 5,674</u>	<u>\$ 4,400</u>

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Net assets released from restrictions by incurring expenses satisfying the restricted purposes of indigent care, equipment purchases and health education was \$1,049 thousand and \$689 thousand for 2012 and 2011, respectively

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 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 Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of VHS 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, VHS 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, VHS 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

VHS 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 VHS 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 Trustees, 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, VHS 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). VHS 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 December 31, 2012 and 2011 are immaterial and therefore not disclosed.

From time to time, the fair value of assets associated with individual donor-restricted endowments funds may fall below the level that the donor or UPMIFA requires VHS to retain as a fund of perpetual duration.

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 December 31, 2012 and 2011.

**Note 7. Property and Equipment**

A summary of property and equipment at December 31 follows (in thousands)

	2012	2011
Land	\$ 16,761	\$ 16,345
Land improvements	39,694	38,786
Buildings and leasehold improvements	562,788	516,070
Fixed equipment	158,667	151,356
Major movable equipment	286,565	289,463
	<u>1,064,475</u>	<u>1,012,020</u>
Less accumulated depreciation and amortization	469,136	453,193
	<u>595,339</u>	<u>558,827</u>
Land held for future construction	3,313	3,313
Construction in progress	24,612	52,088
	<u>623,264</u>	<u>614,228</u>
<b>Property and equipment, net</b>	<b>\$ 623,264</b>	<b>\$ 614,228</b>

Estimated costs to complete construction projects that have been in progress are approximately \$75 million as of December 31, 2012.

**Note 8. Long-Term Debt**

A summary of long-term debt at December 31 follows (in thousands)

	2012	2011
Bonds payable		
Medical Center	\$ 305,501	\$ 330,196
Warren	26,388	26,388
Shenandoah	10,718	10,718
East Mountain	25,000	25,000
Note payable individual, paid off in 2012	-	954
Capital leases payable – Page, secured by related equipment	95	440
<b>Total</b>	<b>367,702</b>	<b>393,696</b>
Less current installments	2,295	10,200
<b>Long-term debt, excluding current installments</b>	<b>\$ 365,407</b>	<b>\$ 383,496</b>



## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Aggregate maturities of long-term debt as of December 31, 2012 are due in future years as follows (in thousands)

	Medical Center	Warren	Shenandoah	East Mountain	Page	Total
2013	\$ 2,200	\$ -	\$ -	\$ -	\$ 95	\$ 2,295
2014	2,400	-	-	-	-	2,400
2015	4,294	306	124	365	-	5,089
2016	5,174	350	142	380	-	6,046
2017	5,417	354	144	395	-	6,310
Thereafter	286,016	25,378	10,308	23,860	-	345,562
	<u>\$ 305,501</u>	<u>\$ 26,388</u>	<u>\$ 10,718</u>	<u>\$ 25,000</u>	<u>\$ 95</u>	<u>\$ 367,702</u>

Medical Center						Warren	Shenandoah	East Mountain		
Series	2007	2000	1993	2009 A-D	2009E	2007	2007	2009		
Maturity	Serial and Term Bonds	Serial and Term Bonds	IFRNS/SURFS(1)	Variable	Fixed	Medical Center Total	Serial and Term Bonds	Serial and Term Bonds	Fixed	Valley Health System Total
2013	\$ -	\$ -	\$ 2,200	\$ -	\$ -	\$ 2,200	\$ -	\$ -	\$ -	\$ 2,200
2014	-	-	2,400	-	-	2,400	-	-	-	2,400
2015	594	500	2,500	-	700	4,294	306	124	365	5,089
2016	679	3,100	-	675	720	5,174	350	142	380	6,046
2017	687	3,300	-	700	730	5,417	354	144	395	6,310
2018	699	3,500	-	720	745	5,664	360	146	410	6,580
2019	713	3,700	-	740	765	5,918	367	149	430	6,864
2020	789	3,800	-	765	-	5,354	406	165	-	5,925
2021	763	4,100	-	790	-	5,653	393	160	-	6,206
2022	797	4,300	-	815	-	5,912	411	167	-	6,490
2023	841	4,500	-	845	-	6,186	433	176	-	6,795
2024	887	4,700	-	865	4,080	10,532	457	186	2,485	13,660
2025	890	5,000	-	895	-	6,785	459	186	-	7,430
2026	899	5,300	-	925	-	7,124	463	188	-	7,775
2027	916	5,600	-	955	-	7,471	472	192	-	8,135
2028	942	5,900	-	985	-	7,827	486	197	-	8,510
2029	980	6,200	-	1,015	4,575	12,770	505	205	3,220	16,700
2030	1,024	6,500	-	1,045	-	8,569	527	214	-	9,310
2031	4,961	-	-	1,085	-	6,046	2,556	1,038	-	9,640
2032	5,225	-	-	1,120	-	6,345	2,692	1,093	-	10,130
2033	5,510	-	-	1,160	-	6,670	2,837	1,153	-	10,660
2034	5,805	-	-	1,195	5,605	12,605	2,990	1,215	4,215	21,025
2035	6,118	-	-	1,240	-	7,358	3,152	1,280	-	11,790
2036	6,449	-	-	1,285	-	7,734	3,322	1,349	-	12,405
2037	4,062	-	-	1,330	-	5,392	2,090	849	-	8,331
2038	-	-	-	6,050	-	6,050	-	-	-	6,050
2039	-	-	-	13,575	21,430	35,005	-	-	5,610	40,615
2040	-	-	-	14,050	-	14,050	-	-	-	14,050
2041	-	-	-	14,540	-	14,540	-	-	-	14,540
2042	-	-	-	15,055	-	15,055	-	-	-	15,055
2043	-	-	-	15,580	-	15,580	-	-	-	15,580
2044	-	-	-	-	35,650	35,650	-	-	7,490	43,140
Premium	51,230	70,000	7,100	100,000	75,000	303,330	26,388	10,718	25,000	365,436
	2,171	-	-	-	-	2,171	-	-	-	2,171
Total	\$53,401	\$ 70,000	\$ 7,100	\$ 100,000	\$ 75,000	\$ 305,501	\$ 26,388	\$ 10,718	\$ 25,000	\$ 367,607

(1) IFRNS - inverse floating rate notes, SURFS - step-up recovery floaters

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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A detail description of the bond indebtedness follows

In November and December 2009, the Industrial Development Authority of the City of Winchester (the Winchester Authority) issued \$175 million Industrial Development Authority of the City of Winchester Hospital Revenue Bonds, Series 2009. In December 2009, the West Virginia Hospital Finance Authority (the West Virginia Authority) issued \$25 million Hospital Revenue Bonds, Series 2009. The Series 2009 Bonds were used for the purposes of financing certain capital needs of the Winchester Medical Center, Shenandoah Memorial Hospital, Warren Memorial Hospital, and for construction of a new facility at Hampshire Memorial Hospital, (collectively the Obligated Group), and to reimburse the Obligated Group for certain past capital expenditures. The bonds are secured by a pledge of payment pursuant to the Loan Agreement under the Master Trust Indenture dated as of September 1, 1986. Each member of the Obligated Group has recorded their respective portion of the obligation. The bonds are secured by a pledge of payment pursuant to Loan Agreements between the Obligated Group, the Winchester Authority and the West Virginia Authority, respectively. In accordance with the respective trust indentures, the Winchester Authority and the West Virginia Authority assigned the promissory notes and the payment thereon to the Bond Trustees. Payments of principal and interest are made directly to the Bond trustees for the account of the Authorities.

On January 30, 2007, the Industrial Development Authority of the City of Winchester (the Winchester Authority) issued \$88.3 million Industrial Development Authority of the City of Winchester Hospital Revenue Bonds, Series 2007. The Series 2007 bonds were issued for the purpose of financing and refinancing certain capital needs of the Medical Center, Warren and Shenandoah (the Obligated Group). The bonds are limited obligations of the Winchester Authority and will be payable solely from the Obligated Group. The bonds are secured by a pledge of payment pursuant to the Loan Agreement under the Master Trust Indenture dated as of September 1, 1986. A portion of the proceeds were used to refinance Warren's Series 2003 bonds and Shenandoah's Series 2003 bonds. Each member of the Obligated Group has recorded their respective portion of the obligation.

The Medical Center has also entered into promissory notes with the Winchester Authority whereby the Medical Center has become obligated under Hospital Facility Revenue Bonds, Series 1991 and Series 1993. In addition to its notes with the Winchester Authority, the Medical Center has entered into promissory notes with the Industrial Development Authority of Clarke County, Virginia (the Clarke County Authority) whereby the Medical Center has become obligated under Hospital Facility Revenue Bonds, Series 2000. In accordance with the respective trust indentures, the Authorities assigned the promissory notes and the payments thereon to the Bond Trustees. Payments of principal and interest are made directly to the Bond Trustees for the account of the Authorities. The payment of principal and interest on the Series 1991 and Series 1993 bonds is insured by municipal bond insurance policies issued by AMBAC Indemnity Corporation. The payment of principal and interest on the Series 2000 and Series 2007 bonds is insured by Financial Security Assurance. All bond issues are rated A1 by Moody's and A+ by Standard and Poor's as of the latest rating date. Under the Bond Indenture of Trust, the Medical Center was required to place the majority of proceeds into certain trust funds. The Series 1991 bonds were used to finance the construction of an imaging center, purchase hospital equipment, and refund the term bonds of the Series 1986 issue. The Series 1993 bonds refunded the remainder of the Series 1986 bonds and the entire Series 1990 issue. The Series 2000 bonds were used to finance certain improvements to the Medical Center's facilities. The bonds are secured by the Medical Center's Trust Agreements to the respective Authorities in the amount of the bonds payable. The Trust Agreements are secured by all revenue and receipts and pledged assets of the Medical Center. Pledged assets consist of accounts receivable, inventories, general intangibles and various other assets.

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The trust indentures include various restrictive covenants, one of which requires the Medical Center to maintain a debt service coverage ratio of 1.1 to 1.0 (defined in the indentures as the ratio of income available for debt service to annual debt service commitments). The Series 2009 Bonds include additional covenants, including a debt services coverage ratio of 1.25 to 1, a debt to capitalization ratio of not greater than .65, and requires the day's cash on hand to be not less than 100 days. Upon the occurrence of events of noncompliance with such covenants, the principal of the bonds could be declared due and payable immediately by the Bond Trustees. As of and for the year ended, December 31, 2012 and 2011, Valley Health System was in compliance with such covenants.

At December 31, 2012, interest rates range from 12% to 47% on the serial and term bonds, 4.85% on the RIBS/SAVRS and 4.85% to 5.5% on the IFRNS/SURFS.

The Series 2000 bonds and Series 2007 bonds bear interest at a variable rate which resets to market weekly. The rate for the Series 2000 bonds was 2.2% at December 31, 2012. The rates for the Series 2007 bonds were 5.0% to 5.25% at December 31, 2012.

The RIBS/SAVRS mature on the second business day preceding the interest payment date on or immediately succeeding each January 1. All other bonds mature on January 1 each year.

The trust indenture requires the creation of sinking funds for redemption of the bonds each January 1, as follows (in thousands):

IFNRS due January 1, 2015	
Year	Sinking fund installment
2013	\$ 2,200
2014	2,400
2015	2,500
	<u>\$ 7,100</u>

**Note 9. Other Current Assets**

Other current assets consist of the following at December 31, 2012 and 2011 (in thousands):

	2012	2011
Prepaid service contracts	\$ 5,977	\$ 2,122
Security deposits	545	545
Prepaid insurance	1,145	643
Interest receivable	90	101
Pledges receivable	124	6
Rent receivable	42	28
Other non-patient receivables	3,512	5,880
Deferred tax asset	391	445
Other	1,943	1,882
<b>Total other current assets</b>	<b>\$ 13,769</b>	<b>\$ 11,652</b>

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 10. Other Noncurrent Liabilities**

Other noncurrent liabilities consist of the following at December 31, 2012 and 2011 (in thousands)

	2012	2011
Interest rate swap agreements	\$ 35,794	\$ 39,121
Deferred compensation – attending faculty plan (Note 18)	7,089	5,799
Deferred tax (asset) liability	214	169
Other	2,392	5,690
<b>Total other noncurrent liabilities</b>	<b>\$ 45,489</b>	<b>\$ 50,779</b>

**Note 11. Interest Rate Risk Management and Prior Period Restatement****Medical Center, Shenandoah, Warren and East Mountain Health Advantage (the Hospitals)**

The Hospitals have interest rate related derivative instruments to manage interest rate exposure on their debt instruments. The Hospitals do not enter into derivative instruments for any purpose other than interest rate management purposes. That is, the Hospitals do not speculate using derivative instruments.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Hospitals expose themselves to credit risk and market risk. Credit risk is the failure of the counter-party to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counter-party owes the Hospitals, which creates credit risk for the Hospitals. When the fair value of a derivative contract is negative, the Hospitals owe the counter-party and, therefore, it does not possess credit risk. The Hospitals minimize 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 Hospitals use variable-rate debt to finance their operational and capital needs. The debt obligations expose the Hospitals to variability in interest payments due to changes in interest rates. Conversely, fixed-rate debt obligations can be more expensive to the Hospitals 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.

The Hospitals have entered into interest rate swap agreements in the notional amount of approximately \$234 million related to the Series 1991, 2000, 2007 and 2009 bonds. The purpose of the swaps was to convert the variable-rate cash flow exposure on the debt obligations to fixed rate cash flows. Under the terms of the interest rate swaps, the Hospitals receive a variable interest rate payment based on the Bond Rate, or if certain triggering events occur, an alternative floating rate in exchange for making fixed interest rate payments to the swap counter-party, thereby creating the equivalent of fixed-rate debt.

In September 2001, the Medical Center entered into an interest rate swap agreement in the notional amount of \$70 million related to the Series 2000 bonds. The purpose of the swap was to convert the Medical Center's variable-rate cash flow exposure on the debt obligations to fixed rate cash flows. Under the terms of the interest rate swap, the Medical Center receives a variable interest rate payment (based on the Bond Rate, or if certain triggering events occur, an alternative floating rate which is the Bond Market Association (BMA) Municipal Bond Index or 68% of 1 month LIBOR) in exchange for making fixed interest rate payments (4.44%) to the swap counter-party, thereby creating the equivalent of fixed-rate debt. In September 2008, Lehman Brothers, the swap counter-party, filed for bankruptcy which terminated the swap. The impact of changing interest rates reversed the swap to a positive value. A claim has been filed with the bankruptcy court for the sum of \$8 million dollars. Due to the possibility that the funds will not be collected, a reserve has been made for \$8 million at December 31, 2012 and 2011.

