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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 <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 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 Yes	
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 other assistance to or for any foreign organization? 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 other assistance to or for foreign individuals? 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 or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	21		No
22	Did the organization report more than \$5,000 of grants or 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 25a</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	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, 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		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> . . . . .	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	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 or note to any line in this Part V

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	0
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	285
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	No
b	If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.	3b	
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)?	4a	No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7 Organizations that may receive deductible contributions under section 170(c).			
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8	
9 Sponsoring organizations maintaining donor advised funds.			
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10 Section 501(c)(7) organizations. Enter			
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11 Section 501(c)(12) organizations. Enter			
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.	13a	
b	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.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response or note to any line 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 . . . . .	11	
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 . . . . .	6	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .	2	Yes
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . . . . .	3	Yes
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .	4	Yes
5	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .	5	No
6	Did the organization have members or stockholders? . . . . .	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? . . . . .	7a	Yes
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	a The governing body? . . . . .	8a	Yes
8b	b Each committee with authority to act on behalf of the governing body? . . . . .	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O . . . . .	9	No

Section B. Policies

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates? . . . . .	10a	No
10b	b If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? . . . . .	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? . . . . .	11a	Yes
b Describe in Schedule O the process, if any, used by the organization to review this Form 990 . . . . .			
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .	12a	Yes
12b	b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .	12b	Yes
12c	c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done . . . . .	12c	Yes
13	Did the organization have a written whistleblower policy? . . . . .	13	Yes
14	Did the organization have a written document retention and destruction policy? . . . . .	14	Yes
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	a The organization's CEO, Executive Director, or top management official . . . . .	15a	Yes
15b	b Other officers or key employees of the organization . . . . .	15b	Yes
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .	16a	No
16b	b If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements? . . . . .	16b	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	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 The Corporation Attn J Wright 213 S Jefferson St Roanoke, VA 24011 (540) 224-5112	

Part VII

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

Check if Schedule O contains a response or note to any line 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) Laurent Boetsch DML Director	1 20 2 40	X						0	10,500	0
(2) James R Crews MD Director	1 20 0 00	X						0	0	0
(3) Joseph E Hess Director	1 20 0 00	X						0	0	0
(4) Lisa T Sprinkel Director	1 20 48 80	X						0	131,124	-8,202
(5) Richard R Teaff PhD Director	1 20 0 00	X						0	0	0
(6) Kerri L Thornton Director	1 20 48 80	X						0	239,521	-34,152
(7) Charles E Carr Director/CEO	50 00 0 00	X		X				198,352	0	30,668
(8) H E Derrick Jr Director/Chair	2 50 50	X		X				0	0	0
(9) Farris P Hotchkiss Director/Secretary/Treasurer	1 20 0 00	X		X				0	0	0
(10) Kermit Rockett Director/Vice Chair	1 20 0 00	X		X				0	0	0
(11) Karen A Lyons MD Director/Chief of Medical Staff	1 20 48 80	X		X				0	337,945	20,656
(12) Timothy Harrison MD Director/Chief of Medical Staff	1 20 0 00	X		X				0	0	0
(13) Donald B Halliwill Assistant Treasurer	20 49 80			X				0	343,160	-13,889
(14) Lauren J Chen Assistant Secretary	1 00 49 00			X				0	68,855	7,219
(15) Rachel L Mabe Assistant Secretary	10 49 90			X				0	69,609	89
(16) G Robert Vaughan Jr Assistant Treasurer	20 49 80			X				0	255,568	-13,062
(17) Regina Donald Pharmacy Manager	50 00 0 00					X		130,466	0	17,997



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

(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				
(18) Paul Bisbee Pharmacist	50 00 0 00					X			114,909	15,339	-2,365
(19) Karen Lafon Dept Manager	50 00 0 00					X			105,614	0	22,984
(20) Kathryn Bare Dept Director	50 00 0 00					X			102,437	0	6,363
(21) Sinclair Harcus MD Former Officer	0 00 50 00						X		0	205,576	445
(22) Donald Lorton Former Officer	0 00 50 00						X		0	3,772,316	-29,521
(23) Briggs Andrews Former Officer	0 00 50 00						X		0	404,300	46,042
<b>1b Sub-Total</b>											
<b>c Total from continuation sheets to Part VII, Section A</b>											
<b>d Total (add lines 1b and 1c)</b>									651,778	5,853,813	51,272

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

## **Section B. Independent Contractors**

<b>1</b> 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
Soltas Lab Partners Group LLC PO Box 751337 Charlotte NC 28275	Laboratory Services	1,116,116
GE Medical Systems Inc PO Box 640944 Pittsburgh PA 15264	Maintenance Contracts	194,130
Anesthesia Healthcare Partners 3079 Peachtree Blvd Duluth GA 30097	Anesthesia Services	190,856
CIRRUS Allied LLC 309 East Morehead Street Charlotte NC 28202	Contract labor	157,815
W W Nash Construction Co Inc 1400 Brook Road Richmond VA 23220	Constructions Services	143,367
<b>2</b> Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization <b>►5</b>		

Part VIII

Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512-514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . . . . 1a					
	b	Membership dues . . . . . 1b					
	c	Fundraising events . . . . . 1c					
	d	Related organizations . . . . . 1d					
	e	Government grants (contributions) 1e	18,088				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	3,783				
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f . . . . .	21,871				
Program Service Revenue	2a	Net Patient Revenue	900099	30,141,378	30,141,378		
	b	Program-Related Investments	900099	51,717	51,717		
	c						
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f . . . . .	30,193,095				
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .	342,681			342,681
4		Income from investment of tax-exempt bond proceeds . . . . .					
5		Royalties . . . . .					
6a		(i) Real		315,442			315,442
		(ii) Personal					
		Gross rents 315,442					
		Less rental expenses 0					
c		Rental income or (loss)	315,442				
d		Net rental income or (loss) . . . . .	315,442				
7a		(i) Securities		26,632,109			
		(ii) Other					
		Gross amount from sales of assets other than inventory 26,632,109					
		Less cost or other basis and sales expenses 25,572,709					
c		Gain or (loss)	1,059,400				
d		Net gain or (loss) . . . . .	1,059,400				1,059,400
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						
	Less cost of goods sold . . . . .						
c	Net income or (loss) from sales of inventory . . . . .						
Miscellaneous Revenue		Business Code					
11a	Contract Revenue	900099	170,618	170,618			
b	Other Revenue	900099	95,586	95,586			
c	Cafeteria Revenue	900099	94,853			94,853	
d	All other revenue . . . . .		30,026	30,026			
e	Total. Add lines 11a-11d . . . . .		391,083				
12	Total revenue. See Instructions . . . . .		32,323,572	30,489,325	0	1,812,376	

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 or note to any line 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.	9,950	9,950		
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.	211,202		211,202	
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.	8,564,636	8,551,194	13,442	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	519,303	519,303		
9	Other employee benefits.	847,678	799,075	48,603	
10	Payroll taxes.	628,400	628,400		
11	Fees for services (non-employees):				
a	Management.	3,248,171		3,248,171	
b	Legal.	1,060		1,060	
c	Accounting.				
d	Lobbying.	4,147	4,147		
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.	20,990		20,990	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	3,128,352	2,947,459	180,893	
12	Advertising and promotion.	2,438		2,438	
13	Office expenses.	742,822	723,467	19,355	
14	Information technology.	43,316	43,316		
15	Royalties.				
16	Occupancy.	531,886	531,591	295	
17	Travel.	30,181	25,397	4,784	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.	1,049,070	1,049,070		
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	1,634,581	1,634,581		
23	Insurance.	349,853	222,520	127,333	
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	Bad Debt.	3,633,327	3,633,327		
b	I/C Practice Subsidy.	2,631,671	2,631,671		
c	Medical Supplies.	1,639,351	1,637,767	1,584	
d	Dues & Subscriptions.	18,967	18,007	960	
e	All other expenses.	29,510	11,970	17,540	
25	<b>Total functional expenses.</b> Add lines 1 through 24e.	29,520,862	25,622,212	3,898,650	0
26	<b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		784	1	875
	2	Savings and temporary cash investments		304,367	2	72,611
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		4,200,488	4	3,856,500
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		299,143	8	271,969
	9	Prepaid expenses and deferred charges		156,454	9	119,875
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a42,040,649			
	b	Less accumulated depreciation	10b26,992,011	15,582,214	10c	15,048,638
	11	Investments—publicly traded securities		22,174,502	11	23,823,701
	12	Investments—other securities See Part IV, line 11		862,958	12	921,009
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		4,659,889	15	6,243,477
	16	Total assets. Add lines 1 through 15 (must equal line 34)		48,240,799	16	50,358,655
Liabilities	17	Accounts payable and accrued expenses		5,552,665	17	5,889,406
	18	Grants payable			18	
	19	Deferred revenue		111,640	19	22,230
	20	Tax-exempt bond liabilities		22,929,959	20	21,873,028
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties		2,346,955	24	2,116,207
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		123,399	25	205,554
	26	Total liabilities. Add lines 17 through 25		31,064,618	26	30,106,425
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		17,176,181	27	20,252,230
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		17,176,181	33	20,252,230
	34	Total liabilities and net assets/fund balances		48,240,799	34	50,358,655

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI . . . . . ☒

1	Total revenue (must equal Part VIII, column (A), line 12) . . . . .	1	32,323,572
2	Total expenses (must equal Part IX, column (A), line 25) . . . . .	2	29,520,862
3	Revenue less expenses Subtract line 2 from line 1 . . . . .	3	2,802,710
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	4	17,176,181
5	Net unrealized gains (losses) on investments . . . . .	5	552,301
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	-278,962
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	20,252,230

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line 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)

Department of the  
Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

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

▶ Information about Schedule A (Form 990 or 990-EZ) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization CARILION STONEWALL JACKSON HOSPITAL	Employer identification number 54-0568001
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Part I

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

An organization that normally receives (1) more than 33<sup>1</sup>/<sub>3</sub>% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33<sup>1</sup>/<sub>3</sub>% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III )
- 10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated

e

☐

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

f

☐

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

g

☐

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

(i)

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

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2012 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2013. 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—2012. 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—2013. 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—2012. 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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. 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—2012. 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.** 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).

<b>Facts And Circumstances Test</b>

Return Reference	Explanation	
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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. ▶ Information about Schedule C (Form 990 or 990-EZ) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).**

OMB No 1545-0047

2013

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 CARILION STONEWALL JACKSON HOSPITAL	Employer identification number  54-0568001
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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 <b>Form 1120-POL</b> 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) 2010	(b) 2011	(c) 2012	(d) 2013	(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?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		4,147
j	Total. Add lines 1c through 1i.			4,147
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

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.

Return Reference	Explanation
Part II-B, Line 1	Portion of dues paid to American Hospital Association and Virginia Hospital and Healthcare Association spent on lobbying

[illegible]

SCHEDULE D  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

▶ **Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b**  
▶ **Attach to Form 990.** ▶ **See separate instructions.** ▶ **Information about Schedule D (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).**

OMB No 1545-0047

2013

Open to Public Inspection

<b>Name of the organization</b> CARILION STONEWALL JACKSON HOSPITAL	<b>Employer identification number</b>  54-0568001
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**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.

	<b>(a)</b> Donor advised funds	<b>(b)</b> Funds and other accounts
<b>1</b>	Total number at end of year	
<b>2</b>	Aggregate contributions to (during year)	
<b>3</b>	Aggregate grants from (during year)	
<b>4</b>	Aggregate value at end of year	
<b>5</b>	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"/> <b>Yes</b><input type="checkbox"/> <b>No</b></div>	
<b>6</b>	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"/> <b>Yes</b><input type="checkbox"/> <b>No</b></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

	<b>Held at the End of the Year</b>
<b>a</b>	Total number of conservation easements
<b>b</b>	Total acreage restricted by conservation easements
<b>c</b>	Number of conservation easements on a certified historic structure included in (a)
<b>d</b>	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

▶ \$ \_\_\_\_\_

**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
- c Beginning balance

d Additions during the year

e Distributions during the year

f Ending balance

	Amount
1c	
1d	
1e	
1f	
- 2a Did the organization include an amount on Form 990, Part X, line 21? 

☐ Yes ☐ No
- b If "Yes," explain the arrangement in Part 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 . . . . .

(ii) related organizations . . . . .

	Yes	No
3a(i)		
3a(ii)		
3b		
- b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R? . . . . .
- 4 Describe in Part XIII the intended uses of the organization's endowment funds

**Part VI Land, Buildings, and Equipment.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. 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 . . . . .		430,816		430,816
b Buildings . . . . .		26,999,206	15,346,652	11,652,554
c Leasehold improvements . . . . .				
d Equipment . . . . .		13,446,274	10,612,800	2,833,474
e Other . . . . .		1,164,353	1,032,559	131,794
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) . . . . . ▶				15,048,638





**Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return** Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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

**Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

<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**

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.

Return Reference	Explanation
Part X, Line 2	Carilion had no material unrecognized tax benefits and no adjustments to its consolidated financial statements were required as of and for the years ended September 30, 2014 and 2013. Carilion does not expect that unrecognized tax benefits will materially increase within the next 12 months.

