























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Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 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	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI 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		No
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		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33	Yes	
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	Yes	
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	Yes	
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 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?	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.		
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).		
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.	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		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?		
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
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?		
9	<b>Sponsoring organizations maintaining donor advised funds.</b>		
9a	Did the organization make any taxable distributions under section 4966?		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		
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?		
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.		
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	15	
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	10	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
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?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes
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	12a	Yes
12b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	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	12c	Yes
13	Did the organization have a written whistleblower policy?	13	Yes
14	Did the organization have a written document retention and destruction policy?	14	Yes
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	The organization's CEO, Executive Director, or top management official	15a	Yes
15b	Other officers or key employees of the organization	15b	Yes
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	No
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?	16b	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	VA
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <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	JOHN L JETER 16000 JOHNSTON MEMORIAL DR ABINGDON, VA (276) 258-1000

Part VII

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

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

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

- 1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year
- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation 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

(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			
(1) DENNIS VONDERFECHT TRUSTEE	1 00 59 00	X						0	3,163,747	42,698
(2) ANN FLEMING TREASURER	1 00 59 00	X						0	426,280	66,282
(3) PAUL ARMSTRONG MD TRUSTEE	40 00	X						0	317,688	37,645
(4) LARAMIE TRIPLETT MD TRUSTEE/PHYS	40 00	X						0	272,301	35,501
(5) EMORY ROBINETTE MD TRUSTEE/PHYS	1 00	X						32,500	0	0
(6) KATHY MITCHELL TRUSTEE	1 00	X						0	0	0
(7) MICHAEL SPIEGLER SECRETARY	1 00	X						0	0	0
(8) GARY PEACOCK TRUSTEE	1 00 7 00	X						0	0	0
(9) OTEY DUDLEY TRUSTEE	1 00	X						0	0	0
(10) HUGH FERGUSON CHAIR	1 00	X						0	0	0
(11) TOM FOWLKES TRUSTEE	1 00 5 00	X						0	0	0
(12) RACHEL FOWLKES EDD TRUSTEE	1 00	X						0	0	0
(13) JOANNE GILMER VICE-CHAIR	1 00 9 00	X						0	0	0
(14) KATHI LOWE TRUSTEE	1 00	X						0	0	0
(15) BRENDAN MCSHEEHY JR TRUSTEE	1 00	X						0	0	0
(16) SEAN MCMURRAY CEO	1 00 54 00			X				0	331,775	48,822
(17) STEPHEN GIVENS COO	1 00 54 00			X				0	176,548	14,677



## Part VII

<b>1b</b>	<b>Sub-Total . . . . .</b>			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A . . . . .</b>			
<b>d</b>	<b>Total (add lines 1b and 1c) . . . . .</b>	32,500	6,551,209	409,044

**2** Total number of individuals (including but not limited to those \$100,000 of reportable compensation from the organization) ▶

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

## **Section B. Independent Contractors**

**1** Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
VIRGINIA HIGHLANDS ANESTHESIA PO BOX 1476 ABINGDON VA 24210	ANESTHESIA	3,507,228
RJ GRIFFIN & COMPANY 800 MT VERNON HWY SUITE 200 ATLANTA GA 30328	CONSTRUCTION	1,486,707
ABINGDON PHYS AMB SURG MGMT GRP 613 CAMPUS DRIVE SUITE 300 ABINGDON VA 24210	ASC MANAGEMENT	554,839
CROTHALL MOUNTAIN STATES LAUNDRY INC 955 CHESTERBROOK BLVD STE 300 WAYNE PA 19087	LINEN SERVICES	501,421
MEDIAS INC PO BOX 10452 BLACKSBURG VA 24062	SLEEP STUDY	442,020

**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 ▶31

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	39,942			
	e	Government grants (contributions) 1e	5,634			
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	8,463			
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f . . . . .	54,039			
Program Service Revenue	2a	PATIENT SERVICE REVENUE	622110	123,424,122	123,424,122	
	b	WELLNESS PROGRAMS	622110	2,911,853	2,911,853	
	c	P/S PREMIER AND ISHN	622110	456,761	456,761	
	d	LABORATORY	622110	17,558	17,558	
	e	PREMIER PURCHASING K-1	561000	13,708	13,708	
	f	All other program service revenue				
	g	Total. Add lines 2a-2f . . . . .	126,824,002			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .	1,874,540			1,874,540
	4	Income from investment of tax-exempt bond proceeds . . . . .				
	5	Royalties . . . . .				
	6a	Gross rents	(i) Real	(ii) Personal		
			1,599,021			
		b Less rental expenses				
		c Rental income or (loss)	1,599,021			
	d	Net rental income or (loss) . . . . .	1,599,021			1,599,021
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other		
			2,991,716	47,288		
		b Less cost or other basis and sales expenses				
		c Gain or (loss)	2,991,716	47,288		
	d	Net gain or (loss) . . . . .	3,039,004	47,262		2,991,742
	8a	Gross income from fundraising events (not including \$ of contributions reported on line 1c) See Part IV, line 18 . . . . .				
		a				
	b	Less direct expenses . . . . . b				
	c	Net income or (loss) from fundraising events . . . . .				
	9a	Gross income from gaming activities See Part IV, line 19 . . . . .				
		a				
	b	Less direct expenses . . . . . b				
	c	Net income or (loss) from gaming activities . . . . .				
	10a	Gross sales of inventory, less returns and allowances . . . . .				
		a				
	b	Less cost of goods sold . . . . . b				
	c	Net income or (loss) from sales of inventory . . . . .				
	Miscellaneous Revenue		Business Code			
	11a	CAFETERIA & VENDING	722210	699,032		699,032
	b	MANAGEMENT FEES	900099	216,014		216,014
	c	OTHER REVENUE	900099	56,383		56,383
	d	All other revenue . . . . .				
	e	Total. Add lines 11a-11d . . . . .	971,429			
	12	Total revenue. See Instructions . . . . .	134,362,035	126,839,998	31,266	7,436,732

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.	116,677	116,677		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	646,432	30,000	616,432	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	43,580,134	37,271,377	6,308,757	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	1,669,420	1,440,126	229,294	
9	Other employee benefits.	4,507,358	4,428,195	79,163	
10	Payroll taxes.	2,652,955	2,491,832	161,123	
11	Fees for services (non-employees):				
a	Management.	78,285		78,285	
b	Legal.	71,551		71,551	
c	Accounting.	146,275		146,275	
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.	181,933		181,933	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	15,047,272	13,060,086	1,981,552	5,634
12	Advertising and promotion.	219,886	171,288	48,598	
13	Office expenses.	1,518,977	1,200,271	318,281	425
14	Information technology.	625,068	618,437	6,631	
15	Royalties.	5,000	5,000		
16	Occupancy.	2,598,154	2,075,558	522,596	
17	Travel.	293,029	253,920	39,109	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	60,794	59,711	1,083	
20	Interest.	734,754		734,754	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	14,426,588	2,139,738	12,286,850	
23	Insurance.	173,662	19,592	154,070	
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	MEDICAL SUPPLIES & DRUGS	19,316,254	19,316,254		
b	MGMT FEES & CORP. ALLOC.	4,583,380	297,944	4,285,436	
c	REPAIRS AND MAINTENANCE	3,299,774	3,050,353	249,421	
d	ALL OTHER	515,746	302,504	213,242	
e	All other expenses.	16,999		16,999	
25	Total functional expenses. Add lines 1 through 24e.	117,086,357	88,348,863	28,731,435	6,059
26	Joint costs. 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	<b>1</b>	Cash—non-interest-bearing . . . . .		9,921,892	<b>1</b>	11,763,287
	<b>2</b>	Savings and temporary cash investments . . . . .			<b>2</b>	
	<b>3</b>	Pledges and grants receivable, net . . . . .			<b>3</b>	
	<b>4</b>	Accounts receivable, net . . . . .		19,599,621	<b>4</b>	20,851,685
	<b>5</b>	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .			<b>5</b>	
	<b>6</b>	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 . . . . .			<b>6</b>	
	<b>7</b>	Notes and loans receivable, net . . . . .		787,969	<b>7</b>	3,140,677
	<b>8</b>	Inventories for sale or use . . . . .		3,256,748	<b>8</b>	2,990,250
	<b>9</b>	Prepaid expenses and deferred charges . . . . .		1,071,588	<b>9</b>	875,233
	<b>10a</b>	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D . . . . .	<b>10a</b> 252,988,512			
	<b>b</b>	Less: accumulated depreciation . . . . .	<b>10b</b> 75,877,601	179,955,781	<b>10c</b>	177,110,911
	<b>11</b>	Investments—publicly traded securities . . . . .		90,279,466	<b>11</b>	105,055,305
	<b>12</b>	Investments—other securities. See Part IV, line 11 . . . . .			<b>12</b>	
	<b>13</b>	Investments—program-related. See Part IV, line 11 . . . . .			<b>13</b>	
	<b>14</b>	Intangible assets . . . . .		35,200	<b>14</b>	35,200
	<b>15</b>	Other assets. See Part IV, line 11 . . . . .		6,664,765	<b>15</b>	1,491,766
	<b>16</b>	<b>Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .		311,573,030	<b>16</b>	323,314,314
Liabilities	<b>17</b>	Accounts payable and accrued expenses . . . . .		10,337,254	<b>17</b>	11,747,745
	<b>18</b>	Grants payable . . . . .			<b>18</b>	
	<b>19</b>	Deferred revenue . . . . .			<b>19</b>	
	<b>20</b>	Tax-exempt bond liabilities . . . . .		24,870,000	<b>20</b>	40,701,627
	<b>21</b>	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .			<b>21</b>	
	<b>22</b>	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 . . . . .			<b>22</b>	
	<b>23</b>	Secured mortgages and notes payable to unrelated third parties . . . . .			<b>23</b>	
	<b>24</b>	Unsecured notes and loans payable to unrelated third parties . . . . .			<b>24</b>	
	<b>25</b>	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 . . . . .		18,885,952	<b>25</b>	1,470,511
	<b>26</b>	<b>Total liabilities.</b> Add lines 17 through 25 . . . . .		54,093,206	<b>26</b>	53,919,883
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>				
	<b>27</b>	Unrestricted net assets . . . . .		257,479,989	<b>27</b>	269,395,885
	<b>28</b>	Temporarily restricted net assets . . . . .		-165	<b>28</b>	-1,454
	<b>29</b>	Permanently restricted net assets . . . . .			<b>29</b>	
		<b>Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.</b>				
	<b>30</b>	Capital stock or trust principal, or current funds . . . . .			<b>30</b>	
	<b>31</b>	Paid-in or capital surplus, or land, building or equipment fund . . . . .			<b>31</b>	
	<b>32</b>	Retained earnings, endowment, accumulated income, or other funds . . . . .			<b>32</b>	
	<b>33</b>	<b>Total net assets or fund balances</b> . . . . .		257,479,824	<b>33</b>	269,394,431
	<b>34</b>	<b>Total liabilities and net assets/fund balances</b> . . . . .		311,573,030	<b>34</b>	323,314,314

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	134,362,035
2	Total expenses (must equal Part IX, column (A), line 25) . . . . .	2	117,086,357
3	Revenue less expenses Subtract line 2 from line 1 . . . . .	3	17,275,678
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	4	257,479,824
5	Net unrealized gains (losses) on investments . . . . .	5	2,681,028
6	Donated services and use of facilities . . . . .	6	
7	Investment expenses . . . . .	7	
8	Prior period adjustments . . . . .	8	
9	Other changes in net assets or fund balances (explain in Schedule O) . . . . .	9	-8,042,099
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	269,394,431

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  
JOHNSTON MEMORIAL HOSPITAL INC

Employer identification number  
54-0544705

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                              |          |  |  |    |   |    |  |    |                                  |
- For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990EZ.

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2012

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 C

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ Complete if the organization is described below. ▶ Attach to Form 990 or Form 990-EZ.  
▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization JOHNSTON MEMORIAL HOSPITAL INC	Employer identification number 54-0544705
--	--

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

1	Provide a description of the organization’s direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

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

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

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

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

Part II-A

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		5,476
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?		No	
j	Total. Add lines 1c through 1i.			5,476
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912.			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912.			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
ADDITIONAL INFORMATION	SCHEDULE C, PART IV	SCHEDULE C, PART II-B, LINE 1 PORTION OF DUES PAID TO VIRGINIA HOSPITAL AND HEALTHCARE ASSOCIATION THAT ARE ATTRIBUTABLE TO DIRECT LOBBYING

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  
JOHNSTON MEMORIAL HOSPITAL INC

Employer identification number  
54-0544705

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	

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				
b	Contributions				
c	Net investment earnings, gains, and losses				
d	Grants or scholarships				
e	Other expenditures for facilities and programs				
f	Administrative expenses				
g	End of year balance				

2

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

a

Board designated or quasi-endowment

b

Permanent endowment

c

Temporarily restricted endowment

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)

Yes

No

b

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

3b

Yes

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		6,411,168		6,411,168
b Buildings		147,696,881	16,294,930	131,401,951
c Leasehold improvements		6,087,656	1,109,592	4,978,064
d Equipment		91,180,962	58,299,874	32,881,088
e Other		1,611,845	173,205	1,438,640
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				177,110,911

Schedule D (Form 990) 2012



<b>Part XI    Reconciliation of Revenue per Audited Financial Statements With Revenue per Return</b>					
<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>	
<b>Part XII    Reconciliation of Expenses per Audited Financial Statements With Expenses per Return</b>					
<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
LIABILITY UNDER FIN 48 FOOTNOTE	SCHEDULE D, PAGE 3, PART X	"THE HOSPITAL AND ABINGDON PHYSICIAN PARTNERS (APP) ARE CLASSIFIED AS AN ORGANIZATION EXEMPT FROM INCOME TAXES UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE. JOHNSTON MEMORIAL HOSPITAL EMERGENCY PHYSICIANS (JMH ER) IS ORGANIZED AS A LIMITED LIABILITY CORPORATION AND IS CONSIDERED A DISREGARDED ENTITY FOR TAX PURPOSES. AS SUCH, NO PROVISION FOR INCOME TAXES HAS BEEN MADE IN THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS. AT JUNE 30, 2013, TAX RETURNS FOR FISCAL YEARS 2010 THROUGH 2012 ARE SUBJECT TO EXAMINATION BY THE INTERNAL REVENUE SERVICE. THE HOSPITAL HAS NO UNCERTAIN TAX POSITIONS AT JUNE 30, 2013 AND 2012. AS SUCH, NO INTEREST OR PENALTIES WERE RECOGNIZED IN THE CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS RELATED TO UNRECOGNIZED TAX BENEFITS."



SCHEDULE H  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

**Name of the organization**  
JOHNSTON MEMORIAL HOSPITAL INC

**Employer identification number**  
54-0544705

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  <b>a</b> 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>b</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 type="checkbox"/> 300% <input type="checkbox"/> 350% <input checked="" type="checkbox"/> 400% <input type="checkbox"/> Other _____ %  <b>c</b> 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  <b>4</b> 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) . . . . .			1,759,355		1,759,355	1 500 %
b Medicaid (from Worksheet 3, column a) . . . . .			17,335,937	12,673,673	4,662,264	3 980 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .						
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . . . . .			19,095,292	12,673,673	6,421,619	5 480 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .			196,092		196,092	0 170 %
f Health professions education (from Worksheet 5) . . . . .			508,189		508,189	0 430 %
g Subsidized health services (from Worksheet 6) . . . . .			3,228,888	1,650,607	1,578,281	1 350 %
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .			58,201		58,201	0 050 %
j <b>Total</b> Other Benefits . . . . .			3,991,370	1,650,607	2,340,763	2 000 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			23,086,662	14,324,280	8,762,382	7 480 %

Part IICommunity 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
1Physical improvements and housing						
2Economic development						
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development			372,374		372,374	0 320 %
9Other			58,476		58,476	0 050 %
10Total			430,850		430,850	0 370 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?

