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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 black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 10-01-2010 and ending 09-30-2011

B Check if applicable
☐ Address change
☐ Name change
☐ Initial return
☐ Terminated
☐ Amended return
☐ Application pending

C Name of organization
MARIETTA MEMORIAL HOSPITAL

Doing Business As

Number and street (or P O box if mail is not delivered to street address)
401 MATTHEW ST

Room/suite

City or town, state or country, and ZIP + 4
MARIETTA, OH 45750

D Employer identification number
31-4379509

E Telephone number
(740) 374-1641

G Gross receipts $ 230,421,061

F Name and address of principal officer
ERIC YOUNG
401 MATTHEW ST
MARIETTA, OH 45750

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J **Website:** ▶ N/A

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1929

M State of legal domicile OH

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities
Hospital (Healthcare) Marietta Memorial Hospital is a not-for profit community hospital where service excellence and clinical quality create the regions best experience for patients and their families, physicians, the community, and our employees

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	19
4 Number of independent voting members of the governing body (Part VI, line 1b)	4	19
5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	1,792
6 Total number of volunteers (estimate if necessary)	6	200
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
b Net unrelated business taxable income from Form 990-T, line 34	7b	

		Prior Year	Current Year
Revenue			
8	Contributions and grants (Part VIII, line 1h)	389,913	11,522
9	Program service revenue (Part VIII, line 2g)	150,735,297	225,975,871
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-553,520	812,083
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,908,416	2,835,426
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	152,480,106	229,634,902
Expenses			
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)		0
14	Benefits paid to or for members (Part IX, column (A), line 4)		0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	67,733,786	119,240,277
16a	Professional fundraising fees (Part IX, column (A), line 11e)		0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	80,892,592	102,738,231
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	148,626,378	221,978,508
19	Revenue less expenses Subtract line 18 from line 12	3,853,728	7,656,394

Net Assets or Fund Balances		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	198,203,920	210,655,546
21	Total liabilities (Part X, line 26)	113,775,115	124,353,167
22	Net assets or fund balances Subtract line 21 from line 20	84,428,805	86,302,379

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

****** 2012-08-13
Signature of officer Date

ERIC YOUNG CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ▶ ☐	PTIN
Firm's name ▶				Firm's EIN ▶
Firm's address ▶				Phone no ▶

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

Part III **Statement of Program Service Accomplishments**

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

1 Briefly describe the organization's mission

Hospital (Healthcare)

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

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

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

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

4a (Code) (Expenses $ 185,952,836 including grants of $) (Revenue $ 225,975,871)

MARIETTA MEMORIAL HOSPITAL PROVIDES QUALITY MEDICAL HEALTHCARE REGARDLESS OF RACE, CREED SEX, NATIONAL ORIGIN, HANDICAP, AGE, OR ABILITY TO PAY ALTHOUGH REIMBURSEMENT FOR SERVICES RENDERED IS CRITICAL TO THE OPERATION AND STABILITY OF MARIETTA MEMORIAL HOSPITAL, IT IS RECOGNIZED THAT NOT ALL INDIVIDUALS POSSESS THE ABILITY TO PURCHASE ESSENTIAL MEDICAL SERVICES AND FURTHER THAT OUR MISSION IS TO SERVE THE COMMUNITY WITH RESPECT TO PROVIDING HEALTHCARE SERVICES AND HEALTHCARE EDUCATION THEREFORE, IN KEEPING WITH THIS HOSPITAL'S COMMITMENT TO SERVE ALL MEMBERS OF ITS COMMUNITY MARIETTA MEMORIAL HOSPITAL HAS CONTINUED TO PROVIDE -FREE CARE AND/OR SUBSIDIZED CARE WHEN AN INDIVIDUAL IS UNABLE TO PAY -CARE TO PERSONS COVERED BY GOVERNMENTAL PROGRAMS AT BELOW COST -HEALTH ACTIVITIES AND PROGRAMS THESE ACTIVITIES INCLUDE WELLNESS PROGRAMS, COMMUNITY EDUCATIONAL PROGRAMS, SPECIAL PROGRAMS FOR THE ELDERLY, HANDICAPPED, MEDICALLY UNDERSERVED, AND A VARIETY OF BROAD COMMUNITY SUPPORT ACTIVITIES MARIETTA MEMORIAL HOSPITAL SERVICED 8,638 INPATIENTS AND PROVIDED 334,371 OUTPATIENT SERVICES DURING 2011 OF THE TOTAL INPATIENTS SERVICED, 6,425 WERE MEDICARE OR MEDICAID, WHICH IS 74% OF THE TOTAL MARIETTA MEMORIAL HOSPITAL PROVIDES CARE TO PERSONS COVERED BY GOVERNMENTAL PROGRAMS AT BELOW COST RECOGNIZING ITS MISSION TO THE COMMUNITY, SERVICES ARE PROVIDED TO BOTH MEDICARE AND MEDICAID PATIENTS TO THE EXTENT REIMBURSEMENT IS BELOW COST, HOSPITAL RECOGNIZED THESE AMOUNTS AS CHARITY CARE IN MEETING ITS MISSION TO THE ENTIRE COMMUNITY THE UNREIMBURSED VALUE OF PROVIDING CARE TO MEDICARE AND MEDICAID PATIENTS DURING 2011 WAS $205,033,629 ADDITIONAL CHARITY CARE FOR INDIGENT PATIENTS WAS PROVIDED AT A TOTAL COST OF $24,866,784