[illegible]

SCHEDULE H  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Hospitals

► Complete if the organization answered "Yes" to Form 990, Part IV, question 20.  
► Attach to Form 990. ► See separate instructions.  
► Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
CARILION STONEWALL JACKSON HOSPITAL

Employer identification number  
54-0568001

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a . . . . .	1a Yes	
b	If "Yes," was it a written policy? . . . . .	1b Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year  <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year  a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care  <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other <u>13300 0000000000 %</u>  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 _____ %  c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care  4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? . . . . .	3a Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	3b Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .	4 Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .	5a Yes	
6a	Did the organization prepare a community benefit report during the tax year? . . . . .	5b	No
b	If "Yes," did the organization make it available to the public? . . . . .	5c	
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) . . . . .			1,109,848	0	1,109,848	4 290 %
b Medicaid (from Worksheet 3, column a) . . . . .			502,666	436,115	66,551	0 260 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .						
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . . . . .			1,612,514	436,115	1,176,399	4 550 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .	17	1,558	8,217		8,217	0 030 %
f Health professions education (from Worksheet 5) . . . . .						
g Subsidized health services (from Worksheet 6) . . . . .						
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .	24	164	12,070		12,070	0 050 %
j <b>Total</b> Other Benefits . . . . .	41	1,722	20,287		20,287	0 080 %
k <b>Total</b> . Add lines 7d and 7j . . . . .	41	1,722	1,632,801	436,115	1,196,686	4 630 %

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	1	0	3,500		3,500	0.010 %
3Community support	4	0	1,286		1,286	0 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy	9	215	2,446		2,446	0.010 %
8Workforce development						
9Other						
10Total	14	215	7,232		7,232	0.020 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

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

1

No

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

3,633,327

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

552,690

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

11,658,959

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

6

11,684,912

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

7

-25,953

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				

## Section A. Hospital Facilities

Name, address, primary website address,  
and state license number

**Schedule H (Form 990) 2013**

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 )  
Carilion Stonewall Jackson Hospital

Name of hospital facility or facility reporting group

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A )1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 . . . . . If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input checked="" type="checkbox"/> How data was obtained		
e	<input checked="" type="checkbox"/> The health needs of the community		
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 <u>11</u>		
3	In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests 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	No
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 (list url) <u>See Part V, Section C, Line 5</u>		
b	<input checked="" type="checkbox"/> Other website (list url) <u>www.carilionclinic.org/about/chna</u>		
c	<input checked="" type="checkbox"/> Available upon request from the hospital facility		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
a	<input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input checked="" type="checkbox"/> Execution of the implementation strategy		
c	<input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d	<input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input checked="" type="checkbox"/> Prioritization of health needs in its community		
h	<input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input checked="" 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	
9	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?	9	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>133 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Used FPG to determine eligibility for providing discounted care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	11	Yes	
12	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input checked="" type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Residency i <input checked="" type="checkbox"/> Other (describe in Part VI)	12	Yes	
13	Explained the method for applying for financial assistance? . . . . .	13	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website b <input type="checkbox"/> The policy was attached to billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	14	Yes	
Billing and Collections				
15	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? . . . . .	15	Yes	
16	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 individual's eligibility under the facility's FAP a <input checked="" type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Section C)			
17	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 individual's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged a <input checked="" type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Section C)	17	Yes	

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 individuals regarding the individuals' bills
- d

☒

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

☐

Other (describe in Section C)

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? . . . . .	Yes	
If "No," indicate why		
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 individual 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? . . . . .	Yes	
If "Yes," explain in Part VI		
22 During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual? . . . . .	Yes	
If "Yes," explain in Part VI		



**Section C. Supplemental Information for Part V, Section B.** Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

[illegible]

Part V

Facility Information (continued)

**Section D. 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? **1**

Name and address		Type of Facility (describe)
<b>1</b>	Lexington Medical Building West 108 Houston Street Lexington, VA 24450	Physician offices
<b>2</b>		
<b>3</b>		
<b>4</b>		
<b>5</b>		
<b>6</b>		
<b>7</b>		
<b>8</b>		
<b>9</b>		
<b>10</b>		

**Part VI**

**Supplemental Information**

Provide the following information

- 1** **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b
- 2** **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs 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

Form and Line Reference	Explanation
Part I, Line 3c	With income level in relation to FPL, an asset test is used to determine the amount of free/discounted care Equity value in real property is required for review/outcome

Form and Line Reference	Explanation
Part I, Line 6a	Information on community benefit is reported annually through a consolidated report prepared by Carilion Clinic. Printed copies of this report are distributed throughout communities served by hospitals affiliated with Carilion Clinic. Additionally, the community benefit report is available on Carilion Clinic's website.

Form and Line Reference	Explanation
Part I, Line 7	<p>Part I, Line 7 - Ratio of cost-to-charges was used to calculate the expense Part I, Line 7, Column 7 (f) calculation Bad debt expense subtracted from total expenses to derive total expenses for the calculation is \$3,633,327 Line 7e - This line is calculated at actual cost As part of its mission to educate the public about health risks and steps that can be taken to improve health, Carilion Stonewall Jackson Hospital provides health fairs, screenings, and presentations at various community locations that provide an opportunity to educate individuals about improving health and quality of life as well as determining one's risk of developing a chronic illness Additional health improvement services include blood drives, interpreter services and assistance with enrollment in public medical programs such as Medicaid Community benefit operations include the cost associated with tracking community health improvement activities Line 7f - n/a Line 7g - n/aLine 7h - n/a Line 7i - This line is calculated at actual cost Cash contributions were provided to the Rockbridge Area Free Clinic, Rockbridge Area Hospice, and American Foundation for Suicide Prevention Grant funding was provided to the Lexington Farmers Market for the SNAP Double Value program to encourage recipients to purchase fresh fruits and vegetables In-kind support was provided to the United Way during their annual campaign, to support groups using conference rooms for meetings, and to local Emergency Medical Service organizations through replenishment of medications used by ambulances transporting patients to Carilion Stonewall Jackson Hospital's Emergency Department</p>

Form and Line Reference	Explanation
Part III, Line 2	Carilion Stonewall Jackson Hospital estimates bad debt expense by reserving a percentage of all self-pay accounts receivable by aging category, based on collection history, adjusted for expected recoveries and, if present, anticipated changes in trends. The percentage used to reserve for all self-pay accounts is based on Carilion's collection history.

Form and Line Reference	Explanation
Part III, Line 3	The estimated amount of bad debt expense, reported on line 3, attributable to patients eligible for charity care was determined as the amount of unprocessed financial assistance at September 30, 2014 that was subsequently granted to patients

Form and Line Reference	Explanation
Part II, Line 1-8	Line 1 - n/a Line 2 - Financial support was provided to the Lexington Chamber of Commerce toward their goals of working with existing businesses, helping develop new business and improving the economic climate of the area Line 3 - Support was provided to the Rockbridge Area YMCA, Lexington Sunrise Rotary, Rockbridge Young Farmers Association and Feeding America Southwest Virginia Line 4 - n/a Line 5 - n/a Line 6 - n/a Line 7 - In-kind support was provided to Rockbridge 2020, a coalition of healthcare organizations within the community that assess health and wellness needs in the community and develop strategies to address opportunities for improvement Line 8 - n/a



Form and Line Reference	Explanation
Part III, Line 4	Accounts receivable are reduced by an allowance for amounts that could become uncollectible in the future. Carilion estimates the allowance for doubtful accounts by reserving a percentage of all self-pay accounts receivable by aging category, based on collection history, adjusted for expected recoveries and, if present, anticipated changes in trends. The percentage used to reserve for all self-pay accounts is based on Carilion's collection history. Carilion collects substantially all of its third-party insured receivables, which include receivables from governmental agencies.

Form and Line Reference	Explanation
Part III, Line 8	Medicare allowable costs are determined from the Medicare cost report using the cost-to-charges ratio. The Hospital does not consider a Medicare shortfall as a community benefit.

Form and Line Reference	Explanation
Part III, Line 9b	Patients are actively screened through a Presumptive eligibility process before moving accounts through Extraordinary Collection Actions as defined under the 501r regulations. In addition, individuals have been allowed to apply for financial assistance throughout the collection process.

Form and Line Reference	Explanation
Part VI, Line 2	Carilion Stonewall Jackson Hospital completed a community health needs assessment and development of a strategic implementation plan during fiscal year 2012. The steering committee began meeting in November 2011 with monthly meetings to oversee the project which was financially supported through a Federally Qualified Health Center Planning Grant awarded to the local free clinic. Committee members included representatives from Augusta Health, Buena Vista City Council, Chamber of Commerce, Community Members, Department of Social Services, Emergency Medical Services, Heritage Hall, Lexington City Schools, Maury River Senior Center, Valley Program for Aging Services, Lexington City, Project Horizon, Lexington Police Department, Rockbridge Area Community Services, Rockbridge Area Hospice, Rockbridge Area Transportation System, Rockbridge County Board of Supervisors, Rockbridge County Schools, Rockbridge County Sheriff's Office, SJH Community Health Foundation Board, Southern Virginia University, Valley Associates for Independent Living, Virginia Military Institute, Washington & Lee University and the YMCA. Primary data was obtained through surveys and focus groups and analyzed with information acquired through secondary data sources.

Form and Line Reference	Explanation
Part VI, Line 3	The organization informs and educates patients and persons who may be billed for patient care through an in-house eligibility assistance program (EAS) and will evaluate according to our organization's financial assistance policy when patients are eligible for the program. We inform the public through our Internet site, EAS Representatives and other Financial Representatives (Customer Service/Patient Access), and provide information regarding the programs above when patients ask. In addition, our statements comment regarding financial assistance availability.

Form and Line Reference	Explanation
Part VI, Line 4	Carilion Stonewall Jackson Hospital is a 25-bed critical access facility serving 36,177 residents of the Rockbridge County community. Rockbridge County is centrally located in the historic and scenic Shenandoah Valley in west-central Virginia. The County is bordered on the west by the lower elevations of the Allegheny Mountains and on the east by the crest of the Blue Ridge Mountains. With 610 square miles of diverse, rolling terrain, Rockbridge County includes the cities of Lexington and Buena Vista and incorporated towns of Glasgow and Goshen. 18% of adults under age 64 and 8% of children who live in the Rockbridge area are uninsured. Additionally, 17% of residents live below the poverty level and 18% of adults 25 years of age or older did not graduate from high school. 21% of residents are 65 years of age or older.

Form and Line Reference	Explanation
Part VI, Line 5	Carilion Stonewall Jackson Hospital serves all patients regardless of their ability to pay. The Hospital's governing Board is elected annually and the majority of members are neither employees nor contractors of the Hospital. Medical staff privileges are extended to qualified providers. In addition to clinical care, the hospital works to achieve its mission through the education of health professionals and the community. Any surplus funds are reinvested in new technology, clinical initiatives, education and charitable efforts. This includes providing free, discounted and subsidized care as well as critical medical services that operate at a loss.

Form and Line Reference	Explanation
Part VI, Line 6	<p>Carilion Stonewall Jackson Hospital is an affiliate of Carilion Clinic, a not-for-profit healthcare organization based in Roanoke, Virginia. Through a comprehensive network of hospitals, primary and specialty physician practices and other complementary services, quality care is provided close to home for more than 870,000 Virginians. With an enduring commitment to the health of the region, care is advanced through medical education and research, assistance is provided to help the community to stay healthy, and inspiration for the region to grow stronger. Carilion Clinic employees 650 physicians representing more than 70 specialties who provide care at 220 practice sites. To advance education of health professionals, Jefferson College of Health Sciences, within Carilion Medical Center, is a professional health sciences college offering associate, baccalaureate, and master's degree programs. During fiscal year 2014, 876 undergraduate and 255 graduate students were enrolled. The Virginia Tech Carilion School of Medicine enrolled 167 students and there were 649 appointed faculty members during fiscal year 2014. Carilion Clinic and Virginia Tech Carilion School of Medicine provide graduate medical education to 250 medical residents and fellows. There are 12 accredited residency programs (Dermatology, General Hospital Dentistry, Emergency Medicine, Family Medicine, Internal Medicine, Neurosurgery, Obstetrics/Gynecology, Pediatrics, Plastic Surgery, Podiatry, Psychiatry and Surgery) and 11 accredited fellowship programs (Addiction Psychology, Adult Joint Reconstruction, Cardiovascular Disease, Child and Adolescent Psychiatry, Gastroenterology, Geriatric Medicine, Geriatric Psychiatry, Hospice and Palliative Care, Infectious Disease, Interventional Cardiology, and Pulmonary Critical Care). Advanced Clinical Technology and Programs include CyberKnife Stereotactic Radiosurgery, da Vinci Robotic Surgical System, 60 bed neonatal intensive care unit, hybrid operating room, Carilion Clinic Children's Hospital, Cancer Center, Spine Center, and comprehensive cardiothoracic, vascular and orthopedic surgery programs. Carilion Roanoke Memorial Hospital serves as a Level One Trauma Center with EMS services that include three EMS helicopters, four first-response vehicles and 50 Advanced Life Support Ambulances. An additional benefit to the community is Carilion Clinic's economic contribution to the region. As the area's largest employer, jobs are provided for more than 11,700 residents of the region. Research conducted at the Virginia Tech Carilion Research Institute (VTCRI) creates a bridge between basic science research at Virginia Tech and clinical expertise at Carilion Clinic and increases translational research opportunities for both partners. Research conducted by scientists at the institute is aimed at understanding the molecular basis for health and disease, and development of diagnostic tools, treatments, and therapies that will contribute to the prevention and solution of existing and emerging problems in contemporary medicine. Research areas of emphasis which presently align with areas of strength and active research at Virginia Tech include inflammation, infectious disease, neuroscience, and cardiovascular science and cardiology.</p>



## Additional Data

**Software ID:**  
**Software Version:**  
**EIN:** 54-0568001  
**Name:** CARILION STONEWALL JACKSON HOSPITAL

### 990 Schedule H, Supplemental Information

<b>Section C. Supplemental Information for Part V, Section B.</b> Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.	
Form and Line Reference	Explanation
Carilion Stonewall Jackson Hospital	
Carilion Stonewall Jackson Hospital	Part V, Section B, Line 5d (5a)www.carilionclinic.org/hospitals/carilion-stonewall-jackson-hospital
Carilion Stonewall Jackson Hospital	Part V, Section B, Line 6i The hospital provided a grant of \$5,000 to the Lexington Farmer's Market to match SNAP/EBT dollars This increased access to local, healthy food to those enrolled in the SNAP program
Carilion Stonewall Jackson Hospital	Part V, Section B, Line 7 Carilion Stonewall Jackson Hospital is not addressing the following issues in this Community Health Improvement Implementation Strategy Clinical Preventive Services, Environmental Quality, Tobacco, Social Determinants, Injury and Violence, Maternal and Child Health, Substance Abuse, and Reproductive and Sexual Health The reason the hospital is not addressing these issues is because the hospital has aligned its priorities with those of the Rockbridge Area Community Health Improvement Plan While these issues will be monitored and addressed by the Rockbridge 2020 group, they have been determined to not be as pressing as the identified priority needs
Carilion Stonewall Jackson Hospital	Part V, Section B, Line 12i Liquid assets and equity in real property
Carilion Stonewall Jackson Hospital	Part V, Section B, Line 20d FAP eligible uninsured patients are charged gross charges less an uninsured discount FAP eligible insured patients are charged under terms of their insurance contract (never gross charges) and are also eligible for financial assistance The discount rate is based on the system's dominant negotiated commercial insurance rate
Carilion Stonewall Jackson Hospital	Part V, Section B, Line 21 The discount rate is based on the system's dominant negotiated commercial insurance rate
Carilion Stonewall Jackson Hospital	Part V, Section B, Line 22 FAP - eligible uninsured patients are charged gross charges less an uninsured discount for the hospital's services Certain physician services may be stated at gross charges

Schedule J  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Compensation Information

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

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.  
▶ Attach to Form 990. ▶ See separate instructions.

▶ Information about Schedule J (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
CARILION STONEWALL JACKSON HOSPITAL

Employer identification number  
54-0568001

Part I

Questions Regarding Compensation

	Yes	No
<div><div>1a</div><div>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><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div></div>		
<div><div>b</div><div>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</div></div>	1b	
<div><div>2</div><div>Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?</div></div>	2	
<div><div>3</div><div>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><div><div><input type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div><div><div><input type="checkbox"/> Written employment contract</div><div><input type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Approval by the board or compensation committee</div></div></div></div>		
<div><div>4</div><div>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</div></div>		
<div><div>a</div><div>Receive a severance payment or change-of-control payment?</div></div>	4a	No
<div><div>b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div>	4b	Yes
<div><div>c</div><div>Participate in, or receive payment from, an equity-based compensation arrangement?</div></div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</div>	4c	No
<div><div></div><div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div></div>		
<div><div>5</div><div>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</div></div>		
<div><div>a</div><div>The organization?</div></div>	5a	No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 5a or 5b, describe in Part III</div>	5b	No
<div><div>6</div><div>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</div></div>		
<div><div>a</div><div>The organization?</div></div>	6a	No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 6a or 6b, describe in Part III</div>	6b	No
<div><div>7</div><div>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</div></div>	7	Yes
<div><div>8</div><div>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</div></div>	8	No
<div><div>9</div><div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</div></div>	9	

**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				
(1)Kerri L Thornton Director	(i)	0	0	0	0	0	0	0
	(ii)	202,732	35,952	837	-39,635	5,483	205,369	0
(2)Charles E Carr Director/CEO	(i)	166,731	29,762	1,859	25,296	5,372	229,020	0
	(ii)	0	0	0	0	0	0	0
(3)Karen A Lyons MD Director/Chief of Medical Staff	(i)	0	0	0	0	0	0	0
	(ii)	238,279	96,112	3,554	18,889	1,767	358,601	0
(4)Donald B Halliwill Assistant Treasurer	(i)	0	0	0	0	0	0	0
	(ii)	284,640	52,500	6,020	-27,463	13,574	329,271	0
(5)G Robert Vaughan Jr Assistant Treasurer	(i)	0	0	0	0	0	0	0
	(ii)	211,713	38,988	4,867	-27,255	14,193	242,506	0
(6)Sinclair Marcus MD Former Officer	(i)	0	0	0	0	0	0	0
	(ii)	173,635	30,213	1,728	-8,478	8,923	206,021	0
(7)Donald Lorton Former Officer	(i)	0	0	0	0	0	0	0
	(ii)	314,369	67,943	3,390,004	-34,833	5,312	3,742,795	3,389,344
(8)Briggs Andrews Former Officer	(i)	0	0	0	0	0	0	0
	(ii)	342,584	60,961	755	36,388	9,654	450,342	0

Part III Supplemental Information

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.