1

Yes

2Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount

2

19,146,046

3Enter 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

14,742,455

4Provide 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

5Enter total revenue received from Medicare (including DSH and IME)

5

38,893,892

6Enter Medicare allowable costs of care relating to payments on line 5

6

42,953,283

7Subtract line 6 from line 5 This is the surplus (or shortfall)

7

-4,059,391

8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used

☐ Cost accounting system

☐ Cost to charge ratio

☒ Other

Section C. Collection Practices

9aDid the organization have a written debt collection policy during the tax year?

9a

Yes

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

9b

Yes

Part IVManagement Companies and Joint Ventures

(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				
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?  
1

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
1	JOHNSTON MEMORIAL HOSPITAL INC 16000 JOHNSTON MEMORIAL DRIVE ABINGDON,VA 24211	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)

JOHNSTON 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)

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 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>11</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 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 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	No
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	
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 0</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>400 0</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 checked="" type="checkbox"/> Asset level					
<b>c</b> <input checked="" type="checkbox"/> Medical indigency					
<b>d</b> <input checked="" type="checkbox"/> Insurance status					
<b>e</b> <input checked="" type="checkbox"/> Uninsured discount					
<b>f</b> <input type="checkbox"/> Medicaid/Medicare					
<b>g</b> <input type="checkbox"/> State regulation					
<b>h</b> <input 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 type="checkbox"/> Reporting to credit agency					
<b>b</b> <input type="checkbox"/> Lawsuits					
<b>c</b> <input type="checkbox"/> Liens on residences					
<b>d</b> <input type="checkbox"/> Body attachments					
<b>e</b> <input 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? . . . . .				<b>17</b>	No
If "Yes," check all actions in which the hospital facility or a third party engaged					
<b>a</b> <input type="checkbox"/> Reporting to credit agency					
<b>b</b> <input type="checkbox"/> Lawsuits					
<b>c</b> <input type="checkbox"/> Liens on residences					
<b>d</b> <input type="checkbox"/> Body attachments					
<b>e</b> <input 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 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 checked="" 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?  
\_\_\_\_\_

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

Part VI Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, 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
RELATED ORGANIZATION INFORMATION	PART I LINE 6A	MOUNTAIN STATES HEALTH ALLIANCE PREPARED AND MADE PUBLIC A COMMUNITY BENEFIT REPORT TO INCLUDE INFORMATION FOR ALL OF THE HOSPITALS WITHIN THE HEALTH SYSTEM INCLUDING JMH
COSTING METHODOLOGY EXPLANATION	PART I LINE 7	A COST TO CHARGE RATIO WAS USED TO CALCULATE LINE 7A UTILIZING THE SCHEDULE H APPLICABLE WORKSHEETS INCLUDING WORKSHEET 2 RATIO OF PATIENT CARE COST TO CHARGES OUR COST ACCOUNTING SYSTEM WAS USED TO PROVIDE DATA FOR LINES 7B AND 7G LINES 7E AND 7F ARE DIRECT COSTS OF SPECIFIC PROGRAMS LINE 7I REFLECTS CHARITABLE CONTRIBUTIONS AT COST WE SUBTRACTED LINES 7BI COLUMNC EXPENSE FROM WORKSHEET 2 LINE 4 SO THAT THE EXPENSE WOULD NOT BE DUPLICATED



Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE EXPLANATION	PART III LINE 4	OUR VICE PRESIDENT OF PATIENT FINANCIAL SERVICES ESTIMATES THAT 77 OF TOTAL BAD DEBT EXPENSE WAS ASSUMED ATTRIBUTABLE TO PATIENTS LIKELY ELIGIBLE FOR FINANCIAL ASSISTANCE WE HAVE MANY INSTANCES DURING THE YEAR OF PATIENTS WITH LARGE ACCOUNT BALANCES AND NO HEALTH INSURANCE COVERAGE THAT WE ARE SURE WOULD QUALIFY FOR CHARITY CARE ALTHOUGH HOSPITAL TEAM MEMBERS ENCOURAGE THESE INDIVIDUALS TO COMPLETE OUR FINANCIAL ASSISTANCE APPLICATION MANY WILL NOT DO SO EVEN WHEN THESE INDIVIDUALS ARE TOLD WE FEEL SURE THEY DO QUALIFY FOR FULL OR PARTIAL ASSISTANCE THEY STILL REFUSE TO COMPLETE OUR FINANCIAL ASSISTANCE APPLICATION REGARDING LINE 3 IT IS IMPLAUSIBLE TO DETERMINE THE AMOUNT OF JMHS BAD DEBT ASSOCIATED WITH THOSE PATIENTS WHO MAY HAVE MET THE CRITERIA SET FORTH IN OUR FINANCIAL ASSISTANCE POLICY WITHOUT HAVING A COMPLETED FINANCIAL ASSESSMENT WE ARE UNABLE TO DETERMINE OUR PATIENTS FINANCIAL CIRCUMSTANCES UNLESS A COMPLETED FINANCIAL ASSESSMENT FORM IS VOLUNTARILY PROVIDED TO US WE CAN ASSERT THAT MORE THAN 97 OF OUR PATIENTS WHO HAVE PROVIDED COMPLETED FINANCIAL ASSESSMENT FORMS HAVE BEEN APPROVED FOR AT LEAST PARTIAL FINANCIAL ASSISTANCE THE FOLLOWING TEXT IS INCLUDED IN JMHS FY13 AUDITED FINANCIAL STATEMENTS CURRENT OPERATIONS ARE CHARGED WITH AN ESTIMATED PROVISION FOR BAD DEBTS BASED UPON HISTORICAL EXPERIENCE KNOWN COLLECTION RISKS AND OTHER ENVIRONMENTAL FACTORS INCLUDING THE AGE OF THE RECEIVABLES ADDITIONS TO THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS RESULT FROM THE PROVISION FOR BAD DEBTS PATIENT ACCOUNTS WRITTEN OFF AS UNCOLLECTIBLE ARE DEDUCTED FROM THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS THE FOOTNOTES TO THE AUDITED FINANCIAL STATEMENTS REPORT THE AMOUNT OF ESTIMATED UNCOLLECTIBLE SELFPAY AND EXPLAINS THAT UNCOLLECTIBLE PATIENT ACCOUNTS RECEIVABLE ESTIMATED RESERVES ARE BASED UPON PRIOR COLLECTION HISTORY FOR GROUPS OF RECEIVABLES KNOWN COLLECTION RISKS AND OTHER ENVIRONMENTAL FACTORS INCLUDING THE AGE OF THE RECEIVABLES
MEDICARE EXPLANATION	PART III LINE 8	MEDICARE ALLOWABLE COSTS WERE REPORTED USING JMHS FILED MEDICARE COST REPORT CR THE CR USES A COST TO CHARGE RATIO BASED ON A STEPDOWN ALLOCATION METHODOLOGY IN CARING FOR THE PATIENT THERE ARE SEVERAL SERVICES THAT ARE CONSIDERED NONALLOWABLE SUCH AS TRANSPORTATION OF A PATIENT COMFORT ITEMS TO INCLUDE A TELEVISION MAGAZINES OR A TELEPHONE ADDITIONAL NONALLOWABLE COSTS INCLUDE THE RECRUITMENT OF PHYSICIANS PHYSICIAN GUARANTEES AND A PORTION OF THE BAD DEBT 12 ASSOCIATED WITH THE CARE OF THE PATIENT MEDICARE LOSSES INCLUDING SOME NONALLOWABLE COSTS SHOULD BE COUNTED AS A COMMUNITY BENEFIT AS THIS IS THE COST OF CARE FOR SERVING THE AGING POPULATION AS A PARTICIPATING PROVIDER IN THE MEDICARE PROGRAM JMH IS REQUIRED TO PROVIDE THE FULL REGIMEN OF CARE FOR OUR MEDICARE POPULATION THERE ARE A NUMBER OF CARE REGIMENS THAT ARE COMPENSATED BY THE MEDICARE PROGRAM AT LEVELS BELOW OUR COST THEREFORE IT IS ONLY LOGICAL TO ALLOW JMH TO REPORT THESE UNCOMPENSATED SERVICES AS A COMMUNITY BENEFIT ON THIS DOCUMENT BY MAKING THIS CHANGE NONPROFIT PROVIDERS WILL BE ENCOURAGED TO SUSTAIN IMPORTANT CARE DELIVERY MODELS FOR OUR AGING POPULATION IN SPITE OF THE FACT IT IS SOMETIMES ECONOMICALLY INJURIOUS

Identifier	ReturnReference	Explanation
COLLECTION PRACTICES EXPLANATION	PART III LINE 9B	JMH PROVIDES A PATIENT FRIENDLY BILLING FLOW CHART ON ITS WEBSITE THAT GUIDES A PATIENT THROUGH THE PROCESS BEGINNING WITH ADMISSION AND ENDING WITH THE PATIENTS ACCOUNT BEING SUCCESSFULLY RESOLVED JMH FOLLOWS A STRONG COLLECTION PROGRAM THAT COMMUNICATES FINANCIAL RESPONSIBILITY TO THE PATIENT COLLECTION PRACTICES APPLY TO ALL PATIENTS CHARITY AND NONCHARITY CARE IN ROUTINE CIRCUMSTANCES WHEN IT IS DETERMINED THAT A PATIENT HAS NOT RESPONDED TO REQUESTS FOR PAYMENT AND HAS NOT PROVIDED INFORMATION TO ASCERTAIN ABILITY TO PAY AN ACCOUNT CAN BE REFERRED TO AN OUTSIDE COLLECTION AGENCY FOR COLLECTION ASSISTANCE JMH ENSURES THAT OUTSIDE COLLECTION AGENCIES FOLLOW HOSPITAL BILLING AND COLLECTION GUIDELINES ONCE A DELINQUENT PATIENT ACCOUNT HAS BEEN SUBMITTED TO AN OUTSIDE AGENCY IT CAN BE ADJUSTED TO CHARITY IF THE DETERMINATION IS LATER MADE THAT THE PATIENT IS ELIGIBLE FOR FINANCIAL ASSISTANCE ALL REQUESTS FOR FINANCIAL ASSISTANCE MUST BE ACCOMPANIED BY A COMPLETED FINANCIAL ASSESSMENT FORM AND SUPPORTING DOCUMENTATION
NEEDS ASSESSMENT	PART VI	PART VI LINE 2 MSHA INCLUDED AMERICAS HEALTH RANKINGS AHR IN ITS ASSESSMENT IN ORDER TO BETTER DEFINE THE HEALTH CARE NEEDS OF THE COMMUNITIES IT SERVES TENNESSEE RANKS 42ND AND VIRGINIA RANKS 26TH HOWEVER IT SHOULD BE NOTED THAT SOUTHWEST VIRGINIA WHERE MSHA FACILITIES ARE LOCATED CLOSELY RESEMBLES THE HEALTH RANKINGS FOR TENNESSEE AMERICAS HEALTH RANKINGS ARE BASED ON A SERIES OF MEASURES INCLUDING SEVERAL HEALTH OUTCOMES AND HEALTH FACTORS A SURVEY WAS GIVEN TO 67 INDIVIDUALS REPRESENTING THE NINE COUNTIES IN WHICH MSHA OWNS A FACILITY THESE INDIVIDUALS INCLUDED PHYSICIANS PUBLIC HEALTH LEADERS NONPROFIT DIRECTORS SCHOOL NURSES AND OFFICIALS AND BUSINESS LEADERS A SURVEY WAS GIVEN TO EACH INDIVIDUAL SEEKING FEEDBACK REGARDING AVAILABLE RESOURCES IN EACH AREA THE HEALTH STATUS HEALTH PRIORITIES AND SUGGESTIONS FOR IMPROVEMENT THE MAJORITY OF RESPONSES SUGGESTED FOCUSING ON EDUCATION IN ORDER TO PROMOTE HEALTHY HABITS OTHER RESPONSES INCLUDED MAKE PHYSICAL EDUCATION A REQUIREMENT AS PART OF SCHOOL CURRICULUM IMPROVE NATURAL TRAILS AND WALKWAYS INCREASE COMMUNITY SUPPORT FOR SMOKEFREE AREAS PARTNER WITH LOCAL FARMERS MARKETS SHARE HEALTH INFORMATION BETWEEN PHARMACIES NETWORK WITH SMALL BUSINESSES AND NONPROFITS IN ORDER TO AVOID DUPLICATING RESOURCES AND PROVIDE EARLY SCREENINGS FOR THE UNINSURED OR UNDERINSURED OVERALL THE COMMUNITY MEMBERS GAVE MSHAS CORE SERVICE AREA A HEALTH STATUS RANKING OF 424 OUT OF 10 1 BEING THE LOWEST 10 BEING THE HIGHEST ALSO ALL 67 PARTICIPANTS AGREED THAT OBESITY CANCER HEART DISEASE AND DIABETES WERE THE TOP HEALTH PRIORITIES IN EACH COUNTY AHR REPORTS THAT TENNESSEE AND VIRGINIA BOTH SAW AN INCREASE IN DIABETES AND OBESITY WITHIN THE PAST TEN YEARS TENNESSEE ALSO RANKS 44TH FOR CARDIOVASCULAR DEATHS 45TH FOR CANCER DEATHS AND 46TH FOR DIABETES VIRGINIA OVERALL HAS A BETTER RANKING IN THESE THREE CATEGORIES BUT AS STATED EARLIER SOUTHWEST VIRGINIA CLOSELY RESEMBLES TENNESSEE SINCE COMPLETION OF THE CHNA AND ITS IMPLEMENTATION PLAN MSHA HAS PARTNERED WITH SCHOOLS NONPROFIT AGENCIES AND OTHERS ON VARIOUS INITIATIVES TO ADDRESS HEALTH ISSUES CHILDHOOD OBESITY IN PARTICULAR

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	PART VI	PART VI LINE 3 JMH PROVIDES COMMUNICATION OF FINANCIAL ASSISTANCE ON ITS WEBSITE AND ON POSTERS LOCATED IN PROMINENT AREAS OF THE HOSPITAL SUCH AS ADMITTING AND THE EMERGENCY DEPARTMENT PRINTED EDUCATIONAL MATERIALS INCLUDING FINANCIAL ASSISTANCE CONTACT INFORMATION ARE ALSO PROVIDED IN EACH PATIENTS PAPERWORK POSTERS AND REFERENCE MATERIALS ARE WRITTEN IN BOTH ENGLISH AND SPANISH ADMITTING STAFF ARE TRAINED TO EDUCATE PATIENTS ON JMHS FINANCIAL ASSISTANCE POLICY JMH ALSO HAS FINANCIAL COUNSELORS TO PROVIDE FURTHER INFORMATION AND ASSISTANCE TO JMH PATIENTS REGARDING JMHS FINANCIAL ASSISTANCE POLICY THESE COUNSELORS ALSO HELP UNINSURED PATIENTS DETERMINE SOURCES OF PAYMENT FOR MEDICAL BILLS AND HELP PATIENTS DETERMINE ELIGIBILITY FOR PROGRAMS SUCH AS MEDICAID IN ADDITION JMH CONTRACTS WITH THE COMPANY FIRSTSOURCE SOLUTIONS USA TO WORK WITH SELF-PAYING PATIENTS WHO HAVE LIMITED FINANCIAL RESOURCES FIRSTSOURCE SOLUTIONS USA DETERMINES A PATIENTS ELIGIBILITY IN MEDICAL COVERAGE OPTIONS AND ASSISTS WITH THEIR ENROLLMENT JMH BEARS THE COST FOR THE FIRSTSOURCE SOLUTIONS PROGRAM
COMMUNITY INFORMATION	PART VI	PART VI LINE 4 JMH IS LOCATED IN ABINGDON WASHINGTON COUNTY WHICH IS IN RURAL SOUTHWEST VIRGINIA BOTH NORTHEAST TENNESSEE AND SOUTHWEST VIRGINIA SWVA ARE LOCATED WITHIN THE APPALACHIAN MOUNTAINS SPECIFICALLY THE BLUE RIDGE MOUNTAIN REGION AND TENNESSEE VALLEY SWVA IS CONSIDERED RURAL AND MUCH DIFFERENT THAN THE REST OF THE STATE SWVA HAS BEEN AND REMAINS A MAJOR COAL MINING REGION WASHINGTON COUNTY IS A FEDERALLY DESIGNATED MEDICALLY UNDERSERVED AREA AND HAS A HIGH RATE OF INDIVIDUALS WHO ARE UNINSURED THE POPULATION OF WASHINGTON COUNTY IS JUST OVER 54875 AND ACCORDING TO THE US CENSUS BUREAU THE TOWN OF ABINGDON HAS A POPULATION OF 8191 THE LATEST CENSUS BUREAU DATA ESTIMATES THE MEDIAN AGE OF RESIDENTS OF WASHINGTON COUNTY IS 437 WHICH IS OLDER THAN THE MEDIAN AGE OF 375 IN VIRGINIA THE BUREAU ESTIMATES WASHINGTON COUNTY MEDIAN HOUSEHOLD INCOME AT 42844 COMPARED TO 61741 FOR THE STATE OF VIRGINIA 20 OF WASHINGTON COUNTYS CHILDREN LIVE IN POVERTY COMPARED TO 16 STATEWIDE