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In August 2005, the Medical Center refinanced the outstanding bonds of its 1991 series in the amount of \$54.6 million. Holders of the bonds were requested to tender the bonds at a \$2.73 million premium. Merrill Lynch, Pierce, Fenner & Smith, Inc. (Merrill Lynch) purchased the tendered bonds. The purpose of the refinancing was to obtain an interest rate lower than the 6.05% fixed rate on the bonds. The Medical Center entered into two interest rate swap agreements with Merrill Lynch. Under the terms of the first interest rate swap, the Medical Center receives a floating interest rate payment semi-annually based on the BMA Municipal Bond Index, or if this index is no longer published, Merrill Lynch will set the rate based on prevailing rates. For 2012 and 2011, the Medical Center received \$0 and \$2.3 million, respectively, for this swap. Under the terms of the second interest rate swap, the Medical Center receives a fixed rate of 3.113% and semi-annually pays Merrill Lynch the difference between the fixed rate and 67% of LIBOR. For 2012 and 2011, the Medical Center paid Merrill Lynch \$485 and \$702 thousand, respectively, for this swap. In May 2012, the Medical Center was notified by Merrill Lynch that they had discovered an error in the calculation of the swap payment due to the Medical Center for the years ended December 31, 2006 through 2010, which resulted in other liabilities being understated by \$3,490 thousand. To correct the error, other liabilities were increased by \$3,490 thousand at December 31, 2011. The effect of the change was to reduce 2010 beginning net assets by \$3,490 thousand.

In November 2006, the Medical Center entered into an interest rate swap agreement in the notional amount of \$91.8 million related to the Series 2007 bonds. Under the terms of the interest rate swap, the Medical Center receives a floating interest rate payment monthly based on the BMA Municipal Bond Index, or if this index is no longer published, Merrill Lynch will set the rate based on prevailing rates, or if certain triggering events occur, an alternative floating rate of 67% of 1 month LIBOR plus 365%. In 2012 and 2011, the Medical Center received \$445 thousand and \$280 thousand, respectively, for this swap.

On February 7, 2008, the Medical Center entered into an interest rate swap agreement in the notional amount of \$100 million related to the financing arrangements incurred in 2009. Under the terms of the interest rate swap, the Medical Center will receive a floating interest rate payment based on 67% of 1 month LIBOR. The purpose of this swap was to lock into current bond rates for the 2009 Bonds (Note 8). As of December 31, 2012 and 2011, a \$1.4 million unrealized gain and \$21 million unrealized loss was recorded, respectively. For 2012 and 2011, the Medical Center paid \$3.3 and \$3.3 million, respectively, for this swap.

Fair Value of Derivative Instruments designated as hedging instruments are as follows (in thousands)

Balance Sheet Location	Fair Value	
	2012	2011
<u>Cash Flow Hedges</u>		
Interest rate contracts - other long-term liabilities	\$ (35,794)	\$ (39,121)
Total derivative designated as hedging instruments	\$ (35,794)	\$ (39,121)

The following table summarizes the effect of Derivative Instruments on the Statement of Changes in Net Assets for the years ended December 31, 2012 and 2011 (in thousands)

Derivatives designated as Hedging Instruments for the Year Ending December 31	Location of Gain or (Loss) Recognized in Income	Amount of Gain or (Loss) Recognized in Other Changes in Net Assets (Effective Portion)	
		2012	2011
<u>Cash Flow Hedges</u>			
Interest rate contracts	Change in value of derivatives	\$ 3,327	\$ (19,404)

For the years ended December 31, 2012 and 2011, no amounts related to derivative financial instruments were recorded in excess of revenues over expenses, and no amounts were moved out of other changes in net assets and reclassified into excess of revenues over expenses.

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 12. Pension Plans****Defined Benefit Pension Plans:****Valley Health System Plan**

VHS has a defined benefit pension plan covering substantially all of its employees and the employees of its subsidiaries. Benefits under the pension equity formula are expressed in terms of a lump sum based on final average earnings and pension credits earned for years of service. Some employees' benefits are grandfathered using a prior formula that based annuity amounts on final average earnings and service. The pension plan has been amended to allow for supplemental pension benefits under a one-time early retirement program (the Program) for employees meeting certain age and length of service requirements. VHS makes annual contributions to the Valley Health System Employees Retirement Plan (the Plan) in accordance with funding requirements determined by an actuary. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. Contributions of \$10.5 million and \$6 million were made in 2012 and 2011, respectively.

Effective January 1, 2011, Valley Health System elected to soft-freeze the Valley Health System Employees Retirement Plan. Participation is frozen such that there shall be no new participants in the Plan after January 2, 2011. Participants as of January 1, 2011 will continue to participate with no change to the years of service rules or the benefits calculation. The Valley Health System contributory 403(b) plan will remain in place.

The reconciliation of the Plan's funded status to amounts recognized in VHS's consolidated financial statements at December 31 is as follows (in thousands):

**Obligations and funded status:**

	2012	2011
Fair value of plan assets	\$ 181,279	\$ 159,096
Benefit obligations	294,092	243,407
Funded status	(112,813)	(84,311)
<b>Total accrued cost</b>	<b>\$ (112,813)</b>	<b>\$ (84,311)</b>

**Amounts recognized on balance sheet consist of:**

	2012	2011
Noncurrent liabilities	\$ (112,813)	\$ (84,311)
	<b>\$ (112,813)</b>	<b>\$ (84,311)</b>

**Amounts recognized in other changes in net assets:**

	2012	2011
Net actuarial loss	\$ 109,535	\$ 86,065
Prior service cost (credit)	(198)	(277)
	<b>\$ 109,337</b>	<b>\$ 85,788</b>

The accumulated benefit obligation was \$292.3 million and \$241.2 million at December 31, 2012 and 2011, respectively.

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Net periodic benefit cost and other amounts recognized in other changes in net assets (in thousands):**

	2012	2011
Net periodic benefit cost	\$ 15,459	\$ 8,805
Other changes in amounts recognized in other changes in net assets		
Net loss (gain) added during year	27,698	58,480
Amortization of prior service cost	79	79
Amortization of (gain) loss	(4,228)	(693)
Total change in unrestricted net assets at end of current year	23,549	57,866
Total recognized in net periodic benefit cost and other changes in net assets	\$ 39,008	\$ 66,671

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from unrestricted net assets into periodic benefit cost over the next fiscal year are \$5.5 million and \$4.2 million, respectively.

**Additional Information - Assumptions**

The assumptions used to determine benefit obligations in the actuarial valuations were as follows:

	2012	2011
Discount rate	4.00%	4.50%
Rate of increase in compensation levels	4.00%	4.00%

The assumptions used to determine net periodic pension cost were as follows:

	2012	2011
Discount rate	4.50%	5.75%
Expected long-term rate of return on assets	7.75%	7.75%
Rate of increase in compensation levels	4.00%	5.00%

The long-term rate of return on plan assets of 7.75% is based upon management's estimate of future long-term rates of return on similar assets and is consistent with historical returns on such assets.

**Plan Assets**

Valley Health System's overall investment strategy is to generate a return, which is sufficient to meet its current and expected future financial requirements. The Plan Assets will be structured in a manner that most efficiently matches Valley's investment risk and return characteristics with the long-term objectives. Short-term uncertainties of investment results are recognizable risks, and will be managed appropriately through specific asset allocation strategies and diversification based upon the Plan's investment time horizon. The Plan Asset's target return will be based upon the fund's actuarial review which calculates the "minimum required return" for Valley Health System's and Shenandoah's pension portfolio as well as its investment time horizon.

**Cash flows - Contributions**

VHS expects to contribute \$13 million to its pension plan in 2013.

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Estimated Future Benefit Payments**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands)

		<b>Pension Benefits</b>
2013	\$	4,824
2014	\$	5,061
2015	\$	5,469
2016	\$	5,960
2017	\$	6,724
Years 2018 - 2022	\$	48,847

**Tax Sheltered Annuity Plan**

In addition, VHS also offers an option allowing employees to contribute to a tax sheltered annuity plan (the Annuity Plan) under Internal Revenue Code section 403(b). Under the Annuity Plan, VHS matches 50% of the employees' contributions up to a maximum of 2% for employees who contribute at least 4% of their base compensation. VHS's contributions are 100% vested for employees after six years of service. VHS's contributions to the Annuity Plan totaled \$2.6 million and \$2.8 million for 2012 and 2011, respectively.

**Shenandoah Memorial Hospital Plan****Defined Benefit Retirement Plan**

Shenandoah has a noncontributory defined benefit retirement plan. Effective January 1, 2003, the Plan was frozen. Participation in the Plan was frozen such that there shall be no new participants in the Plan after December 31, 2002. New employees were eligible to participate in the Valley Health System plans. The Plan was amended effective January 1, 1991 to pay benefits based upon the last five highest year's salary out of the last ten years of service. Prior to this change, benefits were based upon employees' years of service and compensation. Shenandoah makes annual contributions to the plan in accordance with funding requirements determined by an actuary.

The reconciliation of the Plan's funded status to amounts recognized in Shenandoah's financial statements as of December 31 is as follows (in thousands):

**Obligations and funded status:**

	<b>2012</b>	<b>2011</b>
Fair value of plan assets	\$ 14,467	\$ 12,924
Benefit obligations	<u>26,437</u>	<u>23,439</u>
Funded status	<u>(11,970)</u>	<u>(10,515)</u>
<b>Total accrued cost</b>	<b>\$ (11,970)</b>	<b>\$ (10,515)</b>

**Amounts recognized on balance sheet consist of:**

	<b>2012</b>	<b>2011</b>
Noncurrent liabilities	\$ (11,970)	\$ (10,515)
	<u>\$ (11,970)</u>	<u>\$ (10,515)</u>

**Amounts recognized in other changes in net assets:**

	<b>2012</b>	<b>2011</b>
Net loss	\$ 9,136	\$ 8,188
	<u>\$ 9,136</u>	<u>\$ 8,188</u>



## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accumulated benefit obligation was \$22.5 million and \$19.7 million at December 31, 2012 and 2011, respectively.

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

	2012	2011
Net periodic benefit cost	\$ 1,207	\$ 916
Other changes in amounts recognized in other changes in net assets		
Net loss (gain) during the year	1,511	4,317
Amortization of (gain) loss	(563)	(200)
Total change in unrestricted net assets at the end of the current year	948	4,117
Total recognized in net periodic benefit cost and other changes in net assets	\$ 2,155	\$ 5,033

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from unrestricted net assets into periodic benefit cost over the next fiscal year are \$636 thousand and \$563 thousand, respectively.

**Additional Information - Assumptions**

The assumptions used to determine benefit obligations in the actuarial valuations were as follows:

	2012	2011
Discount rate	4.00%	4.50%
Rate of increase in compensation levels	4.00%	4.00%

The assumptions used to determine net periodic pension cost were as follows:

	2012	2011
Discount rate	4.50%	5.75%
Expected long-term rate of return on plan assets	7.75%	7.75%
Rate of increase in compensation levels	4.00%	5.00%

The long-term rate of return on plan assets of 7.75% is based upon management's estimate of future long-term rates of return on similar assets and is consistent with historical returns on such assets.

Contributions of \$700 thousand and \$1.3 million were made in 2012 and 2011, respectively. SMH plans to contribute \$500 thousand to the Plan in 2013.

**Estimated Future Benefit Payments**

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

	Pension Benefits
2013	\$ 521
2014	\$ 602
2015	\$ 665
2016	\$ 807
2017	\$ 873
Years 2018 - 2022	\$ 5,544

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table sets forth by level with the fair value hierarchy, pension plan assets of VHS and SMH at their fair value as of December 31, 2012 and 2011 (in thousands)

Plan Assets	Total at December 31, 2012	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Cash and cash equivalents</b>	<b>\$ 15,988</b>	<b>\$ 15,988</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Common stock</b>				
Healthcare	1,725	1,725	-	-
Utilities	112	112	-	-
Financials	2,571	2,571	-	-
Consumer staples	1,540	1,540	-	-
Consumer discretionary	3,321	3,321	-	-
Materials	962	962	-	-
Energy	971	971	-	-
Information technology	3,895	3,895	-	-
Industrials	1,590	1,590	-	-
Telecommunications	375	375	-	-
ADRs	1,686	1,686	-	-
Miscellaneous	165	165	-	-
	<b>18,913</b>	<b>18,913</b>	<b>-</b>	<b>-</b>
<b>Mutual and other funds</b>				
Bond funds	26,544	26,544	-	-
Collective equity funds	10,500	10,500	-	-
Mutual equity funds	43,731	37,676	6,055	-
Balanced funds	31,942	31,942	-	-
	<b>112,717</b>	<b>106,662</b>	<b>6,055</b>	<b>-</b>
<b>Private equity</b>	<b>12,024</b>	<b>-</b>	<b>-</b>	<b>12,024</b>
<b>Limited partnerships</b>	<b>36,104</b>	<b>-</b>	<b>-</b>	<b>36,104</b>
	<b>\$ 195,746</b>	<b>\$ 141,563</b>	<b>\$ 6,055</b>	<b>\$ 48,128</b>

Plan Assets	Total at December 31, 2011	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Cash and cash equivalents</b>	<b>\$ 18,513</b>	<b>\$ 18,513</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Common stock</b>				
Healthcare	788	788	-	-
Utilities	110	110	-	-
Financials	770	770	-	-
Consumer staples	94	94	-	-
Consumer discretionary	1,758	1,758	-	-
Materials	130	130	-	-
Energy	725	725	-	-

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Total at December 31, 2011	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Information technology	1,637	1,637	-	-
Industrials	1,027	1,027	-	-
Telecommunications	225	225	-	-
ADRs	762	762	-	-
Miscellaneous	141	141	-	-
	<u>8,167</u>	<u>8,167</u>	<u>-</u>	<u>-</u>
<b>Mutual and other funds</b>				
Bond funds	29,823	29,823	-	-
Collective equity funds	893	-	-	893
Mutual equity funds	46,673	39,456	7,217	-
Balanced funds	23,680	23,680	-	-
	<u>101,069</u>	<u>92,959</u>	<u>7,217</u>	<u>893</u>
<b>Private equity</b>	<u>9,846</u>	<u>-</u>	<u>-</u>	<u>9,846</u>
<b>Limited partnerships</b>	<u>34,425</u>	<u>-</u>	<u>-</u>	<u>34,425</u>
	<u>\$ 172,020</u>	<u>\$ 119,639</u>	<u>\$ 7,217</u>	<u>\$ 45,164</u>

**Level 3 Investments**

Activity related to Level 3 investments which include investments and assets limited as to use is as follows (in thousands)

	2012	2011
Balance, beginning of year	\$ 45,164	\$ 42,257
Additions	4,360	19,405
Distributions	(4,457)	(18,677)
Investment income	2,301	869
Unrealized gains/(losses)	760	1,310
Balance, end of year	<u>\$ 48,128</u>	<u>\$ 45,164</u>

**Note 13. Functional Expenses**

VHS provides general health care services to residents within its geographic location. Expenses related to providing these services by functional category are as follows (in thousands)

	Healthcare Services	Fund Raising	Administrative and General Services	Total
2012	\$ 518,509	\$ 1,510	\$ 178,393	\$ 698,412
2011	\$ 427,879	\$ 739	\$ 226,272	\$ 654,890

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 14. Assets Held in Trust**

At December 31, 2012 and 2011, the market value of the assets of the Frank Newcomer Hack Trust, which are recorded in assets limited as to use, totaled approximately \$2.4 million and \$2.2 million, respectively. Distributions of income from the trust are made quarterly by the trustees in accordance with the terms of the governing will. Quarterly payments of income will continue to be made to VHS as long as VHS operates for the purpose for which it was originally incorporated. Income distributed to VHS amounted to \$43 thousand in 2012 and \$40 thousand in 2011.