Return Reference	Explanation
Part I, Line 3	See Schedule O disclosure for Form 990, Part VI, Section B, Line 15
Part I, Line 4b	Select members of management participate in a split-dollar life insurance benefit. Under the program, participants purchase a life insurance policy. The Company pays the premium on the policy as an interest-bearing loan to the participant. The policy is collaterally assigned to the Company as security for the payment of the loan. Upon any payout from the policy, either at the death of the participant or some earlier terminating event, the Company is repaid its loan first, with the remainder of policy proceeds, if any, then payable to the participant or his or her beneficiaries. Select members of management participate in a Pension Restoration Plan. This plan provides a benefit equal to the normal retirement benefit that would be payable to the participant were it not for the Qualified plan's legislative restrictions on compensation and payable benefits, less the actual benefits under the Qualified plan. Entitlement to benefits and consequent lump sum payment occurs upon the earliest of (i) attaining age 65 while employed by Carilion Clinic, (ii) 24 months following involuntary separation from service without reasonable cause, (iii) disability, or (iv) voluntary separation or involuntary separation with reasonable cause prior to attaining age 65 if the participant does not enter into competition with Carilion Clinic during the 24-month period following the participant's separation from service. Upon the death of the participant, the plan shall pay the participant's beneficiary according to plan terms. Select members of management participate in an Executive Flexible Benefit Plan, in which an allowance is provided to the participant for use in obtaining certain insurance benefits. The allowance is determined annually as a percentage of salary at Carilion Clinic's discretion. The amount of allowance in excess of elected benefits is credited to a capital accumulation account (CAA) with a deferred vesting date of at least two years from the first day of the plan year. The CAA shall be distributed in a lump sum upon the earliest of (i) remaining employed by Carilion to the deferred vesting date for such account, (ii) disability, (iii) 24 months following involuntary separation from service without reasonable cause, except that Carilion at its discretion may make a partial tax distribution upon separation, or (iv) 24 months following voluntary or involuntary separation from service with reasonable cause if the participant does not enter into competition with Carilion Clinic during the 24-month period following separation from service. Upon the death of the participant, the plan shall pay the participant's beneficiary according to plan terms. Payments during the calendar year under these plans included the following: Donald Lorton \$3,389,344.
Part I, Line 7	The organization pays annual bonus compensation to management based on scorecard performance. While the scorecard contains a formula as a basis for determining overall performance, senior managers have discretion to include additional elements in their assessment of managers reporting to them. In addition, for top management, the actual bonus awarded is in the discretion of the Carilion Clinic Compensation Committee, although it is based on the scorecard measures.

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.  
▶ Information about Schedule K (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
CARILION STONEWALL JACKSON HOSPITAL

Employer identification number  
54-0568001

Part I

Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A Industrial Development Authority of the City of Roanoke VA	54-1106038	770082AE5	02-09-2012	22,220,000	Redemption of Series 2000 & 2002A Bonds, cost of issuance, capital projects		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	2,315,000							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	25,008,562							
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	285,199							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds								
11	Other spent proceeds	24,723,363							
12	Other unspent proceeds								
13	Year of substantial completion								
		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	2 450 %							
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	2 450 %							
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?								
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?								
b	Exception to rebate?								
c	No rebate due?								
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?		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 the 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
	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. Provide additional information for responses to questions on Schedule K (see instructions).

Return Reference	Explanation
Schedule K Part II	Bond Proceeds All bond issues multiple entities across multiple jurisdictions, therefore, proceeds allocated to multiple hospitals

Return Reference	Explanation
Schedule K, Part II Line 3	IDA bonds CUSP #70082AE5- The Total Proceeds of Issue of \$25,008,562, includes the issue price of \$22,220,000, as reported on Part I Column e, plus Bond Premium of \$2,788,562



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.  
▶ Information about Schedule L (Form 990 or 990-EZ) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047  
**2013**  
Open to Public Inspection

Name of the organization  
CARILION STONEWALL JACKSON HOSPITAL

Employer identification number  
54-0568001

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) Solstas Lab Partners LLC	Service Provider	1,116,116	Lab Services		No
(2) Rockbridge Internists Inc	Service Provider	128,060	Physician Services		No

**Part V Supplemental Information**

Provide additional information for responses to questions on Schedule L (see instructions)

Return Reference	Explanation
Part IV, Line (1)	G Robert Vaughan, Jr , an officer, serves on the Board of Solstas Lab Partners, LLC, of which Carilion has a minority financial interest, and from whom the organization purchases lab services James R Crews, M D and William L McClung, M D , both directors of Carilion Stonewall Jackson Hospital, each own a 50% interest in Rockbridge Internists, Inc from which the organization purchases physician services

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.  
▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at  
[www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public  
Inspection

Name of the organization CARILION STONEWALL JACKSON HOSPITAL	Employer identification number 54-0568001
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Return Reference	Explanation
Form 990, Part VI, Section A, line 1	The organization has two classes of members. Carilion Clinic, a charitable tax-exempt healthcare organization, has an 80% membership interest and is entitled to elect directors having 80% of the vote on any issue. The Stonewall Jackson Community Foundation, a tax-exempt community foundation which supports healthcare within the local community, has a 20% membership interest and is entitled to elect directors having 20% of the vote on any issue.

Return Reference	Explanation
Form 990, Part VI, Section A, line 2	1 Lauren J Chen, Donald B Halliwill, Rachel L Mabe, Kerri L Thornton, and G Robert Vaughan, Jr - business relationship 2 Lauren J Chen, Donald B Halliwill, Rachel L Mabe, Lisa T Sprinkel, and G Robert Vaughan, Jr - business relationship

Return Reference	Explanation
Form 990, Part VI, Section A, line 3	Certain management and related services for the organization are provided by the management and employees of Carlion Services, Inc , a related organization and supporting organization of the organization

Return Reference	Explanation
Form 990, Part VI, Section A, line 4	The Board membership changed from 11 members to 11-15 members, of which the number of elected community members of the Stonewall Class changed from 6 to 6-10

Return Reference	Explanation
Form 990, Part VI, Section A, line 6	The organization has two classes of members. Carilion Clinic, a charitable tax-exempt healthcare organization, has an 80% membership interest and is entitled to elect directors having 80% of the vote on any issue. The Stonewall Jackson Community Foundation, a tax-exempt community foundation which supports healthcare within the local community, has a 20% membership interest and is entitled to elect one director to a class of directors having 20% of the vote on any issue.

Return Reference	Explanation
Form 990, Part VI, Section A, line 7a	The organization has two classes of members. Carilion Clinic, a charitable tax-exempt healthcare organization, has an 80% membership interest and is entitled to elect one class of directors having 80% of the vote on any issue. The Stonewall Jackson Community Foundation, a tax-exempt community foundation which supports healthcare within the local community, has a 20% membership interest and is entitled to elect one director to the remaining class of directors, which has 20% of the vote on any issue. The other members of that class come from the local community and elect their own successors.



Return Reference	Explanation
Form 990, Part VI, Section A, line 7b	Under the laws of the Commonwealth of Virginia certain extraordinary actions require member approval, such as mergers, consolidations, liquidations and the sale of substantially all of the assets of the organization

Return Reference	Explanation
Form 990, Part VI, Section B, line 11	All Board Members were notified that the final Form 990 was posted on our Board portal several days prior to filing and were encouraged to call with any questions they might have

Return Reference	Explanation
Form 990, Part VI, Section B, line 12c	<p>A Conflict of Interest Questionnaire, along with a copy of the Policy, is sent out annually to all officers, directors and key employees. In addition, such individuals are instructed to inform the organization of potential conflicts which arise during the year. Answers to the Questionnaires are reviewed by the Internal Audit Department. Potential conflicts for officers and key employees are reviewed by an internal Conflict of Interest Committee, which follows up on any potential issues to ensure compliance with all policies of the organization. The answers for Directors are reviewed by the Carilion Clinic Audit and Compliance Committee. In addition, the governing body of the organization is provided with a list of the answers annually to make all Board members aware of potential conflicts in order to ensure compliance with policies on how to handle transactions with Board members that may involve potential conflict situations.</p>

Return Reference	Explanation
Form 990, Part VI, Section B, line 15	<p>Executive compensation is reviewed annually by the Carilion Clinic Compensation Committee. This committee is made up of Board members of Carilion Clinic who do not have a conflict of interest with any of the executives being reviewed. With respect to Carilion Clinic, the Compensation Committee reviews the compensation of the Board of Governors which includes the President and Chief Executive Officer, Executive Vice Presidents, Chief Financial Officer, Chief Medical Officer, and Chairs of the Clinical Departments. For the fiscal year covered by this return, the Compensation Committee also used the same process to review the compensation of other Disqualified Individuals, including the Hospital CEOs. This review was performed in September and October 2013. A similar review was last performed in October 2014. This review included a review of a comprehensive report from an outside compensation consultant specializing in healthcare organizations for select positions and the prior year's report on all of the reviewed positions. The reports reviewed by the Committee included a detailed comparison of total compensation and each element thereof, including base salary, bonuses and other cash compensation, and benefits, including deferred and retirement benefits. Compensation was compared to a peer group of organizations similar in size and structure to the organization, which list was reviewed by the Compensation Committee. Detailed minutes of the meetings of the Compensation Committee are kept and approved at the next meeting of the Committee, setting forth the deliberations and decisions regarding the compensation of these executives. In addition, the Compensation Committee annually reviews the compensation plan and philosophy for all vice presidents and senior vice presidents, as well as all employed physicians and physicians in leadership roles.</p>

Return Reference	Explanation
Form 990, Part VI, Section C, line 19	The organization's governing documents, conflict of interest statement and financial statements are not generally available to the public, but are released from time to time upon request. The Articles of Incorporation are available from the Virginia State Corporation Commission. The consolidated audited financial statements of Carilion Clinic and of the Obligated Group are released annually to the local newspaper. Limited financial information is available on our web site and in our annual report to the community.

Return Reference	Explanation
Form 990, Part IX, line 11g	Other Service Fees Program service expenses 2,947,459 Management and general expenses 180,893 Fundraising expenses 0 Total expenses 3,128,352

Return Reference	Explanation
Form 990, Part XI, line 9	Pension-Related Changes -83,962   Distribution to Stonewall Jackson Community Health Foundation -195,000

Return Reference	Explanation
Form 990, Part I, Line 6	Volunteers assist visitors, answer phones, help with general restocking of supplies, transport of patients and general cleaning on hospital inpatient units, Physical Therapy, Cardiac Rehab, staff the Visitor and Waiting Area Desks and provide escort service, assist with mailings, resource materials, special projects, assist the Emergency Department staff by maintaining the waiting room desk and helping to facilitate good customer service, and operate the Gift Shop including stocking inventory, answering the phone, maintaining records, decorating the shop and assuring tidiness



SCHEDULE R  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.  
▶ Attach to Form 990. ▶ See separate instructions.  
▶ Information about Schedule R (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
CARILION STONEWALL JACKSON HOSPITAL

Employer identification number  
54-0568001

Part I Identification of Disregarded Entities Complete if the organization answered "Yes" on Form 990, Part IV, line 33.					
(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
See Additional Data Table							

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

Cat No 50135Y

Schedule R (Form 990) 2013

Part III

Identification of Related Organizations Taxable as a Partnership

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.

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

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No

Part V

Transactions With Related Organizations

Complete if the organization answered "Yes" on 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		Yes	No
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	1a	Yes	
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c		No
d Loans or loan guarantees to or for related organization(s)	1d	Yes	
e Loans or loan guarantees by related organization(s)	1e	Yes	
f Dividends from related organization(s)	1f		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j	Yes	
k Lease of facilities, equipment, or other assets from related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations for related organization(s)	1l		No
m Performance of services or membership or fundraising solicitations by related organization(s)	1m	Yes	
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n		No
o Sharing of paid employees with related organization(s)	1o		No
p Reimbursement paid to related organization(s) for expenses	1p		No
q Reimbursement paid by related organization(s) for expenses	1q		No
r Other transfer of cash or property to related organization(s)	1r		No
s Other transfer of cash or property from related organization(s)	1s		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 related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) Carilion Medical Center	A	4,521	Cost
(2) Carilion Services Inc	A	47,196	Cost
(3) CHS Inc and Subsidiaries	A	237,833	Cost
(4) Carilion Medical Center	M	1,172,603	Cost
(5) Carilion Services Inc	M	3,257,985	Cost
(6) CHS Inc and Subsidiaries	M	2,167,854	Cost

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

[illegible]

Part VII

Supplemental Information

Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference	Explanation
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Additional Data

Software ID:

Software Version:

EIN: 54-0568001

Name: CARILION STONEWALL JACKSON HOSPITAL

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled entity?	
						Yes	No
(1) Carilion Clinic  PO Box 12385 Roanoke, VA 24025 54-1190771	Supporting organization	VA	501(c)(3)	Line 11a, I	N/A		No
(1) Carilion Clinic Foundation  PO Box 12385 Roanoke, VA 24025 54-1190773	Supporting organization	VA	501(c)(3)	Line 11b, II	Carilion Clinic	Yes	
(2) Carilion Franklin Memorial Hospital  PO Box 12385 Roanoke, VA 24025 54-0480606	Healthcare	VA	501(c)(3)	Line 3	Carilion Clinic	Yes	
(3) Carilion Giles Community Hospital  PO Box 12385 Roanoke, VA 24025 54-0549603	Healthcare	VA	501(c)(3)	Line 3	Carilion Clinic	Yes	
(4) Carilion Medical Center  PO Box 12385 Roanoke, VA 24025 54-0506332	Healthcare	VA	501(c)(3)	Line 3	Carilion Clinic	Yes	
(5) Carilion New River Valley Medical Center  PO Box 12385 Roanoke, VA 24025 54-0553805	Healthcare	VA	501(c)(3)	Line 3	Carilion Clinic	Yes	
(6) Carilion Services Inc  PO Box 12385 Roanoke, VA 24025 54-1190879	Supporting organization	VA	501(c)(3)	Line 11a, I	Carilion Clinic	Yes	
(7) Carilion Tazewell Community Hospital  PO Box 12385 Roanoke, VA 24025 54-6074580	Healthcare	VA	501(c)(3)	Line 3	Carilion Clinic	Yes	