Identifier	ReturnReference	Explanation
HEALTH OF COMMUNITY IN RELATION TO EXEMPT PURPOSE	PART VI	PART VI LINE 5 JMH IS DEDICATED TO OPERATING EFFICIENTLY SO THAT WASTE IS MINIMIZED JMHS LEADERSHIP REMAINS MINDFUL OF MANAGING THE HOSPITALS LIMITED RESOURCES SO THAT ADEQUATE FACILITIES AND EQUIPMENT ARE AVAILABLE FOR THE CARE OF OUR PATIENTS VARIOUS CHECKS AND BALANCES ARE ESTABLISHED TO ENSURE THAT EXPENDITURES FOR OPERATING EXPENSES AND CAPITAL COSTS ARE REASONABLE AND NECESSARY THE MAJORITY OF JMHS GOVERNING BODY IS COMPRISED OF PERSONS WHO RESIDE IN THE ORGANIZATIONS PRIMARY SERVICE AREAS PHYSICIANS THAT REQUEST PRIVILEGES WHO ARE QUALIFIED AND CREDENTIALLED ARE EXTENDED PRIVILEGES BY JMH
AFFILIATED HEALTH CARE INFORMATION	PART VI	PART VI LINE 6 JMH IS A 116BED ACUTECARE FACILITY OPERATED UNDER THE DIRECTION OF A 15MEMBER BOARD OF DIRECTORS PRIMARILY COMPRISED OF LOCAL COMMUNITY RESIDENTS JMH IS MAJORITY OWNED BY MOUNTAIN STATES HEALTH ALLIANCE MSHA BASED IN JOHNSON CITY TENNESSEE MSHA IS INTEGRATED BOTH VERTICALLY AND HORIZONTALLY AND IS THE LARGEST REGIONAL HEALTHCARE SYSTEM WITH 13 HOSPITALS MSHA PROVIDES CARE TO PEOPLE IN 29 COUNTIES IN TENNESSEE VIRGINIA KENTUCKY AND NORTH CAROLINA JMH SERVES AS THE COUNTYS PRIMARY HEALTH SERVICE PROVIDER PATIENTS BENEFIT FROM JMHS AFFILIATION WITH A HEALTHCARE SYSTEM WHERE THEY CAN BE EFFICIENTLY MOVED ALONG AN INTEGRATED COMPREHENSIVE CONTINUUM OF CARE AS THEIR HEALTH STATUS DICTATES PATIENTS CAN BE MOVED TO THE SYSTEMS FLAGSHIP FACILITY JOHNSON CITY MEDICAL CENTER WHICH IS A TERTIARY CARE FACILITY PROVIDING ADVANCED TREATMENT OPTIONS

Identifier	ReturnReference	Explanation
LIST OF STATES WHERE COMMUNITY BENEFIT REPORT IS FILED	PART VI	VIRGINIA
JOHNSTON MEMORIAL HOSPITAL INC LINE NUMBER 1 PART V LINE 3	PART V LINE 3	MSHA MET WITH TEN FOCUS GROUPS EACH REPRESENTING ONE OF THE TEN HOSPITAL FACILITIES INCLUDING JMH LOCATED WITHIN THE CORE COUNTIES OF MSHA FACILITIES 16 COUNTIES EACH GROUP CONSISTED OF PUBLIC HEALTH LEADERS NURSES NONPROFIT DIRECTORS COMMUNITY DEVELOPERS FAITH BASED LEADERS PUBLIC OFFICIALS AND SCHOOL REPRESENTATIVES EACH GROUP RANGED IN ATTENDANCE FROM 6 TO 21 INDIVIDUALS PARTICIPANTS WERE GIVEN SURVEYS TO DETERMINE A COUNTYS HEALTH STATUS RATING AVAILABLE RESOURCES TOP HEALTH PRIORITIES AND SUGGESTIONS FOR IMPROVEMENT OPEN DISCUSSION FOLLOWED THE COLLECTED INFORMATION WAS THEN PAIRED WITH STATISTICAL DATA IN ORDER TO PRIORITIZE HEALTH NEEDS THE SPECIFIC NEEDS FOR EACH COUNTY WERE INCLUDED IN THE APPROPRIATE FACILITY IMPLEMENTATION PLAN

Identifier	ReturnReference	Explanation
JOHNSTON MEMORIAL HOSPITAL INC LINE NUMBER 1 PART V LINE 4	PART V LINE 4	EACH HOSPITAL WITHIN THE MSHA SYSTEM COMPLETED A CHNA FOR THOSE HOSPITALS THAT ARE LOCATED IN THE SAME COUNTY ONLY ONE COMMUNITY GROUP WAS SURVEYED FOR INSTANCE JOHNSON CITY MEDICAL CENTER AND FRANKLIN WOODS COMMUNITY HOSPITAL ARE BOTH LOCATED IN WASHINGTON COUNTY TENNESSEE WE SURVEYED 21 INDIVIDUALS FROM WASHINGTON COUNTY IN ORDER TO DETERMINE HEALTH PRIORITIES DICKENSON COMMUNITY HOSPITAL AND NORTON COMMUNITY HOSPITAL ALSO HAD ONE COMMUNITY GROUP SURVEYED THESE TWO COUNTIES SERVE SIMILAR COMMUNITIES AND HAVE SIMILAR HEALTH RANKINGS ACCORDING TO AMERICAS HEALTH RANKINGS EVEN THOUGH ONLY TWO COMMUNITY GROUPS SERVED ON BEHALF OF THE FOUR HOSPITALS LISTED STATISTICAL DATA WAS COLLECTED FOR EACH INDIVIDUALLY JMHS CHNA WAS CONDUCTED WITH ALL MSHA HOSPITALS TO INCLUDE JOHNSON CITY MEDICAL CENTER FRANKLIN WOODS COMMUNITY HOSPITAL INDIAN PATH MEDICAL CENTER SYCAMORE SHOALS HOSPITAL JOHNSON COUNTY COMMUNITY HOSPITAL RUSSELL COUNTY MEDICAL CENTER DICKENSON COMMUNITY HOSPITAL SMYTH COUNTY COMMUNITY HOSPITAL AND NORTON COMMUNITY HOSPITAL
JOHNSTON MEMORIAL HOSPITAL INC LINE NUMBER 1 PART V LINE 7	PART V LINE 7	MSHA PUBLISHED ITS COMMUNITY HEALTH NEEDS ASSESSMENT ON JUNE 29 OF FY12 THE DATA INCLUDED WAS COLLECTED OVER THE COURSE OF 2011 AND 2012 AN IMPLEMENTATION PLAN WAS CREATED FOR EACH HOSPITAL AND EACH HOSPITALS BOARD APPROVED THE IMPLEMENTATION PLAN DURING THE MONTHS OF MAY AND JUNE 2012 MSHA ANNUALLY TRACKS PROGRESS OF IMPLEMENTATION STRATEGIES FOR EACH HOSPITAL DUE TO LACK OF RESOURCES SOME OF MSHA FACILITIES WERE UNABLE TO ADDRESS ISSUES THAT WERE IDENTIFIED

Identifier	ReturnReference	Explanation
JOHNSTON MEMORIAL HOSPITAL INC LINE NUMBER 1 PART V LINE 14G	PART V LINE 14G	THE MOUNTAIN STATES HEALTH ALLIANCE FINANCIAL ASSISTANCE POLICY HAS BEEN APPROVED BY ITS BOARD OF DIRECTORS AND APPLIES TO ALL MSHA HOSPITALS DURING THE ADMISSION PROCESS PATIENTS ARE TOLD THAT THE HOSPITAL HAS A FINANCIAL ASSISTANCE POLICY AND ADMISSION PAPERS GIVEN TO EACH PATIENT ADVISES THEM OF THE POLICY BILLING CORRESPONDENCE ALSO ADVISES THAT FINANCIAL ASSISTANCE MAY BE AVAILABLE A COMMUNITY RESOURCE GUIDE REPORTS THAT THE HOSPITAL HAS A FINANCIAL ASSISTANCE POLICY
JOHNSTON MEMORIAL HOSPITAL INC LINE NUMBER 1 PART V LINE 20D	PART V LINE 20D	UNINSURED PATIENTS RECEIVE A 62 DISCOUNT AND BASED ON OTHER FACTORS SUCH AS INCOME OR MEDICAL INDIGENCY MAY QUALIFY FOR AN ADDITIONAL DISCOUNT

Schedule I  
(Form 990)

Department of the Treasury  
Internal Revenue Service

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

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

OMB No 1545-0047

2012

Open to Public  
Inspection

Name of the organization  
JOHNSTON MEMORIAL HOSPITAL INC

Employer identification number  
54-0544705

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) BARTER THEATRE PO BOX 867 ABINGDON,VA 24212	54-6000120	501C3	19,000				SPONSORSHIP
(2) VIRGINIA HIGHLANDS COMM COLLEGE P O BOX 828 ABINGDON,VA 24212	52-1225133	501C3	39,953				FUND NURSING INSTR
(3) WASHINGTON COUNTY PUBLIC SCHOOLS 812 THOMPSON DRIVE ABINGDON,VA 24210	54-6001671	501C3	21,323				SPONSORSHIP
(4) WILLIAM KING MUSEUM PO BOX 2256 ABINGDON,VA 24210	54-1144120	501C3	10,000				SPONSORSHIP

2

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

4

3

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



**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

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
PROCEDURES FOR MONITORING THE USE OF GRANT FUNDS INSIDE THE UNITED STATES	SCHEDULE I, PAGE 1, PART I, LINE 2	FUNDING MAY BE PROVIDED TO LOCAL 501(C)(3) ORGANIZATIONS WHOSE FOCUS IS ON HEALTH AND EDUCATION FOR MANY YEARS, JMH HAS MADE DONATIONS OF MEDICATIONS TO AREA NON-PROFIT EMERGENCY MEDICAL SERVICE COMPANIES WE ARE PROVIDING ASSISTANCE TO A LOCAL COLLEGE TO HELP FUND A NURSING INSTRUCTOR ADDITIONAL DONATIONS ARE MADE TO THE UNITED WAY, LOCAL SCHOOLS, AND THE LOCAL ARTS

Schedule J (Form 990)  <div>Department of the Treasury Internal Revenue Service</div>	<div>Compensation Information</div> <div>For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees</div> <div>▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.</div> <div>▶ Attach to Form 990. ▶ See separate instructions.</div>	OMB No 1545-0047
		2012
		Open to Public Inspection

Name of the organization JOHNSTON MEMORIAL HOSPITAL INC	Employer identification number  54-0544705
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Part I	Questions Regarding Compensation		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	<div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>			
1b	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			
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?			
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			
	<div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div>			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
4a	Receive a severance payment or change-of-control payment?			No
4b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?		Yes	
4c	Participate in, or receive payment from, an equity-based compensation arrangement?			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			
5a	The organization?			No
5b	Any related organization?			No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
6a	The organization?			No
6b	Any related organization?			No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III			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			No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?			

**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
SEVERANCE, NONQUALIFIED, AND EQUITY-BASED PAYMENTS	SCHEDULE J, PAGE 1, PART I, LINE 4	ANN FLEMING 0 35,925 0 SEAN MCMURRAY 0 12,946 0
OTHER ADDITIONAL INFORMATION	SCHEDULE J, PART III	PART I, LINE 3 JMH'S CEO'S SALARY AND BENEFITS ARE SUBJECT TO THE MOUNTAIN STATES HEALTH ALLIANCE (MSHA) COMPENSATION COMMITTEE PROCESS, WHEREBY THE MSHA CEO RECOMMENDS THE SALARY AND IT IS REVIEWED AND APPROVED BY THE COMPENSATION COMMITTEE, BASED UPON MARKET DATA, MADE AVAILABLE BY THIRD PARTY CONSULTANTS. THE COMPENSATION COMMITTEE HAS FINAL APPROVAL OF MSHA'S CEO RECOMMENDATIONS FOR PAY AND BENEFITS FOR THE JMH CEO. WE USE AN OUTSIDE, INDEPENDENT CONSULTING FIRM TO PROVIDE CONSULTATION ON EXECUTIVE PAY AS WELL AS OUR EXECUTIVE PAY AT RISK PLAN. PART I, LINE 4B DENNIS VONDERFECHT RECEIVED PAYMENT OF 1,683,614 DURING THE REPORTING PERIOD FROM A 457(F) DEFERRED COMPENSATION PLAN THAT SPANNED A NUMBER OF YEARS. MR. VONDERFECHT MET THE CONDITIONS FOR PAYOUT FROM THE AT-RISK PLAN AND MSHA WITHHELD FEDERAL, STATE AND LOCAL TAXES AS REQUIRED BY LAW. MR. VONDERFECHT SERVED AS MSHA'S CEO FOR 24 YEARS AND RETIRED AT THE END OF 2013. ANN FLEMING AND SEAN MCMURRAY PARTICIPATED IN A 457(F) RETIREMENT PLAN PROVIDED BY MOUNTAIN STATES HEALTH ALLIANCE (MSHA). THE 457(F) PLAN IS A NONQUALIFIED TAX-DEFERRED COMPENSATION PLAN AVAILABLE TO A SELECT GROUP OF KEY EXECUTIVES FOR THE INTENT OF SUPPORTING RETENTION AND TO OFFER A COMPETITIVE TOTAL RETIREMENT PROGRAM. ACCOUNT BALANCES HAVE A "SUBSTANTIAL RISK OF FORFEITURE." IN ADDITION TO CREDITOR RISK, SUBSTANTIAL RISK OF FORFEITURE IS CREATED THROUGH DEFAULT RISK IF THE PARTICIPANT'S EMPLOYMENT WITH MSHA IS TERMINATED PRIOR TO AGE 65. HOWEVER, THE 457(F) PLAN CONTAINS A NON-COMPETE PROVISION THAT PROVIDES THE ACCOUNT BALANCE TO BE PAID IN A LUMP SUM AFTER THE EXECUTIVE SATISFIES THE TWO-YEAR NON-COMPETE PERIOD. THIS PROVISION APPLIES TO EMPLOYER CONTRIBUTIONS IF THE EXECUTIVE HAS PROVIDED ELIGIBLE SERVICE FOR SIX OR MORE YEARS (ELIGIBLE SERVICE IS OFFICER SERVICE THAT PERMITTED THE EXECUTIVE TO PARTICIPATE IN THE PLAN). THE EXECUTIVE WILL RECEIVE THE ENTIRE ACCOUNT BALANCE IF HE/SHE BECOMES DISABLED, DIES OR IF THE EXECUTIVE TERMINATES FOR "GOOD REASON" OR IS INVOLUNTARILY TERMINATED WITHOUT "GOOD CAUSE" WITHIN A 24 MONTH PERIOD AFTER A CHANGE-OF-CONTROL OCCURS. DISTRIBUTIONS FROM THIS PLAN ARE SUBJECT TO FEDERAL, STATE, AND LOCAL TAXES ON THE ENTIRE ACCOUNT BALANCE UPON DISTRIBUTION.

