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2013

Open to Public
Inspection

Form 990

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

► Do not enter Social Security numbers on this form as it may be made public. By law, the IRS generally cannot redact the information on the form.

► Information about Form 990 and its instructions is at www.irs.gov/form990

A For the 2013 calendar year, or tax year beginning 10-01-2013, 2013, and ending 09-30-2014

B Check if applicable	C Name of organization Herbert J Thomas Memorial Hospital Association		D Employer identification number 55-0404900
<input type="checkbox"/> Address change	Doing Business As Thomas Memorial Hospital		E Telephone number (304) 766-3528
<input type="checkbox"/> Name change	Number and street (or P O box if mail is not delivered to street address) 4605 MacCorkle Avenue SW		F Gross receipts \$ 192,442,041
<input type="checkbox"/> Initial return	Room/suite		
<input type="checkbox"/> Terminated	City or town, state or province, country, and ZIP or foreign postal code South Charleston, WV 25309		G
<input type="checkbox"/> Amended return	F Name and address of principal officer Stephen P Dexter 4605 MacCorkle Avenue SW South Charleston, WV 25309		H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Application pending			H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions)
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		J Website: ► www.thomasawv.org	
K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ►		L Year of formation 1946	M State of legal domicile WV

Part I Summary

1 Briefly describe the organization's mission or most significant activities To provide health care services to residents of South Charleston, WV and surrounding communities		
2 Check this box ► if the organization discontinued its operations or disposed of more than 25% of its net assets		
3 Number of voting members of the governing body (Part VI, line 1a)	3	8
4 Number of independent voting members of the governing body (Part VI, line 1b)	4	7
5 Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	1,469
6 Total number of volunteers (estimate if necessary)	6	156
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	-8,842
b Net unrelated business taxable income from Form 990-T, line 34	7b	-10,244

Activities & Governance

Revenue

Expenses

Net Assets or Fund Balances

Part II Signature Block

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

Sign Here	***** Signature of officer Charles O Covert Vice President of Finance Type or print name and title	2015-08-13 Date
-----------	-------------------------------------------------------------------------------------------------------------	--------------------

Paid Preparer Use Only	Print/Type preparer's name Harry C Harless	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN P0142847
	Firm's name ► Arnett Carbis Toothman LLP			Firm's EIN ► 55-0486667	
	Firm's address ► P O Box 2629 Charleston, WV 25329			Phone no (304) 346-0441	

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

Part III Statement of Program Service Accomplishments

Statement of Program Service Accomplishments
Check if Schedule O contains a response or note to any line in this Part II

1 Briefly describe the organization's mission

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

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? Yes No

If "Yes," describe these new services on Schedule C

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

If "Yes," describe these changes on Schedule C.

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

4a (Code) (Expenses \$ 178,953,047 including grants of \$ 149,897) (Revenue \$ 173,839,875

Services provided by the hospital include 49,063 inpatient days and 184,291 outpatient visits. The hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Charges forgone for charity amounted to \$3,050,576. The hospital provided community education activities and sponsors free health screening and wellness programs.

4b (Code) (Expenses \$ including grants of \$) (Revenue \$

4c (Code) (Expenses \$ including grants of \$) (Revenue \$

4d Other program services (Describe in Schedule O)

(Expenses \$**1,000,000** including grants of \$**1,000,000**) (Revenue \$**1,000,000**)

4e Total program service expenses **►** 178 953 047

Part IV Checklist of Required Schedules

1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A

2 Is the organization required to complete Schedule B, *Schedule of Contributors* (see instructions)?

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

4 **Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II

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

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

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

8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III

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

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

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

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

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

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

e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X

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 XI

12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII

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

13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E

14a Did the organization maintain an office, employees, or agents outside of the United States?

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

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

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

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)

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

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

20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H

b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?

	Yes	No
1	Yes	
2	Yes	
3		No
4	Yes	
5		No
6		No
7		No
8		No
9		No
10		No
11a	Yes	
11b		No
11c		No
11d		No
11e	Yes	
11f		No
12a		No
12b	Yes	
13		No
14a		No
14b		No
15		No
16		No
17		No
18		No
19		No
20a	Yes	
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? If "Yes," complete Schedule I, Parts I and II	21	Yes	
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? If "Yes," complete Schedule I, Parts I and III	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? If "Yes," complete Schedule J	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? If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a	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	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part 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? If "Yes," complete Schedule L, Part 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? If so, complete Schedule L, Part II	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? If "Yes," complete Schedule L, Part III	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)	28a	No	
a	A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28b	No	
b	A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28c	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? If "Yes," complete Schedule L, Part IV	29	No	
29	Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M	30	No	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M	31	No	
31	Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I	32	No	
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II	33	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? If "Yes," complete Schedule R, Part I	34	Yes	
34	Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1	35a	No	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35b		
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)? If "Yes," complete Schedule R, Part V, line 2	36	No	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2	37	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? If "Yes," complete Schedule R, Part VI	38	Yes	
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19?			
	Note. All Form 990 filers are required to complete Schedule O			

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	155	
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	1,469	
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b	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).	7a	No	
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? . . .	7b		
b If "Yes," did the organization notify the donor of the value of the goods or services provided? . . .	7c	No	
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? . . .	7d		
d If "Yes," indicate the number of Forms 8282 filed during the year . . .	7e	No	
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? . . .	7f	No	
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . . .	7g		
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? . . .	7h		
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? . . .	8		
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? . . .	9a		
9 Sponsoring organizations maintaining donor advised funds.	9b		
a Did the organization make any taxable distributions under section 4966? . . .			
b Did the organization make a distribution to a donor, donor advisor, or related person? . . .			
10 Section 501(c)(7) organizations. Enter	10a		
a Initiation fees and capital contributions included on Part VIII, line 12 . . .	10b		
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities			
11 Section 501(c)(12) organizations. Enter	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.	13a		
a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O	13b		
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 . . .	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	1a	8	
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			
b Enter the number of voting members included in line 1a, above, who are independent	1b	7	
2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		No
4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5 Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6 Did the organization have members or stockholders?	6	Yes	
7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes	
b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b		No
8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following	8a	Yes	
a The governing body?	8b	Yes	
b Each committee with authority to act on behalf of the governing body?	9		No
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			

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

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

Section C. Disclosure

- 17 List the States with which a copy of this Form 990 is required to be filed
- 18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you made these available. Check all that apply
 Own website Another's website Upon request 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

Charles O Covert 4605 MacCorkle Ave SW
South Charleston, WV 25309 (304) 766-3528

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent ContractorsCheck 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
		Or director Individual trustee	Institutional Trustee	Office	Key Employee	Highest Compensated	Former			
(1) Steve White Chairman	1 00 1 00	X						0	0	0
(2) Larry Bissett Trustee	1 00 1 00	X						0	0	0
(3) Daniel J Lauffer Trustee	1 00 40 00	X						0	0	0
(4) Donna Panucci DDS Trustee	1 00	X						0	0	0
(5) Dennis Sutton Trustee	1 00 1 00	X						0	0	0
(6) Matthew MacCallum DO Trustee	1 00	X						0	0	0
(7) Tom Takubo DO Trustee	1 00	X						0	0	0
(8) Jason Tackett DO Trustee	1 00	X						0	0	0
(9) Stephen P Dexter President/CEO	40 00		X					712,075	0	26,729
(10) Charles O Covert Vice President/CFO	40 00		X					316,307	0	26,566
(11) Robert J Gray Senior Vice President	40 00		X					286,863	0	26,326
(12) Cynthia W Barnette Senior Vice President	40 00		X					282,552	0	26,303
(13) Brian Ulery Vice President	40 00		X					48,977	0	4,929
(14) Tarek Anderson Neonatologist	40 00			X				293,685	0	22,699
(15) Marybeth Smith Director Human Resources	40 00			X				170,694	0	22,699
(16) Paul Stobie Neonatologist	40 00			X				301,456	0	21,544
(17) Ken Priddy Pharmacy Director	40 00			X				172,770	0	21,583

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

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **47**

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Professional Anesthesia Services 110 Roane St Charleston WV 25302	Anesthesia service	1,390,900
HMP of Kanawha County PO Box 645037 Cincinnati OH 452645037	Hospitalist physicians	1,384,843
Advanced Technical Solutions 107 Erskine Lane Scott Depot WV 25560	Information systems consulting	1,330,618
ISS Solutions PO Box 13700-1066 Philadelphia PA 19191	Biomed	813,887
Jackson Kelly 500 Lee Street East Charleston WV 25301	Legal	565,798
2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization	11	

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization **►41**

Part VIII Statement of RevenueCheck if Schedule O contains a response or note to any line in this Part VIII

		(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a Federated campaigns	1a			
	b Membership dues	1b			
	c Fundraising events	1c			
	d Related organizations	1d	316,116		
	e Government grants (contributions)	1e			
	f All other contributions, gifts, grants, and similar amounts not included above	1f	70,334		
	g Noncash contributions included in lines 1a-1f \$				
	h Total. Add lines 1a-1f		386,450		
Program Service Revenue	2a Patient services	Business Code 622110	171,932,774	171,932,774	
	b EHR Incentive	900099	1,907,101	1,907,101	
	c				
	d				
	e				
	f All other program service revenue				
	g Total. Add lines 2a-2f		173,839,875		
	3 Investment income (including dividends, interest, and other similar amounts)		607,083		-8,842
4 Income from investment of tax-exempt bond proceeds					
5 Royalties					
6a Gross rents	(I) Real 1,535,198				
b Less rental expenses	0				
c Rental income or (loss)	1,535,198				
d Net rental income or (loss)		1,535,198			1,535,198
7a Gross amount from sales of assets other than inventory	(I) Securities 14,298,723	(II) Other 106,468			
b Less cost or other basis and sales expenses	14,092,679	104,252			
c Gain or (loss)	206,044	2,216			
d Net gain or (loss)		208,260			208,260
8a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a				
b Less direct expenses	b				
c Net income or (loss) from fundraising events					
9a Gross income from gaming activities See Part IV, line 19	a				
b Less direct expenses	b				
c Net income or (loss) from gaming activities					
10a Gross sales of inventory, less returns and allowances	a				
b Less cost of goods sold	b				
c Net income or (loss) from sales of inventory					
Miscellaneous Revenue		Business Code			
11a Cafeteria & vending	722212	464,753			464,753
b Legal Settlements	900099	412,500			412,500
c Parking	812930	181,378			181,378
d All other revenue		609,613			609,613
e Total. Add lines 11a-11d		1,668,244			
12 Total revenue. See Instructions		178,245,110	173,839,875	-8,842	4,027,627