The Medical Center is also the beneficiary of other trusts. The assets of the trusts are held by the Winchester Medical Center Foundation for the benefit of the Medical Center. Following are the values of the trusts as of December 31, 2012 and 2011, and income received from the trusts for the years then ended (in thousands):

	2012		2011	
	Fair Value	Income	Fair Value	Income
Sallie L. Hoover Trust	\$ 303	\$ 12	\$ 280	\$ 12
Shirley Carter Compassionate Care Trust	155	5	149	6
Anna Stine Trust	140	4	132	6
Letitia Kerns Trust	-	1	82	4
Stewart Bell Trust	69	2	66	1
	<u>\$ 667</u>	<u>\$ 24</u>	<u>\$ 709</u>	<u>\$ 29</u>

Shenandoah Memorial Hospital is also the beneficiary of trusts. The Albright trust has a fair value of approximately \$198 thousand and \$304 thousand at December 31, 2012 and 2011, respectively.

**Note 15. Lessor Leasing Activities and Sale of Rental Space**

VHS leases space under operating leases with remaining terms of one to eight years. Rental income recognized from leases was \$4.4 million in 2012 and \$4.5 million in 2011. Future minimum rental income is as follows (in thousands):

2013	\$ 3,664
2014	3,346
2015	2,389
2016	1,805
2017	1,503
Thereafter	<u>865</u>
Total future minimum rental income	<u>\$ 13,572</u>

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 16. Lessee Lease Commitment and Total Rental Expense**

VHS leases office and medical space under long-term operating lease arrangements that expire at various dates. Total rental expense for all operating leases was \$2.4 million and \$2.8 million for 2012 and 2011, respectively. VHS is obligated under the operating leases, that have initial or remaining lease terms in excess of one year, to make future minimum lease payments as follows for the year ended December 31, 2012 (in thousands):

2013	\$	1,887
2014		1,365
2015		1,166
2016		540
2017		339
Thereafter		<u>6,953</u>
Total future minimum lease payments	\$	<u>12,250</u>

**Note 17. Related Party Transactions****Medical Circle, LLC**

VHS is a 51% member of Medical Circle, LLC t/a Valley Open MRI, a company formed to provide imaging services. In July 2009, the company began leasing space in the Hurst House, which is located on the campus of the Medical Center. In preparing the space for the joint venture, VHS incurred expenditures of \$878 thousand of which \$538 thousand was a capital contribution and \$340 thousand was treated as a loan to Medical Circle with an interest rate of 4.6%. The loan was paid in full in January 2010.

Valley Health System is accounting for its investment under the equity method of accounting. Valley Health System's interest in the Company was \$669 thousand and \$714 thousand, at December 31, 2012 and 2011, respectively. Included in other operating revenue in the Consolidated Statement of Operations are equity earnings on the investment of approximately \$711 thousand and \$734 thousand for the years ended December 31, 2012 and 2011, respectively. Total cash distributions received from the investment by VHS in 2012 and 2011 were approximately \$756 thousand and \$943 thousand, respectively. Medical Circle's financial statements were not consolidated in the financial statements of VHS due to immateriality.

**Winchester Open MRI, LLC**

VHS is a member, owning a 50% interest, in Winchester Open MRI, LLC (Open MRI), a company formed to benefit the community by providing more accessible imaging services. Valley Health System is accounting for its investment under the equity method of accounting. Valley Health System's interest in Open MRI was \$817 thousand and \$838 thousand, at December 31, 2012 and 2011, respectively. Included in other operating revenue in the Consolidated Statement of Operations are equity earnings on the investment of approximately \$2.7 million and \$3 million for the years ended December 31, 2012 and 2011, respectively. Total cash distributions received from the investment by VHS in 2012 and 2011 were approximately \$2.7 million and \$2.8 million, respectively.

**Winchester Endoscopy Services, LLC**

VHS is a member, owning a 51% interest, in Winchester Endoscopy, LLC, a company formed to provide outpatient endoscopy services. Valley Health System is accounting for its investment under the equity method of accounting. Valley Health System's interest in Winchester Endoscopy was \$719 thousand and \$375 thousand, at December 31, 2012 and 2011, respectively. Included in other operating revenue in the Consolidated Statement of Operations are equity earnings on the investment of approximately \$895 thousand and \$101 thousand for the years ended December 31, 2012 and 2011, respectively. Total cash

**VALLEY HEALTH SYSTEM AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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distributions received from the investment by VHS in 2012 and 2011 were approximately \$551 thousand and \$0, respectively

**Tri-State Surgical Center, LLC**

Effective January 1, 2012, VRE became a member, purchasing a 34% interest, in Tri-State Surgical Center, LLC (Tri-State) for \$2.9 million. Tri-State is an ambulatory surgical facility in Martinsburg, West Virginia. VRE is accounting for its investment under the equity method of accounting. VRE's interest in Tri-State was \$3 million and \$0, at December 31, 2012 and 2011, respectively. Included in other operating revenue in the Consolidated Statement of Operations are equity earnings on the investment of approximately \$82 thousand and \$0 for the years ended December 31, 2012 and 2011, respectively. Total cash distributions received from the investment by VRE in 2012 and 2011 were approximately \$0 and \$0, respectively.

**Note 18. Commitments and Contingencies****Malpractice Insurance**

VHS and other healthcare organizations participate in Virginia Solutions SPC LTD (the Captive), an insurance company located in the Cayman Islands. VHS was one of five founding members of the Captive of which three remain at December 31, 2012. The Captive qualifies as a captive insurance company in the domicile where it operates and provides certain insurance coverage to its members. The Captive has established trusts for professional and general liability insurance. Under this program, the Captive retains the first \$750 thousand per claim. The Captive has purchased reinsurance contracts to provide for claims in excess of \$750 thousand. VHS is charged periodic premiums by the Captive. Premiums are determined based on actuarial calculations, and information provided by risk managers, legal counsel and past experience.

**Litigation**

VHS is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against VHS and are currently in various stages of litigation. It is the opinion of management, however, that estimated malpractice costs accrued at December 31, 2012 are adequate to provide for potential losses resulting from pending or threatened litigation as well as claims arising from unknown incidents from services provided to patients that may be asserted.

**Loan Guarantee**

VHS has guaranteed certain debt obligations from a local bank to Winchester Open MRI, LLC, an affiliated entity, for approximately \$2 million. The proceeds of the loans were used to purchase equipment and fund a construction project. The balance of the loans at December 31, 2012 and 2011 was \$168 thousand and \$214 thousand, respectively.

**Medical Staff Deferred Compensation Plan**

VHS has a nonqualified deferred compensation plan under Internal Revenue Service Code Section 457, to provide compensation for unassigned call services provided by participating physicians at the Medical Center. VHS, as the Plan sponsor, is responsible for funding the Plan based upon predetermined levels of payment which was \$3.1 million in 2012 and \$3 million in 2011. VHS is also responsible for maintaining a trust in which the contributions to the Plan will be maintained and from which qualifying disbursements will be made. Contributions to the Plan vest to the benefit of the participating physicians under various methods based upon years in the Plan and/or age. VHS recognizes, for financial reporting purposes, the related trust assets and a corresponding liability. The Plan allows VHS to modify future payments to the Plan based on a variety of operating factors at the discretion of the Board of the Medical Center.

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Asset Retirement Obligation

The *Asset Retirement and Environmental Obligations* Topic 410 of the FASB Accounting Standards Codification, clarifies when an entity is required to recognize a liability for a conditional asset retirement obligation. Management has considered this Topic, specifically as it relates to its legal obligations to perform asset retirement activities, such as asbestos removal, on its existing properties. Management of VHS believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which VHS may settle the obligations is unknown and cannot be estimated. As a result, management cannot reasonably estimate a liability related to these potential asset retirement activities. However, management does not believe that remediation of such obligations will have a material effect on the consolidated financial statements.

#### Note 19. Fair Value Disclosures

##### Fair Value Measurements

The *Fair Value Measurements and Disclosures* Topic 820 of the FASB Accounting Standards Codification defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, VHS uses various methods including market, income and cost approaches. Based on these approaches, VHS often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. VHS utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques VHS is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair value. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange
- Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.
- Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation, also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

The following is a description of the valuation methodologies used for instruments measured at fair value:

##### Equity Securities

The fair value of equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Mutual and Other Funds**

Valued at the quoted net asset value (NAV) of shares held at year end

**U.S. Government Obligations**

Valuation inputs utilized by the independent pricing service for those U S Government securities under Level 2 include benchmark yields, reporting trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data including market research publications Also included are data from the vendor trading platform

**Real Estate Investments**

The underlying holdings are periodically valued by appraisers considering the current market conditions Inputs are often unobservable, and therefore, these are level 3 investments

**Partnerships and Ventures**

Valuation is determined using an ownership percentage multiplied by the net assets of the partnership or joint venture

**Derivative Instruments**

Derivatives are fair valued according to their classification as over-the-counter ("OTC") OTC derivatives consist of interest rate swaps These derivatives are fair valued under Level 2 using third-party services Observable market inputs include yield curves (the LIBOR swap curve and applicable basis swap curves), foreign exchange rates, commodity prices, option volatilities, counterparty credit risk, and other related data Credit valuation adjustments are required to reflect both our own nonperformance risk and the respective counterparty's nonperformance risk These adjustments are determined generally by applying a credit spread for the counterparty or VHS as appropriate to the total expected exposure of the derivative

**Fair Value on a Recurring Basis**

The tables below present the recorded amount of assets measured at fair value on a recurring basis (in thousands)

<b>ASSETS:</b>	<b>Total at December 31, 2012</b>	<b>Fair Value Measurements Using</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Investments and Assets Limited as to Use</b>				
Cash and cash equivalents	\$ 14,155	\$ 14,155	\$ -	\$ -
Common stock				
Healthcare	3,327	3,327	-	-
Utilities	218	218	-	-
Financials	4,823	4,823	-	-
Consumer staples	2,851	2,851	-	-
Consumer discretionary	6,334	6,334	-	-
Materials	1,797	1,797	-	-
Energy	1,827	1,827	-	-
Information technology	7,708	7,708	-	-
Industrials	3,068	3,068	-	-
Telecommunications	728	728	-	-
ADRs	3,193	3,193	-	-
Total common stock	35,874	35,874	-	-



## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ASSETS:	Total at December 31, 2012	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Mutual and other funds				
Bond funds	60,439	60,157	282	-
Collective equity funds	21,063	-	-	21,063
Mutual equity funds	107,929	105,784	2,145	-
Balanced funds	29,219	28,854	365	-
Other fixed income	1,131	1,131	-	-
Real estate funds	76	76	-	-
	<u>219,857</u>	<u>196,002</u>	<u>2,792</u>	<u>21,063</u>
Auction rate securities	200	-	-	200
U S government obligations	3,840	3,840	-	-
Life insurance/annuity	1,480	1,480	-	-
Private realty investments	18,373	-	-	18,373
Limited partnership investments	80,251	-	-	80,251
Ventures and partnerships – operating	<u>14,274</u>	<u>-</u>	<u>-</u>	<u>14,274</u>
	<u>\$ 388,304</u>	<u>\$ 251,351</u>	<u>\$ 2,792</u>	<u>\$ 134,161</u>
<b>Liabilities:</b>				
Derivative Financial Instruments	<u>\$ (35,794)</u>	<u>\$ -</u>	<u>\$ (35,794)</u>	<u>\$ -</u>

ASSETS	Total at December 31, 2011	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Investments and Assets Limited as to Use</b>				
Cash and cash equivalents	\$ 40,634	\$ 39,534	\$ 1,100	\$ -
Common stock				
Healthcare	1,742	1,742	-	-
Utilities	237	237	-	-
Financials	1,664	1,664	-	-
Consumer staples	203	203	-	-
Consumer discretionary	3,804	3,804	-	-
Materials	281	281	-	-
Energy	1,565	1,565	-	-
Information technology	3,836	3,836	-	-
Industrials	2,222	2,222	-	-
Telecommunications	487	487	-	-
ADRs	1,647	1,647	-	-
Total common stock	<u>17,688</u>	<u>17,688</u>	<u>-</u>	<u>-</u>
Mutual and other funds				
Bond funds	91,801	82,106	9,695	-
Collective equity funds	1,858	-	-	1,858
Mutual equity funds	91,685	88,753	2,932	-
Balanced funds	44,905	44,464	441	-
Other fixed income	1,201	1,201	-	-
Real estate funds	57	57	-	-
	<u>231,507</u>	<u>216,581</u>	<u>13,068</u>	<u>1,858</u>