Software ID:

Software Version:

EIN: 54-0544705

Name: JOHNSTON MEMORIAL HOSPITAL INC

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				
DENNIS VONDERFECHT	(i)							
	(ii)	777,545	1,900,431	485,771	20,000	22,698	3,206,445	125,000
ANN FLEMING	(i)							
	(ii)	351,697	51,836	22,747	48,425	17,857	492,562	
PAUL ARMSTRONG MD	(i)							
	(ii)	317,538		150	12,798	24,847	355,333	
LARAMIE TRIPLETT MD	(i)							
	(ii)	132,850	62,603	76,848	9,963	25,538	307,802	
SEAN MCMURRAY	(i)							
	(ii)	256,438	37,750	37,587	28,465	20,357	380,597	
STEPHEN GIVENS	(i)							
	(ii)	80,743	2,000	93,805	4,657	10,020	191,225	
JOHN JETER	(i)							
	(ii)	143,531		1,953	4,442	19,148	169,074	
DAMIAN SOOKLAL MD	(i)							
	(ii)	289,409	62,936	673	12,872	15,335	381,225	
KELLY CARTER MD	(i)							
	(ii)	264,534	37,450	50,448	13,154	14,655	380,241	
STEPHEN BLANKENSHIP MD	(i)							
	(ii)	265,074	35,874	50,482	14,014	18,892	384,336	
DAVID SIMMONS MD	(i)							
	(ii)	246,409	35,137	50,454	11,140	20,401	363,541	
JACQUELINE DAVID MD	(i)							
	(ii)	235,008	73,318	20,180		19,366	347,872	

Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.  
▶ Attach to Form 990. ▶ See separate instructions.

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2012

Open to Public Inspection

Name of the organization  
JOHNSTON MEMORIAL HOSPITAL INC

Employer identification number  
54-0544705

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 2011 HOSPITAL FACILITY INVEST BOND INDUSTRIAL DEV AUTHORITY OF SMYTH	54-1758381		11-16-2011	24,870,000	REFINANCE CANCER CTR		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired	1,775,000							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	24,870,000							
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	238,423							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds								
11	Other spent proceeds	24,631,577							
12	Other unspent proceeds								
13	Year of substantial completion	2012							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X							
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X							
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	%		%		%		%	
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?		X						
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?	X							
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?		X						
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							

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X						
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X						
b	Exception to rebate?	X							
c	No rebate due?		X						
	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?	X							
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								

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						
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X						
7	Has the organization established written procedures to monitor the requirements of section 148?		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							

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

Identifier	Return Reference	Explanation
PURPOSE OF ISSUE DESCRIPTION	SCHEDULE K	2011 HOSPITAL FACILITY INVEST BOND LINE A REFINANCE OF CANCER TREATMENT CENTER AND REFINANCING OF SERIES 1998 BONDS
ADDITIONAL INFORMATION	SCHEDULE K	2011 HOSPITAL FACILITY INVEST BOND A PORTION OF THE BONDS ISSUED IN 1998 THAT WAS REFUNDED WITH A PORTION OF THE REPORTED BOND ISSUE FINANCED HOSPITAL IMPROVEMENTS FOR A FACILITY THAT BECAME OUTMODDED AND OBSOLETE THE OBSOLETE FACILITY WAS SUBSEQUENTLY SOLD FOR A MINIMAL AMOUNT LESS THAN 5 OF THE PROCEEDS OF THE BONDS BASED ON THE AVAILABLE RECORDS IT IS NOT POSSIBLE TO GIVE A PRECISE AMOUNT OF THE 1998 BOND PROCEEDS THAT WERE USED TO FINANCE THE PROPERTY THAT WAS DISPOSED BECAUSE THE AMOUNT OF PRIVATE PAYMENTS WAS LESS THAN THE PERMITTED THRESHOLD NO REMEDIAL ACTION WAS REQUIRED



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

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Name of the organization JOHNSTON MEMORIAL HOSPITAL INC	Employer identification number  54-0544705
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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
(1) EMORY ROBINETTE MD	M D SERVICES	32,500	MEDICAL DIRECTOR		No

**Part V Supplemental Information**

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

Identifier	Return Reference	Explanation
ADDITIONAL INFORMATION	SCHEDULE L PART V	1 EMORY ROBINETTE MD JMH BOARD MEMBER PROVIDES MEDICAL DIRECTOR SERVICES TO JMH

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

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Open to Public  
Inspection

Name of the organization JOHNSTON MEMORIAL HOSPITAL INC	Employer identification number 54-0544705
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Identifier	Return Reference	Explanation
ORGANIZATION'S MISSION	FORM 990 - ORGANIZATION'S MISSION	PART I, LINE I - ORGANIZATION'S MISSION JOHNSTON MEMORIAL HOSPITAL (JMH) IS COMMITTED TO BRINGING LOVING CARE TO HEALTH CARE. WE EXIST TO IDENTIFY AND RESPOND TO THE HEALTH CARE NEEDS OF INDIVIDUALS AND COMMUNITIES IN OUR REGION AND TO ASSIST THEM IN ATTAINING THEIR HIGHEST POSSIBLE LEVEL OF HEALTH

Identifier	Return Reference	Explanation
FIRST ACCOMPLISHMENT DESCRIPTION	FORM 990, PAGE 2, PART III, LINE 4A	JMH OFFERS A FULL ARRAY OF MEDICAL SERVICES THROUGH HIGHLY TRAINED PHYSICIANS AND SUPPORT STAFF, PROUDLY SERVING SOUTHWEST VIRGINIA SINCE 1917. OUR GOAL IS TO BE A LEADER IN IMPROVING THE HEALTH AND QUALITY OF LIFE IN THE COMMUNITY, BY WORKING TOGETHER AS A TEAM DEDICATED TO EXCELLENCE. DURING FY 13, WE EXPERIENCED 7,310 ADMISSIONS, WITH ALMOST 24,000 PATIENT DAYS. THERE WERE AN ADDITIONAL 4,645 OBSERVATION DAYS. OUR OUTPATIENT VISITS WERE JUST UNDER 131,000. THERE WERE 42,434 VISITS TO OUR EMERGENCY DEPARTMENT, WITH MORE THAN 5,000 RESULTING IN AN INPATIENT STAY. MORE THAN 7,200 SURGERIES WERE PERFORMED DURING THE YEAR AND WE DELIVERED MORE THAN 740 BABIES. JMH IS THE FIRST "GREEN" HOSPITAL IN SOUTHWEST VIRGINIA AND IS FOCUSED ON BEING AN ENVIRONMENTALLY SUSTAINABLE FACILITY FOLLOWING THE U.S. GREEN BUILDING COUNCIL'S LEED (LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN) GUIDELINES. JMH EARNED GOLD LEED CERTIFICATION SHORTLY AFTER OPENING. LEED IS AN INTERNATIONALLY RECOGNIZED GREEN BUILDING CERTIFICATION SYSTEM, PROVIDING THIRD-PARTY VERIFICATION THAT A BUILDING OR COMMUNITY WAS DESIGNED IN AN ENVIRONMENTALLY FRIENDLY MANNER, INCLUDING ENERGY SAVINGS, WATER EFFICIENCY, CO2 EMISSIONS REDUCTION, IMPROVED INDOOR ENVIRONMENTAL QUALITY, AND STEWARDSHIP OF RESOURCES AS WELL AS SENSITIVITY TO THEIR IMPACT. FIFTY PERCENT OF THE JMH SITE IS RESERVED FOR VEGETATED OPEN SPACE. WATER USAGE FOR LANDSCAPING IS 50 PERCENT LOWER THAN TRADITIONAL LANDSCAPE DESIGNS. THE HOSPITAL BUILDING USED LOW-EMITTING MATERIALS AND CONSTRUCTION WASTE WAS RECYCLED, DIVERTING MORE THAN 75% OF NORMAL WASTE MATERIAL AWAY FROM THE LANDFILL. INDOOR AIR QUALITY IS SUPERIOR DUE TO EFFICIENT VENTILATION AND ONGOING MONITORING AND WATER USE IS REDUCED THROUGH INSTALLATION OF HIGH EFFICIENCY PLUMBING FIXTURES. WATER USE IS REDUCED BY 40 PERCENT, A SAVINGS OF UP TO 1.6 MILLION GALLONS OF WATER PER YEAR. FURTHER ENERGY USAGE REDUCTIONS WERE ACHIEVED BY INSTALLING EFFICIENT HEATING AND COOLING SYSTEMS. BEYOND SMART ENERGY SAVINGS IMPLEMENTED WITH THE HOSPITAL'S CONSTRUCTION, JMH RECYCLES ON AN ONGOING BASIS AND ENCOURAGES THE USE OF FUEL EFFICIENT CARS BY DESIGNATING PARKING SPACES FOR LOW EMISSION VEHICLES CLOSE TO THE BUILDING. THE VIRGINIA HEALTH QUALITY CENTER (VHQC), A NON-PROFIT HEALTH QUALITY CONSULTING COMPANY, SELECTED WINNERS IN SIX CATEGORIES FOR THEIR CONTRIBUTIONS TO IMPROVING HEALTH CARE FOR PATIENTS IN VIRGINIA. MOUNTAIN STATES HEALTH ALLIANCE'S VIRGINIA HOSPITALS, INCLUDING JMH, EARNED THE HONOR FOR THEIR PATIENT-CENTERED CARE. THE WINNERS WERE ANNOUNCED DURING QUALITY SYNC, VHQC'S ANNUAL LEARNING EVENT, HELD IN RICHMOND, AND WERE SELECTED FROM NEARLY 30 NOMINATIONS. "MSHA'S VIRGINIA HOSPITALS DEVELOPED AN INNOVATIVE APPROACH TO BRINGING A PATIENT-CENTERED APPROACH TO ALL OF ITS FACILITIES", THE VHQC STATED IN A NEWS RELEASE. "BY ESTABLISHING 10 GUIDING PRINCIPLES AND INCORPORATING THEM INTO EACH HOSPITAL'S OPERATIONS, THIS ORGANIZATION HAS SIGNIFICANTLY IMPROVED PATIENT-PROVIDER RELATIONSHIPS, ENVIRONMENTS AND SERVICE DELIVERY." DURING FY 13, TWO JMH PHYSICIANS, DOCTORS CARTER AND DAWSON, RECEIVED STATE AND NATIONAL RECOGNITION FOR TWO NEW COMPUTER-BASED TOOLS THEY DEVELOPED THAT DIRECTLY HELP DOCTORS AND PATIENTS. ONE TOOL, CALLED ALIGN, ANALYZES DATA ON PATIENTS THAT ARE SEEN OFTEN IN THE ER. THE SYSTEM PRESENTS KEY DATA IN SECONDS, WHICH ALLOWS THE PHYSICIAN TO MAKE FASTER AND MORE WELL-INFORMED DECISIONS. PLUS, THERE ARE FEWER REPEATED TESTS AND THE LENGTH OF STAY IS SHORTENED. THE SECOND TOOL, CALLED RADIATION RECONCILIATION, IS A SAFETY MEASURE THAT QUICKLY COUNTS RADIOLOGY STUDIES AND ESTIMATES RADIATION EXPOSURE, RAISING AWARENESS OF RADIATION EXPOSURE FOR PATIENTS AND THE MEDICAL COMMUNITY. THE INFORMATION IS PRESENTED IN A GRAPHICAL WAY TO HELP PATIENTS UNDERSTAND THEIR MEDICAL RADIATION EXPOSURE WITH SOME MEANINGFUL POINTS OF REFERENCE. THE DOCTORS WORKED WITH JMH IT STAFF TO DEVELOP THE PROGRAMS. THE JMH DIABETES EDUCATION CENTER HAS ASSISTED PATIENTS IN DIABETES CARE SINCE 1999. DR. ANDREW RHINEHART, DIRECTOR OF THE CENTER, WAS RECENTLY AWARDED RECOGNITION BY THE PRESTIGIOUS NATIONAL COMMITTEE FOR QUALITY ASSURANCE DIABETES RECOGNITION PROGRAM, A PRIVATE, NONPROFIT ORGANIZATION DEDICATED TO IMPROVING HEALTH CARE QUALITY. DR. RHINEHART IS BOARD-CERTIFIED IN ADVANCED DIABETES MANAGEMENT AND WAS THE FIRST PHYSICIAN IN THE U.S. TO GAIN THESE CREDENTIALS. HE RECENTLY BECAME ONE OF THE FIRST PHYSICIANS TO EARN DISTINCTION AS A CERTIFIED DIABETES TECHNOLOGY CLINICIAN (CDTC), THE HIGHEST PROFESSIONAL CREDENTIAL THAT RECOGNIZES A PHYSICIAN AS AN EXPERT IN USING TECHNOLOGY TO MANAGE DIABETES. A STAFF OF CERTIFIED DIABETES EDUCATORS ASSISTS HIM AT THE DIABETES CARE CENTER. JMH IS COMMITTED TO PROVIDING COMPREHENSIVE MEDICAL EDUCATION TO AID IN PATIENT RECOVERY AND DISEASE MANAGEMENT. WE OFFER MANY CLASSES AND SUPPORT GROUPS, SUCH AS CPR AND LIFE SAVING CLASSES, CARDIAC CARE, TOTAL JOINT, CANCER EDUCATION, PRENATAL AND PARENTING, AND,