Form 990, Schedule R, Part V - Transactions With Related Organizations

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
Carilion Medical Center	A	4,521	Cost
Carilion Services Inc	A	47,196	Cost
CHS Inc and Subsidiaries	A	237,833	Cost
Carilion Medical Center	M	1,172,603	Cost
Carilion Services Inc	M	3,257,985	Cost
CHS Inc and Subsidiaries	M	2,167,854	Cost

# Carilion Clinic and Subsidiaries

Consolidated Financial Statements as of and for the  
Years Ended September 30, 2014 and 2013, and  
Independent Auditors' Report



## **CARILION CLINIC AND SUBSIDIARIES**

Roanoke, Virginia  
A Nonstock, Nonprofit Corporation  
Chartered by the Commonwealth of Virginia

### **OFFICERS OF THE BOARD OF DIRECTORS**

James A Hartley  
Nancy H Agee  
G Robert Vaughan, Jr  
Briggs W Andrews

Chairman  
President  
Treasurer  
Secretary

### **BOARD OF DIRECTORS**

Nancy H Agee  
R Steve Blanks  
Laurent Boetsch  
John A Bond  
J Alexander Boone  
Abney S Boxley, III  
George B Cartledge, Jr  
Ronald C Evans

James A Hartley  
Victor Iannello  
Daniel R Jones, MD  
Joseph P Scartelli, PhD  
Raymond D Smoot, Jr, PhD  
James C Thompson  
James M Turner, Jr  
William White, Sr  
Danielle H Yarber

# CARILION CLINIC AND SUBSIDIARIES

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Carilion Clinic  
Roanoke, Virginia

We have audited the accompanying consolidated financial statements of Carilion Clinic and subsidiaries (the "Clinic"), which comprise the consolidated balance sheets as of September 30, 2014 and 2013, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error

### Auditors' 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 Clinic'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 Clinic'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 the Clinic as of September 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

## Emphasis of Matter

As discussed in Notes 1, 4, and 16 to the consolidated financial statements, the consolidated financial statements include investments valued at \$442,330,000 (23% of total assets) and \$322,725,000 (18% of total assets) as of September 30, 2014 and 2013, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. In addition, the defined benefit postretirement plan assets disclosed in Notes 9 and 16 include investments of \$249,770,000 and \$193,563,000 as of September 30, 2014 and 2013, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Our opinion is not modified with respect to this matter.

*Deloitte & Touche LLP*

January 27, 2015

# CARILION CLINIC AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2014 AND 2013 (In thousands)

	2014	2013
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5.466	\$ 2.954
Accounts receivable — net of allowance for doubtful accounts of \$110.649 in 2014 and \$87.462 in 2013	200.662	195.689
Inventories	14.908	13.533
Prepaid expenses and other current assets	17.356	18.823
Total current assets	238.392	230.999
INVESTMENTS	162.415	107.628
INTEREST RATE SWAPS	2.719	1.050
ASSETS WHOSE USE IS LIMITED	889.309	796.805
PROPERTY AND EQUIPMENT — Net	599.503	588.675
OTHER ASSETS	29.598	30.143
TOTAL	<u>\$1,921.936</u>	<u>\$1,755.300</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 12.766	\$ 41.437
Accounts payable	38.171	35.652
Due to third-party payors	34.641	30.882
Accrued salaries and wages	57.631	49.843
Accrued vacation	38.257	37.041
Other current liabilities	94.328	90.687
Total current liabilities	275.794	285.542
LONG-TERM DEBT — Net of current portion	604.620	584.616
INTEREST RATE SWAPS	52.932	48.067
PENSION AND OTHER LIABILITIES	404.321	234.444
Total liabilities	<u>1,337.667</u>	<u>1,152.669</u>
COMMITMENTS AND CONTINGENCIES (Notes 4, 5, 8, 14, and 15)		
NET ASSETS		
Unrestricted		
Carilion Clinic and subsidiaries	555.141	576.532
Noncontrolling interests	4.050	3.481
Total unrestricted net assets	559.191	580.013
Temporarily restricted	13.202	10.742
Permanently restricted	11.876	11.876
Total net assets	<u>584.269</u>	<u>602.631</u>
TOTAL	<u>\$1,921.936</u>	<u>\$1,755.300</u>

See notes to consolidated financial statements

# CARILION CLINIC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013 (In thousands)

	2014	2013
UNRESTRICTED OPERATING REVENUES AND GAINS		
Patient service revenue — net of contractual allowances and discounts	\$1,443,456	\$1,346,093
Provision for bad debts	<u>(115,030)</u>	<u>(90,044)</u>
Net patient service revenue	1,328,426	1,256,049
Other operating revenue	162,009	175,731
Net assets released from restrictions	<u>2,725</u>	<u>2,299</u>
Total unrestricted operating revenues and gains	<u>1,493,160</u>	<u>1,434,079</u>
OPERATING EXPENSES		
Salaries and outside labor	726,209	683,634
Benefits	140,462	153,614
Supplies and other expenses	472,806	475,547
Depreciation	74,324	74,412
Interest expense	<u>24,672</u>	<u>26,552</u>
Total operating expenses	<u>1,438,473</u>	<u>1,413,759</u>
OPERATING INCOME	<u>54,687</u>	<u>20,320</u>
NONOPERATING INCOME		
Investment income	78,857	123,087
Other nonoperating loss	<u>(16,893)</u>	<u>(423)</u>
Total nonoperating income	<u>61,964</u>	<u>122,664</u>
EXCESS OF UNRESTRICTED REVENUES AND GAINS OVER EXPENSES FROM CONSOLIDATED OPERATIONS	116,651	142,984
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	(137,304)	172,666
DISTRIBUTION TO STONEWALL JACKSON COMMUNITY HEALTH FOUNDATION AND OTHER	(195)	(298)
NET ASSETS RELEASED FROM RESTRICTIONS FOR PURCHASES OF PROPERTY AND EQUIPMENT	<u>26</u>	<u>219</u>
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS FROM CONSOLIDATED OPERATIONS	(20,822)	315,571
CHANGE IN UNRESTRICTED NET ASSETS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>569</u>	<u>688</u>
CHANGE IN UNRESTRICTED NET ASSETS ATTRIBUTABLE TO CARILION CLINIC AND SUBSIDIARIES	<u>\$ (21,391)</u>	<u>\$ 314,883</u>

See notes to consolidated financial statements

# CARILION CLINIC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013 (In thousands)

	2014	2013
UNRESTRICTED NET ASSETS		
Excess of unrestricted revenues and gains over expenses from consolidated operations	\$ 116,651	\$ 142,984
Pension-related changes other than net periodic pension cost	(137,304)	172,666
Distribution to Stonewall Jackson Community Health Foundation and other	(195)	(298)
Net assets released from restrictions for purchases of property and equipment	<u>26</u>	<u>219</u>
(Decrease) increase in unrestricted net assets	<u>(20,822)</u>	<u>315,571</u>
TEMPORARILY RESTRICTED NET ASSETS.		
Contributions	2,246	2,360
Investment income	3,077	2,014
Net assets released from restrictions for purchase of property and equipment	(26)	(219)
Net assets released from restrictions used for operations	(2,725)	(2,299)
Transfers to Bedford Memorial Hospital	<u>(112)</u>	<u></u>
Increase in temporarily restricted net assets	<u>2,460</u>	<u>1,856</u>
(DECREASE) INCREASE IN NET ASSETS	(18,362)	317,427
NET ASSETS — Beginning of year	<u>602,631</u>	<u>285,204</u>
NET ASSETS — End of year	<u>\$ 584,269</u>	<u>\$ 602,631</u>

See notes to consolidated financial statements

# CARILION CLINIC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013 (In thousands)

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Decrease) increase in net assets	\$ (18,362)	\$ 317,427
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities.		
Depreciation	74,324	74,412
Deferred compensation	17,242	4,115
Provision for bad debts	115,030	90,044
Net realized and unrealized gains on investments and interest rate swaps	(46,016)	(111,085)
Equity in earnings and gain on sale of affiliates	(20,018)	(1,002)
Losses (gains) on sale of assets	297	(3,374)
Restricted contributions and restricted investment income	(5,323)	(4,374)
Pension-related changes other than net periodic pension cost	137,304	(172,666)
Funding in deficit of net periodic pension cost	1,085	12,615
Loss on extinguishment of debt	122	
Changes in:		
Accounts receivable	(120,003)	(94,594)
Inventories, prepaid expenses, and other current assets	92	(3,611)
Other assets	(534)	(1,924)
Accounts payable and accrued expenses	12,459	4,013
Due to third-party payors	3,759	(3,326)
Other current liabilities	(2,961)	5,142
Other liabilities	12,423	(3,022)
Net cash provided by operating activities	<u>160,920</u>	<u>108,790</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(87,616)	(58,369)
Proceeds from sale of property and equipment	1,153	4,363
Purchases of investments and assets whose use is limited	(214,192)	(426,634)
Proceeds from sale of investments and assets whose use is limited	<u>150,111</u>	<u>383,291</u>
Net cash used in investing activities	<u>(150,544)</u>	<u>(97,349)</u>

(Continued)



# CARILION CLINIC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013 (In thousands)

	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted contributions and restricted investment income	\$ 5,323	\$ 4,374
Deferred financing costs	85	
Change in annuity obligation	50	48
Distribution to Stonewall Jackson Community Health Foundation and other	(195)	(298)
Proceeds from issuance of long-term debt	283,110	
Principal payments and retirements of long-term debt	<u>(296,237)</u>	<u>(14,403)</u>
Net cash used in financing activities	<u>(7,864)</u>	<u>(10,279)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,512	1,162
CASH AND CASH EQUIVALENTS — Beginning of year	<u>2,954</u>	<u>1,792</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 5,466</u>	<u>\$ 2,954</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest (net of amount capitalized) in 2014 and 2013 was \$26,416 and \$28,471, respectively		
Noncash acquisitions of property and equipment in 2014 and 2013 totaled \$937 and \$666, respectively		

See notes to consolidated financial statements

(Concluded)

# CARILION CLINIC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013 (In thousands)

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### 1. CORPORATE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** — Carilion Clinic is the sole member of Carilion Medical Center (CMC) (t/a Carilion Roanoke Memorial Hospital and Carilion Roanoke Community Hospital), Carilion New River Valley Medical Center (CNRV), Carilion Franklin Memorial Hospital (CFMH), Carilion Giles Community Hospital (CGCH), Carilion Tazewell Community Hospital (CTCH), Carilion Clinic Properties, LLC (CCP), Carilion Clinic Foundation (CF), and Carilion Services, Inc. (CSI) (collectively, “Carilion”)

Carilion has an 80% interest in Carilion Stonewall Jackson Hospital (CSJH), with the noncontrolling interest remaining with Stonewall Jackson Community Health Foundation.

The accounts of CMC, CNRV, CFMH, CGCH, CSJH, and CCP are collectively referred to as the Obligated Group as a result of the Master Trust Indenture executed by and among the members of the Obligated Group in connection with the issuance of certain long-term debt obligations

Carilion and Centra Health (“Centra”) had a joint ownership agreement with Bedford Memorial Hospital (BMH) under which Carilion and Centra each had a 50% equity interest in BMH (see Note 6). As of June 30, 2014 Carilion sold their interest in BMH to Centra and ended the joint ownership agreement. When Centra acquired full ownership of BMH, BMH withdrew as a member of the Obligated Group. At that time, Carilion Clinic and the remaining members of the Obligated Group entered into a Debt Service and Guaranty Agreement with BMH, guaranteed by Centra, to provide for the payment of debt service on the portions of the Series 2005C Bonds and the Series 2012 Bonds that were previously allocated to BMH (Note 8).

Carilion and the entities for which it serves as sole member are not-for-profit, nonstock membership corporations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). CSI is the sole stockholder of Blue Ridge Indemnity Company, LLC (BRIC), Carilion Clinic Medicare Resources, LLC (CCMR), and CHS, Inc. (CHSI), a holding company for taxable subsidiaries.

CCMR is a health maintenance organization for residents of southwest Virginia that began offering Medicare Advantage health plans as of October 1, 2009 and a Medicaid managed care health plan beginning January 1, 2012. Effective January 1, 2014, CCMR no longer offered the Medicare Advantage health plans and effective November 30, 2014, CCMR will no longer offer the Medicaid managed care health plan.

**Presentation of Consolidated Financial Statements** — The consolidated financial statements of Carilion have been prepared under the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as set forth in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Carilion and changes therein are classified and reported as follows:

*Unrestricted Net Assets* — Net assets that are not subject to donor-imposed stipulations

*Temporarily Restricted Net Assets* — Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Temporarily restricted net assets held by Carilion as of September 30, 2014 and 2013, were restricted primarily for indigent care, clinical research, trauma operations, and neonatal and pediatric care.

*Permanently Restricted Net Assets* — Permanently restricted net assets have been restricted by donors to be maintained by Carilion in perpetuity. Permanently restricted net assets held by Carilion as of September 30, 2014 and 2013, were restricted primarily for neonatal and pediatric care.

In the accompanying consolidated statements of operations, all revenues have been reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Cash and noncash contributions are recorded at fair value when made with the exception of unconditional promises, which are recognized on the date the promise is made.

The consolidated statements of operations include excess of unrestricted revenues and gains over expenses. Changes in unrestricted net assets that are excluded from excess of unrestricted revenues and gains over expenses, include net assets released from restrictions for purchase of property and equipment, pension-related changes other than net periodic pension costs, and distributions to noncontrolling interests.

**Consolidation** — The consolidated financial statements include all subsidiaries for which Carilion has a controlling financial interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

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

For uninsured patients that do not qualify for charity care, Carilion recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of Carilion's uninsured patients will be unable or unwilling to pay for the services provided. Thus, Carilion records a significant provision for bad debts related to uninsured patients in the period the services are provided.

**Allowance for Doubtful Accounts** — Accounts receivable are reduced by an allowance for amounts that could become uncollectible in the future. Carilion estimates the allowance for doubtful accounts by reserving a percentage of all self-pay accounts receivable by aging category, based on collection history.

adjusted for expected recoveries and, if present, anticipated changes in trends. Carilion collects substantially all of its third-party insured receivables, which include receivables from governmental agencies.

Carilion's allowance for doubtful accounts increased as a percentage of patient accounts receivable (net of contractuals) from September 30, 2013 (37%), to 2014 (42%). The increase in the balance was largely the result of a 16% increase in accounts receivable due from patients in 2014 as compared to 2013.

**Premium Revenues and Claims Expense** — Premiums for Medicare Advantage and Medicaid managed care health plans are recognized as other operating revenue over the contract period (see Note 10). Claims expense is recognized as incurred and is reported within supplies and other expenses. CCMR incurred claims expense of \$53,719 and \$74,414 for the years ended September 30, 2014 and 2013, respectively.

**Electronic Health Records (EHR) Incentives** — The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that meaningfully use certified EHR technology. The EHR incentive payments to hospitals include a base amount, plus a discharge-related portion, which is calculated by the Centers for Medicare and Medicaid Services based on the hospital's most recently filed cost report and are subject to adjustment upon settlement of the cost report for the hospital's fiscal year that begins after the beginning of the payment year. A hospital may receive incentive payments for up to four years, provided that it successfully demonstrates meaningful use for each applicable EHR reporting period. Carilion recognizes revenue for EHR incentive payments in the period in which it is reasonably assured that it will comply with the applicable EHR meaningful use requirements. EHR incentive revenues are recognized ratably over the applicable meaningful use reporting period and are included in other operating revenue in the consolidated statements of operations. Carilion recognized EHR incentive revenues of \$5,713 and \$10,885 for the years ended September 30, 2014 and 2013, respectively. Carilion's attestations regarding the meaningful use of EHR technology are subject to audit by the federal government or its designee.