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	149,897	149,897		
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 . . .	2,232,215	2,191,365	40,850	
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	54,938,685	53,933,307	1,005,378	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions) . . .	5,869,599	5,762,185	107,414	
9 Other employee benefits . . .	8,708,002	8,548,646	159,356	
10 Payroll taxes . . .	3,934,352	3,862,353	71,999	
11 Fees for services (non-employees)				
a Management . . .				
b Legal . . .	78,978		78,978	
c Accounting . . .	410,283		410,283	
d Lobbying . . .	48,000		48,000	
e Professional fundraising services See Part IV, line 17				
f Investment management fees . . .				
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O) . . .	13,436,216	13,190,333	245,883	
12 Advertising and promotion . . .	246,553	242,041	4,512	
13 Office expenses . . .	12,717,916	12,485,178	232,738	
14 Information technology . . .	5,038,026	4,945,830	92,196	
15 Royalties . .				
16 Occupancy . . .	4,021,081	3,947,495	73,586	
17 Travel . . .	117,704	115,550	2,154	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials . . .				
19 Conferences, conventions, and meetings . . .				
20 Interest . . .	6,135,263	6,022,988	112,275	
21 Payments to affiliates . . .				
22 Depreciation, depletion, and amortization . . .	10,876,353	10,677,316	199,037	
23 Insurance . . .	3,652,855	3,586,008	66,847	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a Medical supplies	28,947,028	28,947,028		
b Bad debts	12,366,968	12,366,968		
c Healthcare provider tax	3,896,010	3,896,010		
d Sales & use taxes	1,576,958	1,548,100	28,858	
e All other expenses	2,576,678	2,534,449	42,229	
25 Total functional expenses. Add lines 1 through 24e	181,975,620	178,953,047	3,022,573	0
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ► if following SOP 98-2 (ASC 958-720)				

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

		(A) Beginning of year	(B) End of year
Assets	1 Cash—non-interest-bearing	508,867	1 118,339
	2 Savings and temporary cash investments	11,017,623	2 10,013,551
	3 Pledges and grants receivable, net	3	
	4 Accounts receivable, net	15,707,448	4 17,323,974
	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	3,814,848	8 4,035,980
	9 Prepaid expenses and deferred charges	1,644,214	9 1,312,365
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 296,809,639	
	b Less accumulated depreciation	10b 174,948,552	128,161,946 10c 121,861,087
	11 Investments—publicly traded securities	50,912,351	11 51,787,226
	12 Investments—other securities See Part IV, line 11	456,916	12 1,259,995
	13 Investments—program-related See Part IV, line 11	13	
	14 Intangible assets	14	
	15 Other assets See Part IV, line 11	4,762,936	15 2,969,230
	16 Total assets. Add lines 1 through 15 (must equal line 34)	216,987,149	16 210,681,747
Liabilities	17 Accounts payable and accrued expenses	15,576,716	17 17,914,183
	18 Grants payable	18	
	19 Deferred revenue	109,097	19 49,910
	20 Tax-exempt bond liabilities	101,358,016	20 100,635,547
	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	34,593	23 0
	24 Unsecured notes and loans payable to unrelated third parties	24	
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D	43,095,054	25 45,243,309
	26 Total liabilities. Add lines 17 through 25	160,173,476	26 163,842,949
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	56,813,673	27 46,838,798
	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	56,813,673	33 46,838,798
	34 Total liabilities and net assets/fund balances	216,987,149	34 210,681,747

Part XI Reconciliation of Net AssetsCheck 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	178,245,110
2	Total expenses (must equal Part IX, column (A), line 25)	2	181,975,620
3	Revenue less expenses Subtract line 2 from line 1	3	-3,730,510
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	56,813,673
5	Net unrealized gains (losses) on investments	5	2,382,967
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-8,627,332
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	46,838,798

Part XII Financial Statements and ReportingCheck 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	2a	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	2b	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	2c	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?	3a	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	3b	

SCHEDULE A
(Form 990 or 990EZ)**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.

2013**Open to Public
Inspection**Department of the
Treasury
Internal Revenue Service

► 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.**Name of the organization**

Herbert J Thomas Memorial Hospital Association

Employer identification number

55-0404900

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

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

1 A church, convention of churches, or association of churches 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 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2)**. (Complete Part III)

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

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

e a Type I b Type II c Type III - Functionally integrated d Type III - Non-functionally integrated

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 III Support 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).**Facts And Circumstances Test**

Return Reference

Explanation

SCHEDULE C
(Form 990 or 990-EZ)**Political Campaign and Lobbying Activities****2013****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.

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

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

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

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

- 1 Enter the amount of any excise tax incurred by the organization under section 4955 ► \$ _____
- 2 Enter the amount of any excise tax incurred by organization managers under section 4955 ► \$ _____
- 3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? Yes No
- 4a Was a correction made? Yes No
- b If "Yes," describe in Part IV

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

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

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

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

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)			
b Total lobbying expenditures to influence a legislative body (direct lobbying)			
c Total lobbying expenditures (add lines 1a and 1b)			
d Other exempt purpose expenditures			
e Total exempt purpose expenditures (add lines 1c and 1d)			
f Lobbying nontaxable amount Enter the amount from the following table in both columns			
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?	Yes		13,413	
g Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		48,000	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?	No			
i Other activities?	No			
j Total Add lines 1c through 1i			61,413	
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			
	2			
3		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?		
5 Taxable amount of lobbying and political expenditures (see instructions)	4	
	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-B, line 2, and Part II-B, line 1. Also, complete this part for any additional information

Return Reference	Explanation
Part II-B, Line 1	Line 1f A portion of dues paid by the hospital to the American Hospital Association and the West Virginia Hospital Association is attributable to lobbying

Part IV Supplemental Information (continued)

Schedule D (Form 990) 2013

SCHEDULE D
(Form 990)**Supplemental Financial Statements**

OMB No 1545-0047

2013

► 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.

Open to Public InspectionDepartment of the Treasury
Internal Revenue Service**Name of the organization**

Herbert J Thomas Memorial Hospital Association

Employer identification number

55-0404900

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

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate contributions to (during year)		
3 Aggregate grants from (during year)		
4 Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? Yes No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? Yes No

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)	<input type="checkbox"/> Preservation of land for public use (e.g., recreation or education) <input type="checkbox"/> Preservation of an historically important land area
	<input type="checkbox"/> Protection of natural habitat <input type="checkbox"/> Preservation of a certified historic structure
	<input type="checkbox"/> 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	
a Total number of conservation easements	Held at the End of the Year
b Total acreage restricted by conservation easements	2a
c Number of conservation easements on a certified historic structure included in (a)	2b
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2c
	2d

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 <input type="checkbox"/> Public exhibition	d <input type="checkbox"/> Loan or exchange programs
b <input type="checkbox"/> Scholarly research	e <input type="checkbox"/> Other
c <input type="checkbox"/> Preservation for future generations	

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

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? Yes No

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

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? Yes No

b If "Yes," explain the arrangement in Part XIII and complete the following table

	Amount
1c	
1d	
1e	
1f	

2a Did the organization include an amount on Form 990, Part X, line 21? Yes No

b If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII

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

	(a) Current year	(b) Prior year	(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

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

Yes	No
3a(i)	
3a(ii)	
3b	

4 Describe in Part 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		11,422,751			11,422,751
b Buildings		150,852,670	66,898,168		83,954,502
c Leasehold improvements					
d Equipment		122,592,584	103,710,144		18,882,440
e Other		11,941,634	4,340,240		7,601,394
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)					121,861,087

Part VII Investments—Other Securities. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
		</td

Total. (Column (b) must equal Form 990, Part X, col (B) line 12)

Part VIII Investments—Program Related. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

Total. (Column (b) must equal Form 990, Part X, col (B) line 13)

Part IX Other Assets. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

Total (Column (b) must equal Form 990, Part X, col (B) line 15)

Part X Other Liabilities. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

Form 990, Part X, line 25.		
1	(a) Description of liability	(b) Book value
Federal income taxes		
Accrued pension benefits		26,266,000
Estimated malpractice liability		10,593,571
Estimated third party settlements		1,334,400
Capital lease obligations		2,313,841
Accrued interest payable		4,735,471
Total (Column (b) must equal Form 990, Part X, col (B), line 25.)		45,243,202

2. Liability for uncertain tax positions In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII.

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.

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

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.

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

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 XIII Supplemental Information (continued)

Return Reference	Explanation

SCHEDULE H
(Form 990)

Hospitals

OMB No 1545-0047

Department of the Treasury
Internal Revenue Service

► 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.

2013

Open to Public
Inspection

Name of the organization

Herbert J Thomas Memorial Hospital Association

Employer identification number

55-0404900

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	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	3a Yes	
<input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %		
b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care	3b No	
<input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %		
c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care		
4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4 Yes	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a Yes	
b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b No	
c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c	
6a Did the organization prepare a community benefit report during the tax year?	6a Yes	
b If "Yes," did the organization make it available to the public?	6b Yes	
Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H		
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)			1,085,700		1,085,700	0 640 %
b Medicaid (from Worksheet 3, column a)			34,274,161	19,838,467	14,435,694	8 510 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			35,359,861	19,838,467	15,521,394	9 150 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			149,897		149,897	0 090 %
j Total Other Benefits			149,897		149,897	0 090 %
k Total Add lines 7d and 7j			35,509,758	19,838,467	15,671,291	9 240 %

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

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

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense	Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1	No
2 Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount	2	4,401,404
3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3	
4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements		
Section B. Medicare		
5 Enter total revenue received from Medicare (including DSH and IME)	5	42,052,670
6 Enter Medicare allowable costs of care relating to payments on line 5	6	42,757,873
7 Subtract line 6 from line 5. This is the surplus (or shortfall)	7	-705,203
8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used		
<input type="checkbox"/> Cost accounting system	<input type="checkbox"/> Cost to charge ratio	<input checked="" type="checkbox"/> Other
Section C. Collection Practices		
9a Did the organization have a written debt collection policy during the tax year?	9a	Yes
b If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	No

Part IV Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)

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

1

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

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)

Herbert J Thomas Memorial 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	1 Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)		
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input 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 13		
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 Yes	
5	Did the hospital facility make its CHNA report widely available to the public?	5 Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)		
a	<input checked="" type="checkbox"/> Hospital facility's website (list url) <u>www.thomaswv.org</u>		
b	<input type="checkbox"/> Other website (list url) _____		
c	<input checked="" type="checkbox"/> Available upon request from the hospital facility		
d	<input type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply 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 type="checkbox"/> Execution of the implementation strategy		
c	<input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d	<input type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input checked="" type="checkbox"/> Prioritization of health needs in its community		
h	<input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7 No	
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a No	
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V Facility Information (continued)

Financial Assistance Policy		Yes	No
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 <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used	10	Yes
11	Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>%</u> If "No," explain in Part VI the criteria the hospital facility used	11	No
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12	Yes
a	<input checked="" type="checkbox"/> Income level		
b	<input type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input checked="" type="checkbox"/> Medicaid/Medicare		
g	<input type="checkbox"/> State regulation		
h	<input type="checkbox"/> Residency		
i	<input type="checkbox"/> Other (describe in Part VI)		
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)	14	Yes
a	<input type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input checked="" 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)		
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 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	17	No
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		

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

19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?