Identifier	Return Reference	Explanation
FIRST ACCOMPLISHMENT DESCRIPTION	FORM 990, PAGE 2, PART III, LINE 4A	<p>OTHERS THE JMH CENTER FOR COMPREHENSIVE WOUND CARE IS ONE OF ONLY A FEW FACILITIES IN THE REGION THAT OFFERS HYPERBARIC OXYGEN THERAPY- THE DELIVERY OF OXYGEN AT LEVELS HIGHER THAN ATMOSPHERIC PRESSURE IN A CHAMBER SETTING THAT STIMULATES THE HEALING PROCESS OUR TRAINED STAFF FOLLOW A TEAM APPROACH TO WOUND HEALING AFTER AN INITIAL EVALUATION, EACH PATIENT RECEIVES A COMPREHENSIVE INDIVIDUALIZED PLAN DESIGNED TO HELP DIFFICULT-TO-HEAL WOUNDS JMH STAFF STRIVE TO ADDRESS THE UNDERLYING CAUSE OF THE PROBLEM, CONTROL INFECTION AND IMPROVE THE OVERALL HEALTH OF OUR PATIENTS JMH HAS PARTNERED WITH THE COMPANY FIRSTSOURCE SOLUTIONS USA TO WORK WITH SELF-PAYING PATIENTS WHO HAVE LIMITED FINANCIAL RESOURCES DURING FY 13, FIRSTSOURCE REPRESENTATIVES WERE AVAILABLE AT JMH TO ASSIST PATIENTS THE REPRESENTATIVES WERE ABLE TO DETERMINE GOVERNMENTAL MEDICAL ASSISTANCE (MEDICAID OR TENNCARE) ELIGIBILITY, AND TO HELP WITH THE APPLICATION PROCESS AND FOLLOW-UP ONCE A PERSON IS APPROVED FOR MEDICAID OR TENNCARE THROUGH THE PROGRAM OFFERED THROUGH JMH, THEY RETAIN COVERAGE FOR FUTURE MEDICAL CARE 1,097 PATIENTS WERE APPROVED FOR GOVERNMENTAL ASSISTANCE DURING THE YEAR FIRSTSOURCE IS COMPENSATED BY JMH DURING FY 13, JMH'S COST FOR THIS PROGRAM WAS 183,566 JMH SIGNED A NON-PROFIT BLOOD CENTER TENANT TO A ONE YEAR LEASE FOR ONLY 1 THE ANNUAL FAIR MARKET VALUE OF THE LEASE IS 32,770 THE FMV FOR THE FOUR MONTHS FALLING WITHIN FY 13 IS 10,923 JMH SERVES AS A CLINICAL TRAINING HOSPITAL FOR HEALTH PROFESSIONAL EDUCATION STUDENTS WE HAVE DEDICATED STAFF TO WORK WITH REGIONAL COLLEGES AND UNIVERSITIES TO COORDINATE THE PLACEMENT OF HEALTHCARE PROFESSIONAL STUDENTS AS PART OF THEIR EDUCATIONAL CURRICULUM IN ADDITION TO CLINICAL TRAINING, THE HEALTH CARE STUDENTS ENTERING OUR SYSTEM ARE REQUIRED TO HAVE ORIENTATION AND COMPUTER TRAINING PARTICIPANTS RECEIVING CLINICAL EXPERIENCE AT JMH DURING FY 13 INCLUDED 174 NURSING STUDENTS FROM VARIOUS COLLEGES, UNIVERSITIES AND PROGRAMS THIS NURSING CLINICAL EXPERIENCE REQUIRED EXTENSIVE JMH NURSING STAFF INVOLVEMENT THE CLINICAL SETTING AND HANDS-ON INSTRUCTION COST JMH 349,140 JMH PROVIDED A CLINICAL SETTING FOR ANOTHER 156 STUDENTS TRAINING IN HEALTH-RELATED PROGRAMS SUCH AS RADIOLOGY, PHARMACY, PHYSICAL THERAPY, EMT/PARAMEDIC AND OTHER ALLIED-HEALTH DISCIPLINES THESE ADDITIONAL CLINICAL STUDENTS COST JMH 159,049 JMH SUPPORTS OTHER LOCAL NON-PROFIT ORGANIZATIONS THAT PROVIDE HEALTHCARE SERVICES TO OUR RESIDENTS WE DONATE MEDICATIONS AND SUPPLIES TO AREA RESCUE SQUADS AND FIRE DEPARTMENTS AT A COST TO JMH OF MORE THAN 15,000 IN FY 13 WE PROVIDED FINANCIAL ASSISTANCE TO A LOCAL COLLEGE FOR ITS NURSING PROGRAM DURING FY 13, WE CONTRIBUTED ALMOST 40,000 TO THE PROGRAM MANY OTHER DONATIONS WERE MADE TO SUPPORT OUR SCHOOLS, LIBRARY, YMCA, ETC BASED ON COMMUNITY NEEDS, JMH INCURRED EXPENSE OF 372,374 TO RECRUIT PHYSICIANS INTO OUR COMMUNITY PHYSICIANS ARE RECRUITED TO REPLACE PHYSICIANS THAT RETIRE OR LEAVE THE AREA ALL PHYSICIAN RECRUITMENT ACTIVITIES ARE BASED ON DOCUMENTED COMMUNITY NEED TEAM MEMBERS AT JMH INTERESTED IN EDUCATING THE COMMUNITY ABOUT HEART DISEASE AND STROKE VISITED A LOCAL SENIOR CENTER TO INVOLVE SENIORS IN AN AMERICAN HEART ASSOCIATION (AHA) EVENT TEAM MEMBERS DONATED ITEMS TO THE EVENT WHICH WERE RAFFLED TO RAISE MONEY FOR AHA</p>

Identifier	Return Reference	Explanation
ADDITIONAL INFORMATION	FORM 990, PART V	LINE 2A W-2 EMPLOYEES JOHNSTON MEMORIAL HOSPITAL (JMH) TEAM MEMBERS ARE PAID BY MOUNTAIN STATES HEALTH ALLIANCE (MSHA) MSHA BILLS JMH FOR SALARY AND BENEFITS AND THE EXPENSE IS RECORDED ON JMH'S BOOKS

Identifier	Return Reference	Explanation
CLASSES OF MEMBERS OR STOCKHOLDERS	FORM 990, PAGE 6, PART VI, LINE 6	THE CORPORATION IS ORGANIZED AS A VIRGINIA NON-STOCK, NON-PROFIT CORPORATION WITH TWO MEMBERS MOUNTAIN STATES HEALTH ALLIANCE, WHICH MAINTAINS A 50 1% INTEREST AND JOHNSTON MEMORIAL HEALTHCARE FOUNDATION, WHICH MAINTAINS A 49 9% INTEREST

Identifier	Return Reference	Explanation
ELECTION OF MEMBERS AND THEIR RIGHTS	FORM 990, PAGE 6, PART VI, LINE 7A	THERE ARE TWO CLASSES OF MEMBERS, AND EACH CLASS IS ENTITLED TO ELECT A SPECIFIED NUMBER OF DIRECTORS TO THE BOARD THE MOUNTAIN STATES HEALTH ALLIANCE CLASS IS ELECTED BY THE MSHA BOARD OF DIRECTORS AND THE JOHNSTON MEMORIAL HOSPITAL CLASS IS ELECTED BY THE JOHNSTON MEMORIAL HEALTHCARE FOUNDATION'S BOARD OF DIRECTORS NEITHER SIDE CAN VETO AN APPOINTMENT



Identifier	Return Reference	Explanation
DECISIONS SUBJECT TO APPROVAL OF MEMBERS	FORM 990, PAGE 6, PART VI, LINE 7B	CERTAIN DECISIONS OF THE BOARD ARE PURSUANT TO CHARTER AND VIRGINIA STATUTE, SUBJECT TO APPROVAL OF THE MEMBERS. THESE DECISIONS INCLUDE: DISSOLUTION OF THE CORPORATION, MERGER OF THE CORPORATION, NON-ORDINARY COURSE OF BUSINESS SALE OF ASSETS, ETC. NO ORDINARY DAY TO DAY DECISIONS ARE SUBJECT TO MEMBER APPROVAL.

Identifier	Return Reference	Explanation
ORGANIZATION'S PROCESS USED TO REVIEW FORM 990	FORM 990, PAGE 6, PART VI, LINE 11B	THE CFO REVIEWED THE FORM 990 WITH THE BOARD OF DIRECTORS PRIOR TO FILING WITH THE IRS AND THE RETURN WAS MADE AVAILABLE TO EACH BOARD MEMBER IN AN ELECTRONIC FORMAT PRIOR TO THE REVIEW

Identifier	Return Reference	Explanation
ENFORCEMENT OF CONFLICTS POLICY	FORM 990, PAGE 6, PART VI, LINE 12C	ANNUALLY, THE CORPORATE AUDIT AND COMPLIANCE DEPARTMENT OF MSHA FORWARDS THE CONFLICT OF INTEREST POLICY AND DISCLOSURE FORM TO ALL MSHA MANAGEMENT TEAM MEMBERS AND BOARD MEMBERS. EMPLOYEES AND BOARD MEMBERS MUST NOTE ANY CONFLICTS OR ATTEST THEY HAVE "NONE", AND RETURN THE FORM TO THE AUDIT AND COMPLIANCE DEPARTMENT. ANY NOTED DISCLOSURES ARE FORWARDED TO THE APPROPRIATE MANAGEMENT OR BOARD PERSONNEL TO EVALUATE AND UTILIZE WHEN A TRANSACTION INVOLVING A CONFLICTED PERSON ARISES. ADDITIONALLY, PERSONNEL WHO HAVE A CONFLICT ARISE BETWEEN THE ANNUAL DISTRIBUTION OF THE POLICY AND FORMS ARE REQUIRED TO DISCLOSE THE CONFLICT AND WOULD BE DISCIPLINED IN ANY INSTANCE WHERE THEY HAVE NOT DISCLOSED AND ENGAGED IN A CONFLICTED TRANSACTION.

Identifier	Return Reference	Explanation
COMPENSATION PROCESS FOR TOP OFFICIAL	FORM 990, PAGE 6, PART VI, LINE 15A	THE CEO'S COMPENSATION AND BENEFITS ARE SUBJECT TO THE EXECUTIVE COMPENSATION POLICY OF MOUNTAIN STATES HEALTH ALLIANCE (MSHA). THE POLICY WAS ESTABLISHED BY MSHA'S BOARD OF DIRECTORS AND IS ALLIGNED WITH THE MSHA MISSION, VISION, AND VALUES, SUPPORTING THE ACHIEVEMENT OF THE HEALTH SYSTEM'S STRATEGIC PLANS AND ANNUAL GOALS AND OBJECTIVES. THE POLICY ENSURES THAT MSHA'S EXECUTIVE COMPENSATION IS COMPLIANT WITH THE LEGAL, REGULATORY, AND STATUTORY ENVIRONMENT AFFECTING COMPENSATION. MSHA'S PRESIDENT AND CEO MAKES RECOMMENDATIONS TO THE EXECUTIVE COMMITTEE OF THE MSHA BOARD FOR ALL ELEMENTS OF COMPENSATION FOR THE SENIOR MANAGEMENT TEAM, INCLUDING JOHNSTON MEMORIAL HOSPITAL'S CEO, SEAN MCMURRAY. THE BOARD OF DIRECTORS MONITORS THE PERFORMANCE OF THE SENIOR MANAGEMENT TEAM ON AN ONGOING BASIS, BUT AT LEAST ANNUALLY.

Identifier	Return Reference	Explanation
COMPENSATION PROCESS FOR OFFICERS	FORM 990, PAGE 6, PART VI, LINE 15B	SIMILAR TO THE CEO'S COMPENSATION, THE CFO RECEIVES COMPENSATION AND BENEFITS THAT COMPLY WITH MSHA'S SALARY POLICY HIS PAY IS SET AT A MARKET PERCENTILE SPECIFIC TO HIS POSITION

Identifier	Return Reference	Explanation
GOVERNING DOCUMENTS DISCLOSURE EXPLANATION	FORM 990, PAGE 6, PART VI, LINE 19	GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY ARE MADE AVAILABLE UPON REQUEST TO APPROPRIATE PARTIES REQUESTING THEM. FINANCIAL STATEMENTS ARE MADE AVAILABLE UPON REQUEST TO APPROPRIATE PARTIES REQUESTING THEM, AND THEY ARE MADE AVAILABLE TO THOSE PARTIES WHO OWN INDEBTNESS OF THE COMPANY ON A QUARTERLY BASIS.

Identifier	Return Reference	Explanation
OTHER FEES FOR SERVICES	FORM 990, PART IX, LINE 11G	HOSPITAL BASED PROVIDERS 5,910,277 0 0 HOSPITAL SUPPORTED CLINIC 3,871,933 0 0 PHYSICIAN FEES 793,240 0 0 COLLECTION SERVICE FEES 0 591,432 0 JANITORIAL & LINEN FEES 0 585,162 0 MEDICAL MGMT-COMPLIANCE 0 600,449 0 HEMODIALYSIS 179,081 0 0 HYPERBARIC SERVICES 144,218 0 0 SLEEP DIAGNOSTICS 477,521 0 0 PET SCANS 292,306 0 0 LABORATORY 601,170 0 0 AMBULATORY SURGERY CENTER 493,584 0 0 ENGINEERING SERVICES 0 172,596 0 OTHER FEES 296,756 31,913 5,634

Identifier	Return Reference	Explanation
OTHER CHANGES IN NET ASSETS EXPLANATION	FORM 990, PART XI, LINE 9	CHANGE IN VALUE OF DERIVATIVES 132,744 ELIMINATION OF INTERCOMPANY REC/PAY -7,701,035 P/S INCOME NOT ON BOOKS -470,469 P/S INTEREST INCOME NOT ON BOOKS -2,078 P/S CAPITAL GAIN NOT ON BOOKS -26 P/S PORTFOLIO FEES 1 P/S CHARITABLE CONTRIBUTIONS NOT ON BOOKS 53 TEMPORARILY RESTRICTED -1,289 TOTAL TO FORM 990, PART XI, LINE 9 -8,042,099



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  
JOHNSTON MEMORIAL HOSPITAL INC

Employer identification number  
54-0544705

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
(1) JMH EMERGENCY PHYSICIANS LLC 16000 JOHNSTON MEMORIAL DRIVE ABINGDON, VA 24211 45-4786385	MED SERV	VA			JMH

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
See Additional Data Table							

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	
See Additional Data Table												

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
See Additional Data Table									

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

Yes

Yes

Yes

Yes

Yes

Yes

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) APPALACHIAN PHYSICIAN PARTNERS	B	7,701,036	

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:

Software Version:

EIN: 54-0544705

Name: JOHNSTON MEMORIAL HOSPITAL INC

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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Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(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) Dispropportionate allocations?		(i) Code V-UBI amount on Box 20 of K-1	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
INTEGRATED SOLUTIONS HEALTH NETWORK  400 N STATE OF FRANKLIN ROAD JOHNSON CITY, TN 37604 62-1711997	INVESTMENT	TN	NA	EXCLUDED	-14	-473		No			No	0 070 %
EMMAUS COMMUNITY HEALTHCARE PLLC  6070 HWY 11E PINEY FLATS, TN 37686 20-0577483	MED SERV	TN	NA	EXCLUDED				No			No	
MEDICAL SPECIALISTS OF JC LLC  2528 WESLEY STREET SUITE 2 JOHNSON CITY, TN 37601 27-2199037	MED SERV	TN	NA	EXCLUDED				No			No	
ANWCARE COLLABORATIVE LLC  208 SUNCREST DRIVE SUITE 403 JOHNSON CITY, TN 37604 45-3232366	ACO	TN	NA	EXCLUDED				No			No	
INTEGRATED SOLUTIONS HEALTH NETWORK  400 N STATE OF FRANKLIN ROAD JOHNSON CITY, TN 37604 62-1711997	INVESTMENT	TN	NA	EXCLUDED	-14	-473		No			No	0 070 %
EMMAUS COMMUNITY HEALTHCARE PLLC  6070 HWY 11E PINEY FLATS, TN 37686 20-0577483	MED SERV	TN	NA	EXCLUDED				No			No	
MEDICAL SPECIALISTS OF JC LLC  2528 WESLEY STREET SUITE 2 JOHNSON CITY, TN 37601 27-2199037	MED SERV	TN	NA	EXCLUDED				No			No	
ANWCARE COLLABORATIVE LLC  208 SUNCREST DRIVE SUITE 403 JOHNSON CITY, TN 37604 45-3232366	ACO	TN	NA	EXCLUDED				No			No	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, 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
BLUE RIDGE MEDICAL MANAGEMENT CORP  1021 WOAKLAND AVENUE SUITE 207 JOHNSON CITY, TN 37604 62-1711997	MED SERV	TN	NA	C CORP					No
MEDISERVE MED EQUIP OF KINGSPORT  1021 WOAKLAND AVE SUITE 207 JOHNSON CITY, TN 37604 62-1212286	DME	TN	BRMMC	C CORP					No
MOUNTAIN STATES PROPERTIES  1021 WOAKLAND AVE SUITE 207 JOHNSON CITY, TN 37604 62-1845895	PROP MGMT	TN	BRMMC	C CORP					No
MOUNTAIN STATES PHYSICIAN GRP INC  1021 WOAKLAND AVENUE SUITE 207 JOHNSON CITY, TN 37604 62-1700412	MED SERV	TN	BRMMC	C CORP					No
COMMUNITY HOME CARE INC  1460 PARK AVENUE NORTON, VA 24273 54-1453810	DME	VA	NCH	C CORP					No
SOUTHWEST COMMUNITY HEALTH SERVICES  PO BOX 880 MARION, VA 24354 54-1460695	MED SERV	VA	SCCH	C CORP					No
WILSON PHARMACY INC  P O BOX 5289 JOHNSON CITY, TN 37604 62-0329587	PHARMACY	TN	BRMMC	C CORP					No
CRESTPOINT HEALTH INSURANCE CO INC  208 SUNSET DRIVE SUITE 101 JOHNSON CITY, TN 37604 62-0381170	INSURANCE	TN	ISHN	C CORP					No
BLUE RIDGE MEDICAL MANAGEMENT CORP  1021 WOAKLAND AVENUE SUITE 207 JOHNSON CITY, TN 37604 62-1711997	MED SERV	TN	NA	C CORP					No
MEDISERVE MED EQUIP OF KINGSPORT  1021 WOAKLAND AVE SUITE 207 JOHNSON CITY, TN 37604 62-1212286	DME	TN	BRMMC	C CORP					No
MOUNTAIN STATES PROPERTIES  1021 WOAKLAND AVE SUITE 207 JOHNSON CITY, TN 37604 62-1845895	PROP MGMT	TN	BRMMC	C CORP					No
MOUNTAIN STATES PHYSICIAN GRP INC  1021 WOAKLAND AVENUE SUITE 207 JOHNSON CITY, TN 37604 62-1700412	MED SERV	TN	BRMMC	C CORP					No
COMMUNITY HOME CARE INC  1460 PARK AVENUE NORTON, VA 24273 54-1453810	DME	VA	NCH	C CORP					No
SOUTHWEST COMMUNITY HEALTH SERVICES  PO BOX 880 MARION, VA 24354 54-1460695	MED SERV	VA	SCCH	C CORP					No
WILSON PHARMACY INC  P O BOX 5289 JOHNSON CITY, TN 37604 62-0329587	PHARMACY	TN	BRMMC	C CORP					No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
CRESTPOINT HEALTH INSURANCE CO INC  208 SUNSET DRIVE SUITE 101 JOHNSON CITY, TN 37604 62-0381170	INSURANCE	TN	ISHN	C CORP					No





**JOHNSTON MEMORIAL HOSPITAL, INC.**

**Audited Consolidated Financial Statements**

**Years Ended June 30, 2013 and 2012**



**JOHNSTON MEMORIAL HOSPITAL, INC.**

***Audited Consolidated Financial Statements***

***Years Ended June 30, 2013 and 2012***

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Independent Auditor's Report.....	1
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***Audited Consolidated Financial Statements***

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of  
Johnston Memorial Hospital, Inc.:

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

We have audited the accompanying consolidated financial statements of Johnston Memorial Hospital, Inc. (the Hospital), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, 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 consolidated financial statements.