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ASSETS	Total at December 31, 2011	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Auction rate securities	200	-	-	200
U S government obligations	3,841	3,841	-	-
Life insurance/annuity	2,065	2,065	-	-
Private realty investments	29,660	-	-	29,660
Limited partnership investments	63,869	-	-	63,869
Ventures and partnerships – operating	8,512	-	-	8,512
	<u>\$ 397,976</u>	<u>\$ 279,709</u>	<u>\$ 14,168</u>	<u>\$ 104,099</u>
<b>Liabilities:</b>				
Derivative Financial Instruments	<u>\$ (39,121)</u>	<u>\$ -</u>	<u>\$ (39,121)</u>	<u>\$ -</u>

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

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

**Level 3 Investments**

Activity related to Level 3 investments which include investments and assets limited as to use is as follows (in thousands)

	2012	2011
Balance, beginning of year	\$ 104,099	\$ 114,889
Additions	32,471	14,754
Distributions	(16,184)	(35,511)
Investment income included in excess of revenues over expenses, net	13,135	5,475
Unrealized gains/(losses) excluded from excess of revenues over expenses	640	4,492
Balance, end of year	<u>\$ 134,161</u>	<u>\$ 104,099</u>

The following methods and assumptions were used by VHS in estimating the fair value of each class of its financial instruments for which it is practicable to estimate that value

**Cash and cash equivalents:** The carrying amount approximates fair value because of the short-term maturity of those instruments

**Patient accounts receivable:** The carrying amount approximates fair value

**Estimated third-party payor settlement:** The carrying amount approximates fair value.

**Long-term debt:** The fair values of bonds payable are based on quoted market prices for the same or similar issues

**Derivative financial instruments:** The carrying amount of derivative financial instruments, interest rate swap agreements, are reported at fair value and recorded in other long-term liabilities

## VALLEY HEALTH SYSTEM AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents estimated fair values of VHS's financial instruments at December 31, 2012 and 2011 (in thousands)

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 60,818	\$ 60,818	\$ 48,569	\$ 48,569
Patient accounts receivable	\$ 98,784	\$ 98,784	\$ 94,713	\$ 94,713
Other current assets	\$ 13,769	\$ 13,769	\$ 11,652	\$ 11,652
Investments and assets limited as to use	\$ 374,029	\$ 374,029	\$ 389,464	\$ 389,464
Third party settlements	\$ (7,463)	\$ (7,463)	\$ (1,367)	\$ (1,367)
Long-term debt	\$ (367,702)	\$ (378,758)	\$ (393,696)	\$ (395,680)
Derivative financial instruments	\$ (35,794)	\$ (35,794)	\$ (39,121)	\$ (39,121)

**Note 20. Hampshire Wellness Center**

On June 19, 2006, East Mountain Health Advantage entered into a long-term lease agreement to lease and operate a 60,000 square foot wellness center. The lease agreement with the Hampshire County Development Authority is for a period of 20 years at \$162 thousand per year plus all operating expenses of the facility and operations. In 2008, Hampshire Wellness Center, Inc. was established to operate the wellness center and assume responsibility for the lease. East Mountain Health Advantage became the sole corporate member of Hampshire Wellness Center, Inc.

The lease agreement contains a purchase option at the end of the lease term with the purchase price based upon the original cost of the facility less the sum of the lease payments made, 80% of operating losses not to exceed \$2 million, and cost of improvements, not to exceed \$150 thousand.

**Note 21. Page Memorial Hospital and Commitment**

VHS has committed to assist Page in building a new hospital with an estimated cost of \$30 million with a targeted completion date in 2014. A Certificate of Public Need was obtained in 2012 and the groundbreaking for the new hospital was held December 10, 2012. The new hospital will be financed with a combination of internal and external financing.

**Note 22. 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.

**VALLEY HEALTH SYSTEM AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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For Medicare and Medicaid EHR incentive payments VHS 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, VHS recognized approximately \$7.1 million of EHR revenues for the year ended December 31, 2012, comprised of \$5 million of Medicare revenues and \$2.1 million of Medicaid revenues. These amounts are included in Electronic Health Record Incentive Reimbursement in the accompanying consolidated statements of operations.

VHS'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.

**VALLEY HEALTH SYSTEM AND SUBSIDIARIES**

**CONSOLIDATED SCHEDULE – BALANCE SHEET INFORMATION (IN THOUSANDS)**

**December 31, 2012**

	Valley Health System	Winchester Medical Center and Subsidiary	Valley Regional Enterprises	Surgi-Center of Winchester	Warren Memorial Hospital and Subsidiary	Shenandoah Memorial Hospital and Subsidiary
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 3,917	\$ 28,131	\$ 566	\$ 4,437	\$ 11,377	\$ 6,513
Investments	-	191,258	-	19,028	12,051	7,524
Assets limited as to use	-	7,065	-	-	-	-
Patient accounts receivable, net	-	68,059	5,065	801	7,215	5,522
Due from related entities	16,408	10,153	-	-	-	16
Inventory of supplies	1,397	9,217	1,360	495	797	612
Other current assets	7,957	3,323	933	37	278	218
<b>Total current assets</b>	<b>29,679</b>	<b>317,206</b>	<b>7,924</b>	<b>24,798</b>	<b>31,718</b>	<b>20,405</b>
<b>Assets limited as to use, noncurrent</b>	<b>2,362</b>	<b>129,386</b>	<b>-</b>	<b>-</b>	<b>1,437</b>	<b>2,937</b>
<b>Property and equipment, net</b>	<b>-</b>	<b>449,446</b>	<b>4,461</b>	<b>4,697</b>	<b>41,881</b>	<b>33,612</b>
<b>Other assets</b>						
Deferred financing costs, net	-	3,935	-	-	-	-
Goodwill	-	-	-	-	-	-
Investments	10,251	129	3,736	-	-	-
Investments in wholly owned subsidiaries	605,108	-	-	-	-	-
<b>Total other assets</b>	<b>615,359</b>	<b>4,064</b>	<b>3,736</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 647,400</b>	<b>\$ 900,102</b>	<b>\$ 16,121</b>	<b>\$ 29,495</b>	<b>\$ 75,036</b>	<b>\$ 56,954</b>

<b>East Mountain Health Advantage and Subsidiaries</b>	<b>War Memorial Hospital</b>	<b>Page Memorial Hospital and Subsidiary</b>	<b>Valley Physician Enterprise</b>	<b>Subtotal</b>	<b>Eliminations</b>	<b>Consolidated</b>
\$ 1,412	\$ 807	\$ 2,618	\$ 1,040	\$ 60,818	\$ -	\$ 60,818
-	-	-	-	229,861	-	229,861
683	-	-	-	7,748	-	7,748
2,773	2,314	4,018	3,017	98,784	-	98,784
25	-	-	-	26,602	(26,602)	-
489	370	269	-	15,006	-	15,006
131	181	285	426	13,769	-	13,769
5,513	3,672	7,190	4,483	452,588	(26,602)	425,986
-	87	131	80	136,420	-	136,420
34,656	36,232	16,778	1,501	623,264	-	623,264
658	-	-	-	4,593	-	4,593
4,400	-	-	-	4,400	-	4,400
80	79	-	-	14,275	-	14,275
-	-	-	-	605,108	(605,108)	-
5,138	79	-	-	628,376	(605,108)	23,268
<u>\$ 45,307</u>	<u>\$ 40,070</u>	<u>\$ 24,099</u>	<u>\$ 6,064</u>	<u>\$ 1,840,648</u>	<u>\$ (631,710)</u>	<u>\$ 1,208,938</u>

**VALLEY HEALTH SYSTEM AND SUBSIDIARIES**

**CONSOLIDATING SCHEDULE – BALANCE SHEET INFORMATION (IN THOUSANDS), Continued**  
**December 31, 2012**

	Valley Health System	Winchester Medical Center and Subsidiary	Valley Regional Enterprises	Surgi-Center of Winchester	Warren Memorial Hospital and Subsidiary	Shenandoah Memorial Hospital and Subsidiary
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current liabilities</b>						
Current installments of long-term debt	\$ -	\$ 2,200	\$ 4,150	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	19,443	13,366	182	217	485	121
Accrued salaries and wages	24,489	-	-	-	-	-
Third-party settlements	-	3,132	-	-	(454)	985
Due to related entities	-	6,251	2,007	352	1,731	1,298
Other current liabilities	122	195	-	-	-	50
<b>Total current liabilities</b>	<b>44,054</b>	<b>25,144</b>	<b>6,339</b>	<b>569</b>	<b>1,762</b>	<b>2,454</b>
<b>Long-term debt, excluding current installments</b>	<b>-</b>	<b>303,301</b>	<b>-</b>	<b>-</b>	<b>26,388</b>	<b>10,718</b>
<b>Accrued pension and post retirement obligations</b>	<b>-</b>	<b>112,813</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,970</b>
<b>Other liabilities</b>	<b>1,363</b>	<b>42,536</b>	<b>315</b>	<b>-</b>	<b>698</b>	<b>397</b>
<b>Total liabilities</b>	<b>45,417</b>	<b>483,794</b>	<b>6,654</b>	<b>569</b>	<b>28,848</b>	<b>25,539</b>
<b>Net assets:</b>						
Unrestricted	580,390	400,221	9,467	28,926	44,712	28,021
Temporarily restricted	15,919	10,737	-	-	1,466	3,130
Permanently restricted	5,674	5,350	-	-	10	264
<b>Total net assets</b>	<b>601,983</b>	<b>416,308</b>	<b>9,467</b>	<b>28,926</b>	<b>46,188</b>	<b>31,415</b>
<b>Total liabilities and net assets</b>	<b>\$ 647,400</b>	<b>\$ 900,102</b>	<b>\$ 16,121</b>	<b>\$ 29,495</b>	<b>\$ 75,036</b>	<b>\$ 56,954</b>

<b>East Mountain Health Advantage and Subsidiaries</b>	<b>War Memorial Hospital</b>	<b>Page Memorial Hospital and Subsidiary</b>	<b>Valley Physician Enterprise</b>	<b>Subtotal</b>	<b>Eliminations</b>	<b>Consolidated</b>
\$ -	\$ -	\$ 95	\$ -	\$ 6,445	\$ (4,150)	\$ 2,295
815	430	974	601	36,634	-	36,634
-	-	-	-	24,489	-	24,489
2,070	2,030	(300)	-	7,463	-	7,463
3,364	895	5,591	963	22,452	(22,452)	-
28	-	-	-	395	-	395
<b>6,277</b>	<b>3,355</b>	<b>6,360</b>	<b>1,564</b>	<b>97,878</b>	<b>(26,602)</b>	<b>71,276</b>
25,000	-	-	-	365,407	-	365,407
-	-	-	-	124,783	-	124,783
7	32	61	80	45,489	-	45,489
<b>31,284</b>	<b>3,387</b>	<b>6,421</b>	<b>1,644</b>	<b>633,557</b>	<b>(26,602)</b>	<b>606,955</b>
13,963	36,604	17,181	4,420	1,163,905	(583,515)	580,390
60	79	447	-	31,838	(15,919)	15,919
-	-	50	-	11,348	(5,674)	5,674
<b>14,023</b>	<b>36,683</b>	<b>17,678</b>	<b>4,420</b>	<b>1,207,091</b>	<b>(605,108)</b>	<b>601,983</b>
<b>\$ 45,307</b>	<b>\$ 40,070</b>	<b>\$ 24,099</b>	<b>\$ 6,064</b>	<b>\$ 1,840,648</b>	<b>\$ (631,710)</b>	<b>\$ 1,208,938</b>



**VALLEY HEALTH SYSTEM AND SUBSIDIARIES**
**CONSOLIDATING SCHEDULE – OPERATING INFORMATION (IN THOUSANDS)**
**Year Ended December 31, 2012**

	Valley Health System	Winchester Medical Center and Subsidiary	Valley Regional Enterprises	Surgi-Center of Winchester	Warren Memorial Hospital and Subsidiary	Shenandoah Memorial Hospital and Subsidiary
<b>Unrestricted revenues, gains and other support</b>						
Patient service revenue, gross and charity care	\$ -	\$ 928,006	\$ 54,075	\$ 17,254	\$ 127,841	\$ 90,718
Charity care	-	(52,688)	-	(431)	(13,702)	(6,516)
Contractual adjustments	-	(400,195)	(21,805)	(6,036)	(48,008)	(38,122)
Provision for uncollectible accounts	-	(22,398)	(1,212)	(204)	(6,236)	(4,844)
<b>Net patient service revenue</b>	-	452,725	31,058	10,583	59,895	41,236
Other operating revenue	93,204	13,125	231	24	1,683	1,221
Electronic health record incentive reimbursement	-	4,479	-	-	1,728	160
Investment income, net	70	30,030	-	1,763	1,064	560
Gifts and bequests	-	125	-	-	118	-
Net assets released from restrictions	-	1,049	-	-	-	-
<b>Total revenues, gains and other support</b>	93,274	501,533	31,289	12,370	64,488	43,177
<b>Expenses</b>						
Salaries and wages	41,615	148,138	11,123	2,845	23,583	15,298
Payroll taxes and benefits	11,622	39,916	2,425	926	5,784	4,730
Supplies and other	38,093	153,421	14,732	3,833	21,319	14,717
Corporate management fees	-	49,937	3,648	777	6,399	4,268
VPE allocation	-	8,460	-	-	2,410	4,254
Depreciation and amortization	-	37,548	697	596	3,203	2,772
Interest expense	-	13,591	191	-	1,181	478
<b>Total expenses</b>	91,330	451,011	32,816	8,977	63,879	46,517
<b>Excess (deficit) of revenues over expenses</b>	1,944	50,522	(1,527)	3,393	609	(3,340)
<b>Other changes in net assets</b>						
Intercompany transfers, net	(896)	(35,084)	6,340	581	7,211	7,456
Net unrealized loss on investments	-	(3,448)	-	529	448	417
Change in value of derivatives	-	2,749	-	-	411	167
Change in pension plan funded status	-	(23,549)	-	-	-	(948)
Earnings in equity of wholly-owned Subsidiaries	19,724	-	-	-	-	-
<b>Increase (decrease) in unrestricted net assets</b>	\$ 20,772	\$ (8,810)	\$ 4,813	\$ 4,503	\$ 8,679	\$ 3,752