If "No," indicate why

- a The hospital facility did not provide care for any emergency medical conditions
- b The hospital facility's policy was not in writing
- c The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d Other (describe in Part VI)

	Yes	No
19 Yes		

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 The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d Other (describe in Part VI)

21		No

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?

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?

If "Yes," explain in Part VI

22		No

Part V Facility Information (continued)

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.

Form and Line Reference	Explanation
See Additional Data Table	

Schedule H (Form 990) 2013

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? _____

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

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 CHNA's 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	All uninsured (private pay) patients receive a 20% discount. There is an additional 20% prompt pay discount.

Form and Line Reference	Explanation
Part I, Line 6a	Kanawha Coalition For Community Health Improvement, PO Box 1547, Charleston, WV 25326

Form and Line Reference	Explanation
Part I, Line 7	The cost of charity care and unreimbursed Medicaid was estimated using a cost to charge ratio derived from Worksheet 2 of the Schedule H instructions. The amount of cash and in-kind contributions to community groups was obtained from the hospital's accounting records.

Form and Line Reference	Explanation
Part I, Line 7, Column (f)	The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A), but subtracted for purposes of calculating the percentage in this column is \$ 12,366,968

Form and Line Reference	Explanation
Part I, 6b	The community benefit report was posted on the Hospital's website and hard copies are available

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

Form and Line Reference	Explanation
Part III, Line 8	Medicare costs were obtained from the Hospital's Medicare cost report

Form and Line Reference	Explanation
Part III, Line 9b	The organization's collection policies do not apply to patients that are known to qualify for financial assistance. Additionally, the organization has a separate Financial Assistance policy, patients who qualify for assistance under the policy do not receive a bill.

Form and Line Reference	Explanation
Part VI, Line 2	The hospital is a member of the Kanawha Coalition for Community Health Improvement. The Coalition conducts a survey every three years to assess health care needs of the community. Results of the survey are presented in a meeting of community leaders and other interested persons, and are conveyed to the general public by local media. Results of the most recent survey were released in 2013.

Form and Line Reference	Explanation
Part VI, Line 3	The organization informs and educates patients about their eligibility for assistance by (1) providing a copy of the policy, or a summary thereof, and financial assistance contact information to patients as a part of the intake process, (2) including the policy, or a summary thereof, along with financial assistance contact information, in patient bills, and (3) discussing with the patient the availability of various government benefits, such as Medicaid or state programs, and assisting the patient with qualification for such programs, where available

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

Form and Line Reference	Explanation
Part VI, Line 5	All members of the hospital's Board of Directors reside in the local community. The hospital extends medical staff privileges to all qualified physicians in the community who meet specific credentialing criteria. The hospital's 24 hour emergency room is available to all persons, regardless of ability to pay. The hospital prepares its budget to ensure adequate funding for capital improvements that are made on an on-going basis. During the year, the hospital received \$386,450 in contributions. These contributions enabled the hospital to fund its capital improvements and to provide financial assistance to individuals unable to pay for some or all of their care.

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

Additional Data

Software ID:
Software Version:
EIN: 55-0404900
Name: Herbert J Thomas Memorial Hospital Association

990 Schedule H, Supplemental Information

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.

Form and Line Reference	Explanation
Herbert J Thomas Memorial Hospital	
Herbert J Thomas Memorial Hospital	Part V, Section B, Line 4 St Francis Hospital, Charleston Area Medical Center, Highland Hospital, Women & Children's Hospital
Herbert J Thomas Memorial Hospital	Part V, Section B, Line 7 Due to limited financial resources, not all needs identified have been addressed
Herbert J Thomas Memorial Hospital	Part V, Section B, Line 11 The hospital provides a 20% discount to individuals who do not have commercial insurance coverage and who do not qualify for Medicare, Medicaid, or free care. An additional 20% prompt pay discount is provided to patients who pay at the time service is rendered
Herbert J Thomas Memorial Hospital	Part V, Section B, Line 18e If a private pay patient presents to the Hospital for a scheduled procedure, prior to the procedure the patient is screened for Medicaid or any other type of third-party payor. If the patient does not qualify for any of the previously mentioned procedures and the procedure is deemed medically necessary then the patient is given a financial assistance application. If a patient comes through the Emergency Room or is admitted to the Hospital, the patient is screened by a third party organization to determine if they qualify for Medicaid or any other payor. If they are found ineligible for the previously mentioned programs, they are handed a financial assistance application. With every statement the patient receives, the financial assistance application is on the back of the statement
Herbert J Thomas Memorial Hospital	Part V, Section B, Line 20d The hospital analyzed its reimbursements from commercial insurance carriers and determined that reimbursement was approximately 80% of charges. The hospital provides a 20% discount to all patients who do not have commercial insurance and who do not qualify for Medicare, Medicaid, or financial assistance

**Schedule I
(Form 990)****Grants and Other Assistance to Organizations,
Governments and Individuals in the United States**

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

► Attach to Form 990

► Information about Schedule I (Form 990) and its instructions is at www.irs.gov/form990.**2013****Open to Public
Inspection**Department of the Treasury
Internal Revenue Service

Name of the organization

Herbert J Thomas Memorial Hospital Association

Employer identification number

55-0404900

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? Yes No

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

Part II Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) Marine Corps League PO Box 11203 Charleston, WV 25339	55-0762485	501(c)(6)	5,800				Sponsorship of Convention
(2) WV Health Right 1520 Washington St East Charleston, WV 25311	31-1066881	501(c)(3)	60,000				Support of indigent clinic
(3) American Heart Association 7272 Greenville Ave Dallas, TX 75231	13-5613797	501(c)(3)	20,000				Annual gala sponsorship
(4) CAMC Health Education 3200 MacCorkle Avenue SE Charleston, WV 25304	55-0753754	501(c)(3)	24,637				Support Kanawha Coalition for Health

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

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

Part III Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
 Part III can be duplicated if additional space is needed.

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

Part IV Supplemental Information. Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Return Reference	Explanation
Part I, Line 2	The Organization does not consider monitoring the use of grant proceeds a necessity as the organizations receiving the grants all receive audited financial statements

Schedule J
(Form 990)**Compensation Information**

OMB No 1545-0047

2013**Open to Public
Inspection**Department of the Treasury
Internal Revenue ServiceFor 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.Name of the organization
Herbert J Thomas Memorial Hospital Association

Employer identification number

55-0404900

Part I Questions Regarding Compensation**1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items

<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use
<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence
<input type="checkbox"/> Tax indemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees
<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)

b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain**2** 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?**3** Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III

<input checked="" type="checkbox"/> Compensation committee	<input type="checkbox"/> Written employment contract
<input checked="" type="checkbox"/> Independent compensation consultant	<input checked="" type="checkbox"/> Compensation survey or study
<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee

4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization**a** Receive a severance payment or change-of-control payment?**b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?**c** Participate in, or receive payment from, an equity-based compensation arrangement?

If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.**5** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of**a** The organization?**b** Any related organization?

If "Yes," to line 5a or 5b, describe in Part III

6 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of**a** The organization?**b** Any related organization?

If "Yes," to line 6a or 6b, describe in Part III

7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III**8** Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III**9** If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1b		
2		
4a		No
4b		No
4c		No
5a		No
5b		No
6a		No
6b		No
7		No
8		No
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) Stephen P Dexter President/CEO	(i) 548,347 (ii) 0	(i) 136,157 (ii) 0	(i) 27,571 (ii) 0	(i) 7,013 (ii) 0	(i) 31,020 (ii) 0	(i) 750,108 (ii) 0	(i) 0 (ii) 0
(2) Charles O Covert Vice President/CFO	(i) 266,238 (ii) 0	(i) 48,389 (ii) 0	(i) 1,680 (ii) 0	(i) 6,850 (ii) 0	(i) 24,912 (ii) 0	(i) 348,069 (ii) 0	(i) 0 (ii) 0
(3) Robert J Gray Senior Vice President	(i) 245,069 (ii) 0	(i) 39,703 (ii) 0	(i) 2,091 (ii) 0	(i) 6,610 (ii) 0	(i) 25,128 (ii) 0	(i) 318,601 (ii) 0	(i) 0 (ii) 0
(4) Cynthia W Barnette Senior Vice President	(i) 243,042 (ii) 0	(i) 38,339 (ii) 0	(i) 1,171 (ii) 0	(i) 6,587 (ii) 0	(i) 25,704 (ii) 0	(i) 314,843 (ii) 0	(i) 0 (ii) 0
(5) Tarek Anderson Neonatologist	(i) 293,685 (ii) 0	(i) 0 (ii) 0	(i) 0 (ii) 0	(i) 7,075 (ii) 0	(i) 15,624 (ii) 0	(i) 316,384 (ii) 0	(i) 0 (ii) 0
(6) Marybeth Smith Director Human Resources	(i) 170,694 (ii) 0	(i) 0 (ii) 0	(i) 0 (ii) 0	(i) 7,075 (ii) 0	(i) 15,624 (ii) 0	(i) 193,393 (ii) 0	(i) 0 (ii) 0
(7) Paul Stobie Neonatologist	(i) 301,456 (ii) 0	(i) 0 (ii) 0	(i) 0 (ii) 0	(i) 5,920 (ii) 0	(i) 15,624 (ii) 0	(i) 323,000 (ii) 0	(i) 0 (ii) 0
(8) Ken Priddy Pharmacy Director	(i) 172,770 (ii) 0	(i) 0 (ii) 0	(i) 0 (ii) 0	(i) 5,959 (ii) 0	(i) 15,624 (ii) 0	(i) 194,353 (ii) 0	(i) 0 (ii) 0
(9) Mitch Vickers Pharmacist	(i) 167,562 (ii) 0	(i) 0 (ii) 0	(i) 0 (ii) 0	(i) 5,985 (ii) 0	(i) 15,624 (ii) 0	(i) 189,171 (ii) 0	(i) 0 (ii) 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
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Additional Data