### **Management's Responsibility for the Consolidated 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 the 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 Hospital'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 Johnston Memorial Hospital, Inc. as of June 30, 2013 and 2012, and the results of its operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Peeling Yorkley Associates PC*

Knoxville, Tennessee  
October 29, 2013

**JOHNSTON MEMORIAL HOSPITAL, INC.*****Consolidated Balance Sheets***

	<i>June 30,</i>	
	<i>2013</i>	<i>2012</i>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 12,062,658	\$ 10,431,054
Assets limited as to use	-	3,451
Patient accounts receivable, less estimated allowances for uncollectible accounts of \$7,689,415 in 2013 and \$9,811,854 in 2012	22,045,103	21,086,917
Other receivables, net	3,129,411	747,928
Inventories and prepaid expenses	3,709,739	4,259,554
Due from Member and other affiliates, net	586,995	-
TOTAL CURRENT ASSETS	41,533,906	36,528,904
INVESTMENTS	106,070,807	96,712,630
PROPERTY, PLANT AND EQUIPMENT, net	177,186,356	181,435,454
<b>OTHER ASSETS</b>		
Deferred financing costs, net	289,752	231,800
Goodwill, net	69,828	69,828
Other long-term receivables	235,130	267,712
Other assets, net	228,150	228,150
Land held for expansion	1,514,392	-
TOTAL OTHER ASSETS	2,337,252	797,490
TOTAL ASSETS	\$ 327,128,321	\$ 315,474,478

	<i>June 30,</i>	
	<i>2013</i>	<i>2012</i>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt and capital lease obligations	\$ 2,914,874	\$ 2,584,388
Accounts payable and accrued expenses	5,944,879	5,195,598
Accrued salaries, compensated absences and amounts withheld	6,405,925	5,447,252
Estimated amounts due to third-party payers, net	262,276	1,225,518
Estimated fair value of interest rate swap	-	132,744
Due to Member and other affiliates, net	-	569,029
<b>TOTAL CURRENT LIABILITIES</b>	<b>15,527,954</b>	<b>15,154,529</b>
<b>OTHER LIABILITIES</b>		
Long-term debt and capital lease obligations, less current portion	39,026,698	39,423,511
Estimated professional liability	771,500	619,990
Other	8,914	63,116
<b>TOTAL LIABILITIES</b>	<b>55,335,066</b>	<b>55,261,146</b>
<b>COMMITMENTS AND CONTINGENCIES - Note K</b>		
<b>NET ASSETS</b>		
Unrestricted net assets	271,793,255	260,213,332
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 327,128,321</b>	<b>\$ 315,474,478</b>

**JOHNSTON MEMORIAL HOSPITAL, INC.*****Consolidated Statements of Operations and Changes in Net Assets***

	<b><i>Year Ended June 30,</i></b>	
	<b><i>2013</i></b>	<b><i>2012</i></b>
<b>CHANGES IN UNRESTRICTED NET ASSETS:</b>		
<b>Revenue, gains and support:</b>		
Patient service revenue, net of contractual adjustments and discounts	<b>\$ 152,987,411</b>	<b>\$ 145,388,179</b>
Provision for bad debts	<b>(19,664,429)</b>	<b>(16,887,392)</b>
Net patient service revenue	<b>133,322,982</b>	<b>128,500,787</b>
Net investment gain	<b>7,363,474</b>	<b>846,839</b>
Net derivative gain (loss)	<b>33,777</b>	<b>(972,740)</b>
Other revenue, gains, and support	<b>5,344,722</b>	<b>1,717,699</b>
<b>TOTAL REVENUE, GAINS AND SUPPORT</b>	<b>146,064,955</b>	<b>130,092,585</b>
<b>Expenses:</b>		
Salaries and wages	<b>55,725,177</b>	<b>56,420,561</b>
Employee benefits	<b>10,095,592</b>	<b>9,373,339</b>
Fees - physician and other	<b>4,848,158</b>	<b>4,552,197</b>
Purchased services	<b>10,484,877</b>	<b>10,392,513</b>
Supplies	<b>21,548,666</b>	<b>23,570,348</b>
Utilities	<b>2,047,254</b>	<b>2,193,684</b>
Depreciation	<b>14,632,605</b>	<b>15,919,513</b>
Amortization	<b>33,604</b>	<b>10,582</b>
Corporate allocation	<b>6,451,368</b>	<b>4,846,622</b>
Interest	<b>638,627</b>	<b>1,623,249</b>
Other	<b>7,979,104</b>	<b>8,363,246</b>
<b>TOTAL EXPENSES</b>	<b>134,485,032</b>	<b>137,265,854</b>
EXCESS (DEFICIT) OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	<b>11,579,923</b>	<b>(7,173,269)</b>
Capital contribution from affiliate	<b>-</b>	<b>668,612</b>
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<b>11,579,923</b>	<b>(6,504,657)</b>

	<i>Year Ended June 30,</i>	
	<i>2013</i>	<i>2012</i>
<b>CHANGES IN TEMPORARILY RESTRICTED</b>		
<b>NET ASSETS:</b>		
Restricted grants and contributions	<b>990</b>	<b>8,339</b>
Net assets released from restrictions	<b>(990)</b>	<b>(22,717)</b>
<b>DECREASE IN TEMPORARILY</b>		
<b>RESTRICTED NET ASSETS</b>		
	<b>-</b>	<b>(14,378)</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>11,579,923</b>	<b>(6,519,035)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>260,213,332</b>	<b>266,732,367</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 271,793,255</b>	<b>\$ 260,213,332</b>



**JOHNSTON MEMORIAL HOSPITAL, INC.*****Consolidated Statements of Cash Flows***

	<i>Year Ended June 30,</i>	
	<i>2013</i>	<i>2012</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	<b>\$ 11,579,923</b>	<b>\$ (6,519,035)</b>
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Provision for depreciation and amortization	<b>14,666,209</b>	15,930,095
Estimated provision for bad debts	<b>19,664,429</b>	16,887,392
Undistributed earnings from partnerships	-	(334,042)
Restricted grants and contributions	<b>(990)</b>	(8,339)
Gain on sale of property, plant and equipment	<b>(47,262)</b>	(175,309)
Loss on early extinguishment of debt	-	82,753
Capital contribution from affiliate	-	(668,612)
Change in fair value of interest rate swap	<b>(132,744)</b>	132,744
Increase (decrease) in cash due to change in:		
Net patient accounts receivable	<b>(20,622,615)</b>	(20,319,368)
Other receivables, net	<b>(2,348,901)</b>	199,466
Inventories and prepaid expenses	<b>549,815</b>	742,308
Other assets, net	-	(7,488)
Trading securities	<b>(9,282,664)</b>	25,549,935
Accounts payable and accrued expenses	<b>1,705,557</b>	(4,496,033)
Accrued salaries, compensated absences and amounts withheld	<b>958,673</b>	791,062
Estimated amounts due to third-party payers, net	<b>(963,242)</b>	575,770
Estimated professional liability	<b>151,510</b>	(22,213)
Other non-current liabilities	<b>(54,202)</b>	63,116
Due to/from Member and other affiliates, net	<b>(2,031,169)</b>	(1,842,733)
Total adjustments	<b>2,212,404</b>	33,080,504
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>13,792,327</b>	26,561,469
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment, net	<b>(10,484,755)</b>	(20,840,794)
Cash proceeds from sale of property, plant and equipment	<b>80,000</b>	1,108,000
Cash distributions from partnerships	-	415,315
Purchases of held-to-maturity securities, net	<b>(72,063)</b>	4,189,201
Purchase of land held for expansion	<b>(1,514,392)</b>	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(11,991,210)</b>	(15,128,278)

	<i>Year Ended June 30,</i>	
	<i>2013</i>	<i>2012</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long-term debt	<b>18,089,000</b>	24,870,000
Payments on long-term debt and capital lease obligations	<b>(18,167,947)</b>	(28,931,185)
Restricted grants and contributions	<b>990</b>	8,339
Deferred financing costs	<b>(91,556)</b>	(238,423)
Capital contribution from affiliate	<b>-</b>	668,612
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(169,513)</b>	(3,622,657)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,631,604</b>	7,810,534
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>10,431,054</b>	2,620,520
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 12,062,658</b>	<b>\$ 10,431,054</b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for interest	<b>\$ 625,089</b>	<b>\$ 1,974,301</b>
<b>NONCASH INVESTING AND FINANCING TRANSACTIONS:</b>		
Building and equipment purchased through capital lease arrangements	<b>\$ 12,620</b>	<b>\$ 667,708</b>
Property, plant and equipment purchased and included in accounts payable and accrued expenses	<b>\$ -</b>	<b>\$ 581,275</b>
Trading securities transferred to held-to-maturity securities	<b>\$ 38,000,000</b>	<b>\$ -</b>
Property, plant and equipment transferred from Member and affiliates	<b>\$ 875,145</b>	<b>\$ -</b>

## **JOHNSTON MEMORIAL HOSPITAL, INC.**

### ***Notes to Consolidated Financial Statements***

#### ***Years Ended June 30, 2013 and 2012***

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#### **NOTE A--ORGANIZATION AND OPERATIONS**

Johnston Memorial Hospital, Inc. (the Hospital) is a tax exempt entity with operations located in Washington County, Virginia. The Hospital's membership consists of Mountain States Health Alliance (the Alliance) and Johnston Memorial Healthcare Foundation, Inc. (the Foundation), which maintain a 50.1% and 49.9% interest in the Hospital, respectively. The Hospital owns and operates a 116 bed acute care hospital and a home health agency. The Hospital is the sole member of Abingdon Physician Partners (APP), a tax exempt organization, organized to operate, exclusively for the benefit of the Hospital, and in part to own, manage, operate and maintain a non-profit community physician practice development service. During 2013, the Hospital created and became the sole member of JMH Emergency Physicians, LLC, (JMH ER) organized to provide emergency room physicians for JMH. The consolidated financial statements of the Hospital include the operations of APP and JMH ER.

#### **NOTE B--SIGNIFICANT ACCOUNTING POLICIES**

***Principles of Consolidation:*** The accompanying consolidated financial statements include the accounts of the Hospital, APP, and JMH ER after elimination of all significant intercompany accounts and transactions.

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

***Cash and Cash Equivalents:*** Cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents designated as assets limited as to use or uninvested cash in trading securities and held-to-maturity portfolios are not included as cash and cash equivalents in the Consolidated Financial Statements.

***Investments:*** The Hospital records investments in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 954-320, *Investments-Debt and Equity Securities*. Assets limited as to use include assets set aside by the Hospital for future capital improvements, over which the Hospital retains control, and may at its discretion subsequently use for other purposes.

## **JOHNSTON MEMORIAL HOSPITAL, INC.**

### ***Notes to Consolidated Financial Statements - Continued***

#### ***Years Ended June 30, 2013 and 2012***

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##### **NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued**

At June 30, 2013, investments in which the Hospital has the positive intent and ability to hold to maturity are accounted for in the held-to-maturity portfolio and consist mainly of corporate bonds and municipal obligations. Such investments are reported at amortized cost. All other investments (including assets limited as to use) of the Hospital are classified as trading securities.

Management annually evaluates the held-to-maturity investment portfolio and recognizes any "other-than-temporary" losses as deductions from the Performance Indicator (described below). Management's evaluation considers the amount of decline in fair value, as well as the time period of any such decline. Management does not believe any investment in the held-to-maturity portfolio to be other than temporarily impaired at June 30, 2013.

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

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

Investments in other entities are reported at cost, including a minor ownership in purchasing cooperatives. Such investments had no activity in 2013.

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

*Property, Plant and Equipment:* Property, plant and equipment is stated on the basis of cost, or if donated, at the fair value at the date of gift. Depreciation is computed by the straight-line method based on the estimated useful life of the asset. Equipment held under capital lease obligations is amortized under the straight-line method over the shorter of the lease term or estimated useful life. Amortization of equipment held under a capital lease obligation is reported as part of depreciation expense in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

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. The amount capitalized is net of investment earnings on assets limited as to use derived from borrowings designated for capital

## **JOHNSTON MEMORIAL HOSPITAL, INC.**

### ***Notes to Consolidated Financial Statements - Continued***

#### ***Years Ended June 30, 2013 and 2012***

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##### **NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued**

assets. Renewals and betterments are capitalized and depreciated over their estimated useful lives, whereas costs of maintenance and repairs are expensed as incurred.

The Hospital reviews long-lived assets for impairment whenever circumstances and situations change indicating that the carrying value of these assets may not be recoverable. At June 30, 2013, management believes there are no such impairments, although it is reasonably possible management's estimate may change in the near term.

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

*Goodwill:* Goodwill represents the excess of the purchase price over the amounts allocated to tangible net assets acquired. Goodwill resulted from the acquisition of the technical component of a local mammography service provider and the acquisition of various physician practices by APP. In accordance with ASC 350, *Intangibles - Goodwill and Other*, goodwill is evaluated for impairment at least annually. Management evaluated the goodwill for impairment considering qualitative and quantitative factors and does not believe it is more likely than not that the goodwill is impaired at June 30, 2013.

*Estimated Professional Liability:* Insurance liabilities include estimates for discounted reserves for reported and unreported professional liability claims based on historical data and a consulting actuarial report (Note K).

*Net Patient Service Revenue/Receivables:* Net patient service revenue is reported on the accrual basis in the period in which services are provided at the estimated net realizable amounts, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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 or additional information is obtained. The Hospital's revenue recognition policies related to self-pay and other types of payers emphasize revenue recognition only when collections are reasonably assured.

Patient accounts receivable are reported net of both an estimated allowance for uncollectible accounts and an estimated allowance for contractual adjustments. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, Medicaid and other third-party payment programs. Current operations are charged with an estimated provision for bad debts based upon historical experience, known collection risks and other environmental factors, including the age of the receivables. Additions to the allowance for uncollectible accounts result from the provision for bad debts. Patient accounts written off as uncollectible are deducted from the allowance for uncollectible accounts. The

## JOHNSTON MEMORIAL HOSPITAL, INC.

### *Notes to Consolidated Financial Statements - Continued*

#### *Years Ended June 30, 2013 and 2012*

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#### NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

Hospital's policy does not require collateral or other security for patient accounts receivable. The Hospital routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

*Charity Care:* The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Hospital and various guidelines outlined by the Federal Government. These policies define charity as those services for which no payment is anticipated and, as such, charges at established rates are not included in net patient service revenue. Charges foregone, based on established rates, totaled approximately \$10,451,000 and \$9,420,000 during 2013 and 2012, respectively. The estimated cost of providing those services totaled approximately \$2,364,000 and \$2,048,000 for the years ended June 30, 2013 and 2012, respectively. The estimated costs of providing charity care are based on a calculation which applies a ratio of costs to charges analysis with indirect costs allocated.