<b>East Mountain Health Advantage and Subsidiaries</b>	<b>War Memorial Hospital</b>	<b>Page Memorial Hospital and Subsidiary</b>	<b>Valley Physician Enterprise</b>	<b>Subtotal</b>	<b>Eliminations</b>	<b>Consolidated</b>
\$ 32,905	\$ 28,550	\$ 55,890	\$ 41,951	\$ 1,377,190	\$ -	\$ 1,377,190
(2,924)	(1,339)	(3,574)	(1,328)	(82,502)	-	(82,502)
(11,188)	(8,565)	(27,296)	(21,432)	(582,647)	-	(582,647)
(1,479)	(1,669)	(3,603)	(380)	(42,025)	-	(42,025)
<b>17,314</b>	<b>16,977</b>	<b>21,417</b>	<b>18,811</b>	<b>670,016</b>	<b>-</b>	<b>670,016</b>
637	281	500	19,524	130,430	(99,749)	30,681
349	135	54	198	7,103	-	7,103
14	3	3	-	33,507	(191)	33,316
-	-	-	-	243	-	243
-	-	-	-	1,049	-	1,049
<b>18,314</b>	<b>17,396</b>	<b>21,974</b>	<b>38,533</b>	<b>842,348</b>	<b>(99,940)</b>	<b>742,408</b>
7,775	7,958	11,186	24,040	293,561	-	293,561
1,608	1,337	2,073	3,327	73,748	-	73,748
6,995	6,267	6,171	10,439	275,987	(10,510)	265,477
1,882	1,897	2,213	2,820	73,841	(73,841)	-
-	-	274	-	15,398	(15,398)	-
1,642	1,091	1,086	330	48,965	-	48,965
1,395	-	16	-	16,852	(191)	16,661
<b>21,297</b>	<b>18,550</b>	<b>23,019</b>	<b>40,956</b>	<b>798,352</b>	<b>(99,940)</b>	<b>698,412</b>
(2,983)	(1,154)	(1,045)	(2,423)	43,996	-	43,996
1,882	8,076	1,933	2,502	-	-	-
-	-	-	-	(2,054)	-	(2,054)
-	-	-	-	3,327	-	3,327
-	-	-	-	(24,497)	-	(24,497)
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,724</b>	<b>(19,724)</b>	<b>-</b>
<b>\$ (1,102)</b>	<b>\$ 6,922</b>	<b>\$ 888</b>	<b>\$ 79</b>	<b>\$ 40,496</b>	<b>\$ (19,724)</b>	<b>\$ 20,772</b>

**VALLEY HEALTH SYSTEM AND SUBSIDIARIES**

**CONSOLIDATED SCHEDULE – BALANCE SHEET INFORMATION (IN THOUSANDS)**

**December 31, 2011**

	Valley Health System	Winchester Medical Center and Subsidiary	Valley Regional Enterprises	Surgi-Center of Winchester	Warren Memorial Hospital and Subsidiary	Shenandoah Memorial Hospital and Subsidiary
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 2,997	\$ 17,675	\$ 871	\$ 8,193	\$ 8,843	\$ 7,442
Investments	-	222,962	-	10,732	5,540	2,548
Assets limited as to use	-	13,903	-	-	-	-
Patient accounts receivable, net	-	62,765	4,723	950	7,578	5,700
Due from related entities	26,577	3,621	-	-	35	5
Inventory of supplies	1,586	9,222	1,599	408	862	591
Other current assets	3,851	5,941	759	19	209	174
<b>Total current assets</b>	<b>35,011</b>	<b>336,089</b>	<b>7,952</b>	<b>20,302</b>	<b>23,067</b>	<b>16,460</b>
<b>Assets limited as to use, noncurrent</b>	<b>1,782</b>	<b>127,270</b>	<b>-</b>	<b>-</b>	<b>1,275</b>	<b>2,549</b>
<b>Property and equipment, net</b>	<b>2,700</b>	<b>446,193</b>	<b>2,451</b>	<b>4,500</b>	<b>42,449</b>	<b>33,789</b>
<b>Other assets</b>						
Deferred financing costs, net	-	4,245	-	-	-	-
Goodwill	-	-	-	-	-	-
Investments	7,422	130	667	-	57	48
Investments in wholly owned subsidiaries	581,274	-	-	-	-	-
<b>Total other assets</b>	<b>588,696</b>	<b>4,375</b>	<b>667</b>	<b>-</b>	<b>57</b>	<b>48</b>
<b>Total assets</b>	<b>\$ 628,189</b>	<b>\$ 913,927</b>	<b>\$ 11,070</b>	<b>\$ 24,802</b>	<b>\$ 66,848</b>	<b>\$ 52,846</b>

<b>East Mountain Health Advantage and Subsidiaries</b>	<b>War Memorial Hospital</b>	<b>Page Memorial Hospital and Subsidiary</b>	<b>Valley Physician Enterprise</b>	<b>Subtotal</b>	<b>Eliminations</b>	<b>Consolidated</b>
\$ 125	\$ 226	\$ 1,825	\$ 372	\$ 48,569	\$ -	\$ 48,569
-	-	-	-	241,782	-	241,782
683	-	-	-	14,586	-	14,586
2,864	2,408	3,847	3,878	94,713	-	94,713
-	-	-	-	30,238	(30,238)	-
202	178	281	-	14,929	-	14,929
121	252	141	185	11,652	-	11,652
3,995	3,064	6,094	4,435	456,469	(30,238)	426,231
-	77	92	51	133,096	-	133,096
35,804	31,936	12,801	1,605	614,228	-	614,228
679	-	-	-	4,924	-	4,924
4,400	-	-	-	4,400	-	4,400
80	80	28	-	8,512	-	8,512
-	-	-	-	581,274	(581,274)	-
5,159	80	28	-	599,110	(581,274)	17,836
<u>\$ 44,958</u>	<u>\$ 35,157</u>	<u>\$ 19,015</u>	<u>\$ 6,091</u>	<u>\$ 1,802,903</u>	<u>\$ (611,512)</u>	<u>\$ 1,191,391</u>

**VALLEY HEALTH SYSTEM AND SUBSIDIARIES**

**CONSOLIDATING SCHEDULE – BALANCE SHEET INFORMATION (IN THOUSANDS), Continued**  
**December 31, 2011**

	Valley Health System	Winchester Medical Center and Subsidiary	Valley Regional Enterprises	Surgi-Center of Winchester	Warren Memorial Hospital and Subsidiary	Shenandoah Memorial Hospital and Subsidiary
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current liabilities</b>						
Current installments of long-term debt	\$ -	\$ 8,900	\$ 4,150	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	28,684	14,879	1,351	173	865	828
Accrued salaries and wages	21,245	-	-	-	-	-
Third-party settlements	-	(1,123)	-	-	(623)	775
Due to related entities	-	15,115	627	206	1,756	2,257
Other current liabilities	123	598	-	-	8	53
<b>Total current liabilities</b>	<b>50,052</b>	<b>38,369</b>	<b>6,128</b>	<b>379</b>	<b>2,006</b>	<b>3,913</b>
<b>Long-term debt, excluding current installments</b>	<b>-</b>	<b>321,295</b>	<b>-</b>	<b>-</b>	<b>26,388</b>	<b>10,718</b>
<b>Accrued pension and post retirement obligations</b>	<b>-</b>	<b>84,311</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,515</b>
<b>Other liabilities</b>	<b>1,036</b>	<b>47,727</b>	<b>288</b>	<b>-</b>	<b>1,090</b>	<b>523</b>
<b>Total liabilities</b>	<b>51,088</b>	<b>491,702</b>	<b>6,416</b>	<b>379</b>	<b>29,484</b>	<b>25,669</b>
<b>Net assets:</b>						
Unrestricted	559,618	409,031	4,654	24,423	36,033	24,269
Temporarily restricted	13,083	9,108	-	-	1,321	2,654
Permanently restricted	4,400	4,086	-	-	10	254
<b>Total net assets</b>	<b>577,101</b>	<b>422,225</b>	<b>4,654</b>	<b>24,423</b>	<b>37,364</b>	<b>27,177</b>
<b>Total liabilities and net assets</b>	<b>\$ 628,189</b>	<b>\$ 913,927</b>	<b>\$ 11,070</b>	<b>\$ 24,802</b>	<b>\$ 66,848</b>	<b>\$ 52,846</b>

<b>East Mountain Health Advantage and Subsidiaries</b>	<b>War Memorial Hospital</b>	<b>Page Memorial Hospital and Subsidiary</b>	<b>Valley Physician Enterprise</b>	<b>Subtotal</b>	<b>Eliminations</b>	<b>Consolidated</b>
\$ 954	\$ -	\$ 346	\$ -	\$ 14,350	\$ (4,150)	\$ 10,200
1,226	2,127	700	742	51,575	-	51,575
-	-	-	-	21,245	-	21,245
905	1,583	(150)	-	1,367	-	1,367
1,789	1,742	1,639	957	26,088	(26,088)	-
19	1	-	-	802	-	802
<b>4,893</b>	<b>5,453</b>	<b>2,535</b>	<b>1,699</b>	<b>115,427</b>	<b>(30,238)</b>	<b>85,189</b>
25,000	-	95	-	383,496	-	383,496
-	-	-	-	94,826	-	94,826
-	22	42	51	50,779	-	50,779
<b>29,893</b>	<b>5,475</b>	<b>2,672</b>	<b>1,750</b>	<b>644,528</b>	<b>(30,238)</b>	<b>614,290</b>
15,065	29,682	16,293	4,341	1,123,409	(563,791)	559,618
-	-	-	-	26,166	(13,083)	13,083
-	-	50	-	8,800	(4,400)	4,400
<b>15,065</b>	<b>29,682</b>	<b>16,343</b>	<b>4,341</b>	<b>1,158,375</b>	<b>(581,274)</b>	<b>577,101</b>
<b>\$ 44,958</b>	<b>\$ 35,157</b>	<b>\$ 19,015</b>	<b>\$ 6,091</b>	<b>\$ 1,802,903</b>	<b>\$ (611,512)</b>	<b>\$ 1,191,391</b>

**VALLEY HEALTH SYSTEM AND SUBSIDIARIES**
**CONSOLIDATING SCHEDULE – OPERATING INFORMATION (IN THOUSANDS)**
**Year Ended December 31, 2011**

	Valley Health System	Winchester Medical Center and Subsidiary	Valley Regional Enterprises	Surgi-Center of Winchester	Warren Memorial Hospital and Subsidiary	Shenandoah Memorial Hospital and Subsidiary
<b>Unrestricted revenues, gains and other support</b>						
Patient service revenue, gross and charity care	\$ -	\$ 849,672	\$ 49,312	\$ 17,251	\$ 111,649	\$ 84,775
Charity care	-	(40,230)	-	(431)	(9,767)	(5,557)
Contractual adjustments	-	(336,885)	(18,526)	(5,651)	(39,392)	(33,702)
Provision for uncollectible accounts	-	(29,367)	(1,531)	(280)	(6,240)	(5,066)
<b>Net patient service revenue</b>	-	443,190	29,255	10,889	56,250	40,450
Other operating revenue	82,704	12,956	6	19	1,667	1,275
Investment income, net	68	17,490	-	675	351	129
Gifts and bequests	-	125	-	-	25	102
Net assets released from restrictions	-	465	-	-	59	165
<b>Total revenues, gains and other support</b>	82,772	474,226	29,261	11,583	58,352	42,121
<b>Expenses</b>						
Salaries and wages	39,653	140,862	10,067	2,759	23,013	15,024
Payroll taxes and benefits	10,622	33,586	2,391	779	5,797	4,435
Supplies and other	33,239	144,487	14,225	4,249	19,771	14,745
Corporate management fees	-	45,743	3,311	714	5,832	4,153
VPE allocation	-	7,483	-	-	1,523	4,666
Depreciation and amortization	-	32,033	709	539	3,050	2,393
Interest expense	-	8,003	210	-	1,210	492
<b>Total expenses</b>	83,514	412,197	30,913	9,040	60,196	45,908
<b>Excess (deficit) of revenues over expenses</b>	(742)	62,029	(1,652)	2,543	(1,844)	(3,787)
<b>Other changes in net assets</b>						
Intercompany transfers, net	1,883	(62,164)	1,983	536	5,897	7,780
Net unrealized loss on investments	-	(18,257)	-	(972)	(503)	(136)
Change in value of derivatives	-	(19,855)	-	-	321	130
Change in pension plan funded status	-	(57,866)	-	-	-	(4,117)
Earnings in equity of wholly-owned Subsidiaries	(51,102)	-	-	-	-	-
Other changes	-	-	-	-	-	(3)
<b>Increase (decrease) in unrestricted net assets</b>	\$ (49,961)	\$ (96,113)	\$ 331	\$ 2,107	\$ 3,871	\$ (133)

<b>East Mountain Health Advantage and Subsidiaries</b>	<b>War Memorial Hospital</b>	<b>Page Memorial Hospital and Subsidiary</b>	<b>Valley Physician Enterprise</b>	<b>Subtotal</b>	<b>Eliminations</b>	<b>Consolidated</b>
\$ 27,369	\$ 25,408	\$ 51,497	\$ 41,156	\$ 1,258,089	\$ -	\$ 1,258,089
(2,025)	(1,044)	(2,711)	(1,634)	(63,399)	-	(63,399)
(9,786)	(5,949)	(24,391)	(17,906)	(492,188)	-	(492,188)
(1,169)	(826)	(3,940)	(1,531)	(49,950)	-	(49,950)
<b>14,389</b>	<b>17,589</b>	<b>20,455</b>	<b>20,085</b>	<b>652,552</b>	<b>-</b>	<b>652,552</b>
386	100	534	17,614	117,261	(83,098)	34,163
-	6	18	-	18,737	(209)	18,528
-	3	-	-	255	-	255
-	-	-	-	689	-	689
<b>14,775</b>	<b>17,698</b>	<b>21,007</b>	<b>37,699</b>	<b>789,494</b>	<b>(83,307)</b>	<b>706,187</b>
6,387	7,520	10,040	23,604	278,929	-	278,929
1,548	1,782	1,892	3,811	66,643	-	66,643
6,524	6,280	5,390	10,110	259,020	(1,791)	257,229
1,362	1,900	1,991	2,359	67,365	(67,365)	-
-	-	270	-	13,942	(13,942)	-
1,377	214	1,028	256	41,599	-	41,599
750	-	34	-	10,699	(209)	10,490
<b>17,948</b>	<b>17,696</b>	<b>20,645</b>	<b>40,140</b>	<b>738,197</b>	<b>(83,307)</b>	<b>654,890</b>
(3,173)	2	362	(2,441)	51,297	-	51,297
15,224	23,061	1,763	4,037	-	-	-
-	-	-	-	(19,868)	-	(19,868)
-	-	-	-	(19,404)	-	(19,404)
-	-	-	-	(61,983)	-	(61,983)
-	-	-	-	(51,102)	51,102	-
-	-	-	-	(3)	-	(3)
<b>\$ 12,051</b>	<b>\$ 23,063</b>	<b>\$ 2,125</b>	<b>\$ 1,596</b>	<b>\$ (101,063)</b>	<b>\$ 51,102</b>	<b>\$ (49,961)</b>



REPRESENTATION OF SPLIT DOLLAR LOAN  
FOR PREMIUMS PAID BY EMPLOYER

Employee

Menno Frank Heisey

Name

[REDACTED]

[REDACTED]

[REDACTED]

Social Security Number

Employer

Valley Health

Name

220 Campus Blvd

Suite 420

Winchester, VA 22601

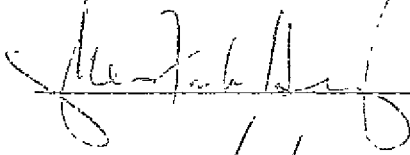
52-1357729

Employer Identification Number

The Employer has paid one or more premiums into a life insurance policy owned by the Employee. The premiums are split dollar loans under Treas. Reg. § 1.7872-15. The loans are nonrecourse.