Software ID:
Software Version:

EIN: 55-0404900

Name: Herbert J Thomas Memorial Hospital Association

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

(A) Name	(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
	(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Stephen P Dexter President/CEO	(i) 548,347 (ii) 0	(i) 136,157 (ii) 0	(i) 27,571 (ii) 0	(i) 7,013 (ii) 0	(i) 31,020 (ii) 0	(i) 750,108 (ii) 0	(i) 0 (ii) 0
Charles O Covert Vice President/CFO	(i) 266,238 (ii) 0	(i) 48,389 (ii) 0	(i) 1,680 (ii) 0	(i) 6,850 (ii) 0	(i) 24,912 (ii) 0	(i) 348,069 (ii) 0	(i) 0 (ii) 0
Robert J Gray Senior Vice President	(i) 245,069 (ii) 0	(i) 39,703 (ii) 0	(i) 2,091 (ii) 0	(i) 6,610 (ii) 0	(i) 25,128 (ii) 0	(i) 318,601 (ii) 0	(i) 0 (ii) 0
Cynthia W Barnette Senior Vice President	(i) 243,042 (ii) 0	(i) 38,339 (ii) 0	(i) 1,171 (ii) 0	(i) 6,587 (ii) 0	(i) 25,704 (ii) 0	(i) 314,843 (ii) 0	(i) 0 (ii) 0
Tarek Anderson Neonatologist	(i) 293,685 (ii) 0	(i) 0 (ii) 0	(i) 0 (ii) 0	(i) 7,075 (ii) 0	(i) 15,624 (ii) 0	(i) 316,384 (ii) 0	(i) 0 (ii) 0
Marybeth Smith Director Human Resources	(i) 170,694 (ii) 0	(i) 0 (ii) 0	(i) 0 (ii) 0	(i) 7,075 (ii) 0	(i) 15,624 (ii) 0	(i) 193,393 (ii) 0	(i) 0 (ii) 0
Paul Stobie Neonatologist	(i) 301,456 (ii) 0	(i) 0 (ii) 0	(i) 0 (ii) 0	(i) 5,920 (ii) 0	(i) 15,624 (ii) 0	(i) 323,000 (ii) 0	(i) 0 (ii) 0
Ken Priddy Pharmacy Director	(i) 172,770 (ii) 0	(i) 0 (ii) 0	(i) 0 (ii) 0	(i) 5,959 (ii) 0	(i) 15,624 (ii) 0	(i) 194,353 (ii) 0	(i) 0 (ii) 0
Mitch Vickers Pharmacist	(i) 167,562 (ii) 0	(i) 0 (ii) 0	(i) 0 (ii) 0	(i) 5,985 (ii) 0	(i) 15,624 (ii) 0	(i) 189,171 (ii) 0	(i) 0 (ii) 0

**Schedule K
(Form 990)****Supplemental Information on Tax Exempt Bonds****2013****Open to Public
Inspection**Department of the Treasury
Internal Revenue Service

► 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.

Name of the organization

Herbert J Thomas Memorial Hospital Association

Employer identification number

55-0404900

Part I Bond Issues

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

Part II Proceeds

1	Amount of bonds retired	A		B		C		D			
		2,269,933									
2	Amount of bonds legally defeased										
3	Total proceeds of issue	92,695,993									
4	Gross proceeds in reserve funds	7,223,714									
5	Capitalized interest from proceeds	10,534,952									
6	Proceeds in refunding escrows										
7	Issuance costs from proceeds	1,489,249									
8	Credit enhancement from proceeds										
9	Working capital expenditures from proceeds										
10	Capital expenditures from proceeds	73,448,078									
11	Other spent proceeds										
12	Other unspent proceeds										
13	Year of substantial completion	2010									
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
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

1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?	A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
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 ►	3 000 %							
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ►								
6 Total of lines 4 and 5	3 000 %							
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?		X						
b Exception to rebate?	X							
c No rebate due?		X						
If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3 Is the bond issue a variable rate issue?		X						
4a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X						
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was 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	Trinity Plus Funding							
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X							
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?								

Part VI Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

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.**2013****Open to Public
Inspection**Name of the organization
Herbert J Thomas Memorial Hospital Association**Employer identification number**

55-0404900

990 Schedule O, Supplemental Information

Return Reference	Explanation
Form 990, Part VI, Section A, line 6	
Form 990, Part VI, Section A, line 7a	The organization's board of directors is elected by its sole member, Thomas Health System, Inc
Form 990, Part VI, Section B, line 11	Thomas Health System, Inc (the System) is the sole member of the organization. The System's finance committee is responsible for financial management of the organization. The 990 is reviewed by the organization's CFO and the chairman of the finance committee. The 990 is then discussed with the System's finance committee and a copy is provided to all board members before it is filed with the IRS
Form 990, Part VI, Section B, line 12c	The organization regularly and consistently monitors and enforces compliance with our written conflict of interest policy by asking annually that all Trustees, officers and employees (managers) who have decision making/purchasing authority disclose any potential conflicts of interest. Disclosure forms are signed annually then logged onto a spread sheet that identifies any potential conflicts
Form 990, Part VI, Section B, line 15	The Executive Compensation Committee, comprised of members who are free of any conflicts of interest, adheres to a disciplined process for reviewing compensation for senior executives to ensure that the compensation is reasonable. The Committee has retained an independent consulting and advisory firm, Yaffe & Company, to provide appropriate market data as to comparability. The Committee reviews comparability data and other relevant evidence and approves the compensation of senior executives, provided, however, that in the case of the CEO, the Board, after review of the comparability data and other relevant evidence, including a recommendation from the Committee, has the final approval with regard to the CEO's compensation. Only those Board members who are free of conflicts of interest vote on the CEO's compensation. All compensation decisions, including the comparability data reviewed and any other relevant information considered, are contemporaneously documented in meeting minutes
Form 990, Part VI, Section C, line 19	The Hospital makes its governing documents, conflict of interest policy and financial statements available to the public upon request. These documents are maintained in the administrative offices of the hospital and are provided via copy upon request. The documents also can be reviewed on site at the hospital upon advance notice
Form 990, Part XI, line 9	Defined benefit pension plan adjustment -5,512,075. Equity transfer to related exempt organization - 3,115,257
Schedule K	On June 30, 2008, the West Virginia Hospital Finance Authority issued \$148,920,000 Hospital Improvement Revenue Bonds Series 2008 on behalf of Thomas Health System, Inc. Thomas Health System, Inc. is the sole member of Herbert J Thomas Memorial Hospital Association (Thomas Memorial Hospital) and Charleston Hospital, Inc. dba St. Francis Hospital. Bond proceeds, and related liability, were allocated between the two hospitals. Total proceeds of the issue reported in Part II, line 3 are net of bond discount in the amount of \$1,333,842

SCHEDULE R (Form 990)

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2013

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Name of the organization

Herbert J Thomas Memorial Hospital Association

Employer identification number

55-0404900

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

(a) Name, address, and EIN (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.

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.

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.

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

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

- a** Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)
- f** Dividends from related organization(s)
- g** Sale of assets to related organization(s)
- h** Purchase of assets from related organization(s)
- i** Exchange of assets with related organization(s)
- j** Lease of facilities, equipment, or other assets to related organization(s)
- k** Lease of facilities, equipment, or other assets from related organization(s)
- l** Performance of services or membership or fundraising solicitations for related organization(s)
- m** Performance of services or membership or fundraising solicitations by related organization(s)
- n** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- o** Sharing of paid employees with related organization(s)
- p** Reimbursement paid to related organization(s) for expenses
- q** Reimbursement paid by related organization(s) for expenses
- r** Other transfer of cash or property to related organization(s)
- s** Other transfer of cash or property from related organization(s)

	Yes	No
1a		No
1b		No
1c		No
1d		No
1e		No
1f		No
1g		No
1h		No
1i	Yes	
1j		No
1k		No
1l		No
1m		No
1n		No
1o		No
1p	Yes	
1q	Yes	
1r		No
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

Part VI Unrelated Organizations Taxable as a Partnership Complete if the organization answered "Yes" on Form 990, Part IV, line 37.

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.