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

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

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses**▶$ 185,952,836

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?	2		No
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in term, permanent,or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e		No
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a	Yes	
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

		Line	Yes	No
21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *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–24d and complete Schedule K. If "No," go to line 25*	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	Yes	
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d	Yes	
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	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," 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 a grant selection committee member, or to a person related to such an individual? *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)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28a	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	28c		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		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*	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	33		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	34	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	35		No
a	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* ☐ **Yes** ☑ **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*	36		
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*	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

					Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	385			
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	1,792			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a		No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," 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?			6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		No
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		No
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		No
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O			13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*			14b		

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

Check if Schedule O contains a response to any question in this Part VI . . . . ☑

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year **1a** 19			
b	Enter the number of voting members included in line 1a, above, who are independent **1b** 19			
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	Does the organization have members or stockholders?	6		No
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a		No
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . .	7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No

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

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

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶OH

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 make these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶

ERIC YOUNG
401 MATTHEW STREET
MARIETTA, OH 457501699
(740) 374-1641

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

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

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

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, and 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 (describe hours for related organizations in Schedule O)	(C) Position (check all that apply) Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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
(1) THOMAS TUCKER Chairman	1 00	X		X				0	0	0
(2) MICHAEL IADEROSA Vice-Chairman	1 00	X		X				0	0	0
(3) COLLEEN COOK Secretary	1 00	X		X				0	0	0
(4) GLEN HALE Treasurer	1 00	X		X				0	0	0
(5) PAUL WESTBROCK Compliance	40 00					X		198,596	0	1,805
(6) SCOTT CANTLEY CEO	40 00				X			472,248	0	2,450
(7) ORVIE FISCHER CFO	40 00				X			254,070	0	2,355
(8) BONNIE FLANNERY VP, QUALITY IMPROVEMEN	40 00					X		166,565	0	1,359
(9) ROBERTA HOWARD VP - Nursing	40 00					X		191,197	0	1,464
(10) KEVIN MALCOMB VP - Clinical	40 00					X		150,274	0	1,255
(11) DEEANN GEHAULF SVP & BUSINESS/ORGANIZ	40 00				X			216,295	0	1,686
(12) JOAN WASHBURN VP, CLINICAL & SUPPORT	40 00					X		184,980	0	1,412

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply): Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(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

		(D)	(E)	(F)
1b	**Sub-Total**			
c	**Total from continuation sheets to Part VII, Section A**			
d	**Total (add lines 1b and 1c)**	1,834,225		13,786

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶29

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	**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? *If "Yes," complete Schedule J for such individual*	**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? *If "Yes," complete Schedule J for such person*	**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