*Electronic Health Record Incentives:* The American Recovery and Reinvestment Act of 2009 (ARRA) provides for incentive payments under the Medicare and Medicaid programs for certain hospitals and physician practices that demonstrate meaningful use of certified electronic health record (EHR) technology. The incentive payments are calculated based upon estimated discharges, charity care and other input data and are predicated upon the Hospital's attainment of program and attestation criteria are subject to regulatory audit.

During 2013, EHR incentive payments totaling approximately \$2,186,000 from Medicare and \$440,000 from Medicaid have been recognized by the Hospital and included as part of other revenue, gains and support in the 2013 Consolidated Statement of Operations and Changes in Net Assets. The Hospital did not receive any EHR incentive payments in 2012.

The Hospital incurs both capital expenditures and operating expenses in connection with the implementation of its various EHR initiatives. The amount and timing of these expenditures does not directly correlate with the timing of the Hospital's receipt or recognition of the EHR incentive payments.

*Excess (Deficit) of Revenue, Gains and Support Over Expenses and Losses:* The Consolidated Statements of Operations and Changes in Net Assets include the caption *Excess (Deficit) of Revenue, Gains and Support Over Expenses and Losses* (the Performance Indicator). Changes in unrestricted net assets which are excluded from the Performance Indicator, consistent with industry practice, includes capital contributions from affiliate.

*Income Taxes:* The Hospital and APP are classified as organizations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. JMHI ER is organized as a limited

## JOHNSTON MEMORIAL HOSPITAL, INC.

### *Notes to Consolidated Financial Statements - Continued*

#### *Years Ended June 30, 2013 and 2012*

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#### NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

liability corporation and is considered a disregarded entity for tax purposes. As such, no provision for income taxes has been made in the accompanying consolidated financial statements. At June 30, 2013, tax returns for fiscal years 2010 through 2012 are subject to examination by the Internal Revenue Service.

The Hospital has no uncertain tax positions at June 30, 2013 and 2012. As such, no interest or penalties are recognized in the Consolidated Statements of Operations and Changes in Net Assets related to unrecognized tax benefits.

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

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

*Derivative Financial Instruments:* As further described in Note E, the Hospital was a party to an interest rate swap as of June 30, 2012. This financial instrument was not designated as a hedge and was presented at estimated fair market value in the accompanying 2012 Consolidated Balance Sheet. Changes in the estimated fair value of this derivative are included in the 2013 and 2012 Consolidated Statement of Operations and Changes in Net Assets as part of net derivative gain (loss). The fair value was based on the estimated amount the Hospital would receive, or be required to pay, to enter into an equivalent agreement at the valuation date.

*Date of Management's Review:* The Hospital evaluated all events or transactions that occurred after June 30, 2013, through October 29, 2013, the date the consolidated financial statements were available to be issued. During this period, management identified a material subsequent event that is disclosed at Note P.

*Reclassifications:* Certain 2012 amounts have been reclassified to conform to the 2013 presentation. Prior to 2013, the Hospital classified only those activities directly associated with

**JOHNSTON MEMORIAL HOSPITAL, INC.*****Notes to Consolidated Financial Statements - Continued******Years Ended June 30, 2013 and 2012*****NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued**

its mission of providing healthcare services, as well as other activities deemed significant to its operations, as operating activities. In 2013, the Hospital no longer presents an intermediate measure of operating income (loss) and the 2012 Consolidated Statement of Operations has been reformatted to be consistent with this presentation.

**NOTE C--INVESTMENTS**

Trading securities and assets limited as to use are reported at estimated fair value (except for held-to-maturity investments which are reported at amortized cost) and consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
<b><u>Trading Securities:</u></b>		
Money market funds and cash equivalents	\$ 1,089,580	\$ 4,185,382
Mutual funds	55,756,905	60,098,237
Corporate and foreign bonds	1,472,917	9,776,611
U.S. government and agency securities	1,205,600	2,060,502
Asset-backed securities	1,233,747	7,704,690
Municipal bonds	-	961,383
Hedged equity fund	-	251,253
Real estate fund	6,225,232	5,237,957
	<u>\$ 66,983,981</u>	<u>\$ 90,276,015</u>
 <b><u>Assets limited as to use:</u></b>		
Cash and cash equivalents	\$ 172,769	\$ 916,382
U.S. government and agency securities	841,995	5,523,684
	<u>1,014,764</u>	<u>6,440,066</u>
Less: amounts classified as current	-	(3,451)
	<u>\$ 1,014,764</u>	<u>\$ 6,436,615</u>

Assets limited as to use are summarized by designation or restriction as follows at June 30:

	<u>2013</u>	<u>2012</u>
<b><u>Designated or restricted for:</u></b>		
New facility and capital improvements	\$ 1,014,764	\$ 6,440,066
	<u>\$ 1,014,764</u>	<u>\$ 6,440,066</u>



**JOHNSTON MEMORIAL HOSPITAL, INC.**

***Notes to Consolidated Financial Statements - Continued***

***Years Ended June 30, 2013 and 2012***

**NOTE C--INVESTMENTS - Continued**

	<u>2013</u>	<u>2012</u>
<u>Held-to-Maturity Securities:</u>		
Money market funds and cash equivalents	\$ 75,203	\$ -
Corporate and foreign bonds	33,060,087	-
Municipal bonds	4,936,772	-
	<u>\$ 38,072,062</u>	<u>\$ -</u>

At June 30, 2013 and 2012, the Hospital held trading securities in a certain hedged equity fund and a real estate limited liability partnership of approximately \$6,225,000 and \$5,489,000, respectively. The Hospital has elected the fair value option, pursuant to FASB ASC 825, *Financial Instruments*, for its investments in the hedged equity fund. The objective of this election was to report the entire portfolio on the same measurement basis, thereby eliminating the mixed-attribute approach and better reflecting the overall economic position and result of the investment portfolio. The fair value of these instruments is estimated by the fund manager, based upon estimated market prices of the underlying assets.

Investment fees of approximately \$182,000 and \$218,000 were incurred during the years ended June 30, 2013 and 2012, respectively, and are included as part of net investment gain in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

The net investment gain is comprised of the following for the years ending June 30:

	<u>2013</u>	<u>2012</u>
Interest and dividend income, net of fees	\$ 1,697,730	\$ 2,463,705
Net realized gains (losses) on the sale of securities	2,991,716	(3,233,123)
Change in net unrealized gains/losses on securities	2,674,028	1,616,257
	<u>\$ 7,363,474</u>	<u>\$ 846,839</u>

Total unrealized gains and losses in the held-to-maturity portfolio as of June 30, 2013 are approximately \$15,000 and \$1,421,000, respectively. No security within the held-to-maturity portfolio had been at an unrealized loss position for over one year as of June 30, 2013. The contractual maturities of held-to-maturity securities are \$2,701,945 due in one year or less, \$19,450,770 due in one to five years and \$15,919,347 due after five years.

At June 30, 2013, the Hospital did not hold any trading securities which individually exceeded 10% of the trading security and held-to-maturity portfolios.

**JOHNSTON MEMORIAL HOSPITAL, INC.****Notes to Consolidated Financial Statements - Continued****Years Ended June 30, 2013 and 2012****NOTE D--PROPERTY, PLANT AND EQUIPMENT**

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

	<i><b>2013</b></i>	<i><b>2012</b></i>
Land	\$ 5,800,392	\$ 5,800,392
Buildings and leasehold improvements	154,352,943	135,529,482
Equipment	89,781,454	77,783,570
Buildings and equipment held under capital leases	2,989,772	19,316,126
	<u>252,924,561</u>	<u>238,429,570</u>
Less: Allowances for depreciation and amortization	(77,348,887)	(62,869,133)
	<u>175,575,674</u>	<u>175,560,437</u>
Construction in progress (Note K)	1,610,682	5,875,017
	<u><u>\$ 177,186,356</u></u>	<u><u>\$ 181,435,454</u></u>

The net book value of buildings and equipment held under capital leases is \$670,940 and \$16,324,999 at June 30, 2013 and 2012, respectively. During 2013, the Hospital exercised its purchase option under a capital lease of a medical office building (Note E).

During 2012, the Hospital relocated to the new replacement hospital and sold the former hospital facility and adjacent land to a third party for \$1,000,000 and recognized a net gain on sale of approximately \$43,000.

Interest capitalized related to the construction in progress related to the new replacement hospital, is recorded by the Alliance, as the debt associated with the proceeds used for the construction is the obligation of the Alliance. During 2013 and 2012, the Hospital capitalized approximately \$256,000 and \$142,000, respectively, in interest costs from debt associated with proceeds used by the Hospital for other ongoing capital projects.

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

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

<i><b>Description</b></i>	<i><b>Maturities</b></i>	<i><b>Rates</b></i>	<i><b>Outstanding Balance</b></i>	
			<i><b>2013</b></i>	<i><b>2012</b></i>
2011 Hospital Facility Revenue Refunding and Improvement Bonds	Variable rate bonds, due July 1, 2033	Variable, 1.13% at June 30, 2013	\$ 23,095,000	\$ 24,870,000
Term Loan	Monthly principal and interest payments of \$60,300, with final \$15,978,617 balloon payment due October 2015	Variable, 1.13% at June 30, 2013	17,606,627	-

**JOHNSTON MEMORIAL HOSPITAL, INC.*****Notes to Consolidated Financial Statements - Continued******Years Ended June 30, 2013 and 2012*****NOTE E--LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS - Continued**

<i>Description</i>	<i>Maturities</i>	<i>Rates</i>	<i>Outstanding Balance</i>	
			<i>2013</i>	<i>2012</i>
Capital lease obligation secured by medical office building	Monthly principal and interest payments of \$126,504, maturing through June 2026, purchased in 2013	9.72%	-	15,497,846
Capital lease obligations secured by equipment	Monthly principal and interest payments ranging from \$355 to \$45,700, maturing through December 2016	3.18% to 13.01%	1,239,945	1,640,053
			41,941,572	42,007,899
		Less current portion	(2,914,874)	(2,584,388)
			<u>\$ 39,026,698</u>	<u>\$ 39,423,511</u>

In July 2011, the Hospital exercised its purchase option on a capital lease of a cancer center for \$16,051,433, of which \$2,093,409 was paid directly to the lessor and the remaining \$13,958,524 consisted of the assumption of an outstanding promissory note with a lender on the property. The note bore interest at a variable rate of 1.5% in excess of the London Interbank Offered Rate (LIBOR) and required monthly principal and interest payments through January 2013. The promissory note was paid off in full from proceeds from a new bond issuance discussed below.

As part of the cancer center capital lease buyout, the Hospital assumed a related interest rate swap agreement with a bank with an effective date of August 15, 2007 and a notional value of \$14,700,000. The Hospital paid a fixed rate of 7.46% and received a floating rate based on LIBOR plus a spread of 1.5% on the notional value until August 15, 2012 when the agreement terminated. The interest rate swap agreement has not been designated as a hedge and is reflected at its estimated fair value. A liability of \$132,744 representing the estimated fair value of the interest rate swap at June 30, 2012 is included in the accompanying 2012 Consolidated Balance Sheet. The interest rate swap terminated in 2013 with no material financial statement impact.

In November 2011, the Hospital issued variable rate tax-exempt Hospital Facility Revenue Refunding and Improvement Bonds (2011 Bonds) through the Industrial Development Authority of Smyth County. The proceeds from the 2011 Bonds were used to pay off the outstanding balances on a previous bond issue and a promissory note assumed as part of the cancer center capital lease buyout. The 2011 Bonds are subject to mandatory sinking fund redemption on July 1 in each of the years 2012 through 2033 in amounts ranging from \$780,000 to \$1,810,000 at a redemption price of 100% of the principal amount so redeemed. The 2011 Bonds bear interest at a variable rate determined by a remarketing agent based upon a weekly rate period equal to the sum of 75% of 1-month LIBOR plus 0.99% and is paid monthly. The 2011 Bonds are subject to optional redemption prior to maturity, in whole or in part, at the redemption price of 100% of the outstanding principal. A bank purchased the 2011 Bonds and has the right to call the bonds on December 1, 2016 and on December 1 each successive year thereafter. The 2011 Bonds are secured by the Hospital's revenues, as defined by the Credit Agreement.

## JOHNSTON MEMORIAL HOSPITAL, INC.

### *Notes to Consolidated Financial Statements - Continued*

#### *Years Ended June 30, 2013 and 2012*

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

In September 2012, the Hospital exercised its purchase option under a capital lease of a medical office building for \$17,528,660, of which \$2,298,242 was paid directly to the lessor, \$14,100,757 was paid to a bank to payoff a note outstanding on the property and \$1,129,661 was paid to a bank to terminate a related interest rate swap agreement. In conjunction with the capital lease buyout, the Hospital obtained a variable rate term loan of \$18,089,000, with a total available credit limit of \$19,000,000. The term loan bears interest at the sum of 75% of 1-month LIBOR plus 0.99% and adjusted on the first day of each month. Interest accrued is to be paid each month and principal payments are required monthly in equal installments of \$60,297 through September 1, 2015 with a balloon payment of \$15,978,617 due October 1, 2015. The term loan is secured by the Hospital's revenues, as defined by the loan agreement.

The Credit Agreement and term loan agreement contain certain requirements regarding maintenance of certain financial ratios, deposits to trustee funds, permitted indebtedness, use of facilities and disposals of property. Management believes the Hospital is in compliance with all such covenants at June 30, 2013.

The scheduled principal maturities and mandatory sinking fund payment of the long-term debt and capital lease obligations at June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	
2014	\$ 2,914,874
2015	3,060,092
2016	17,555,232
2017	1,171,374
2018	1,210,000
Thereafter	16,030,000
	<u>\$ 41,941,572</u>

#### NOTE F--NET PATIENT SERVICE REVENUE

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

**JOHNSTON MEMORIAL HOSPITAL, INC.*****Notes to Consolidated Financial Statements -Continued******Years Ended June 30, 2013 and 2012*****NOTE F--NET PATIENT SERVICE REVENUE - Continued**

	<b><u>2013</u></b>	<b><u>2012</u></b>
Inpatient service charges	\$ 190,072,427	\$ 185,075,106
Outpatient service charges	383,772,611	353,333,694
Gross patient service charges	573,845,038	538,408,800
Less:		
Estimated contractual adjustments and other discounts	410,406,971	383,600,671
Charity care	10,450,656	9,419,950
Provision for bad debt	19,664,429	16,887,392
	<u>440,522,056</u>	<u>409,908,013</u>
Net patient service revenue	<u>\$ 133,322,982</u>	<u>\$ 128,500,787</u>

Net patient service revenue by major payer source for the years ended June 30, 2013 and 2012, net of contractual allowances and self-pay discounts (before the provision for bad debts), is as follows:

	<b><u>2013</u></b>	<b><u>2012</u></b>
Third-party payers	\$ 138,769,080	\$ 123,738,670
Self-pay	14,218,331	21,649,509
Patient service revenue	<u>\$ 152,987,411</u>	<u>\$ 145,388,179</u>

Deductibles and copayments under third-party payment programs, which are included within the third-party payer amount above, are the patient's responsibility and the Hospital considers these amounts in its determination of the provision for bad debts based on prior collection experience. Accounts receivable are also reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary, for expected uncollectible deductibles and copayments or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients, which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which

## **JOHNSTON MEMORIAL HOSPITAL, INC.**

### ***Notes to Consolidated Financial Statements - Continued***

#### ***Years Ended June 30, 2013 and 2012***

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##### **NOTE F--NET PATIENT SERVICE REVENUE - Continued**

indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between discounted rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

The Hospital's allowance for doubtful accounts totaled \$7,689,415 and \$9,811,854 at June 30, 2013 and 2012, respectively. The allowance for doubtful accounts decreased from 32% of patient accounts receivable, net of contractual allowances, at June 30, 2012 to 26% of patient accounts receivable, net of contractual allowances, as of June 30, 2013 due to a decline in self-pay patient accounts as a result from a shift in payer mix servicing less self-pay patients. Write-offs, net of recoveries, for the years ending June 30, 2013 and 2012 were approximately \$21,800,000 and \$16,100,000, respectively, and relate primarily to self-pay patients. Write-offs of third-party accounts were not significant in the years ending June 30, 2013 and 2012. The Hospital has not experienced significant changes in write-off trends and has not changed its charity care policy for the year ended June 30, 2013. The provision for bad debts associated with the Hospital's ancillary service lines are not significant.