Part VII Supplemental Information

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

Return Reference	Explanation
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Schedule R (Form 990) 2013

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidated Financial Report
September 30, 2014



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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Thomas Health System, Inc and its subsidiaries (the System) 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 Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Thomas Health System, Inc and its subsidiaries as of September 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Annett Carlis toothman LLP

Charleston, West Virginia
January 21, 2015

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30, 2014 and 2013

ASSETS	2014	2013
Current assets		
Cash and cash equivalents	\$ 16,389,772	\$ 17,598,054
Investments (Note 3)	7,837,599	7,169,027
Assets limited as to use (Note 3)	13,573,813	13,590,026
Patient accounts receivable, net of allowance for doubtful accounts of \$24,469,000 in 2014 and \$30,353,000 in 2013 (Note 1)	28,732,178	27,615,117
Supplies inventories	8,638,157	8,248,411
Prepaid and other current assets	3,821,657	5,463,338
Total current assets	78,993,176	79,683,973
Assets limited as to use, net of current portion (Note 3)	46,026,799	44,779,049
Property and equipment, net (Note 5)	158,779,033	166,642,595
Other assets		
Other investments (Note 3)	98,880	77,660
Deferred financing costs, net	2,106,887	2,213,826
Pledges receivable, net of current portion	147,791	213,559
Other	1,140,719	360,536
Total assets	\$ 287,293,285	\$ 293,971,198
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term debt (Note 6)	\$ 2,851,004	\$ 2,919,641
Accounts payable and accrued expenses	18,667,496	18,658,862
Accrued salaries and benefits	11,229,075	11,325,341
Accrued self-insurance liability (Note 10)	2,777,863	2,798,188
Estimated third-party payor settlements	1,074,916	2,965,680
Total current liabilities	36,600,354	38,667,712
Accrued pension and postretirement benefits (Note 14)	26,266,001	21,300,227
Accrued self-insurance liability (Note 10)	11,225,137	10,876,812
Long-term debt, net of current portion (Note 6)	150,134,205	152,795,340
Total liabilities	224,225,697	223,640,091
Net assets		
Unrestricted	61,144,332	68,360,594
Temporarily restricted	836,723	898,315
Permanently restricted (Note 19)	1,086,533	1,072,198
Total net assets	63,067,588	70,331,107
Total liabilities and net assets	\$ 287,293,285	\$ 293,971,198

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended September 30, 2014 and 2013

	2014	2013
Unrestricted revenue, gains and other support		
Patient service revenue (net of contractual allowances and discounts)	\$ 289,527,621	\$ 286,598,053
Less Provision for bad debts	<u>(21,380,497)</u>	<u>(31,900,119)</u>
Net patient service revenue (Note 8)	268,147,124	254,697,934
Investment income (Note 3)	1,264,106	2,279,831
Rental income	3,198,770	3,218,705
Other revenue (Note 20)	5,969,578	2,121,720
Grant income	75,509	113,622
Public support – donations	492,243	1,159,514
Total revenue, gains and other support	279,147,330	263,591,326
Expenses		
Salaries and wages	94,847,646	89,484,882
Employee benefits	28,032,303	28,224,136
Supplies and other	89,266,380	85,916,987
Purchased services	33,442,567	29,122,352
Depreciation and amortization	14,731,377	14,885,941
West Virginia provider tax	6,734,832	6,972,533
Interest	9,975,949	10,059,729
Insurance	6,151,409	6,170,479
Total expenses	283,182,463	270,837,039
Deficiency of revenues over expenses	(4,035,133)	(7,245,713)
Other changes in net assets		
Net unrealized gains on investments (Note 3)	2,159,584	1,276,520
Net assets released from restriction	144,758	499,544
Defined benefit pension plan adjustment (Note 14)	<u>(5,512,075)</u>	<u>17,719,947</u>
Change in fair value of derivatives (Note 7)	<u>26,604</u>	<u>18,993</u>
Increase (decrease) in unrestricted net assets	<u>\$ (7,216,262)</u>	<u>\$ 12,269,291</u>

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended September 30, 2014 and 2013

	2014	2013
Unrestricted net assets		
Deficiency of revenues over expenses	\$ (4,035,133)	\$ (7,245,713)
Net unrealized gains on investments (Note 3)	2,159,584	1,276,520
Net assets released from restriction	144,758	499,544
Defined benefit pension plan adjustment (Note 14)	(5,512,075)	17,719,947
Change in fair value of derivatives (Note 7)	<u>26,604</u>	<u>18,993</u>
Increase (decrease) in unrestricted net assets	<u>(7,216,262)</u>	<u>12,269,291</u>
Temporarily restricted net assets		
Public support - donations	83,166	75,298
Net assets released from restriction	<u>(144,758)</u>	<u>(499,544)</u>
Decrease in temporarily restricted net assets	<u>(61,592)</u>	<u>(424,246)</u>
Permanently restricted net assets		
Public support - donations	<u>14,335</u>	<u>15,100</u>
Increase in permanently restricted net assets	<u>14,335</u>	<u>15,100</u>
Increase (decrease) in net assets	<u>(7,263,519)</u>	<u>11,860,145</u>
Net assets, beginning of year	<u>70,331,107</u>	<u>58,470,962</u>
Net assets, end of year	<u>\$ 63,067,588</u>	<u>\$ 70,331,107</u>

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended September 30, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (7,263,519)	\$ 11,860,145
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	14,731,377	14,885,941
(Gain) loss on sale of property and equipment	(2,216)	308,226
Provision for doubtful accounts	21,380,497	31,900,119
Net realized and unrealized gains on investments	(2,400,748)	(2,038,448)
Defined benefit pension plan adjustment	5,512,075	(17,719,947)
Restricted contributions and income, net	47,257	409,146
Change in working capital components		
(Increase) decrease in		
Patient accounts receivable	(22,497,558)	(33,886,462)
Supplies inventories	(389,746)	(440,284)
Other assets	967,945	638,940
Increase (decrease) in		
Accounts payable and accrued expenses	8,634	1,134,684
Accrued salaries and benefits	(96,266)	1,928,720
Estimated third-party payor settlements	(1,890,764)	1,336,750
Other liabilities	<u>(218,301)</u>	<u>2,675,524</u>
Net cash provided by operating activities	<u>7,888,667</u>	<u>12,993,054</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(6,799,339)	(8,606,522)
Proceeds from sale of property and equipment	-	546,466
Purchases of assets limited as to use	(686,802)	(14,205,087)
Sales of assets limited as to use	1,329,565	14,526,385
Purchases of investments	(298,344)	(7,169,027)
Sales of investments	<u>135,000</u>	<u>-</u>
Net cash used in investing activities	<u>(6,319,920)</u>	<u>(14,907,785)</u>
Cash Flows From Financing Activities		
Principal payments on long-term obligations	(2,729,772)	(2,689,454)
Proceeds from the issuance of long-term debt	-	375,000
Restricted contributions and income, net	<u>(47,257)</u>	<u>(409,146)</u>
Net cash used in financing activities	<u>(2,777,029)</u>	<u>(2,723,600)</u>
Net decrease in cash and cash equivalents	<u>(1,208,282)</u>	<u>(4,638,331)</u>
Cash and cash equivalents, beginning	<u>17,598,054</u>	<u>22,236,385</u>
Cash and cash equivalents, ending	<u>\$ 16,389,772</u>	<u>\$ 17,598,054</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 9,861,987</u>	<u>\$ 9,934,767</u>
Capital lease obligations for new equipment	<u>\$ -</u>	<u>\$ 2,771,431</u>

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Significant Accounting Policies

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

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

A summary of significant accounting policies is as follows:

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

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

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

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

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

The Systems' allowance for doubtful accounts for self-pay patients was 98% of self-pay accounts receivable at September 30, 2014 and 2013. The System's provision for bad debts, which consist mostly of self-pay write-offs, decreased \$10,520,000 from approximately \$31,900,000 for the fiscal year 2013 to approximately \$21,380,000 for fiscal year 2014. The System has not changed its charity care or uninsured discount policies during 2014 or 2013. The System does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

Pledges receivable: The Foundation has pledges receivable approximating \$400,000 and \$403,000 as of September 30, 2014 and 2013, respectively. As of September 30, 2014 and 2013, payments of approximately \$252,000 and \$190,000, respectively, are expected to be received within one year and are included in prepaid and other current assets, and \$148,000 and \$214,000 within one to five years and are included in other long-term assets, respectively.

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

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

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

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Deferred financing costs: Deferred financing costs are amortized over the remaining life of the debt using the interest method. Total debt issue costs at September 30, 2014 and 2013 are \$2,837,934 and are included in other long-term assets. Accumulated amortization of debt issue costs at September 30, 2014 and 2013 is \$731,047 and \$645,910, respectively.

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

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

Charity care: The System maintains a written charity care plan for which the purpose is the provision of health services to individuals who have demonstrated the inability to pay for all or part of the services. Records are maintained to identify and monitor the level of charity care provided by the System. These records include the amount of regular charges foregone for services and supplies furnished under the charity care plan and the estimated cost of those services and supplies. The System's policy is not to pursue collection of amounts determined to qualify as charity care if the patient has an annual income equal to or below 200% of the Federal Poverty Income levels. Accordingly, the System does not report these amounts in net revenues or in the allowance for doubtful accounts. Charity care services, as measured by gross charges foregone were \$3,689,428 and \$6,309,002 for the years ended September 30, 2014 and 2013, respectively. Of the System's total expenses reported for the years ended September 30, 2014 and 2013, an estimated \$1,329,000 and \$2,357,000, respectively, arose from providing services to qualified charity patients. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the System's total expenses, divided by gross patient service revenue.

Donor-restricted gifts: Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

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

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

Accounting principles generally accepted in the United States of America require the management of the System to evaluate tax positions taken by the System. Management has evaluated the System's tax positions and concluded that the System had maintained its tax exempt status and had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements.

The System is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The management of the System believes it is no longer subject to income tax examinations for years prior to the fiscal year ended September 30, 2011.

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

Reclassifications: Certain reclassifications were made in the 2013 financial statements to conform to the 2014 presentation.

Subsequent events: The System has evaluated subsequent events through January 21, 2015, the date on which the financial statements were available to be issued.

New or recent accounting pronouncements: In April 2013, the FASB issued ASU 2013-06 Not-for-Profit Entities (Topic 958) Services Received from Personnel of an Affiliate. The amendments in this Update apply to not-for-profit entities that receive services from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the affiliate does not charge the recipient not-for-profit entity. The amendments in this Update require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. A recipient not-for-profit entity within the scope of Topic 954, Health Care Entities, that is required to provide a performance indicator (analogous to income from continuing operations of a for-profit entity) should report as an equity transfer the increase in net assets associated with services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the affiliate does not charge the recipient not-for-profit entity, regardless of whether those services are received from personnel of a not-for-profit affiliate or any other affiliate. All recipient not-for-profit entities should report the corresponding decrease in net assets or the creation or enhancement of an asset resulting from the use of services received from personnel of an affiliate similar to how other such expenses or assets are reported. The amendments in this Update are effective prospectively for fiscal years beginning after June 15, 2014. A recipient not-for-profit entity may apply the amendments using a modified retrospective approach under which all prior periods presented upon the

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

date of adoption should be adjusted, but no adjustment should be made to the beginning balance of net assets of the earliest period presented. Early adoption is permitted. Management of the System does not believe that this ASU will materially affect the financial reporting.