**Charity Care** — Carilion provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because Carilion does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue or included in patient accounts receivable. Carilion estimates the direct and indirect costs to provide charity care using a calculated ratio of costs to gross charges for each facility.

**Cash and Cash Equivalents** — Cash and cash equivalents consist primarily of demand deposits, temporary investments in bank repurchase agreements, certificates of deposit, and overnight master notes with banks. Carilion considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents.

Carilion's cash deposits are held at local and regional banks. Carilion had short-term investments of approximately \$14,371 and \$3,834 at September 30, 2014 and 2013, respectively, at a regional bank, which are included in the system-wide investment pool (see Note 4) and, therefore, are classified as noncurrent assets.

**Inventories** — Inventories are stated at the lower of cost (first-in, first-out) or market.

**Investments and Assets Whose Use Is Limited** — Carilion combines its investments, including investments and assets whose use is limited, in a system-wide investment pool. Assets whose use is limited primarily includes assets designated by the board of directors (the “Board”) for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Carilion’s investments and assets whose use is limited, excluding alternative investments, are classified as trading securities and measured at fair value in the consolidated balance sheets with the related interest and dividends and realized and unrealized holding gains and losses reported in investment income in the consolidated statements of operations, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Management determined that the trading security category is appropriate based on Carilion’s investment strategy and policies. Investment managers may execute individual purchases and sales of investments without prior approval from Carilion, as long as they comply with Carilion’s investment strategy and policies.

Alternative investments, which are not readily marketable and are less liquid compared to Carilion’s other investments, include hedge funds, limited partnerships, limited liability corporations, and offshore investment funds, and represent 42% and 36% of total investments and assets whose use is limited as of September 30, 2014 and 2013, respectively (see Notes 4 and 16). These instruments may contain elements of both credit and market risk. Such risks could include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments (both interest rate swaps and nonmarketable investments), and nondisclosure of portfolio composition. Investments of the limited partnerships include certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments, which involve varying degrees of off-balance-sheet risk for the limited partnerships, limited liability corporations, and offshore investment funds, may result in a loss due to changes in the market (market risk).

Carilion has elected the fair value option to account for its alternative investments. U.S. GAAP permits, as a practical expedient, a reporting entity to measure the fair value of certain investments without readily determinable fair values by using the reported net asset value (NAV) per share of the investment without further adjustment if the investment is in an entity that meets the description of an investment company whose underlying investments are measured at fair value as set forth in the ASC. Accordingly, Carilion generally estimates the fair value of its alternative investments using the NAV per share reported by the respective fund managers or the general partners, and other sources of information.

Management, with the assistance of a third-party investment consultant, where appropriate, evaluates the valuations provided by external fund managers or general partners for appropriateness through review of the most recently available annual audited financial statements and unaudited interim reporting for the fund, review of the methodologies used to determine fair value, and comparisons of fund performance to market benchmarks.

The estimated fair value of certain alternative investments, such as private equity interests, is based on valuations performed prior to the balance sheet date by the external investment managers and adjusted for cash receipts, cash disbursements, and securities distributions through September 30. Because alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

**Equity Method Investments** — The equity method of accounting is used for investments in entities for which Carilion has the ability to exercise significant influence over the operating and financial policies of the investee, but does not have a controlling financial interest via majority voting rights, sole corporate membership, or by other means. The carrying value of equity method investments is adjusted for Carilion's proportionate share of changes in net assets of the investee, with adjustments as applicable for intraentity profit and losses, amortization of basis differences, investee capital transactions, and the effect of investee cumulative preferred stock.

Carilion's proportionate share of the earnings of equity method investees is reported in investment income in the consolidated statements of operations. Carilion's proportionate share of the investee's extraordinary items, changes in accounting principle, and pension-related changes other than net periodic pension cost are recognized within the corresponding line item in Carilion's consolidated statements of operations and statements of changes in net assets (as applicable).

Equity method investments are initially measured at cost. Carilion evaluates the carrying value of equity method investments for other-than-temporary impairment. If the equity method investment is determined to be other-than-temporarily impaired, an impairment charge would be recognized for the amount by which the carrying amount exceeds fair value.

**Property and Equipment** — Property and equipment are stated at cost, less accumulated depreciation. Donated property and equipment are recorded at fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the depreciable assets, except for leasehold improvements, which are amortized over the shorter of the expected useful life of the improvement or the term of the related lease. The estimated useful life of buildings is 39 years. The estimated useful life of fixed equipment is 10 to 20 years. The estimated useful life of movable equipment is 3 to 15 years.

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable. The recoverability of long-lived assets is evaluated by comparing the carrying amount to the estimated undiscounted cash flows. If the carrying amount exceeds the estimated undiscounted cash flows, an impairment charge would be recognized for the amount by which the carrying amount exceeds the fair value of the long-lived asset. Management determined there was no impairment of long-lived assets as of or during the years ended September 30, 2014 and 2013.

**Interest Costs** — Interest costs incurred on borrowed funds, net of interest income earned on the unexpended bond proceeds during the period of construction of capital assets, are capitalized as a component of the costs of acquiring those assets. Such amounts were not material to the consolidated financial statements as of and for the years ended September 30, 2014 and 2013.

**Bond Issue Costs and Original Issue Bond Premium and Discount** — Unamortized bond issue costs of \$6,729 and \$6,862 at September 30, 2014 and 2013, respectively, are included in other assets in the accompanying consolidated balance sheets. Unamortized original issue premiums and discounts are netted against long-term indebtedness in the accompanying consolidated balance sheets. Bond issue costs, original issue premiums, and original issue discounts are amortized over the period the obligation is outstanding.

**Derivative Instruments** — Carilion uses interest rate swap instruments to manage its exposure to movements in interest rates. Interest rate swaps are contractual agreements between two parties for the exchange of interest payments on a notional principal amount at agreed-upon fixed or floating rates for defined periods. Interest rate swaps are measured at fair value in the accompanying consolidated balance

sheets, with the change in fair value included in investment income in the accompanying consolidated statements of operations. Carilion does not enter into derivative financial instruments for trading purposes.

**Income Taxes** — The Internal Revenue Service has determined that Carilion Clinic, the members of the Obligated Group, CTCH, CF, and CSI qualify under Section 501(c)(3) of the IRC and are, therefore, not generally subject to income taxes under present tax laws. CCMR and CHSI and its subsidiaries are taxable corporations.

Carilion recognizes a tax liability or asset for the estimated taxes payable or refundable on tax returns for current and prior years. Deferred tax assets and liabilities are recognized for the estimated future tax effects attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A tax benefit from an uncertain tax position is recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Uncertain tax positions may include the characterization of income, such as a characterization of income as passive, a decision to exclude reporting taxable income in a tax return, or a decision to classify a transaction, entity, or other position in a tax return as tax exempt.

Carilion had no material unrecognized tax benefits and no adjustments to its consolidated financial statements were required as of and for the years ended September 30, 2014 and 2013. Carilion does not expect that unrecognized tax benefits will materially increase within the next 12 months.

Interest and penalties related to uncertain tax positions, if any, would be reported in the consolidated financial statements as income tax expense. Fiscal years from 2011 through 2013 are subject to examination by the federal and state taxing authorities. There are no income tax examinations currently in process.

**Use of Estimates** — The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are used for, but not limited to, recognition of net patient service revenue, valuation of accounts receivable, including contractual allowances and provisions for doubtful accounts, liabilities for losses and expenses related to employee health care and professional and general liability risks, valuation of pension plan liabilities, valuation of investments and interest rate swap instruments, depreciation of property and equipment, and estimated third-party settlements. Future events and their effects cannot be predicted with certainty, accordingly, management's accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the accompanying consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained, and as the operating environment changes. Management regularly evaluates the accounting policies and estimates it uses. In general, management relies on historical experience and on other assumptions believed to be reasonable under the circumstances and may employ outside experts to assist in the evaluation, as considered necessary. Although management believes all adjustments considered necessary for fair presentation have been included, actual results may vary from those estimates.

**Subsequent Events** — Carilion has evaluated subsequent events from the end of the most recent fiscal year through January 27, 2015, the date of issuance of the consolidated financial statements.

**Recently Issued Accounting Guidance** — In February 2013, the FASB issued ASU No. 2013-04, *Liabilities (Topic 405) Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date* (“ASU 2013-04”). ASU 2013-04 provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date. ASU 2013-04 requires entities to measure these obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. ASU 2013-04 is effective for fiscal years ending after December 15, 2014. Carilion is currently evaluating the impact on its consolidated financial statements from the adoption of this guidance.

In April 2014, the FASB issued ASU No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (“ASU 2014-08”). ASU 2014-08 changes the requirements for reporting discontinued operations, such that a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations, if the disposal represents a strategic shift that has, or will have, a major effect on an entity’s operations and financial results. ASU 2014-08 requires an entity to present, for each comparative period, the assets and liabilities of a disposal group that includes a discontinued operation separately in the asset and liability sections, respectively, of the statement of financial position, as well as additional disclosures about discontinued operations. Additionally, ASU 2014-08 requires disclosures about a disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation in the financial statements and expands the disclosures about an entity’s significant continuing involvement with a discontinued operation. ASU 2014-08 is effective for fiscal years beginning after December 15, 2014. Carilion is currently evaluating the impact on its consolidated financial statements from the adoption of this guidance.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”). ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal years beginning after December 15, 2016. Carilion is currently evaluating the impact on its consolidated financial statements from the adoption of this guidance.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern* (“ASU 2014-15”). ASU 2014-15 provides guidance on management’s responsibility in evaluating whether there is substantial doubt about the reporting entity’s ability to continue as a going concern and about related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about the reporting entity’s ability to continue as a going concern within one year from the date the financial statements are issued. ASU 2014-15 is effective for fiscal years ending after December 15, 2016. Carilion is currently evaluating the impact on its consolidated financial statements from the adoption of this guidance.



## **2. CHARITY CARE AND COMMUNITY SERVICES**

Carilion is committed to providing quality health care to all, regardless of ability to pay. Under Carilion's charity care policy, patients meeting certain criteria receive care without charge or at a significant discount. The estimated cost of providing charity care to patients was \$58,616 and \$67,816 for 2014 and 2013, respectively.

Also, management believes that a portion of the provision for bad debts relating to patient service revenue represents amounts due from patients who would otherwise qualify for charity benefits, but do not respond to attempts to obtain the necessary financial information. The cost of providing these services is not included in the charity care amounts disclosed above.

To support its mission to improve the health of the communities it serves, Carilion continues to work with key partners in its service area to respond to the findings of the Carilion-led Roanoke Community Health Needs Assessment (the "Assessment"). The Assessment was designed to examine the needs of the community and to identify appropriate solutions to these needs. The Assessment findings focused on three priority areas: (1) access to services, (2) coordination of care, and (3) wellness. Working with community partners, these priorities were used to identify goals and strategies that will help improve the health for residents of communities served by Carilion. Carilion assisted and is participating with similar assessments in communities it serves outside of the Roanoke Valley.

On an ongoing basis, Carilion operates emergency rooms open 24 hours per day, seven days a week, sponsors community health screenings and educational classes, and promotes health and provides preventive care through partnerships with schools, community centers, and medical clinics in underserved areas. Carilion also provides facilities and subsidizes operations to train medical personnel through support of the Jefferson College of Health Sciences and the Virginia Tech Carilion School of Medicine.

## **3. NET PATIENT SERVICE REVENUE**

Carilion has agreements with third-party payors that provide for payments to Carilion at amounts different from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

*Medicare* — Inpatient acute care services and exempt rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge for all hospitals, except CGCH and CSJH, which are reimbursed based on reasonable cost. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. When the estimated cost of treatment for certain patients is higher than the average, Carilion receives additional "outlier" payments. Inpatient nonacute services and defined medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. Certain outpatient service costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology, subject to certain limitations. Pursuant to federal legislation, the Medicare program makes payments for outpatient services on a prospective basis for certain hospitals of Carilion. This payment system classifies outpatient procedures into predetermined groups, Ambulatory Payment Classifications (APCs), with each APC having a predetermined payment amount. Capital costs are paid on a prospective basis based on a predetermined rate per discharge. Carilion is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The Medicare fiscal intermediary has audited and final settled the

Medicare cost reports for CMC through September 30, 2008, for CNRV and CFMH through September 30, 2009, for CTCH through September 30, 2011, and for CGCH and CSJH through September 30, 2012. However, cost reports are subject to reopening for three years from the date of final settlement.

*Medicaid* — Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Through December 31, 2013, outpatient services and certain other costs were reimbursed based on a percentage of reasonable cost. Effective January 1, 2014, outpatient costs are reimbursed on a blended rate, transitioned over four years, of outpatient costs and Enhanced Ambulatory Patient Groups (EAPGs). EAPGs are an outpatient visit classification system which places patients and services into clinically coherent groups. Carilion is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by Medicaid. All hospitals' Medicaid cost reports have been final settled through September 30, 2013.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. The effect of settlement adjustments was not material to the consolidated statements of operations for the years ended September 30, 2014 and 2013.

*Anthem* — Services rendered to Anthem subscribers are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Carilion also has agreements with Medicare, Medicaid, and Anthem to provide physician services, which are primarily reimbursed based on established fee schedules and/or predetermined percentages of covered charges, within certain limitations, and are not subject to retroactive adjustment.

In addition, Carilion has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations, and other third-party payors. The basis for payment to Carilion under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined rates.

Net patient service revenue for the years ended September 30, 2014 and 2013, is summarized as follows:

	<b>2014</b>	<b>2013</b>
Third-party payors	\$ 1,324,519	\$ 1,251,601
Self pay	<u>118,937</u>	<u>94,492</u>
Patient service revenue — net of contractual allowances and discounts	1,443,456	1,346,093
Provision for bad debts	<u>(115,030)</u>	<u>(90,044)</u>
Net patient service revenue	<u>\$ 1,328,426</u>	<u>\$ 1,256,049</u>

#### 4. INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

Carlisle combines its investments in a system-wide investment pool, which includes investments and assets whose use is limited. BMH's investments totaling \$5.651 and assets whose use is limited totaling \$11.144 as of September 30, 2013, are also included in the investment pool. The carrying values of the components of the system-wide investment pool at September 30, 2014 and 2013, are summarized as follows.

	2014	2013
Investments	\$ 162,415	\$ 113,279
Assets whose use is limited	<u>889,309</u>	<u>807,949</u>
	<u>\$ 1,051,724</u>	<u>\$ 921,228</u>

The assets in the system-wide investment pool at September 30, 2014 and 2013, are summarized as follows.