##### **NOTE G--THIRD-PARTY REIMBURSEMENT**

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

The Medicare program pays for inpatient and outpatient services provided by critical access hospitals on the basis of reasonable costs computed through the filing of the annual Medicare cost report. These payments are subject to various prescribed limitations and reductions.

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

## **JOHNSTON MEMORIAL HOSPITAL, INC.**

### ***Notes to Consolidated Financial Statements -Continued***

#### ***Years Ended June 30, 2013 and 2012***

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##### **NOTE G--THIRD-PARTY REIMBURSEMENT - Continued**

Amounts earned under the contractual agreements with the Medicare and Medicaid programs are subject to review and final determination by the Medicare Administrative Contractor and other appropriate governmental authorities or their agents. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Activity with respect to audits and reviews of governmental programs has increased and is expected to increase in the future. No additional specific reserves or allowances have been established with regard to these increased audits and reviews as management is not able to estimate such amounts. Management believes that any adjustments from these increased audits and reviews will not have a material adverse impact on the consolidated financial statements. However, due to uncertainties in the estimation, it is at least reasonably possible that management's estimate will change in 2014, although the amount of any change cannot be estimated. During the years ended June 30, 2013 and 2012, net patient service revenue decreased by approximately \$781,000 and \$1,372,000, respectively, relating to adjustments of prior years' estimates and final settlements of prior periods.

Participation in the Medicare and Medicaid programs subjects the Hospital to significant rules and regulations; failure to adhere to such could result in fines, penalties or expulsion from the program. Management believes that adequate provision has been made for any adjustments, fines or penalties which may result from final settlements or violations of other rules or regulations. Management has represented that the Hospital is in substantial compliance with these rules and regulations as of June 30, 2013.

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

##### **NOTE H--EMPLOYEE BENEFIT PLANS**

Effective May 1, 2009, certain employees of the Hospital are eligible to participate in defined contribution plans sponsored by the Alliance. Employees of APP are eligible to participate in a defined contribution plan sponsored by APP effective May 1, 2009. JMH ER employees became eligible to participate in the defined contribution plan sponsored by APP during 2013.

Contribution expense related to these plans totaled approximately \$1,841,000 and \$1,981,000 during the years ended June 30, 2013 and 2012, respectively.

## JOHNSTON MEMORIAL HOSPITAL, INC.

### *Notes to Consolidated Financial Statements - Continued*

#### *Years Ended June 30, 2013 and 2012*

#### NOTE I--CONCENTRATIONS OF RISK

The Hospital is located in Washington County, Virginia, and also provides services to Smyth and Russell Counties of Virginia, which is a geographic concentration. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of gross receivables from patients and third-party payers based on charges at established rates is as follows as of June 30:

	<i>2013</i>	<i>2012</i>
Medicare	37%	37%
Medicaid	19%	14%
Blue Cross	15%	19%
Other third-party payers	17%	14%
Patients	12%	16%
	100%	100%

Approximately 91% and 98% of the consolidated total revenue, gains and support were related to the provision of healthcare services for the years ended June 30, 2013 and 2012. Admitting physicians are primarily practitioners in the local area.

The Hospital routinely invests in investment vehicles as listed in Note C. The Hospital's investment portfolio (other than held-to-maturity securities) is managed by outside investment management companies. Investments in money market funds, mutual funds, corporate bonds and other vehicles that are held by safekeeping agents are not insured or guaranteed by the U.S. government; however, management believes that credit risk related to these investments is minimal.

At June 30, 2013, the Hospital has deposits in financial institutions in excess of the Federal Deposit Insurance Corporation's (FDIC) limits. Management believes that credit risk related to these deposits is minimal.

#### NOTE J--RELATED PARTY TRANSACTIONS

The Hospital had amounts due from Member and other affiliates totaling \$965,008 and \$872,350 at June 30, 2013 and 2012, respectively, which include receivables related to shared cost savings from participating in the Alliance's employee group health plan. The Hospital had amounts due to Member and other affiliates totaling \$378,013 and \$1,441,379 at June 30, 2013 and 2012, respectively. The payable amounts relate primarily to costs incurred by the Alliance, or affiliates of the Alliance, on behalf of the Hospital. Corporate allocation expense recognized, related to the Alliance, or affiliates, by the Hospital during the years ended June 30, 2013 and 2012 were approximately \$6,451,000 and \$4,847,000, respectively.



## **JOHNSTON MEMORIAL HOSPITAL, INC.**

### ***Notes to Consolidated Financial Statements - Continued***

#### ***Years Ended June 30, 2013 and 2012***

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#### **NOTE K--COMMITMENTS AND CONTINGENCIES**

***Professional Liability and Workers' Compensation:*** The Hospital is covered for professional liability claims under the Alliance's claims made \$25,000,000 umbrella liability policy that attaches over the 2013 self-insurance limits of \$10,000,000 per claim and a \$15,000,000 annual aggregate retention. At June 30, 2013, the Hospital is involved in litigation relating to medical malpractice, workers' compensation and other claims arising in the ordinary course of business. There are also known incidents occurring through June 30, 2013 that may result in the assertion of additional claims, and other unreported claims may be asserted arising from services provided in the past. The Hospital has estimated and accrued for the cost of these unreported claims based on historical data and actuarial assumptions. The discount rate utilized was 5% at June 30, 2013 and 2012. The Hospital has established accruals for both reported and unreported claims totaling approximately \$772,000 and \$620,000 as of June 30, 2013 and 2012, respectively. Management estimates that none of the asserted claims will ultimately settle above the self-insurance retention levels, and accordingly, has not recognized any insurance recovery receivables at June 30, 2013 and 2012.

The Hospital is not self-insured for workers' compensation claims and insures benefits for bodily injury caused by accident or by disease with a policy which has 2013 coverage limits of \$1,000,000 per accident or employee with a \$750,000 annual deductible. Management has not identified any significant workers' compensation claims outstanding as of June 30, 2013 and 2012 that would exceed deductible limits, and accordingly, has not recognized any insurance recovery receivables.

Additionally, the Hospital is self-insured for employee health claims and recognizes expense each year based upon actual claims paid and an estimate of claims incurred but not yet paid.

***Operating Leases:*** The Hospital leases certain equipment and facilities under operating lease arrangements. For the years ended June 30, 2013 and 2012, the Hospital incurred approximately \$1,599,000 and \$2,104,000, respectively, in rent expense under these leasing arrangements and these are included in other expense in the accompanying Consolidated Statements of Operations and Changes in Net Assets. Future minimum lease payments for each of the next five years and in the aggregate for leases with noncancellable terms greater than one year are as follows:

**JOHNSTON MEMORIAL HOSPITAL, INC.**

***Notes to Consolidated Financial Statements - Continued***

***Years Ended June 30, 2013 and 2012***

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**NOTE K--COMMITMENTS AND CONTINGENCIES - Continued**

**Year Ending June 30,**

2014	\$ 1,153,481
2015	1,081,369
2016	913,401
2017	752,067
2018	557,901
Thereafter	<u>2,776,625</u>
	<u><u>\$ 7,234,844</u></u>

***Other Long-term Commitments:*** Estimated future minimum payments under various noncancellable maintenance contracts with remaining terms in excess of one year at June 30, 2013 totals approximately \$307,000, in the aggregate, through 2016.

The Hospital contracts with various third parties to perform certain healthcare services where the Hospital provides subsidy payments to the third parties based on levels of collections received from those services or other operating data. These subsidy payments fluctuate from period to period based on collections and operating results of the third parties.

***Construction in Progress:*** Estimated costs for outstanding contracts and other commitments related to the completion of capital projects are approximately \$1,100,000 at June 30, 2013.

***Healthcare Industry:*** The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, Medicare fraud and abuse, and most recently under provisions of the Health Insurance Portability and Accountability Act of 1996, patient records privacy and security. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers, such as the Medicare Recovery Audit Contractor program. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management does not believe the increase in government activity will have a material adverse impact on the consolidated financial statements. However, due to uncertainties in the estimation, it is at least reasonably possible that management's estimate will change in 2014, although the amount of any change cannot be estimated.

## **JOHNSTON MEMORIAL HOSPITAL, INC.**

### ***Notes to Consolidated Financial Statements -Continued***

#### ***Years Ended June 30, 2013 and 2012***

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#### **NOTE K--COMMITMENTS AND CONTINGENCIES - Continued**

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

#### **NOTE L--OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION**

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

#### **NOTE M--FAIR VALUE MEASUREMENT**

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

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

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

# JOHNSTON MEMORIAL HOSPITAL, INC.

## Notes to Consolidated Financial Statements - Continued

### Years Ended June 30, 2013 and 2012

#### NOTE M--FAIR VALUE MEASUREMENT - Continued

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

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

	<i>Carrying Value</i>	<i>Quoted Prices in Active Markets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
<b>Assets Measured at Fair Value on a Recurring Basis as of June 30, 2013</b>				
<b><u>Trading Securities:</u></b>				
Money market funds and cash equivalents	\$ 1,089,580	\$ 1,089,580	\$ -	\$ -
Mutual funds:				
Equity	40,788,650	40,788,650	-	-
Balanced	14,968,255	14,968,255	-	-
Corporate and foreign bonds	1,472,917	-	1,472,917	-
U.S. government and agency securities	1,205,600	-	1,205,600	-
Asset-backed securities	1,233,747	-	1,233,747	-
Real estate fund	6,225,232	-	-	6,225,232
<b><u>Assets Limited as to Use:</u></b>				
Cash and cash equivalents	172,769	172,769	-	-
U.S. government and agency securities	841,995	-	841,995	-
	<b>\$ 67,998,745</b>	<b>\$ 57,019,254</b>	<b>\$ 4,754,259</b>	<b>\$ 6,225,232</b>
<b>Assets Measured at Fair Value on a Recurring Basis as of June 30, 2012</b>				
<b><u>Trading Securities:</u></b>				
Money market funds and cash equivalents	\$ 4,185,382	\$ 4,185,382	\$ -	\$ -
Mutual funds:				
Equity	6,682,173	6,682,173	-	-
Balanced	16,949,798	16,949,798	-	-
Corporate bonds	5,119,116	5,119,116	-	-
Government bonds	17,980,626	17,980,626	-	-
International equity	13,366,524	13,366,524	-	-

**JOHNSTON MEMORIAL HOSPITAL, INC.**

***Notes to Consolidated Financial Statements - Continued***

***Years Ended June 30, 2013 and 2012***

**NOTE M--FAIR VALUE MEASUREMENT - Continued**

	<b><i>Carrying Value</i></b>	<b><i>Quoted Prices in Active Markets (Level 1)</i></b>	<b><i>Significant Other Observable Inputs (Level 2)</i></b>	<b><i>Significant Unobservable Inputs (Level 3)</i></b>
Corporate and foreign bonds	9,776,611	-	9,776,611	-
U.S. government and agency securities	2,060,502	-	2,060,502	-
Asset-backed securities	7,704,690	-	7,704,690	-
Municipal bonds	961,383	-	961,383	-
Real estate fund	5,237,957	-	-	5,237,957
Other	251,253	-	-	251,253
<b><u>Assets Limited as to Use:</u></b>				
Cash and cash equivalents	916,382	916,382	-	-
U.S. government and agency securities	5,523,684	-	5,523,684	-
	<b><u>\$ 96,716,081</u></b>	<b><u>\$ 65,200,001</u></b>	<b><u>\$ 26,026,870</u></b>	<b><u>\$ 5,489,210</u></b>
<b>Liabilities Measured at Fair Value on a Recurring Basis as of June 30, 2012</b>				
Interest rate swap agreement	<b><u>\$ (132,744)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (132,744)</u></b>

Trading securities and assets limited as to use classified as Level 1 are measured using quoted market prices. Trading securities and assets limited as to use classified as Level 2 are measured at quoted market prices for identical or similar assets in active markets. Trading securities classified as Level 3 are estimated by the fund manager, based upon estimated market prices of the underlying assets.

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

	<b><i>2013</i></b>	<b><i>2012</i></b>
Balance, beginning of year	\$ 5,489,210	\$ 5,241,594
Total realized and unrealized gains recognized in the Performance Indicator, net	308,610	153,475
Interest	219,609	104,621
Fees	(45,944)	(10,480)
Purchases, sales and issuances, net	253,747	-
Balance, end of year	<b><u>\$ 6,225,232</u></b>	<b><u>\$ 5,489,210</u></b>

## JOHNSTON MEMORIAL HOSPITAL, INC.

### *Notes to Consolidated Financial Statements - Continued*

#### *Years Ended June 30, 2013 and 2012*

#### NOTE M--FAIR VALUE MEASUREMENT - Continued

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

	<i>Interest Rate Swap Agreement</i>	
	<i>2013</i>	<i>2012</i>
Balance, beginning of year	\$ (132,744)	\$ -
Change in estimated fair value of interest rate swap	132,744	(132,744)
Balance, end of year	\$ -	\$ (132,744)

#### NOTE N--FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments has been estimated by the Hospital using available market information as of June 30, 2013 and 2012, and such valuation methodologies are considered appropriate. The estimates presented are not necessarily indicative of amounts the Hospital could realize in a current market exchange. The carrying value of substantially all financial instruments approximates fair value due to the nature or term of the instruments.

*Long-Term Debt and Capital Leases:* For long-term debt with variable interest rates, carrying value approximates fair value. The Hospital's capital lease obligations secured by buildings and equipment were negotiated with various entities and are considered unique. It is not practical to estimate the fair value of these obligations under current conditions. The Hospital has determined the long-term debt and capital leases are classified in Level 3 of the fair value hierarchy.

#### NOTE O--JOINT OPERATING AGREEMENT

The Hospital entered into a Joint Operating Agreement (JOA) with Smyth County Community Hospital (SCCH), an affiliate hospital with the Alliance, to fund and jointly operate a Catheterization Laboratory at the Hospital in 2012. SCCH invested \$668,612 in August 2011 as required by the JOA, which represents 25% of the estimated budget for the start-up costs. On an annual bases, the Hospital shall distribute 25% of the net positive cash flow, as defined by the JOA, to SCCH. In the event that negative net cash flow exist, SCCH shall pay the Hospital 25% of the difference between zero and the negative net cash flow, however such amount is limited to total accumulated positive cash flows received which is zero as of June 30, 2013. As of June 30, 2013 and 2012, the net positive cash flow as determined by management was insignificant; therefore, no amounts are payable to SCCH in the accompanying 2013 and 2012 Consolidated

**JOHNSTON MEMORIAL HOSPITAL, INC.**

***Notes to Consolidated Financial Statements - Continued***

***Years Ended June 30, 2013 and 2012***

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**NOTE O--JOINT OPERATING AGREEMENT - Continued**

Balance Sheets. SCCH's non-controlling interest of \$668,612 as of June 30, 2013 and 2012 is included as part of unrestricted net assets in the accompanying 2013 and 2012 Consolidated Balance Sheets.

**NOTE P--SUBSEQUENT EVENT**

At June 30, 2013 and 2012, the Hospital owns membership units in Premier, Inc. Subsequent to year end, Premier, as part of a reorganization, converted to a publically traded entity. As part of its reorganization, certain membership units were redeemed for approximately \$621,000 and a gain was recognized on the sale of these units. Further, unredeemed units continue to be held by the Hospital and may effectively be exchanged for Class A common stock of Premier ratably over a seven year period. The unredeemed membership units may be exchanged for up to 128,598 Class A shares.