In May 2014, the FASB issued Revenue from Contracts with Customers (Topic 606). This ASU will affect 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 such as insurance or lease contracts, and will supersede the revenue recognition requirements in Accounting Standards Codification (ASC) Topic 605, Revenue Recognition, and most industry-specific authoritative accounting guidance. In addition, this ASU will amend the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer such as assets within the scope of ASC Topic 360, Property, Plant, and Equipment, and intangible assets within the scope of ASC Topic 350, Intangibles—Goodwill and Other to be consistent with the guidance on recognition and measurement of this ASU. Under the requirements of this ASU, financial reporting entities should recognize contractual 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. The ASU will require a step process for contractual revenue recognition that will require financial reporting entities to identify contractual relationships that produce revenue, identify the performance obligations within those contracts, determine contractual transaction prices of those contracts, allocate the transaction price to the performance obligations of those contracts, and to recognize revenue as the financial reporting entity satisfies the contractual performance obligations. The amendments of this ASU are effective for public entities for annual and interim reporting periods beginning after December 15, 2016, with early application not permitted. For nonpublic entities, the amendments of this ASU are effective for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018, with earlier application permitted no earlier than the effective date for public entities. Once adopted, an entity should apply the amendments of the ASU by either retrospectively applying to all period presented using practical expedients prescribed by the ASU, or retrospectively with the cumulative effect of initial application recognized at the date of initial application with disclosure of the impact that the cumulative effect would have had on individual financial statement line items for the prior periods presented before the initial application. The management of the System has not yet concluded their evaluation of the potential effects of this new accounting and financial reporting standard update.

Note 2. Cash Concentrations

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

Note 3. Investments

Assets Limited as to Use

The composition of assets limited as to use at September 30, 2014 and 2013, respectively is set forth in the following table. Investments are stated at fair value.

	2014	2013
Under self-insurance program:		
Cash and cash equivalents	\$ 3,035,961	\$ 966,357
Mutual funds	<u>6,532,435</u>	<u>9,447,970</u>
Total	<u>9,568,396</u>	<u>10,414,327</u>

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	2014	2013
Held by Trustee Under Indenture Agreement		
Cash and cash equivalents	7,287,716	9,800,516
United States government obligations	<u>10,485,270</u>	7,889,564
Total	<u>17,772,986</u>	17,690,080
By Board of Directors for future capital expenditures and deferred compensation:		
Cash and cash equivalents	418,875	853,915
Mutual funds	<u>16,592,294</u>	15,165,960
United States government obligations	<u>10,332,268</u>	9,812,996
Equity securities	-	6,441
Total	<u>27,343,437</u>	25,839,312
Foundation investments restricted for future support of Thomas Memorial projects:		
Cash and cash equivalents	59,825	122,343
Corporate bonds	<u>1,771,698</u>	1,670,064
Mutual funds	<u>2,082,510</u>	1,807,834
Equity securities	<u>1,001,760</u>	825,115
Total	<u>4,915,793</u>	4,425,356
Total assets limited as to use	59,600,612	58,369,075
Less assets limited as to use that are required for current liabilities	<u>13,573,813</u>	13,590,026
Noncurrent assets limited as to use	<u>\$ 46,026,799</u>	\$ 44,779,049

Investments

Investments included in current investments, stated at fair value at September 30, 2014 and 2013, is set forth in the following table

	2014	2013
Cash and cash equivalents	\$ 193,074	\$ 1,014,954
Mutual funds	<u>7,644,525</u>	6,154,073
	<u>\$ 7,837,599</u>	\$ 7,169,027

Other Investments

Other investments at September 30, 2014 and 2013 include

	2014	2013
Partnership investments – TMH Services, Inc (Note 17)	\$ 98,880	\$ 77,660
	<u>\$ 98,880</u>	\$ 77,660

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investment income and gains for assets limited as to use, cash equivalents and other investments are comprised of the following for the year ended September 30, 2014 and 2013

	2014	2013
Investment income included in revenues		
Interest and dividend income	\$ 1,022,942	\$ 1,517,903
Realized gains	<u>241,164</u>	<u>761,928</u>
	<u><u>\$ 1,264,106</u></u>	<u><u>\$ 2,279,831</u></u>
Other changes in unrestricted net assets		
Unrealized gains (losses) on investments	<u><u>\$ 2,159,584</u></u>	<u><u>\$ 1,276,520</u></u>

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

The System continually reviews non-trading investments for impairment conditions that indicate that an other-than-temporary decline in market value has occurred. In conducting this review, numerous factors are considered which, individually or in combination, indicate that a decline is other-than-temporary and that a reduction of the carrying value is required. These factors include specific information pertaining to an individual company or a particular industry and general market conditions that reflect prospects for the economy as a whole. Based on this review, the System did not recognize an other-than-temporary loss during the years ended September 30, 2014 and 2013.

The System does not require collateral to secure its investments.

Note 4. Fair Value of Financial Instruments

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

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

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

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

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

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair Value Measurements

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

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

Financial Instruments Measured at Fair Value on a Recurring Basis

The tables below present the recorded amount of assets and liabilities measured at fair value on a recurring basis at September 30, 2014 and 2013.

	Total at September 30, 2014	Fair Value Measurements Using:			
		Level 1	Level 2	Level 3	
Assets:					
Investment and assets limited as to use					
Cash and cash equivalents	<u>\$ 10,995,451</u>	\$ 10,995,451	\$ -	\$ -	
Corporate stocks	<u>1,001,760</u>	1,001,760	-	-	
Corporate bonds	<u>1,771,698</u>	-	1,771,698	-	
Government obligations					
FHLB	<u>7,545,371</u>	-	7,545,371	-	
FFCB	<u>2,301,555</u>	-	2,301,555	-	
FNMA	<u>6,721,121</u>	-	6,721,121	-	
FHLMC	<u>3,242,381</u>	-	3,242,381	-	
U.S. Treasury obligation	<u>1,007,110</u>	-	1,007,110	-	
	<u>20,817,538</u>	-	20,817,538	-	
Mutual funds					
Fixed income funds	<u>8,872,145</u>	8,872,145	-	-	
Equity funds	<u>23,979,619</u>	23,979,619	-	-	
	<u>32,851,764</u>	32,851,764	-	-	
Total investments at fair value	<u>\$ 67,438,211</u>	\$ 44,848,975	\$ 22,589,236	\$ -	
Liabilities:					
Derivative financial instruments	<u>\$ (46,724)</u>	\$ -	\$ (46,724)	\$ -	

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Total at September 30, 2013	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Assets:				
Investment and assets limited as to use				
Cash and cash equivalents	<u>\$ 12,758,085</u>	\$ 12,758,085	\$ -	\$ -
Corporate stocks				
Consumer Goods	294,087	294,087	-	-
Energy	133,247	133,247	-	-
Financials	121,670	121,670	-	-
Health Care	81,371	81,371	-	-
Industrials	29,497	29,497	-	-
Information Technology	78,861	78,861	-	-
Services	28,755	28,755	-	-
Telecommunications	64,068	64,068	-	-
	<u>831,556</u>	<u>831,556</u>	-	-
Corporate bonds	<u>1,670,064</u>	-	<u>1,670,064</u>	-
Government obligations				
FHLB	7,135,640	-	7,135,640	-
FFCB	2,099,433	-	2,099,433	-
FNMA	5,711,578	-	5,711,578	-
FHLMC	1,746,609	-	1,746,609	-
U S Treasury obligation	1,009,300	-	1,009,300	-
	<u>17,702,560</u>	-	<u>17,702,560</u>	-
Mutual funds				
Fixed income funds	8,337,598	8,337,598	-	-
Equity funds	24,238,239	24,238,239	-	-
	<u>32,575,837</u>	<u>32,575,837</u>	-	-
Total investments at fair value	<u>\$ 65,538,102</u>	<u>\$ 46,165,478</u>	<u>\$ 19,372,624</u>	<u>\$ -</u>
Liabilities:				
Derivative financial instruments	<u>\$ (73,328)</u>	\$ -	<u>\$ (73,328)</u>	\$ -

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

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

Fair Value of Financial Instruments

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

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

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

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

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

Long-term debt: Fair values of the System's revenue notes are based on current traded value. The fair value of the System's remaining long-term debt is estimated using discounted cash flow analyses, based on the System's current incremental borrowing rates for similar types of borrowing arrangements

The carrying amount and fair values of the System's financial instruments at September 30, 2014 and 2013 are as follows

	2014		2013
	Carrying Amount	Fair Value	Carrying Amount
Cash and cash equivalents	\$ 16,389,772	\$ 16,389,772	\$ 17,598,054
Patient accounts receivable	\$ 28,732,178	\$ 28,732,178	\$ 27,615,117
Accounts payable and accrued expenses	\$ 18,667,496	\$ 18,667,496	\$ 18,658,862
Estimated third-party settlements	\$ 1,074,916	\$ 1,074,916	\$ 2,965,680
Long-term debt	<u>\$ 152,985,209</u>	<u>\$ 152,985,209</u>	<u>\$ 155,714,981</u>

Note 5. Property and Equipment

A summary of the components of property and equipment at September 30, 2014 and 2013 follows

	2014	2013
Land	\$ 21,593,334	\$ 21,400,020
Land improvements	3,751,641	3,211,383
Buildings and improvements	186,986,066	185,929,580
Equipment	151,902,432	147,561,525
Construction in progress	<u>139,858</u>	<u>231,582</u>
	<u>364,373,331</u>	<u>358,334,090</u>
Less accumulated depreciation	<u>(205,594,298)</u>	<u>(191,691,495)</u>
Property and equipment, net	<u>\$ 158,779,033</u>	<u>\$ 166,642,595</u>

Capital lease assets at September 30, 2014 and 2013, included in property and equipment are as follows

	2014	2013
Equipment	\$ 5,207,298	\$ 5,207,298
Less accumulated amortization	<u>(2,971,131)</u>	<u>(2,103,390)</u>
	<u>\$ 2,236,167</u>	<u>\$ 3,103,908</u>

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

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

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

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Note 6. Long-Term Debt

A summary of long-term debt as of September 30, 2014 and 2013 follows

	2014	2013
Note payable, individual paid in 2014	\$ -	\$ 34,593
Note payable, bank, refinanced in January 2013, due in monthly installments of \$50,953 including interest through February 2019 Note bears interest at a variable rate of LIBOR plus 2.20%, adjusted for interest rate swap arrangement to obtain a fixed rate of 4.00% Note is secured under Master Indenture of the Series 2008 bond issue	2,442,066	2,937,697
Note payable, bank, due in monthly installments of \$25,928 including interest at 4.95% through March 2016, adjusted every 60 months to the 5 year FHLB + 2.38% rate, thru December 2034, secured by building and an assignment of all leases and rents	4,289,868	4,408,386
Hospital Revenue Bonds, Series 2008, terms below	145,325,000	146,580,000
Capital lease obligations, monthly payments ranging from \$1,912 to \$41,182, including interest ranging from 1% to 4.5% through December 2017, secured by related equipment	2,505,140	3,418,785
Less bond discount	154,562,074	157,379,461
Less current portion	1,576,865	1,664,480
	2,851,004	2,919,641
Long-term debt	<u>\$ 150,134,205</u>	<u>\$ 152,795,340</u>

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

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

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

The loan agreement and trust indenture of the Hospital Revenue Bonds, Series 2008 contain certain financial covenants, which include a debt service coverage ratio, days cash on hand liquidity ratio and certain indebtedness restrictions in any fiscal year. The System was in compliance with these requirements at September 30, 2014.