	2014	2013
Short-term money market investments	\$ 14,371	\$ 3,834
Domestic common stocks	54,533	78,966
Mutual funds:		
Fixed income	184,981	149,133
Global equity	69,598	59,065
Multi-strategy	37,556	116,057
International equity	142,651	112,963
Alternative investments (Note 1)		
Core hedge funds	232,603	130,135
Low volatility hedge funds	6,975	9,381
Real estate limited partnerships	105,756	95,395
Inflation sensitive funds	34,155	28,794
Macro trading funds	28,174	23,249
Private equity limited partnerships and limited liability corporations	<u>34,667</u>	<u>35,771</u>
Total investment pool	946,020	842,743
Less amounts held for BMH	<u>          </u>	<u>(16,795)</u>
Total investment pool — net of amounts held for BMH	946,020	825,948
Assets whose use is limited under interest rate swap agreements	8,589	268
Assets held by BRIC	30,132	33,984
Assets whose use is limited under deferred compensation arrangements	54,475	37,233
Assets on deposit with regulatory authorities	2,000	2,000
Assets held by CCMR	<u>10,508</u>	<u>5,000</u>
Investments and assets whose use is limited	<u>\$ 1,051,724</u>	<u>\$ 904,433</u>

At September 30, 2014, Carilion was committed to invest an additional \$23.024 in limited partnership funds at an unspecified future date. There were no other unfunded investment commitments at September 30, 2014.

The fair values of Carilion's assets whose use is limited at September 30, 2014 and 2013, are summarized as follows:

	<b>2014</b>	<b>2013</b>
Assets whose use is limited under board designations	\$ 794,113	\$ 723,320
Assets whose use is limited under interest rate swap agreements	8,589	268
Assets whose use is limited for BRIC	30,132	33,984
Assets whose use is limited under deferred compensation arrangements	54,475	37,233
CCMR assets on deposit with regulatory authorities	<u>2,000</u>	<u>2,000</u>
Assets whose use is limited	<u><b>\$ 889,309</b></u>	<u><b>\$ 796,805</b></u>

Investment income for the years ended September 30, 2014 and 2013, is summarized as follows:

	<b>2014</b>	<b>2013</b>
Dividends and interest	\$ 14,012	\$ 11,000
Net realized gains on investments	42,828	9,680
Net change in unrealized gains in investments	13,163	61,403
Equity in earnings and gain on sale of affiliates	20,018	1,002
Net realized and unrealized (losses) gains on interest rate swaps	<u>(11,164)</u>	<u>40,002</u>
Investment income	<u><b>\$ 78,857</b></u>	<u><b>\$ 123,087</b></u>

## 5. PROPERTY AND EQUIPMENT — NET

Property and equipment — net at September 30, 2014 and 2013, consists of the following:

	<b>2014</b>	<b>2013</b>
Land and improvements	\$ 41,503	\$ 40,936
Buildings and fixed equipment	931,886	913,664
Movable equipment	<u>745,972</u>	<u>780,210</u>
	1,719,361	1,734,810
Less accumulated depreciation and amortization	<u>(1,139,138)</u>	<u>(1,152,956)</u>
	580,223	581,854
Construction in progress	<u>19,280</u>	<u>6,821</u>
Property and equipment — net	<u><b>\$ 599,503</b></u>	<u><b>\$ 588,675</b></u>

Depreciation expense totaled \$74,324 and \$74,412 for the years ended September 30, 2014 and 2013, respectively.

Unexpended contractual commitments for projects under construction at September 30, 2014 and 2013, approximated \$0 and \$2,599, respectively.

## 6. EQUITY INVESTMENTS IN AFFILIATES

As described in Note 1, Carilion had a 50% interest in BMH under a joint ownership agreement with Centra that was accounted for under the equity method. Carilion's investment in BMH was \$7,870 at September 30, 2013, and is included in other assets in the accompanying consolidated balance sheet. On June 30, 2014, Carilion sold its 50% equity interest in BMH to Centra and recognized a related gain of \$5,209, which is included in investment income in the accompanying consolidated statement of operations for the year ended September 30, 2014.

At September 30, 2014 and 2013, Carilion owned approximately 14.9% and 15.5%, respectively, of the common stock of Luna Innovations, Inc. ("Luna"), which is accounted for under the equity method, as well as certain other interests in convertible preferred stock and warrants. Carilion's equity method investment in Luna was reduced to zero through equity method losses during fiscal year 2009. Carilion has not recorded an asset for any of its interests in Luna at September 30, 2014 and 2013, due to Luna's continued operating and cash flow losses.

As of September 30, 2013, Carilion owned 90.3% of the common units outstanding of Laboratory Group Holding, LLC (LGH). The remaining equity interests in LGH included preferred units held primarily by a private equity investor. Both the common units and the preferred units were nonvoting. Carilion's investment in LGH was accounted for under the equity method as it had the ability to exercise significant influence over the entity through its right to appoint three of nine members of LGH's board of managers, but did not have a controlling financial interest. The carrying amount of Carilion's investment in LGH was reduced to zero through equity method losses in fiscal year 2011. In May 2014, Carilion divested itself of the common units it held in LGH. Carilion recognized a \$14,000 gain on the sale of its common units, which is included in investment income in the accompanying consolidated statement of operations for the year ended September 30, 2014.

## 7. NET ASSETS

A summary of changes in consolidated unrestricted net assets attributable to Carilion Clinic and subsidiaries and to the noncontrolling interest for the year ended September 30, 2014, is as follows:

	Total	Carilion Clinic and Subsidiaries	Noncontrolling Interests
Balance — beginning of year	\$ 580,013	\$ 576,532	\$ 3,481
Excess of unrestricted revenues and gains over expenses	116,651	115,984	667
Pension-related changes other than net periodic pension cost	(137,401)	(137,401)	
Pension-related changes other than net periodic pension cost related to noncontrolling interest	97		97
Distribution to Stonewall Jackson Community Health Foundation and other	(195)		(195)
Net assets released from restrictions for purchases of property and equipment	26	26	
Balance — end of year	<u>\$ 559,191</u>	<u>\$ 555,141</u>	<u>\$ 4,050</u>

A summary of changes in consolidated unrestricted net assets attributable to Carilion Clinic and subsidiaries and to the noncontrolling interest for the year ended September 30, 2013, is as follows:

	<b>Total</b>	<b>Carilion Clinic and Subsidiaries</b>	<b>Noncontrolling Interests</b>
Balance — beginning of year	\$264,442	\$261,649	\$2,793
Excess of unrestricted revenues and gains over expenses	142,984	142,021	963
Pension-related changes other than net periodic pension cost	172,643	172,643	
Pension-related changes other than net periodic pension cost related to noncontrolling interest	23		23
Distribution to Stonewall Jackson Community Health Foundation and other	(298)		(298)
Net assets released from restrictions for purchases of property and equipment	<u>219</u>	<u>219</u>	<u>—</u>
Balance — end of year	<u>\$580,013</u>	<u>\$576,532</u>	<u>\$3,481</u>

## 8. LONG-TERM DEBT

Long-term debt at September 30, 2014 and 2013, consists of the following:

	<b>2014</b>	<b>2013</b>
Hospital Revenue Bonds — Series 2012 — Serial Bonds, 3.0% to 5.0% fixed rate interest, maturing from 2015 to 2030	\$ 73,475	\$ 75,578
Hospital Revenue Bonds — Series 2010 — Term Bonds, 5.0% fixed rate interest, maturing from 2021 to 2033	95,740	95,740
Hospital Revenue Bonds — Series 2008A — Variable Rate Bonds, variable rate interest (16% at September 30, 2014), maturing from 2027 to 2042	50,000	50,000
Hospital Revenue Bonds — Series 2008B — Variable Rate Bonds, variable rate interest (16% at September 30, 2014), maturing from 2027 to 2042	110,000	110,000
Hospital Revenue Bonds — Series 2005A — Variable Rate Bonds, variable rate interest (16% at September 30, 2014), maturing from 2028 to 2036	123,110	123,110
Hospital Revenue Bonds — Series 2005B — Serial Bonds, 3.0% to 5.0% fixed rate interest, maturing from 2015 to 2020	21,950	24,705
Hospital Revenue Bonds — Series 2005B — Term Bonds, 4.375% to 5.0% fixed rate interest, maturing from 2026 to 2038	65,310	65,310
Hospital Revenue Bonds — Series 2005C — Serial Bonds, 5.0% fixed rate interest, maturing from 2015 to 2020	16,530	18,201
Hospital Revenue Bonds — Series 2005C — Term Bonds, 4.0% to 5.0% fixed rate interest, maturing from 2024 to 2027	28,240	26,039
Other long-term debt	<u>17,103</u>	<u>19,619</u>
	601,458	608,302
Unamortized bond premium	15,928	17,751
Scheduled payments due within one year	(12,766)	(13,126)
Additional current portion of Series 2008A and B Bonds		(16,000)
Additional current portion of Series 2005A Bonds	<u>—</u>	<u>(12,311)</u>
Long-term debt — net of current portion	<u>\$ 604,620</u>	<u>\$ 584,616</u>

Each member of the Obligated Group is jointly and severally liable for the repayment of the principal and interest as they become due on the Hospital Revenue Bonds (collectively, the "Bonds"), including \$3,740 of the Series 2005C Bonds and \$2,982 of the Series 2012 Bonds that were previously allocated to BMH and, thus, were not included in Carilion's consolidated balance sheet as of September 30, 2013

As described in Note 1, BMH withdrew from the Obligated Group on June 30, 2014. At that time, Carilion and the remaining members of the Obligated Group entered into a Debt Service and Guaranty Agreement with BMH, guaranteed by Centra, to provide for the payments to Carilion for the debt service on the portions of the Series 2005C Bonds and the Series 2012 Bonds that were previously allocated to BMH. Accordingly, Carilion has recorded debt of \$6,233 for the portions of the Series 2005C and 2012 Bonds that were previously allocated to BMH and a corresponding receivable due from BMH of \$494 in accounts receivable and \$5,739 in other assets on the accompanying consolidated balance sheet as of September 30, 2014.

The Bonds are governed by a Master Trust Indenture (the "Indenture"), as amended and restated, by and among the members of the Obligated Group and U.S. Bank (the "Master Trustee"). The repayment of principal and interest on the Series 2005A, B, and C Bonds is guaranteed by a municipal bond insurance policy.

The Bonds are collateralized by a pledge of revenues of the Obligated Group, and the Master Trustee holds a security interest in the gross receipts of the Obligated Group. During 2010, a deed of trust was established for the benefit of the Master Trustee to secure all current and future obligations issued under the Indenture with substantially all land, buildings, and fixtures of CMC. The deed of trust is supported by \$45,000 of title insurance acquired by CMC. In addition, CNRV has pledged that it will not create, or permit to exist, a lien against its land, buildings, and fixtures.

At September 30, 2013, the Series 2008A and 2008B Bonds and Series 2005A Bonds were variable rate demand obligations that were remarketed daily. Accordingly, Carilion included \$16,000 of the Series 2008A and 2008B Bonds and \$12,311 of the Series 2005A Bonds within the current portion of long-term debt as of September 30, 2013, to reflect the principal that would be payable during fiscal year 2014 under the related standby bond purchase agreements and letters of credit if the bonds were tendered for purchase as of the balance sheet date and not remarketed.

In March 2014, the Obligated Group tendered the Series 2008A and 2008B Bonds, terminated the related letters of credit and standby bond purchase agreements, and entered into direct purchase agreements with two financial institutions for those bonds in the aggregate principal amount of \$50,000 and \$110,000, respectively. During the term of the direct purchase agreements, the bonds bear interest at 67% of 1 month LIBOR and are not puttable. The direct purchase agreements expire in March 2017.

In April 2014, the Obligated Group tendered the Series 2005A Bonds, terminated the related letter of credit and standby bond purchase agreement, and entered into a direct purchase agreement with a financial institution for those bonds in the aggregate principal amount of \$123,110. During the term of the direct purchase agreement, the bonds bear interest at 67% of 1 month LIBOR and are not puttable. The direct purchase agreement expires in April 2017.

Carilion intends to renew or replace the direct purchase agreements for the Series 2008A, 2008B, and 2005A bonds on or before their expiration. In the event the agreements are not renewed or replaced, the debt will become due at that time.

The aggregate principal maturities of long-term debt, including amounts due upon expiration of the direct purchase agreements in fiscal year 2017, are as follows

**Years Ending  
September 30**

2015	\$ 12,766
2016	13,360
2017	297,066
2018	14,214
2019	14,341
Thereafter	<u>249,711</u>
	<u>\$ 601,458</u>

**Sinking Fund Requirements** — The Series 2012 Bonds are subject to mandatory annual sinking fund requirements through 2030 in varying amounts ranging from \$1,325 to \$8,705. The Series 2010 Bonds are subject to mandatory annual sinking fund requirements beginning in 2021 through 2033 in varying amounts ranging from \$5,025 to \$13,435. The Series 2008A and 2008B Bonds are subject to mandatory annual sinking fund requirements beginning in 2027 through 2042 in varying amounts ranging from \$425 to \$32,870. The Series 2005A, B, and C Bonds are subject to mandatory annual sinking fund requirements through 2038 in varying amounts ranging from \$2,570 to \$22,355.

**Debt Service Reserve Fund** — The Obligated Group is required to maintain with the Master Trustee a debt service reserve fund to secure all obligations under the Indenture in the event that (a) the Obligated Group's days' cash on hand falls below 120 days at any semiannual test date or (b) the Obligated Group's long-term debt service coverage ratio is below 1.40 for fiscal year 2013 and thereafter. The debt service reserve fund amount, if required, would be equal to the maximum annual debt service for the obligations then outstanding under the Indenture and must be deposited within 90 days of the applicable test date or constitute an event of default under the Indenture, unless such requirement is waived by the bond insurers.

**Debt Covenants** — The Obligated Group is subject to certain covenants under the Indenture, the municipal bond insurance policies, and the direct purchase agreements that, among other covenants, place restrictions on the members of the Obligated Group relative to operating ratios, the incurrence of additional indebtedness, and limitations on transfers of cash and investments from the Obligated Group. The Indenture requires that the Obligated Group, among other covenants, maintain a debt-to-capitalization ratio of not more than 65% for fiscal year 2013 and thereafter. The Obligated Group has maintained compliance with these covenants as of and during the years ended September 30, 2014 and 2013.



**Interest Rate Swap Agreements** — At September 30, 2014 and 2013, Carilion had interest rate swap agreements with financial institutions to hedge a portion of the interest rate risk related to certain Hospital Revenue Bonds. Under the terms of the interest rate swap agreements in place at September 30, 2014, Carilion receives and pays interest based on the following

Current Notional Amount (in thousands)	Hedged Bonds	Maturity Date	Type of Derivative	Pay Rate	Receive Rate	Collateral Posting Threshold
\$62,500	2005 A	2036	Fixed payor	3.43%	67% 1m LIBOR(1)	
62,500	2005A	2036	Fixed payor	3.43%	67% 1m LIBOR(1)	
62,500	2008 A B	2042	Fixed payor	3.29%	67% 1m LIBOR(1)	10,000
62,500	2008 A B	2042	Fixed payor	3.29%	67% 1m LIBOR(1)	10,000
68,181	2005B-C, 2010	2038	Basis swap	SIFMA Municipal Swap Index (3)	67% 3m LIBOR + 0.57% (2)	
92,783	2005B-C, 2010	2038	Basis swap	SIFMA Municipal Swap Index (3)	67% 3m LIBOR + 0.62% (2)	
60,000	unassigned	2034	Basis swap	SIFMA Municipal Swap Index (3)	67% 3m LIBOR + 0.65% (2)	

(1) The 1m LIBOR was 16% and 18% at September 30, 2014 and 2013, respectively

(2) The 3m LIBOR was 24% and 25% at September 30, 2014 and 2013, respectively

(3) The SIFMA Municipal Swap Index was 0.4% and 0.7% at September 30, 2014 and 2013, respectively

At September 30, 2014 and 2013, the Obligated Group posted \$8,589 and \$268, respectively, in collateral as part of the fixed payor swap agreements associated with the Series 2008 bonds (see Note 4). The Obligated Group is required to post collateral once the collateral threshold of \$10,000 is exceeded. The posted amount is equal to the current valuation of the respective swap agreements minus the collateral threshold.