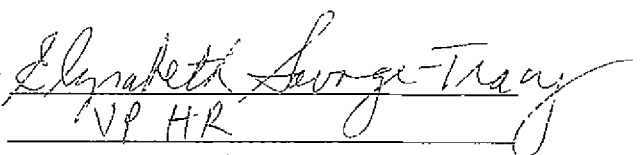
The Employer and Employee represent that a reasonable person would expect that all payments under the loan(s) will be made.

**Employee Signature:**



Date: 1/4/2012

**Employer Signature:**

By   
Its VP HR

Date: 12-19-11

**SIGN TWO COPIES OF THIS FORM – SEE BELOW**

**Note:** Current IRS regulations require the following

1. The employer and the employee must each sign this representation not later than the last day (including extensions) for filing the Federal income tax return of the employer or the employee (whichever is earlier) for the taxable year in which the employer pays the first premium under the arrangement.
2. The employer and the employee must each keep an original signed copy of this representation as part of their books and records
3. The employer and the employee must each attach a copy of this representation to their Federal income tax returns for any taxable year in which the employer pays a premium under the arrangement.

REGULATIONS UNDER THE REVENUE ACT OF 1972 (1)(2)  
REGULATIONS UNDER THE REVENUE ACT OF 1972 (1)(2)

Employee

Neil R. McLaughlin

Name

[REDACTED]

[REDACTED]

[REDACTED]

Social Security Number

Employer

Valley Health

Name

220 Campus Blvd

Suite 420

Winchester, VA 22601

52-1357729

Employer Identification Number

The Employer has paid one or more premiums into a life insurance policy owned by the Employee. The premiums are split dollar loans under Treas Reg § 1.7872-15. The loans are nonrecourse.

The Employer and Employee represent that a reasonable person would expect that all payments under the loan(s) will be made.

Employee Signature:

Neil R. McLaughlin

Date: 12-26-11

Employer Signature:

By Elizabeth George Tray  
Its VA HR  
Date: 12-19-11

**SIGN TWO COPIES OF THIS FORM – SEE BELOW**

Note: Current IRS regulations require the following

1. The employer and the employee must each sign this representation not later than the last day (including extensions) for filing the Federal income tax return of the employer or the employee (whichever is earlier) for the taxable year in which the employer pays the first premium under the arrangement
2. The employer and the employee must each keep an original signed copy of this representation as part of their books and records
3. The employer and the employee must each attach a copy of this representation to their Federal income tax returns for any taxable year in which the employer pays a premium under the arrangement

EMPLOYER AND EMPLOYEE REPRESENTATION  
REGULATIONS UNDER THE SPLIT DOLLAR PLAN

Employee

Patrick B. Nolan

Name

[REDACTED]

[REDACTED]

[REDACTED]

Social Security Number

Employer

Valley Health

Name

220 Campus Blvd

Suite 420

Winchester, VA 22601

52-1357729

Employer Identification Number

The Employer has paid one or more premiums into a life insurance policy owned by the Employee. The premiums are split dollar loans under Treas. Reg. § 1.7872-15. The loans are nonrecourse.

The Employer and Employee represent that a reasonable person would expect that all payments under the loan(s) will be made.

Employee Signature:

[Signature]

Date:

1/5/12

Employer Signature:

By [Signature]  
Its VP HR  
Date: 12-19-11

**SIGN TWO COPIES OF THIS FORM – SEE BELOW**

Note: Current IRS regulations require the following:

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REPRESENTATION UNDER REG. § 1.7872-15(c)(2)  
REGARDING NONRECURSE SPLIT-DOLLAR LOAN

Employee

Nicolas C. Restrepo

Name

[REDACTED]

[REDACTED]

[REDACTED]

Social Security Number

Employer

Valley Health

Name

220 Campus Blvd

Suite 420

Winchester, VA 22601

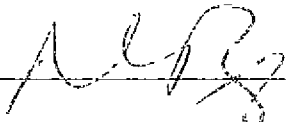
52-1357729

Employer Identification Number

The Employer has paid one or more premiums into a life insurance policy owned by the Employee. The premiums are split dollar loans under Treas. Reg. § 1.7872-15. The loans are nonrecourse.

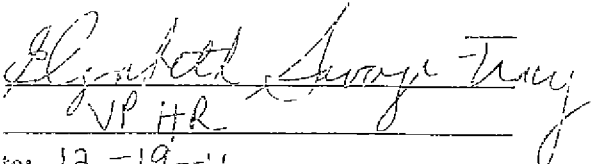
The Employer and Employee represent that a reasonable person would expect that all payments under the loan(s) will be made.

Employee Signature:



Date: 12/19/11

Employer Signature:

By   
Its VP HR

Date: 12-19-11

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REPRESENTATION OF SPLIT DOLLAR LOANS UNDER TREAS. REG. § 1.7872-15 AS  
RECAPTURE OF NONRECOURSE DEBT FOR FEDERAL INCOME TAX PURPOSES

Employee

Andrew G. Cohen

Name

[REDACTED]

[REDACTED]

[REDACTED]

Social Security Number

Employer

Valley Health

Name

220 Campus Blvd

Suite 420

Winchester, VA 22601

52-1357729

Employer Identification Number

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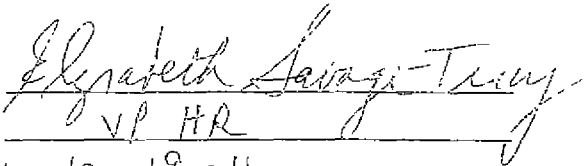
The Employer and Employee represent that a reasonable person would expect that all payments under the loan(s) will be made.

Employee Signature:



Date: 12/26/11

Employer Signature:

By 

Its VP HR

Date: 12-19-11

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INTERNAL REVENUE SERVICE (Form 1041-1)  
REGARDING NONRECOURSE SPLIT-DOLLAR LOANS

Employee

Tonya M. Smith

Name

[REDACTED]

[REDACTED]

[REDACTED]

Social Security Number

Employer

Valley Health

Name

220 Campus Blvd

Suite 420

Winchester, VA 22601

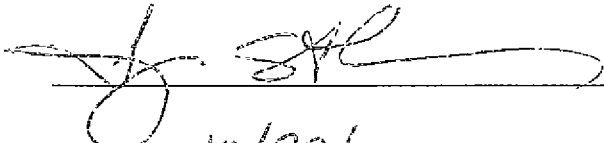
52-1357729

Employer Identification Number

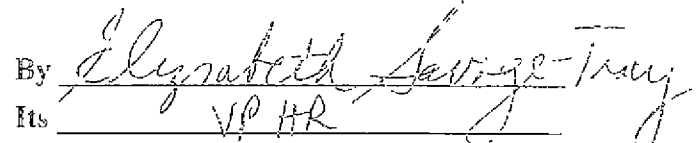
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The Employer and Employee represent that a reasonable person would expect that all payments under the loan(s) will be made.

Employee Signature:

  
Date: 12/22/11

Employer Signature:

By   
Its VP HR  
Date: 12-19-11

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APPROPRIATION OF PREMIUMS (1774-1001)  
REGARDING NONRECOURSE SPLIT-DOLLAR LOAN

Employee

Alfred E. Pilon

Name

[REDACTED]

[REDACTED]

[REDACTED]

Social Security Number

Employer

Valley Health

Name

220 Campus Blvd

Suite 420

Winchester, VA 22601

52-1357729

Employer Identification Number

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Employee Signature:

[Signature]

Date:

12/21/11

Employer Signature:

By [Signature]  
Its VP HR

Date:

12-19-11

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REPRESENTATION UNDER TREAS. REG. § 1.7872-15(d)(3)  
REGARDING NON-RECOURSE SPLIT-DOLLAR LOAN

Employee

Joan M. Roscoe

Name

[REDACTED]

[REDACTED]

[REDACTED]

Social Security Number

Employer

Valley Health

Name

220 Campus Blvd

Suite 420

Winchester, VA 22601

52-1357729

Employer Identification Number

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Employee Signature:

[Signature]

Date: 12-19-11

Employer Signature:

By [Signature]  
Its VP HR  
Date: 12-19-11

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REPRESENTATION OF EMPLOYER AND EMPLOYEE  
REGARDING NON-RECOURSE SPLIT-DOLLAR LOAN

Employee

Mark H. Merrill  
Name

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]  
Social Security Number

Employer

Valley Health  
Name

220 Campus Blvd

Suite 420

Winchester, VA 22601

52-1357729

Employer Identification Number

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Employee Signature:

[Signature]

Date: 12/24/11

Employer Signature:

By [Signature]  
Its VP HR

Date: 12-19-11

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REGARDING NONRECURSE SPLIT-DOLLAR LOAN

Employee

M. Todd Way

Name

[REDACTED]

[REDACTED]

Social Security Number

Employer

Valley Health

Name

220 Campus Blvd

Suite 420

Winchester, VA 22601

52-1357729

Employer Identification Number

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Employee Signature:

M. Todd Way

Date: 12-20-2011

Employer Signature:

By Elizabeth George Tracy  
Its VP HR

Date: 12-19-11

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EMPLOYER'S REPRESENTATION REGARDING SPLIT DOLLAR LOANS  
REGARDING SPLIT DOLLAR LOANS

Employee

Elizabeth A. Savage-Tracy

Name

[REDACTED]

\_\_\_\_\_

[REDACTED]

Social Security Number

Employer

Valley Health

Name

220 Campus Blvd

Suite 420

Winchester, VA 22601

52-1357729

Employer Identification Number

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Employee Signature:

Elizabeth A. Savage-Tracy

Date: 12-19-11

Employer Signature:

By [Signature]

Its

Date: 12-19-11

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REPRESENTATION UNDER TREAS. REG. § 1.7872-1(d)(3)

REGARDING NON-RECURRING SPLIT DOLLAR LOANS

Employee

J. Craig Lewis

Name

[REDACTED]

[REDACTED]

[REDACTED]

Social Security Number

Employer

Valley Health

Name

220 Campus Blvd

Suite 420

Winchester, VA 22601

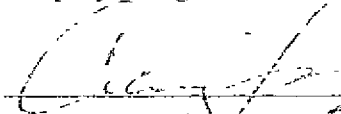
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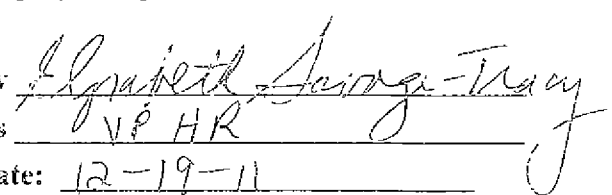
**Employee Signature:**



Date:

12/19/11

**Employer Signature:**

By   
Its VP HR

Date:

12-19-11

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# 2013 Community Benefit Report

**ValleyHealth**  
*Healthier. together.*



Dear Neighbor:

Helping others is at the heart of healthcare at Valley Health. Working as a team, we focus our knowledge and skills on making people healthier and living healthier lives.

Most of what we do takes place within the walls of our healthcare facilities, but our commitment to health certainly isn't limited to hospital-based care.

We are proud to be a not-for-profit health system, and Valley Health reports annually to the Internal Revenue Service and to the community what we do to earn this important designation. We reported our activities and demonstrated our community benefit numbers for 2012. A look at the 2013 Community Benefit Report provides a glimpse of some of the stories behind the numbers.

We present this report to you, our stakeholders, with pride and humility. We believe this information demonstrates the focus placed by Valley Health's Board of Trustees, staff and medical community on our mission of "serving our community by improving health!" Through partnership and community engagement, we can all be **"Healthier, together."**

*Mark H. Merrill*

Mark H. Merrill  
President & CEO

*Joseph E. Silek, Jr.*

Joseph E. Silek, Jr.  
Chairman, Board of Trustees

Based on the IRS classification of a deductible expense, **Valley Health provided nearly \$77 million of support** in 2012. This is a leap of 15% from 2011 and includes over \$38 million in charity care and \$26 million in Medicaid payment shortfall.

## Camp Follow the Leader

Six-year old Matthew Pangle sits atop a therapy horse at Camp Follow the Leader. The summer day camp for youngsters with special needs is sponsored by the WMC Foundation and Valley Health Rehabilitation Services. Matthew's emotional arc went from not wanting to put on a helmet and get on the back of the horse, to not wanting to get off the horse, to not wanting to go home at the end of the day.

That burst of enthusiasm was a welcome capstone to the day for his mother Niki. "Camp Follow the Leader is 110% worthwhile." She says it definitely helped Matthew, who is inclined to sit by himself, by getting him to socialize more with volunteer leaders and other kids. "The rehab staff and the peer mentors were unbelievably wonderful. They put their hearts and souls into it!"



## AIDS Response Effort

The disease was on everyone's lips 20 years ago. AIDS is much better understood today, and we have come so far in managing it, but the diagnosis is still devastating to hear.