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

Year ending September 30	Long-Term Obligations	Capital Lease Obligations	Total
2015	\$ 1,954,249	\$ 916,170	\$ 2,870,419
2016	2,074,497	800,178	2,874,675
2017	2,183,364	585,534	2,768,898
2018	2,633,492	239,042	2,872,534
2019	2,016,465	-	2,016,465
Thereafter	141,194,867	-	141,194,867
	<u>\$ 152,056,934</u>	2,540,924	154,597,858
Less amount representing interest under capital lease obligations		(35,784)	(35,784)
		<u>\$ 2,505,140</u>	<u>\$ 154,562,074</u>

Note 7. Interest Rate Risk Management

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

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

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

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

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

In January 2013, the System terminated the interest rate swap above and entered into a new interest rate swap agreement for a notional amount of \$3,257,291. Under the terms of the new interest rate swap, the System receives a variable interest payment in exchange for making fixed interest rate payments of 4.00% per annum.

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Balance Sheet Location	Fair Value	
	2014	2013
<u>Cash Flow Hedges</u>		
Interest rate contract - Accounts payable and accrued expenses	\$ (46,724)	\$ (73,328)
Total derivative designated as hedging instruments	<u>\$ (46,724)</u>	<u>\$ (73,328)</u>

The following table summarizes the effect of the derivative instrument on the Statement of Changes in Net Assets for the years ended September 30, 2014 and 2013

Derivatives Designated as Hedging Instruments for the Year Ending September 30	Gain Recognized in Income	Amount of Gain in Net Assets (Effective Portion)	
		2014	2013
<u>Cash Flow Hedges</u>			
Interest rate contract	Change in value of derivatives	<u>\$ 26,604</u>	<u>\$ 18,993</u>

Note 8. Net Patient Service Revenue and Supplemental Medicaid Funding

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

- **Medicare**

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

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

- **Medicaid**

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

- **Commercial Insurance Carriers**

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

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

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- **West Virginia Health Care Authority**

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

- **Medicaid Disproportionate Share Enhancement Program**

Under the West Virginia Medicaid Disproportionate Share Enhancement Program, funds are distributed based on, among other things, each particular hospital's cost of uncompensated care compared to other hospitals in the State. This reimbursement, approximating \$1,907,000 and \$1,235,000 for the years ended September 30, 2014 and 2013, respectively, has been included in net patient service revenue in the accompanying consolidated statement of operations. Funds received from this program are subject to retroactive adjustment.

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

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

A summary of gross and net patient service revenue for all of the System's payors for the years ended September 30, 2014 and 2013 follows:

	2014	2013
Gross patient service revenue	\$ 785,760,382	\$ 720,916,584
Supplemental Medicaid funding	3,498,287	3,988,272
Less provision for		
Contractual adjustments	496,041,620	431,997,801
Charity care	3,689,428	6,309,002
Bad debts	<u>21,380,497</u>	<u>31,900,119</u>
Net patient service revenue	<u>\$ 268,147,124</u>	<u>\$ 254,697,934</u>

The System recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the System recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the System's uninsured patients will be unable or unwilling to pay for the services provided. Thus the System records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized during the years ended September 30, 2014 and 2013, from these major payor sources, is as follows:

	Third-Party Payors	Self-Pay	Total All Payors
2014			
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 265,283,090</u>	<u>\$ 24,244,531</u>	<u>\$ 289,527,621</u>
2013			
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 246,762,876</u>	<u>\$ 39,835,177</u>	<u>\$ 286,598,053</u>

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

Supplemental Medicaid Funding: In 2012, the Federal Department of Health and Human Services Centers for Medicare and Medicaid Services approved a State of West Virginia Medicaid Plan Amendment. The Plan Amendment provides for supplemental Medicaid payments to the Hospital. These supplemental payments are made for medical services provided to Medicaid recipients. The program is limited to state fiscal years 2012 through 2015.

The supplemental payment methodology implements a provider tax as an expansion of the health care provider tax. The revenues produced are used as the state contribution toward drawing down additional federal matching dollars for Medicaid to enhance current hospital payment rates under a Upper Payment Limit (UPL) program. In addition to the current tax of 2.5% currently imposed on providers of inpatient and outpatient hospital services, there is an additional tax of eighty-eight one hundredths of one percent (0.88%) on the gross receipts. The tax was reduced to 0.45% for the state fiscal year 2014. Amounts charged to expense for the additional tax imposed amounted to \$1,153,850 and \$1,726,873 for the years ended September 30, 2014 and 2013, respectively, and is included within West Virginia provider tax in the accompanying consolidated statements of operations.

The supplemental payments for services provided are being implemented through quarterly installments to the System. The System recorded revenue totaling \$3,498,287 and \$3,988,272 for the supplemental Medicaid payments for the years ended September 30, 2014 and 2013, respectively.

Note 9. Deferred Compensation Arrangements

Thomas Memorial has an employee deferred compensation plan (the plan) for key employees created in accordance with Internal Revenue Code Section 457(f) and 457(b). Thomas Memorial has established a trust for the funds, and makes periodic elective contributions to the plan. Contributions are charged to salaries and wages expense. The amount held in trust at September 30, 2014 and 2013 was \$1,528,025 and \$1,546,072, respectively, and is recorded in assets limited as to use with an equal amount recorded in accrued salaries and benefits.

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

The System is self-insured for medical malpractice and general liability claims up to \$10,000,000 per claim and \$10,000,000 in the aggregate annually. Losses in excess of these limits are insured with a claims-made excess policy with a commercial insurance carrier with limits up to \$10,000,000. The ultimate costs of malpractice claims, which include costs associated with litigating or settling claims, are accrued when the incidents that give rise to the claims occur. Estimated losses from asserted and unasserted claims are accrued based on the best estimates of the ultimate costs of the claims and the relationship of past reported incidents to eventual claims payments. All relevant information, including industry experience, actuarial calculations, historical experience, existing asserted claims, and reported incidents, is used in estimating the expected amount of claims to be paid. The accrual also includes an estimate of the losses that will result from unreported incidents, which are probable of having occurred before the end of the reporting period. Accrued malpractice costs, which are recorded in the current and noncurrent portions of accrued self-insurance liability, were \$14,003,000 and \$13,675,000 at September 30, 2014 and 2013, respectively. Accrued malpractice losses have not been discounted and in management's opinion provide an adequate reserve for loss contingencies.

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The System established an irrevocable trust for the purpose of setting aside assets based on actuarial funding recommendations. Under the trust agreement, the trust assets can only be used for payment of malpractice and general liability losses, related expenses, and the cost of administering the trust. The trust fund is included in assets limited as to use. At September 30, 2014 and 2013, the fund had a balance of \$9,568,396 and \$10,414,327, respectively.

Litigation

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

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

In 2011, the System made a Voluntary Disclosure Submission to CMS for a technical violation of a Stark II Amendment regulation in failing to obtain the signatures for a limited number of physician practices. If the System is found in violation of the regulation, the System could be subject to repayment and penalties and interest. No amount has been recorded as a liability because the ultimate outcome of the issue is unknown and the settlement amount, if any, cannot be determined at this time. Since making the disclosure, no response has been received from CMS. In the opinion of management, the likelihood of an unfavorable outcome in excess of insurance coverage or self-insured reserves is remote and the judgments, if unfavorable, would not have a material adverse effect on the System's financial statements.

Note 11. Functional Expenses

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

	2014	2013
Health care services	\$ 277,769,925	\$ 264,976,704
General and administrative	5,052,213	4,796,620
Fundraising	360,325	1,063,715
Total	<u>\$ 283,182,463</u>	<u>\$ 270,837,039</u>

Note 12. Concentrations of Credit Risk

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

	2014	2013
Medicare	35%	32%
Medicaid	15%	12%
Private pay	1%	1%
Other payors	49%	55%
	<u>100%</u>	<u>100%</u>

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Health Care Legislation and Regulation

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

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

Effective January 1, 2012, the Plan was amended such that there will be no new participants in the Plan after December 31, 2011. The Plan covers substantially all full-time employees hired prior to January 1, 2012. All employees hired after December 31, 2011 will be eligible to participate in the Thomas Health System Deferred Compensation Plan described below. Benefits under the Plan are based on the employee's years of service and the employee's compensation during the years of employment. Thomas Memorial's funding policy is to contribute such amounts as are necessary on an actuarial basis to provide plan assets sufficient to meet the benefits to be paid to retirees or their beneficiaries.