The basis interest rate swap used to hedge a portion of the interest rate risk on the Series 2002A Bonds was terminated in January 2014. Carilion received \$662 from the counterparties.

The fixed payor interest rate swap used to hedge a portion of the interest rate risk on the Series 2005C Bonds was terminated in September 2014. Carilion paid \$2,326 to the counterparty in September 2014.

The fixed payor interest rate swap used to hedge a portion of the interest rate risk on the Series 2005B Bonds was terminated in September 2014. Carilion paid \$6,680 to the counterparty on October 1, 2014, the total of which is included in other current liabilities in the accompanying consolidated balance sheet.

The estimated fair values of the interest rate swap agreements at September 30, 2014 and 2013, are as follows.

Type of Derivative	Fair Value of Asset Derivatives		Fair Value of Liability Derivatives		Amount of (Loss) Gain Recognized	
	2014	2013	2014	2013	2014	2013
Fixed payor	\$ -	\$ -	\$ 52,932	\$ 47,986	\$ (13,515)	\$ 42,968
Basis swap	<u>2,719</u>	<u>1,050</u>	<u>81</u>	<u>81</u>	<u>2,351</u>	<u>(2,966)</u>
	<u>\$ 2,719</u>	<u>\$ 1,050</u>	<u>\$ 52,932</u>	<u>\$ 48,067</u>	<u>\$ (11,164)</u>	<u>\$ 40,002</u>

## 9. EMPLOYEE BENEFIT PLANS

Carilion maintains a funded, defined benefit pension plan (the "Plan"), which covers substantially all employees of Carilion. The benefits are based on years of service and the employee's highest average of total earnings for five consecutive Plan years or the employee's compensation during 5 of the last 10 years of employment. Carilion contributes to the Plan annually based on actuarially determined funding guidelines. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

Carilion maintains two nonqualified pension plans, a restoration plan for key members of management, and a supplemental plan for certain retired employees of CMC. Net periodic pension cost for the nonqualified plans was \$1.238 and \$1.925 for the years ended September 30, 2014 and 2013, respectively. The net pension liability for the plans was \$8.142 and \$5.049 as of September 30, 2014 and 2013, respectively, and is included in pension and other liabilities in the accompanying consolidated balance sheets.

The amounts reported in the accompanying consolidated financial statements related to Carilion's defined benefit plans reflect the net periodic pension cost, pension-related changes other than net periodic pension cost, and the funded status of the three plans described above, excluding amounts related to employees of BMH, as applicable as of September 30, 2013.

The Plan's change in benefit obligation, change in plan assets, current funded status, components of net periodic benefit cost, and pension-related changes other than net periodic pension cost as of and for the years ended September 30, 2014 and 2013, are as follows.

	<b>2014</b>	<b>2013</b>
Change in benefit obligation		
Benefit obligation — beginning	\$ 832.260	\$ 908.387
Assumption changes	120.844	(129.439)
Service cost	33.641	39.182
Interest cost	44.455	39.827
Actuarial loss (gain)	27.965	(5.117)
Effect of acquisitions		214
Benefit payments	<u>(22.894)</u>	<u>(20.794)</u>
Benefit obligation — ending	<u>\$ 1,036.271</u>	<u>\$ 832.260</u>
Change in plan assets		
Fair value of plan assets — beginning	\$ 637.316	\$ 552.659
Actual return on plan assets	48.550	56.495
Employer contributions	44.000	48.956
Benefit payments	<u>(22.894)</u>	<u>(20.794)</u>
Fair value of plan assets — ending	<u>\$ 706.972</u>	<u>\$ 637.316</u>
Funded status	<u>\$ (329.299)</u>	<u>\$ (194.944)</u>
Components of net periodic pension cost		
Service cost	\$ 33.641	\$ 39.182
Interest cost	44.455	39.827
Expected return on plan assets	(48.263)	(44.536)
Prior service benefit recognized	12	58
Amortization of actuarial losses	<u>14.002</u>	<u>28.489</u>
Net periodic pension cost	<u>\$ 43.847</u>	<u>\$ 63.020</u>
Other changes in plan assets and benefit obligations not yet recognized in net periodic pension cost		
Net loss (gain) arising during the period	\$ 148.522	\$ (146.515)
Effect of acquisitions		214
Amortization of loss	(14.002)	(28.489)
Amortization of prior service credit	<u>(12)</u>	<u>(58)</u>
Pension-related changes other than net periodic pension cost	<u>\$ 134.508</u>	<u>\$ (174.848)</u>
Total recognized in net periodic pension cost and other pension-related changes	<u>\$ 178.355</u>	<u>\$ (111.828)</u>

The accumulated benefit obligation was \$935,577 and \$745,059 at September 30, 2014 and 2013, respectively

Carilion's portion of the Plan liability, net of the liability recorded by BMH, was \$190,190 as of September 30, 2013, and is included in pension and other liabilities in the accompanying consolidated balance sheet. Carilion's portion of net periodic pension cost, net of the cost recorded by BMH, was \$61,564 as of September 30, 2013, and is included in benefits in the accompanying consolidated statement of operations. As part of the BMH sale, Carilion assumed the pension liability for BMH employees who were vested at the time of the sale, with their benefits being frozen as of June 30, 2014. The portion of the Plan liability attributable to these BMH employees is \$8,031 as of September 30, 2014, and is included in pension and other liabilities in the accompanying consolidated balance sheet.

During 2014 and 2013, Carilion contributed \$44,000 and \$48,956, respectively, to the Plan. Carilion expects to contribute approximately \$60,000 to the Plan in fiscal year 2015.

Amounts recognized as changes in unrestricted net assets, but not yet reclassified as components of net periodic pension cost for the pension plans at September 30, 2014, consist of net loss and prior service cost of \$352,185 and \$759, respectively.

The estimated net loss and prior service cost recognized as changes in unrestricted net assets that will be amortized to net periodic pension cost over the next fiscal year are \$25,422 and \$12, respectively.

Significant assumptions used in determining the actuarial present value of the projected benefit obligation of the Plan for the years ended September 30, 2014 and 2013, are as follows:

	<b>2014</b>	<b>2013</b>
Weighted-average discount rate	4.6 %	5.4 %
Expected long-term rate of return on assets	7.7	7.7
Rate of compensation increase	3.0	3.0

The weighted-average discount rates used to determine net periodic pension cost for the years ended September 30, 2014 and 2013, were 5.4% and 4.4%, respectively.

The investment policy for the Plan is structured to maintain a diversified portfolio of equity securities, debt securities, cash equivalents, and alternative investment strategies, including real estate, private equity, fund-of-fund hedge funds, and global trading. The structure is designed to reduce risk and generate absolute returns in various market conditions. The portfolio is rebalanced periodically throughout the year.

Plan assets include Level 3 alternative investments of \$249,770 and \$193,563 at September 30, 2014 and 2013, respectively (see Note 16).

Carilion's overall expected long-term rate of return on assets is 7.7%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The expected long-term rate of return reflects management's estimate of future returns for the target asset allocation and is based primarily on historical returns. The Plan's target allocation for 2014 and plan asset allocation at September 30, 2014 and 2013, is as follows:

<b>Asset Category</b>	<b>Target Allocation 2014</b>	<b>Percentage of Plan Assets at September 30, 2014</b>	<b>Percentage of Plan Assets at September 30, 2013</b>
Equity securities	30 %	33 %	32 %
Hedge funds	10	15	22
Fixed-income securities	30	28	22
Inflation sensitive	15	18	21
Other investments	<u>15</u>	<u>6</u>	<u>3</u>
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

The Plan benefits expected to be paid in fiscal years 2015 to 2019 are \$28,629, \$32,235, \$36,671, \$40,902, and \$44,933, respectively. The aggregate benefits expected to be paid in five years from 2020 to 2024 are \$286,774. The expected benefits are based on the same assumptions used to measure Carilion's benefit obligation at September 30 and include estimated future employee service.

Carilion also maintains three defined contribution retirement plans, which cover substantially all Carilion employees. The plans qualify under Section 403(b) or Section 401(k) of the IRC.

Carilion has several nonqualified deferred compensation plans for certain members of management and physicians to defer a portion of their compensation until retirement. The deferred amounts are invested in accordance with the participant's designation. The deferred compensation liability of \$54,475 and \$37,233 as of September 30, 2014 and 2013, respectively, is included in pension and other liabilities in the accompanying consolidated balance sheets. Carilion has placed certain assets in a rabbi trust to be used to pay benefits to certain deferred compensation plan participants. The carrying amount of the trust assets was \$54,475 and \$37,233 as of September 30, 2014 and 2013, respectively, and is included in assets whose use is limited in the accompanying consolidated balance sheets. Plan assets consist of investments in fixed-income mutual funds, domestic equity mutual funds, and international equity mutual funds (see Note 4).

## 10. OTHER OPERATING REVENUE

Other operating revenue for the years ended September 30, 2014 and 2013, is summarized as follows

	2014	2013
Grants to reimburse operating costs	\$ 6,508	\$ 8,078
Rental revenue	4,876	4,838
College revenue	23,462	21,777
Athletic clubs revenue	5,222	4,897
In-kind contributions to Virginia Tech Carilion School of Medicine	1,628	1,714
Laundry services	567	828
Management services to equity affiliates	3,797	5,171
Collection services income	5,020	5,434
Cafeteria sales	3,546	3,289
EHR meaningful use revenues	5,713	10,885
Medical supplies and services	23,051	18,324
Medicare Advantage plan premium revenue	6,413	22,246
Medicaid managed care plan premium revenue	52,112	50,542
Other	<u>20,094</u>	<u>17,708</u>
Total	<u>\$ 162,009</u>	<u>\$ 175,731</u>

Other includes revenue from gift shop sales, management services, health care-related equity interests, and various health care services provided on a contract basis

## 11. INCOME TAXES

Due to the losses incurred by Carilion's taxable subsidiaries, there was no income tax expense or benefit for the years ended September 30, 2014 and 2013. The primary differences between the expected income tax benefit at the statutory federal rate with the reported income tax benefit for the years ended September 30, 2014 and 2013, were due to the effect of state income taxes and the changes in the balance of the valuation allowance for deferred tax assets. Deferred income taxes at September 30, 2014 and 2013, relate to temporary differences in the asset and liability basis for financial and income tax reporting purposes and were calculated at income tax rates currently in effect. Temporary differences have primarily resulted from differences in the accounting for allowances for accounts and notes receivable, accrued expenses, depreciation, and net operating losses.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax-planning strategies in making this assessment. Based upon the level of historical taxable losses and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that Carilion will not realize the benefits of these deductible differences and loss carry forwards in excess of the amount that can be offset by the reversal of future taxable items. Accordingly, at September 30, 2014 and 2013, the net deferred tax asset has been reduced to zero by a valuation allowance.

At September 30, 2014, CHSI and its subsidiaries had net operating loss carry forwards of approximately \$328,079 which expire on various dates from 2018 to 2034.

## 12. FUNCTIONAL EXPENSES

Carilion provides various health care services to patients within its geographic location. Expenses related to providing these services for the years ended September 30, 2014 and 2013, are as follows:

	2014	2013
Health care services	\$ 1,199,543	\$ 1,164,606
General and administrative	<u>238,930</u>	<u>249,153</u>
	<u>\$ 1,438,473</u>	<u>\$ 1,413,759</u>

## 13. CONCENTRATION OF CREDIT RISK

Carilion provides health care services through its inpatient and outpatient care facilities located primarily in southwest Virginia. The facilities grant credit to patients, substantially all of whom are local residents. The facilities generally do not receive collateral or other security in extending credit to patients; however, they routinely obtain assignment of patients' benefits payable under their health insurance programs, plans, or policies. The mix of receivables from patients and third-party payors at September 30, 2014 and 2013, is as follows:

	2014	2013
Medicare	36 %	35 %
Medicaid	15	13
Anthem	13	13
Other third-party payors	17	20
Patients	<u>19</u>	<u>19</u>
	<u>100 %</u>	<u>100 %</u>

## 14. COMMITMENTS AND CONTINGENCIES

**Litigation** — Carilion is involved in litigation arising in the ordinary course of business. It is the opinion of management and Carilion's legal counsel that these cases will be resolved without material effect on Carilion's consolidated financial position, results of operations, or cash flows.

**Other Industry Risks** — The health care 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 health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for amounts previously received for patient services. Carilion believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material impact on its financial position or results of operations. Compliance with these and other laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

The Patient Protection and Affordability Care Act of 2010 (the "Reform Legislation"), a comprehensive health care reform bill, mandates that substantially all US citizens maintain medical insurance coverage. The Reform Legislation expands health insurance coverage through a combination of public program expansion and private sector health insurance reforms. The Reform Legislation also makes a number of other changes to Medicare and Medicaid, such as reductions to the Medicare annual market basket update for federal fiscal years 2010 through 2019, a productivity offset to the Medicare market basket update, which began October 1, 2011, and a reduction to the Medicare and Medicaid disproportionate share payments, that could adversely impact the reimbursement received under these programs. Also included in the Reform Legislation are provisions aimed at reducing fraud, waste, and abuse in the health care industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The legislation is complex and is being phased in over several years. Management continues to evaluate the impact of the Reform Legislation and its impact on Carilion's consolidated financial position, results of operations, and cash flows.

**Lease Commitments** — Certain Carilion entities are parties to operating leases for various property and medical and other equipment. Lease expense was approximately \$6,540 and \$6,303 for the years ended September 30, 2014 and 2013, respectively, and is included in supplies and other expenses in the accompanying consolidated statements of operations.

A schedule of future minimum lease payments under operating leases at September 30, 2014, is as follows:

<b>Years Ending September 30</b>	<b>Amount</b>
2015	\$ 3,373
2016	2,093
2017	692
2018	354
2019	138
Thereafter	<u>695</u>
<b>Total</b>	<b><u>\$ 7,345</u></b>

**Virginia Tech Carilion School of Medicine and Research Institute** — In 2008, Carilion and Virginia Polytechnic Institute and State University ("Virginia Tech") entered into a memorandum of understanding (MOU) agreement to establish and fund a portion of the costs related to a medical school (the "Virginia Tech Carilion School of Medicine" or the "Medical School") and a research institute (the "Virginia Tech Carilion Research Institute" or the "Research Institute") in order to address long-term regional health care needs and advance medical research in southwest Virginia. Under the MOU agreement, as amended, Carilion agreed to contribute up to \$35,000 to fund start-up costs for the Medical School and up to \$2,000 annually (subject to adjustment based on the Consumer Price Index) to fund operating deficits of the Medical School. The MOU agreement will expire on June 22, 2016 unless extended by mutual agreement of the parties.