A major resource for supporting this population, and for sharing information to help slow the disease's spread, is AIDS Response Effort (ARE). John Nagley, Executive Director of ARE, observes that the public still thinks of AIDS as a disease of gay men, but that isn't the case. "Over half of our clients are women who have been infected by heterosexual partners."

An important role played by ARE is to educate youth about the disease and how to prevent getting it. ARE case managers also reach out to individuals who have lapsed in their care to help bring them back into treatment. "Without the support of Valley Health the individuals we see would have to travel — if they could get transportation — an hour or more to get care outside this community.



"We couldn't survive  
if support from  
Valley Health  
wasn't there."

John Nagley,  
Executive Director  
*AIDS Response Effort*

"We couldn't survive if support from Valley Health wasn't there," says John. Valley Health's \$90,000 contribution helps cover

the rent of its office on West Cork Street in Winchester, plus phones, IT support and assistance with employee benefits.



## Rehabilitation Partnership

Valley Health helps find new homes for lightly used rehabilitation equipment through a relationship with FREE (Foundation for Rehabilitation Equipment & Endowment). FREE has its northern Shenandoah Valley chapter based in Winchester and donated equipment is stored in space provided by Valley Health at Winchester Rehabilitation Center on Cork Street

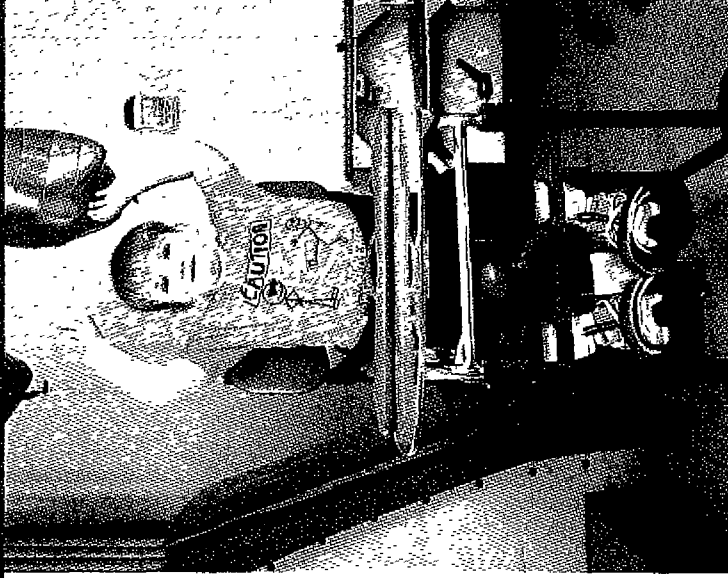
Heather Buonocore, a physical therapist at Winchester Medical Center coordinates distribution of equipment to patients from Virginia, West Virginia and Maryland at no cost. About a dozen people a month are helped who need wheel chairs, walkers, shower seats, bedside commodes, or other assistance devices. "We make a difference," Heather said. "Without these resources we've had patients who could not be discharged."

Nathaniel Ramey, age 6, has confronted the challenges of growing up with spina bifida,

which is a form of birth defect that involves the incomplete development of the spinal cord, with remarkable maturity. A common tool to help youngsters like Nathaniel is to outfit them with a Stander. Once he is strapped in, the device allows him to be erect, an important accomplishment that strengthens his core.

His grandmother and guardian Ileen Ramey says she wasn't sure when she and her husband could afford the \$3,000+ for a new one and was surprised when staff from Winchester Rehabilitation Center suggested they might be able to supply a 'like-new' one at no cost from FREE.

The Stander fit the kindergartener well. "He loved it immediately," says Ileen. "He asks to get in it every day when he comes home from school. He gets right up to the table and does his homework. Thanks for putting a smile on his face!"



Had Valley Health been taxable in 2012 its liability would have been \$34.8 million. The **\$76.9 million** in community benefit supplied by Valley Health was **121% higher than this obligation.**

## Special Care for Special Athletes

Part of the job in healthcare is to be prepared for accidents or injuries, but we are thankful when they don't occur. Each year Winchester Medical Center medical and nursing personnel provide first aid coverage at multiple Apple Blossom Festival events. Hampshire Memorial Hospital and the Hampshire Rural Health Clinic have a history of providing similar coverage for the Hampshire County Special Olympics.

Ted Vidonic, manager of the Rural Health Clinic, comes away with a great feeling. "Seeing the joy of success on the faces of the children as they participated was the best



part." Dr. Matthew Polk, who follows many of the participants as patients, was happily involved as well.

HMH also sponsored the Survivors Reception at the annual Hampshire County Relay for Life. "It's nice to have a chance to honor those who have battled cancer and won," said Rob Sharon, Director of Dietary. The team worked together to raise over \$4,000 for Relay for Life as well as provided activities for children at the event.

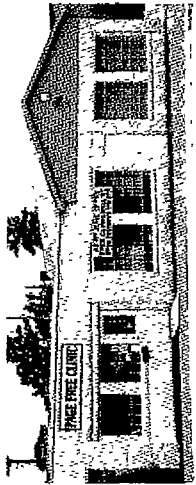
## Sports Physicals

High school athletes are required to have a physical exam before getting the nod to compete. Valley Health has a long tradition of mobilizing physicians and staff to accomplish this efficiently. "Some students would not be able to participate in school sports without the free physicals War Memorial offers," says Chad Brinegar, Berkeley Springs High School Athletic Director. "It's very beneficial to our students and their families, especially when a family has two or three



kids who want to play sports." In 2012, War Memorial Hospital provided free sports physicals to 163 Morgan County students.

Shenandoah Memorial Hospital has provided a similar service for years. 150 high school athletes took SMH up on its free sports physicals in 2012. Warren Memorial Hospital and physicians in Front Royal offered physicals as well. Warren County athletes were asked to make a \$20 donation if possible. The money collected from the 250 boys and girls was then donated back to the school athletic departments where the funds are used to purchase training room supplies.



## Page County Outreach

Page Memorial Hospital provided nearly \$25,000 in direct and indirect support to the Page Free Clinic, including rent on its building. Melissa Wood also coordinated Page Memorial's annual flu clinic. In addition to holding public screenings, PMH pays visits to area employers so they can get their vaccine without having to leave work. Wrangler, Pioneer Bank and EMCO are three businesses that take advantage of this offering. "They absolutely love it," says Melissa, clinical coordinator for cardiac rehabilitation at PMH. "They say their absentee rate is lower after their employees get the shot."

Page County Sheriff's Office conducts an annual Take Back Initiative, and PMH is a drop off center. The event provides

a convenient way for the community to safely dispose of their expired or unused medications.

## Day of Caring

Tammy Stinson, Human Resources Generalist at Warren Memorial Hospital, coordinates WMH's United Way campaign and Day of Caring held annually in Front Royal. Several colleagues spent the day this past April assisting a disabled gentleman with yard work, while another team from WMH were painting Harmony Place, a local domestic violence shelter in Front Royal. "The Day of Caring is an opportunity to give back to those in need. When I think I have problems, this opportunity makes me realize and puts things into perspective.



When features such as **\$18.8 million in bad debt experience and \$32.8 million in Medicare shortfalls** are added to the total, Valley Health provided over \$128.6 million in Community Benefit and other measures of support to the communities we serve. This is up from \$117.9 million in 2011 — an increase of more than 9%.

I really don't have any problems....but blessings. There is always someone out there who has greater need."

Last year Warren Memorial employees contributed over \$18,000 to the Warren County United Way, a record amount. A creative group with a palpable esprit de corps, they came up with a fund raising idea where employees could contribute \$5 to United Way and in return get permission to wear blue jeans to work on two Fridays. Overall, Valley Health contributed more than \$100,000 to the various United Way campaigns across the region.



## Financial Angel

"People come into my office in tears. I can't get help for all of them, but I don't want them to be in tears," says Kathy Alger, Shenandoah Memorial Hospital financial counselor.

State assistance programs are available for many individuals, but not everyone is aware of the options, or how to go about getting into the queue. Kathy is one of many staff people available to help patients apply for aid.

The process can be daunting and frustrating for applicants. "It may take weeks because they have specific pieces of information that are required and not everyone is a good record keeper."

In 2012 Kathy processed 336 new applications of Medicaid. At the end of the year 19 cases were still pending, but of the 317 cases closed, 244 were approved, for a success rate of 77 percent.

She also works with patients on Social Security disability claims.

"Mine is a very rewarding job," says Alger. "It does not always result in an approval but when I am able to get help for our patients in need it is quite gratifying. It makes the journey to better health a much easier path as they have one less thing to worry about."

## Every Woman's Life

It is a sad truth that some women avoid mammograms because they can't afford one — or don't think they can afford the

care if a tumor is found. Every Woman's Life looks to help address this. A federal and Virginia program that receives substantial support from Valley Health, it is for women between the ages of 40-64 who have incomes less than 200% of poverty and who are not insured.

Every Woman's Life, which has been offered since 1998, screens about 300 women annually for breast and cervical cancer. Women are usually patients being followed by doctors at the Free Medical Clinic of the Northern Shenandoah Valley in Winchester, St. Luke's Community Clinic in Front Royal or Shenandoah County Free Clinic in Woodstock, each of which receives substantial support from Valley Health.

If the screenings reveal that more diagnostic work-ups are required, or treatment is necessary, counselors like Kathy Alger work with these women to get them enrolled in Medicaid, which can usually be accomplished.

## Training for Tomorrow

The excitement that came with the opening of the new War Memorial Hospital in June 2012 has had ripples. The facility now provides the well-trained staff with a working environment that assists them in patient care, rather than limiting them. As a result, the critical access hospital is becoming a magnet for nursing students looking to gain experience.

"We have a couple of nursing students who trained here and we hired them," said Leslie Ganoe, MSN, RN, Nurse Educator at War Memorial Hospital. "War hosted 42 nursing students last year. I expect that we will come very close to doubling that in 2013."

Blue Ridge Community College moved into the old hospital when the new War Memorial Hospital opened. With up-to-date equipment and facilities, students find the environment to be to their liking. "The vibe and the light from the windows please everyone," says Ganoe.



Across Valley Health efforts are ongoing to expose youngsters to the rewarding opportunities available within the health-care world. High school students attend volunteer immersion opportunities during the summer at Warren Memorial, Page

Memorial, Shenandoah Memorial, and Winchester Medical Center. In 2013, WMC added the Health Sciences Academy to its roster of opportunities for high school students.

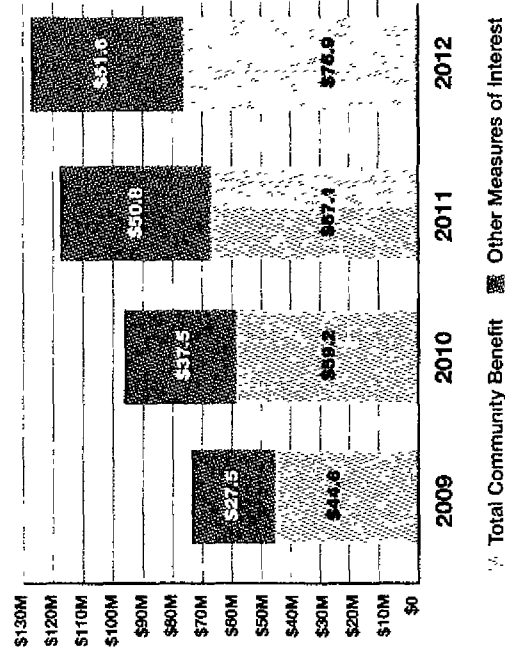
# Valley Health System Community Benefit - 2009-2012 (Millions)

	2009	2010	2011	2012	% change
<b>Total Charity Care at Cost</b>	<b>\$27.1</b>	<b>\$31.1</b>	<b>\$30.8</b>	<b>\$38.5</b>	<b>25%</b>
Medicaid Loss/Unreimbursed Cost/	\$10.3	\$17.7	\$22.3	\$26.2	18%
<b>I. TOTAL Charity Care &amp; Means-Tested Prog</b>	<b>\$37.4</b>	<b>\$48.8</b>	<b>\$53.0</b>	<b>\$64.7</b>	<b>22%</b>
<b>Other Community Benefits</b>					
Community Health Improvement & Benefit	\$3.2	\$3.2	\$2.1	\$2.3	10%
Health Professions Education	\$2.2	\$3.5	\$8.3	\$6.6	-21%
Subsidized Health Services/Research/Cash/In-Kind	\$1.7	\$3.7	\$3.8	\$3.4	-11%
<b>II. TOTAL Programmatic Community Benefit</b>	<b>\$7.1</b>	<b>\$10.4</b>	<b>\$14.2</b>	<b>\$12.3</b>	<b>-13%</b>
<b>TOTAL COMMUNITY BENEFIT (Part I &amp; II)</b>	<b>\$44.6</b>	<b>\$59.2</b>	<b>\$67.1</b>	<b>\$78.9</b>	<b>15%</b>
<b>Other Measures of Interest</b>					
Medicare Shortfall	\$7.9	\$15.9	\$27.4	\$32.8	20%
Bad Debt Expense	\$19.4	\$21.5	\$23.3	\$18.8	-19%
<b>III. TOTAL Other Measures of Interest</b>	<b>\$27.5</b>	<b>\$37.5</b>	<b>\$50.8</b>	<b>\$51.6</b>	<b>2%</b>
<b>TOTAL Community Benefit &amp; Other (Part I, II, &amp; III)</b>	<b>\$72.1</b>	<b>\$96.7</b>	<b>\$117.9</b>	<b>\$128.6</b>	<b>9%</b>

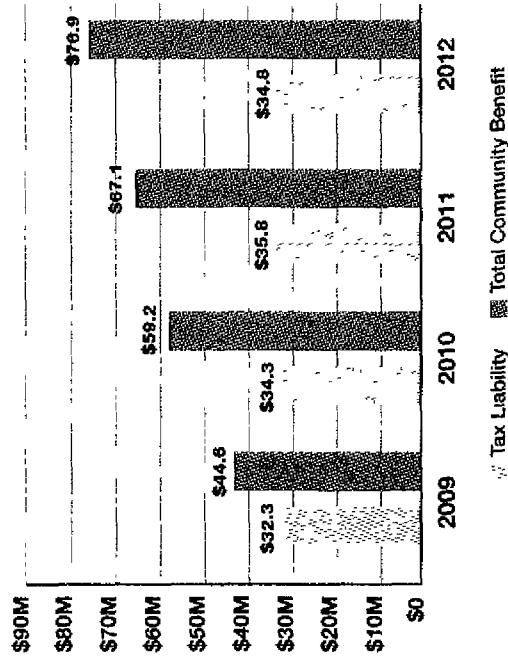
Valley Health's total tax liability from 2009 to 2012 was \$136.9 million while our Community Benefit totaled over \$247 million. **Our Community Benefit was \$110.2 million greater than our projected tax obligation.**