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

	2014	2013
Change in projected benefit obligation		
Benefit obligation at the beginning of year	\$ 96,786,549	\$102,631,745
Service cost	3,388,341	3,953,597
Interest cost	5,000,592	4,514,731
Actuarial (gain)/loss	9,796,488	(11,549,187)
Benefits paid	<u>(2,966,447)</u>	<u>(2,764,337)</u>
Benefit obligation at the end of year	<u>\$112,005,523</u>	<u>\$ 96,786,549</u>
Change in plan assets		
Fair value of plan assets at the beginning of year	\$ 75,486,322	\$ 65,167,095
Actual return on plan assets	7,819,647	7,983,564
Employer contributions	5,400,000	5,100,000
Benefits paid	<u>(2,966,447)</u>	<u>(2,764,337)</u>
Fair value of plan assets at the end of year	<u>85,739,522</u>	<u>75,486,322</u>
Funded status at end of year	<u>\$ (26,266,001)</u>	<u>\$ (21,300,227)</u>
Amounts recognized on balance sheet consist of:		
Noncurrent liabilities	<u>\$ (26,266,001)</u>	<u>\$ (21,300,227)</u>
	<u>\$ (26,266,001)</u>	<u>\$ (21,300,227)</u>

Accumulated amounts recognized in other changes in unrestricted net assets:

	2014	2013
Net actuarial loss	\$ (27,662,417)	\$ (21,630,975)
Prior service cost	<u>(2,726,671)</u>	<u>(3,246,038)</u>
	<u>\$ (30,389,088)</u>	<u>\$ (24,877,013)</u>

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accumulated benefit obligation was \$106,586,239 and \$92,322,029 at September 30, 2014 and 2013, respectively

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

	2014	2013
Net periodic benefit cost	\$ 4,853,699	\$ 6,655,520
Other changes in plan assets and benefit obligations recognized in unrestricted net assets		
Net (gain)/loss for period	7,465,164	(14,573,298)
Amortization of net(loss)/gain	(1,433,722)	(2,627,278)
Amortized prior service cost	<u>(519,367)</u>	<u>(519,371)</u>
Total amount recognized in other changes in net assets	<u>5,512,075</u>	<u>(17,719,947)</u>
Total recognized in net periodic benefit cost and other changes in net assets	<u><u>\$ 10,365,774</u></u>	<u><u>\$ (11,064,427)</u></u>

The estimated net loss that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is \$2,039,463 and \$1,433,722, respectively. The estimated prior service cost that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is \$519,367.

The actuarially computed net periodic pension costs included the following components

	2014	2013
Service cost	\$ 3,388,341	\$ 3,953,597
Interest cost	5,000,592	4,514,731
Expected return on plan assets	(5,488,323)	(4,959,453)
Amortization of prior service cost	519,367	519,367
Recognized actuarial (gain)/loss	<u>1,433,722</u>	<u>2,627,278</u>
Net periodic benefit cost	<u><u>\$ 4,853,699</u></u>	<u><u>\$ 6,655,520</u></u>

Additional Information**Assumptions**

Weighted average assumptions used to determine net periodic benefit cost for the years ended September 30, 2014 and 2013

	2014	2013
Discount rate	4.46%	5.25%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	3.00%	3.00%

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Plan Assets

The composition of plan assets at September 30, 2014 and 2013 is as follows:

	2014	2013
Equity securities	70%	61%
Debt Securities	20%	22%
Other	10%	17%
	<u>100%</u>	<u>100%</u>

The tables below present the recorded amount of Plan assets measured at a fair value on a recurring basis at September 30, 2014 and 2013 under the fair value framework as described in Note 4.

Plan Assets	Total at September 30,		Fair Value Measurements Using:		
	2014	Level 1	Level 2	Level 3	
Cash equivalents	\$ 3,355,806	\$ 3,355,806	\$ -	\$ -	
Mutual Funds					
Fixed income funds	20,287,554	20,287,554	-	-	
Equity funds	60,353,378	60,353,378	-	-	
Diversified funds	<u>1,742,784</u>	<u>1,742,784</u>	-	-	
	<u>82,383,716</u>	<u>82,383,716</u>	-	-	
	<u><u>\$ 85,739,522</u></u>	<u><u>\$ 85,739,522</u></u>	\$ -	\$ -	

Plan Assets	Total at September 30,		Fair Value Measurements Using:		
	2013	Level 1	Level 2	Level 3	
Cash equivalents	\$ 1,253,823	\$ 1,253,823	\$ -	\$ -	
Mutual Funds					
Fixed income funds	19,634,102	19,634,102	-	-	
Equity funds	53,181,824	53,181,824	-	-	
Diversified funds	<u>1,416,573</u>	<u>1,416,573</u>	-	-	
	<u>74,232,499</u>	<u>74,232,499</u>	-	-	
	<u><u>\$ 75,486,322</u></u>	<u><u>\$ 75,486,322</u></u>	\$ -	\$ -	

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

Cash Flow Information

Thomas Memorial contributed \$5,400,000 and \$5,100,000 in 2014 and 2013, respectively, and expects to contribute \$5,700,000 to its pension plan in 2015.

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Estimated Fixed Benefit Payments

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

Fiscal Year	Benefits
2015	\$ 3,378,482
2016	\$ 3,736,663
2017	\$ 4,085,459
2018	\$ 4,519,631
2019	\$ 4,997,900
2020 – 2024	\$ 31,786,297

Thomas Memorial Deferred Compensation Plan

In addition to the defined benefit pension plan, Thomas Memorial sponsors a deferred compensation plan under Section 401(k) of the Internal Revenue Code (IRC) (the Savings Plan). All full-time employees are eligible to participate in the Savings Plan. Employees are permitted to have elective deferrals under the Savings Plan during any calendar year up to specified regulatory maximums adjusted for qualified employees in accordance with IRC Section 402(g). Thomas Memorial makes a contribution equal to an employee's elective deferral, not to exceed 125% of an employee's effective compensation. All employee elective deferrals and employer contributions made on behalf of each participant are invested in a tax deferred annuity contract or custodial account and vest immediately. Thomas Memorial's expense relating to the Savings Plan approximated \$778,000 and \$510,000 in 2014 and 2013, respectively, which is included in employee benefits in the accompanying consolidated statements of operations.

Thomas Health System Deferred Compensation Plan

The System has a defined contribution retirement plan (the System Plan) covering substantially all its employees. Under the provisions of the System Plan, the System matches contributions at 100% for the first 4% that the employee contributes and matches 50% for the next two percentages up to a total match of 5% on a 6% employee contribution. Participants are fully vested immediately. Pension expense was \$1,017,474 and \$1,072,160 for 2014 and 2013, respectively.

Thomas Health System Defined Contribution Plan

Thomas Health System sponsors a 401(k) (Thomas Health System 401(k)) defined contribution plan available to substantially all employees hired prior to January 1, 2012. Under the provisions of the Thomas 401(k), the System matches contributions at 100% for the first 4% that the employee contributes and matches 50% for the next two percentages up to a total match of 5% on a 6% employee contribution. Participants are fully vested immediately. During 2014 and 2013, the System's expense related to the Thomas 401(k) plan was \$801,391 and \$511,190, respectively.

Note 15. Lease Commitments and Total Rental Expense

The System leases various equipment under operating leases with various expiration dates through July 2017. Total rental expense in 2014 and 2013 for all operating leases was approximately \$2,941,000 and \$3,036,000, respectively, and is included in supplies and other in the accompanying statement of operations.

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2014, that have initial or remaining lease terms in excess of one year

Year ending September 30	Amount
2015	\$ 2,266,750
2016	2,064,934
2017	1,935,977
2018	944,922
2019	554,083
Thereafter	<u>68,940</u>
 Total future minimum rental expense	 <u>\$ 7,835,606</u>

Note 16. Lessor Leasing Activities

The System leases space under operating leases with terms of one to ten years. Rental income recognized from these leases was approximately \$2,375,000 and \$2,431,000 for 2014 and 2013, respectively.

The following is a schedule by year of future minimum rental income as of September 30, 2014 and 2013

Year ending September 30	Amount
2015	\$ 2,152,580
2016	1,077,203
2017	552,630
2018	449,180
2019	366,894
Thereafter	<u>237,741</u>
 Total future minimum rental income	 <u>\$ 4,836,228</u>

Note 17. Investments in Subsidiaries and Guarantee

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

Combined and condensed financial information as of September 30, 2014 and 2013 for TMH Services' unconsolidated subsidiary follows:

	2014	2013
Assets	\$ 2,108,824	\$ 2,125,503
Liabilities	\$ 1,911,065	\$ 1,970,183
Equity	\$ 197,759	\$ 155,320
Net Income	\$ 82,439	\$ 83,319

Total liabilities for the consolidated subsidiary at September 30, 2014 and 2013 include various mortgages, notes, and construction loans payable that total \$1,895,961 and \$1,953,828, respectively. TMH Services is a guarantor of these debt instruments. The debts are substantially collateralized by real estate and other assets to which they relate. TMH Services' partners are jointly and severally liable for the debt.

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Related Party Transactions

The System leases medical office space, primarily to physicians on staff, under noncancelable operating leases with terms generally ranging from one to ten years. Rental income under these operating leases was approximately \$1,300,000 and \$1,302,000 in 2014 and 2013, respectively, and is included in rental income in the accompanying consolidated statement of operations.

Note 19. Endowment and Permanently Restricted Net Assets

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

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

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support the following at September 30, 2014 and 2013:

	2014	2013
Scholarships – Auxiliary	\$ 25,876	\$ 25,876
Scholarships – Laboratory	98,593	98,593
Scholarships – LPN and RN	105,832	105,832
Scholarships – Surgery	32,705	32,705
Scholarships – Other	24,175	24,175
Endowment	<u>799,352</u>	<u>785,017</u>
	<u>\$ 1,086,533</u>	<u>\$ 1,072,198</u>

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

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

THOMAS HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

	Permanently Restricted
Net assets, beginning of the year	\$ 1,072,198
Contributions	14,335
Endowment net assets after contributions	<u>\$ 1,086,533</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the System to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. There were no significant deficiencies of this nature which are reported in unrestricted net assets as of September 30, 2014 and 2013.

Note 20. Electronic Health Records (EHR)

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

For Medicare and Medicaid EHR incentive payments the System utilizes a contingency based model to recognize these revenues. Under this accounting policy, EHR incentive payments were recognized as revenues when no significant contingencies are left and attestation that the EHR meaningful use criteria for the required period of time was demonstrated. Accordingly, the System recognized approximately \$3,500,000 of EHR revenues for the year ended September 30, 2014, comprised of \$2,700,000 of Medicare revenues and \$800,000 of Medicaid revenues. These amounts are included in Other Revenue in the accompanying consolidated statements of operations. There was no EHR revenue recognized for the year ended September 30, 2013.

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



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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of Thomas Health System, Inc and Subsidiaries as of and for the years ended September 30, 2014 and 2013, and have issued our report thereon which contains an unmodified opinion on those financial statements. See pages 1-2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Arnett Carbis Toothman LLP

Charleston, West Virginia
January 21, 2015