Carilion's commitments to fund start-up costs and operating deficits under the MOU agreement was unconditional through June 30, 2014, at which time the MOU would terminate if the Medical School had not received accreditation. As of September 30, 2013, Carilion had recognized other current liabilities of \$2,534 and \$1,575 for the unconditional portion of start-up and operating deficit funding.

respectively, expected to be paid through June 30, 2014. The remaining unrecognized portion of Carilion's conditional commitment to fund start-up costs after June 30, 2014, was \$13,300 as of September 30, 2013.

The Medical School received accreditation in June 2014 and met other factors set forth in the MOU. Accordingly, during fiscal year 2014, Carilion recorded contribution expense for the remaining start-up costs up to \$35,000 and the expected operating deficit funding expected to be paid through June 22, 2016, the current expiration date of the MOU agreement. The total contribution expense recognized for the year ended September 30, 2014 is \$16,773 and is included in other nonoperating loss in the accompanying consolidated statement of operations.

At September 30, 2014, Carilion recorded other current liabilities of \$6,311 and other long-term liabilities of \$10,452 related to these obligations.

## **15. SELF-INSURANCE LIABILITIES**

**Employee Health** — Carilion offers subsidized health and dental insurance to its employees through a self-insured plan. The related liabilities are not material to Carilion's consolidated financial statements.

**Workers' Compensation** — Carilion is self-insured for workers' compensation liability up to the first \$500 per accident and has excess coverage up to applicable statutory limits on a claims-made basis. The related liabilities are not material to Carilion's consolidated financial statements.

**Medical Malpractice** — Carilion is self-insured for medical malpractice losses through its wholly owned subsidiary BRIC. BRIC is licensed as a captive insurance company by the Vermont Commissioner of Banking, Insurance, Securities, and Health Care Administration, pursuant to the provisions of the Vermont Statutes Annotated, and provides first-dollar coverage on a claims-made basis, with limits of \$52,150 per loss or medical incident and \$68,000 in the annual aggregate for professional and general liabilities. Through various independent carriers, BRIC carries reinsurance coverage of up to \$50,000 per each loss or medical incident and in the annual aggregate, excess of a limit up to \$2,150 per loss or medical incident and \$18,000 in the annual aggregate.

Policies on a claims-made basis must be renewed or replaced with equivalent insurance, if claims incurred during their term, but asserted after their expiration, are to be insured. Carilion has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of claims that have been incurred but not reported. The liability for medical malpractice losses, discounted at 4%, was \$37,718 and \$34,293 as of September 30, 2014 and 2013, respectively, and is included in other current liabilities in the accompanying consolidated balance sheets. In the opinion of management, adequate liabilities for medical malpractice claims have been established. The consolidated statement of operations for the year ended September 30, 2014 reflects a change in estimate in the accrued cost to settle malpractice claims of approximately \$4,420, primarily due to unfavorable development and settlement of historical outstanding claims. Such change is included in supplies and other expenses.

## **16. FAIR VALUE OF FINANCIAL INSTRUMENTS**

In accordance with U.S. GAAP, certain assets and liabilities are required to be measured at fair value on a recurring basis. For Carilion, the assets and liabilities that are adjusted at fair value on a recurring basis are investments, assets whose use is limited, and interest rate swap agreements.

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in



an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

*Level 1* — Valuations based on unadjusted quoted prices for identical instruments in active markets that are available as of the measurement date.

*Level 2* — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

**Transfers between Levels** — The availability of market observable data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or valuation methodologies may require the transfer of financial instruments from one fair value hierarchy level to another. In such instances, the transfer would be reported at the beginning of the reporting period. Carilion evaluates the significance of transfers based on the nature of the financial instrument and the size of the transfer. There were no transfers of investments between levels for the years ending September 30, 2014 and 2013.

**Investments and Assets Whose Use Is Limited** — Valuations classified as Level 1 include short-term money market investments, common stocks, and publicly traded mutual funds for which unadjusted quoted market prices for identical securities are available as of the measurement date. Valuations classified as Level 2 include short-term investments, such as certain money market funds, certificates of deposit, and U.S. government agency securities, for which fair values are determined based on observable inputs. Carilion did not have any investments measured using Level 2 inputs as of September 30, 2014 and 2013. Valuations classified as Level 3 include alternative investments, for which fair values are determined based on inputs that are unobservable and significant to the overall fair value measurement (see Note 1).

The fair value hierarchy classification of assets in the system-wide investment pool and assets whose use is limited at September 30, 2014, is summarized in the table below.

	<b>Fair Value Measurement at September 30, 2014</b>			
	<b>September 30, 2014</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Short-term money market investments	\$ 14,371	\$ 14,371	\$ -	\$ -
Mutual funds	434,786	434,786		
Domestic equity securities	54,533	54,533		
Alternative investments (Note 1)	442,330			442,330
Assets whose use is limited				
Short-term money market and treasury investments	28,439	28,439		
Debt and equity mutual funds	75,265	75,265		
Assets on deposit with regulatory authorities	2,000	2,000		
Total	<u>\$ 1,051,724</u>	<u>\$609,394</u>	<u>\$ -</u>	<u>\$442,330</u>

The fair value hierarchy classification of assets in the system-wide investment pool and assets whose use is limited at September 30, 2013, is summarized in the table below

<b>Fair Value Measurement at September 30, 2013</b>				
	<b>September 30, 2013</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Short-term money market investments	\$ 3,834	\$ 3,834	\$ -	\$ -
Mutual funds	437,218	437,218		
Domestic equity securities	78,966	78,966		
Alternative investments (Note 1)	322,725			322,725
Assets whose use is limited				
Short-term money market and treasury investments	16,744	16,744		
Debt and equity mutual funds	59,741	59,741		
Assets on deposit with regulatory authorities	<u>2,000</u>	<u>2,000</u>		
Total	<u>\$921,228</u>	<u>\$598,503</u>	<u>\$ -</u>	<u>\$322,725</u>

The table below discloses the redemption frequency and redemption notice period for each applicable investment class as of September 30, 2014 and 2013, for which fair value is measured using the reported NAV per share of the investment. Such investments are classified within Level 3 of the fair value hierarchy because they cannot be redeemed by Carilion at the reported NAV as of the measurement date but, rather, are subject to the redemption frequency and notice periods described in the table below

	<b>2014</b>	<b>2013</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Core hedge funds	\$ 134,791	\$ 41,429	Quarterly	45–91 days
Core hedge funds	97,812	88,706	Annually/Quarterly	90-105 days
Low volatility hedge funds	6,975	9,381	Scheduled liquidation	N/A
Private equity funds	34,667	35,771	N/A	N/A
Real estate funds	105,756	95,395	Quarterly	45–60 days
Inflation sensitive funds	34,155	28,794	Monthly	10 days
Macro trading funds	<u>28,174</u>	<u>23,249</u>	Quarterly	90 days
Total	<u>\$ 442,330</u>	<u>\$ 322,725</u>		

**Pension Plan Assets** — The fair value hierarchy classification of pension plan assets at September 30, 2014 and 2013, is summarized in the tables below

<b>Fair Value Measurement at September 30, 2014</b>				
	<b>September 30, 2014</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Short-term money market investments	\$ 6.267	\$ 6.267	\$ -	\$ -
Common stocks	44.901	44.901		
Mutual funds				
Fixed income	199.994	199.994		
Global equity	184.380	184.380		
Multi-strategy	21.660	21.660		
Alternative investments (Note 1)				
Private equity securities	38.654			38.654
Core hedge funds	98.598			98.598
Low volatility hedge funds	3.996			3.996
Real estate funds	63.030			63.030
Inflation sensitive funds	19.682			19.682
Macro trading funds	25.810			25.810
Total	<u>\$706.972</u>	<u>\$457.202</u>	<u>\$ -</u>	<u>\$249.770</u>

<b>Fair Value Measurement at September 30, 2013</b>				
	<b>September 30, 2013</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Short-term money market investments	\$ 17.551	\$ 17.551	\$ -	\$ -
Common stocks	72.798	72.798		
Mutual funds				
Fixed income	160.273	160.273		
Global equity	134.647	134.647		
Multi-strategy	58.484	58.484		
Alternative investments (Note 1)				
Private equity securities	15.999			15.999
Core hedge funds	76.123			76.123
Low volatility hedge funds	5.653			5.653
Real estate funds	58.029			58.029
Inflation sensitive funds	16.487			16.487
Macro trading funds	21.272			21.272
Total	<u>\$637.316</u>	<u>\$443.753</u>	<u>\$ -</u>	<u>\$193.563</u>

A reconciliation of changes in beginning and ending balances for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended September 30, 2014 and 2013, is as follows

	Fair Value Measurements Using Significant Unobservable Inputs Level 3						
	Private Equity Securities (a)	Core Hedge Funds (b)	Low Volatility Hedge Funds (c)	Real Estate (d)	Inflation Sensitive (e)	Macro Trading (f)	Total
Ending balance — September 30, 2012	\$29.889	\$106.622	\$11.707	\$ 85.138	\$22.410	\$18.191	\$273.957
Total gains (losses)	6.580	11.513	698	10.257	(2.116)	5.058	31.990
Purchases	4.464	12.000			8.500		24.964
Sales	(5.162)		(3.024)				(8.186)
Ending balance — September 30, 2013	35.771	130.135	9.381	95.395	28.794	23.249	322.725
Total gains	5.296	9.660	44	10.361	361	4.925	30.647
Purchases	6.579	93.000			5.000		104.579
Sales	(12.979)	(192)	(2.450)				(15.621)
Ending balance — September 30, 2014	<u>\$34.667</u>	<u>\$232.603</u>	<u>\$ 6.975</u>	<u>\$105.756</u>	<u>\$34.155</u>	<u>\$28.174</u>	<u>\$442.330</u>

A reconciliation of changes in beginning and ending balances for Plan investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended September 30, 2014 and 2013, is as follows.

	Fair Value Measurements Using Significant Unobservable Inputs Level 3						
	Private Equity Securities (a)	Core Hedge Funds (b)	Low Volatility Hedge Funds (c)	Real Estate (d)	Inflation Sensitive (e)	Macro Trading (f)	Total
Ending balance — September 30, 2012	\$14.986	\$ 68.436	\$ 7.490	\$50.727	\$ 15.973	\$16.579	\$174.191
Total gains (losses)	209	7.876	18	7.302	(1,486)	4.693	18.612
Purchases	3.633				2,000		5.633
Sales	(2.829)	(189)	(1.855)				(4.873)
Ending balance — September 30, 2013	15.999	76.123	5.653	58.029	16.487	21.272	193.563
Total gains (losses)	3.920	7.860	(258)	5.001	195	4.538	21.256
Purchases	22.705	15.000			3,000		40.705
Sales	(3.970)	(385)	(1.399)				(5.754)
Ending balance — September 30, 2014	<u>\$38.654</u>	<u>\$ 98.598</u>	<u>\$ 3.996</u>	<u>\$63.030</u>	<u>\$ 19.682</u>	<u>\$25.810</u>	<u>\$249.770</u>

a) This class includes several private equity funds and cannot be directly redeemed. Instead, the nature of the investments in this category class is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over five to eight years.

b) This class includes investments in fund-of-fund hedge funds that invest both long and short primarily in domestic common stocks. The funds' strategy is to maintain a low correlation to the market and low volatility.

c) This class includes investments in fund-of-fund hedge funds that seek to achieve long-term, nonmarket directional returns with low relative volatility by utilizing a variety of defensive hedge fund strategies.

d) This class includes a real estate investment trust and a fund made up of participating mortgages.

e) This class invests primarily in liquid asset categories that offer negative correlation in a rising-inflation environment.

f) This class invests in a global macro hedge fund strategy that combines both systematic and discretionary trading in global asset classes and financial markets and also invests in the leveraged bank loan market.

**Interest Rate Swap Agreements** — The fair values of Carilion's interest rate swap agreements are determined using a standard valuation model based on observable inputs, including interest rate indices, and unobservable inputs, including extrapolations of observable inputs over the unobservable portion of the duration of the instrument. Interest rate swap agreements are classified as Level 3 fair value measurements because the unobservable inputs are significant to the overall fair value measurement.

**Long-Term Debt** — Fair values of Carilion's long-term debt are estimated using standard valuation models and/or quoted market prices for its bonds available close to the measurement date and were \$621,433 and \$611,443 as of September 30, 2014 and 2013, respectively (Level 2).

**Other Assets and Liabilities** — The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, and accrued expenses and other liabilities approximate fair value because of the short maturity of these instruments.

**Nonrecurring Fair Value Measurements** — In addition to assets and liabilities that are recorded at fair value on a recurring basis, Carilion records assets and liabilities at fair value on a nonrecurring basis as required by U.S. GAAP. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges. There were no material nonrecurring fair value measurements as of or during the years ended September 30, 2014 and 2013.

## **17. RELATED-PARTY TRANSACTIONS**

Expenses for lab services provided by LGH were \$27,538 and \$39,447 for the eight month period ended May 31, 2014 and the year ended September 30, 2013, respectively, and are included in supplies and other expenses in the accompanying consolidated statements of operations.

Revenues for services provided to BMH were \$3,951 and \$5,401 for the nine month period ended June 30, 2014 and the year ended September 30, 2013, respectively, and are included in other operating revenue in the accompanying consolidated statements of operations.

## **18. ENDOWMENT FUNDS**

Carilion's permanently restricted net assets consist primarily of one endowment fund. The income derived from the endowment fund is required by donor stipulations to be used for neonatal and pediatric care. Management has determined that assets whose use is limited that have been designated by the board for future capital improvements are not endowments because such assets are not required to be maintained permanently or for a specified term.

Management has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, Carilion classifies permanently restricted net assets at the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment funds that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Carilion consistent with the donor's wishes. Losses on the investments of donor-restricted endowment funds are recorded as a reduction of temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets and are excluded from the excess of unrestricted revenues and gains over expenses.

In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income, and the appreciation of investments and other resources of Carilion.

Endowment net assets are held in the systemwide investment pool (see Note 4) and are subject to Carilion's investment policies. The endowment net asset composition at September 30, 2014 and 2013, is composed of the following.

	<b>2014</b>	<b>2013</b>
Endowment net asset composition:		
Temporarily restricted	\$ 3,297	\$ 2,723
Permanently restricted	<u>11,876</u>	<u>11,876</u>
Total	<u>\$ 15,173</u>	<u>\$ 14,599</u>

Changes in endowment assets for the year ended September 30, 2014, consisted of the following:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets — beginning of year	\$ -	\$ 2,723	\$ 11,876	\$ 14,599
Investment income		1,242		1,242
Appropriations of endowment assets for expenditure	<u>      </u>	<u>(668)</u>	<u>      </u>	<u>(668)</u>
Endowment net assets — end of year	<u>\$ -</u>	<u>\$ 3,297</u>	<u>\$ 11,876</u>	<u>\$ 15,173</u>

Changes in endowment assets for the year ended September 30, 2013, consisted of the following:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets — beginning of year	\$ -	\$ 1,778	\$ 11,876	\$ 13,654
Investment income		1,429		1,429
Appropriations of endowment assets for expenditure	<u>      </u>	<u>(484)</u>	<u>      </u>	<u>(484)</u>
Endowment net assets — end of year	<u>\$ -</u>	<u>\$ 2,723</u>	<u>\$ 11,876</u>	<u>\$ 14,599</u>

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