**Total Community Benefit Plus Other Measures of Interest (Millions)**



**Community Benefit/Tax Comparison**





*Healthier. together.*

Worcester Medical Center • Warren Memorial Hospital • Shenandoah Memorial Hospital  
Hampshire Memorial Hospital • Fagin Memorial Hospital • War Memorial Hospital  
Winchester Rehabilitation Center • Surgi-Center of Winchester • Quick Care • Urgent Care  
Valley Home Care • Valley Medical Transport • Valley Pharmacy  
[www.valleyhealthlink.com](http://www.valleyhealthlink.com)



Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors										
(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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			
CRAIG JONES Trustee	2 00 0 00	X						0	0	0
LYNN HOLTZMAN Trustee	2 00 0 00	X						0	0	0
BARRY FADLEY SEC/TREAS SMHF	2 00 0 00	X						0	0	0
INGRID THOMPSON Trustee	2 00 0 00	X						0	0	0
P DOUGLAS MOWERY JR Trustee	2 00 0 00	X						0	0	0
TRACY MILLER Trustee	2 00 0 00	X						0	0	0
MIRIAM IRVIN Trustee	2 00 0 00	X						0	0	0
WADE ZIRKLE VICE CHAIR SMHF	2 00 0 00	X						0	0	0
RICK GLADING CHAIR SMHF	2 00 0 00	X						0	0	0
KAREN WHETZEL Trustee	2 00 0 00	X						600	0	0
ETHEL SHOWMAN Trustee	2 00 0 00	X						600	0	0
CHARLES SHERIDAN Trustee	2 00 0 00	X						0	0	0
MARY BETH PRICE VICE CHAIR SMH	2 00 0 00	X						600	0	0
CHARLES MOORE Trustee	2 00 0 00	X						0	0	0
TOM LINSKI JR Trustee	2 00 0 00	X						0	0	0
KEITH LANTZ Trustee	2 00 0 00	X						600	0	0
MICHAEL KOONTZ Trustee	2 00 0 00	X						600	0	0
JOHN HOFFMAN MD Trustee/Emp Phy	50 00 0 00	X						169,291	0	21,649
JERRY GERMROTH MD VICE CHAIR SMH	2 00 0 00	X						600	0	0
KEVIN BLACK Trustee	2 00 0 00	X						600	0	0
ERICH BRUHN MD PRES WMC STAFF	50 00 0 00	X						315,076	0	28,837
LESLIE KIDD MD Trustee	2 00 0 00	X						0	0	0
THOMAS WISE MD Trustee	2 00 0 00	X						53,078	0	0
WILLIAM SHABB MD Chairman Surgi	2 00 0 00	X						0	0	0
WALTER LAYMAN CHAIRMAN HMH	2 00 0 00	X						0	0	0

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		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
RAYMOND STEIN Trustee	2 00 0 00	X						0	0	0
LES SHOEMAKER Trustee	2 00 0 00	X						0	0	0
EILEEN JOHNSON Trustee	2 00 0 00	X						0	0	0
BENJAMIN ELKINS Trustee	2 00 0 00	X						0	0	0
JANET CHESHIRE Trustee	2 00 0 00	X						0	0	0
KENT GUICHARD Trustee	2 00 0 00	X						0	0	0
REBECCA STOTLER SECRETARY WAR	2 00 0 00	X						0	0	0
KATE SHUNNEY Trustee	2 00 0 00	X						0	0	0
BLAKE CURTIS Trustee	2 00 0 00	X						0	0	0
GREG BYRD Trustee	2 00 0 00	X						0	0	0
THOMAS LESLIE DDS Trustee	2 00 0 00	X						0	0	0
BECKY DAVISSON Trustee	2 00 0 00	X						0	0	0
TAMMY DAVISON VICE CHAIR WAR	2 00 0 00	X						0	0	0
BRADLEY CLOSE Trustee	2 00 0 00	X						0	0	0
CHASE ANDREWS Trustee	2 00 0 00	X						0	0	0
DAVID S SWITZER MD TRUSTEE/EMP PHY	50 00 0 00	X						170,163	0	25,398
DENNIS R STUTER Trustee	2 00 0 00	X						0	0	0
SHAWN C PRINTZ VICE CHAIR PMH	2 00 0 00	X						0	0	0
RICHARD L MASINCUP CHAIRMAN PMH	2 00 0 00	X						0	0	0
DAVID R LONG SECRETARY PMH	2 00 0 00	X						0	0	0
MASON C LOCKRIDGE Trustee	2 00 0 00	X						0	0	0
PATRICIA M KITE Trustee	2 00 0 00	X						0	0	0
PAUL CRIBB Trustee	2 00 0 00	X						0	0	0
FLOYD BRADD Trustee	2 00 0 00	X						0	0	0
GARNETT K BROCKMAN Trustee	2 00 0 00	X						0	0	0

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		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
ROBERT P BORGIE Trustee	2 00 0 00	X						0	0	0
RON L LLEWELLYN Trustee	2 00 0 00	X						0	0	0
CHARLES M HUBER MD TRUSTEE/EMP PHY	8 00 0 00	X						18,818	0	621
JONATHAN C EZELL Trustee	2 00 0 00	X						0	0	0
LOUISE BLAUVELT Trustee	2 00 0 00	X						0	0	0
J MICHEAL WILLIAMS SECRETARY WMHF	2 00 0 00	X						0	0	0
JAMES M EASTHAM CHARIMAN WMHF	2 00 0 00	X						0	0	0
BARBARA WALTER MD TRUSTEE/EMP PHY	50 00 0 00	X						210,215	0	14,781
GUNA SUBEDI MD Trustee	2 00 0 00	X						0	0	0
MARK PIERCE MD Trustee	2 00 0 00	X						0	0	0
PAM MCINNIS Trustee	2 00 0 00	X						0	0	0
BRIDGET MADDEN Trustee	2 00 0 00	X						0	0	0
JOHN LESINSKI Trustee	2 00 0 00	X						1,800	0	0
MAJOR GENERAL HENRY HOBGOOD CHAIR WMH	2 00 0 00	X						900	0	0
RAYMOND GRIMM DVM Trustee	2 00 0 00	X						1,800	0	0
JUDITH WORDSWORTH Trustee	2 00 0 00	X						0	0	0
DAVID BLOUNT VICE CHAIR WMH	2 00 0 00	X						0	0	0
MARK SCHROEDER Trustee	2 00 0 00	X						0	0	0
THOMAS BALL MD Trustee	2 00 0 00	X						0	0	0
HELEN RITCHIE Trustee	2 00 0 00	X						0	0	0
DAVID KIEWER Trustee	2 00 0 00	X						0	0	0
SHANNON GEMMA Trustee	2 00 0 00	X						0	0	0
GEORGE VAN OSTEN Trustee	2 00 0 00	X						0	0	0
WILLIAM B MAJOR MD Trustee	2 00 0 00	X						600	0	0
JIM LONG CHAIRMAN SMH	2 00 0 00	X						600	0	0

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		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
JEFFREY LESSAR Trustee	2 00 0 00	X						113,622	0	0
REBECCA LAYMAN Trustee	2 00 0 00	X						0	0	0
ABDUR CHOWDHURY Trustee	2 00 0 00	X						160,582	0	28,207
GERALD BECHAMPS Trustee	2 00 0 00	X						195,388	0	17,376
EMILY BECK Trustee	2 00 0 00	X						0	0	0
JOHN A WILLINGHAM Trustee	2 00 0 00	X						1,500	0	0
JAMES R WILKINS JR Trustee	2 00 0 00	X						0	0	0
JENNIFER BARRON Trustee	2 00 0 00	X						0	0	0
JAMES A STUTZMAN JR Trustee	2 00 0 00	X						600	0	0
HARRY S SMITH VICE CHAIR WMC	2 00 0 00	X						600	0	0
CLIFTON L RUTHERFORD SECRETARY WMC	2 00 0 00	X						0	0	0
ELIZABETH KELLAS Trustee	2 00 0 00	X						0	0	0
DIANE S KEARNS Trustee	2 00 0 00	X						900	0	0
SHERIF KAISER MD Trustee	2 00 0 00	X						12,800	0	0
THOMAS T GILPIN CHAIRMAN WMC	2 00 0 00	X						900	0	0
STEVEN E CLUSS Trustee	2 00 0 00	X						0	0	0
WILLIAM F BRANDT JR VICE CHAIR VH	2 00 0 00	X						0	0	0
SUANNE THURMAN-GERSDORF Vice President	40 00 0 00			X				184,902	0	28,967
JEFFREY FEIT COO VPE	40 00 0 00			X				260,394	0	33,259
CHRISTOPHER B RUMPF PRESIDENT VPE	0 00 40 00			X				0	163,363	31,944
CHRISTINE LOWMAN CFO WAR/HMH	40 00 0 00			X				150,065	0	14,145
PHILLIP E GRAYBEAL II CFO PAGE/WMH	40 00 0 00			X				171,424	0	27,130
VIRGINIA KILMER CFO SMH	40 00 0 00			X				147,111	0	13,741
NEIL MCLAUGHLIN VP PRES WAR/HMH	40 00 0 00			X				177,212	0	42,065
NELSON T CLARK VP PRES WAR/HMH	40 00 0 00			X				187,058	0	31,864

Additional Data

Software ID: 12000229

Software Version: 2012v2.0

EIN: 80-0584319

Name: VALLEY HEALTH SYSTEM GROUP RETURN

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors										
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		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
KATIE TEWELL Trustee	2 00 0 00	X						0	0	0
STEVE SLONAKER Trustee	2 00 0 00	X						0	0	0
JERRY M SCHIRO Trustee	2 00 0 00	X						0	0	0
RICHARD RIZZO Trustee	2 00 0 00	X						0	0	0
JENNY POWERS Trustee	2 00 0 00	X						0	0	0
JONATHAN O'NEAL PRES MED STAFF	2 00 0 00	X						900	0	0
JOSEPH MIKUS Trustee	2 00 0 00	X						0	0	0
DENNIS MCLOUGHLIN Trustee	2 00 0 00	X						0	0	0
DIANNE MCCUSKER Trustee	2 00 0 00	X						0	0	0
MATTHEW A POLK TRUSTEE/EMP PHY	50 00 0 00	X						225,000	0	24,505
JOSEPH F HASHEM TRUSTEE/EMP PHY	50 00 0 00	X						442,869	0	27,590
JORGE L POSADAS Trustee/EMP PHY	50 00 0 00	X						426,648	0	28,812
RONALD REPASKY MD Trustee	2 00 0 00	X						0	0	0
THOMAS OLIVER MD CHAIRMAN VPE	2 00 0 00	X						13,056	0	0
H NELSON GUSTIN MD VICE CHAIR VPE	2 00 0 00	X						0	0	0
PATRICIA A DALY MD TRUSTEE/EMP PHY	50 00 0 00	X						228,331	0	25,711
DWIGHT KEMP PRES MED STAFF	2 00 0 00	X						56,836	0	0
TERRY SINCLAIR MD TRUSTEE/EMP PHY	2 00 0 00	X						10,000	0	0
TROY GLEMBOT MD TRUSTEE/EMP PHY	50 00 0 00	X						435,459	0	32,925
GEORGE CALEY Trustee	2 00 0 00	X						0	0	0
KAY BONYAK Trustee	2 00 0 00	X						0	0	0
JIM LAIDLAW MD Trustee	2 00 0 00	X						0	0	0
JD BERLIN Trustee	2 00 0 00	X						0	0	0
KATHY NERANGIS SECRETARY WMCF	2 00 0 00	X						0	0	0
BYRON BRILL DDS CHAIRMAN WMCF	2 00 0 00	X						0	0	0

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		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
FLOYD HEATER VP/PRES SMH	40 00 0 00			X				245,457	0	51,659
NICOLAS C RESTREPO MD VP MED AFFAIRS	40 00 0 00			X				374,208	0	65,366
ANDREW COHEN VP SERV LINES	40 00 0 00			X				160,858	0	-8,694
TONYA SMITH VP ANCIL SERVIC	40 00 0 00			X				227,317	0	50,056
KATHRYN TAGNESI CHF NURSING OFF	40 00 0 00			X				253,551	0	28,439
PATRICK NOLAN VP/PRES WMH	40 00 0 00			X				235,614	0	50,780
MARVIN T WAY Vice President	0 00 40 00			X				0	390,278	92,365
ALFRED E PILONG PRESIDENT WMC	40 00 0 00			X				468,422	0	69,638
J CRAIG LEWIS CFO	0 00 40 00			X				0	423,863	91,377
MARK H MERRILL President & CEO	0 00 40 00			X				0	757,725	177,198
CHARLES ROBERTS MD PHYSICIAN	50 00 0 00					X		530,218	0	24,792
EDWARD R KOFSKY MD PHYSICIAN	50 00 0 00					X		821,826	0	39,950
DAVID EPSTEIN MD PHYSICIAN	50 00 0 00					X		544,467	0	34,632
SUZANNE STEVENS MD PHYSICIAN	50 00 0 00					X		480,301	0	32,657
AUDREA H WYNN PHYSICIAN	50 00 0 00					X		575,504	0	29,108
Anthony Neri MD Former Trustee / Emp Phy	50 00 0 00						X	229,257	0	25,497
TIMOTHY W WILLOX MD PRESIDENT VPE	40 00 0 00						X	91,072	0	0
James Boudier MD Employed Physician	50 00 0 00						X	472,569	0	37,292
Margaret Loewith MD Employed Physician	50 00 0 00						X	21,563	0	0
Robert Meltvedt MD Employed Physician	50 00 0 00						X	360,950	0	32,436
James Wiedower MD Employed Physician	50 00 0 00						X	429,387	0	35,034
CARL S NAPPS PRESIDENT	0 00 0 00						X	24,974	0	0