(A) Name and business address	(B) Description of services	(C) Compensation
HORIZON HEALTH PO BOX 840839 DALLAS, TX 75284	Prof Serv	2,045,578
CENTRAL OHIO HOSPITALISTS 3525 OLENTANGY RIVER RD COLUMBUS, OH 43214	Prof Serv	1,803,204
CAREFUSION 3750 TORREY VIEW COURT SAN DIEGO, CA 92130	Prof Serv	808,892
ANDERSON MEDICAL GROUP 4450 BARNETT RIDGE RD FLEMING, OH 45729	Prof Serv	1,307,460
VASAN S INC 5609 GREENMONT PLACE VIENNA, WV 26105	Prof Serv	670,000

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

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . . 1a					
	b Membership dues 1b					
	c Fundraising events 1c					
	d Related organizations . . . 1d	11,522				
	e Government grants (contributions) 1e					
	f All other contributions, gifts, grants, and similar amounts not included above 1f					
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . ▶		11,522			
Program Service Revenue		Business Code				
	2a Patient	622000	225,975,871			
	b					
	c					
	d					
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . ▶		225,975,871			
Other Revenue	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		812,460			
	4 Income from investment of tax-exempt bond proceeds . . ▶					
	5 Royalties . . . . ▶					
		(i) Real / (ii) Personal				
	6a Gross Rents	369,453 /				
	b Less rental expenses	786,159 /				
	c Rental income or (loss)	-416,706 /				
	d Net rental income or (loss) . . . . ▶		-416,706	-416,706		
		(i) Securities / (ii) Other				
	7a Gross amount from sales of assets other than inventory	/ -377				
	b Less cost or other basis and sales expenses	/				
	c Gain or (loss)	/ -377				
	d Net gain or (loss) . . . . ▶		-377	-377		
	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 Cafe	999999	3,252,132	3,252,132		
	b					
	c					
	d All other revenue					
	e **Total.** Add lines 11a–11d . . . . . . ▶		3,252,132			
	12 **Total revenue.** See Instructions . . . ▶		229,634,902	229,623,380		

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

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 U S See Part IV, line 21				
2 Grants and other assistance to individuals in the U S See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	942,613	0	942,613	0
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	89,836,565	79,058,984	10,777,581	0
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	4,185,254	831,320	3,353,934	0
9 Other employee benefits	18,658,377	15,130,475	3,527,902	0
10 Payroll taxes	5,617,468	4,774,244	843,224	0
a Fees for services (non-employees) Management				
b Legal	117,483	2,050	115,433	0
c Accounting	78,452	0	78,452	0
d Lobbying				
e Professional fundraising services *See Part IV, line 17* . .				
f Investment management fees				
g Other				
12 Advertising and promotion				
13 Office expenses				
14 Information technology				
15 Royalties . .				
16 Occupancy	3,598,053	3,145,065	452,988	0
17 Travel				
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	2,763,552	2,763,552	0	0
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	8,359,185	5,738,049	2,621,136	0
23 Insurance	1,684,974	1,684,974	0	0
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a Purchased Services	21,118,457	11,065,725	10,052,732	0
b Medical Prof Fees	3,239,772	3,111,565	128,207	0
c Medical Supplies	34,606,746	34,606,746	0	0
d Supplies	7,279,985	6,459,707	820,278	0
e Bad Debt	12,175,903	12,175,903	0	0
f All other expenses	7,715,669	5,404,477	2,311,192	0
25 **Total functional expenses.** Add lines 1 through 24f	221,978,508	185,952,836	36,025,672	0
26 **Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X **Balance Sheet**

		Description			(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing			26,296,911	1	25,596,905
	2	Savings and temporary cash investments				2	
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			23,751,138	4	29,021,201
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L				5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), 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) Schedule L				6	
	7	Notes and loans receivable, net			8,291,220	7	12,205,371
	8	Inventories for sale or use			1,520,327	8	1,789,923
	9	Prepaid expenses and deferred charges			1,093,236	9	1,213,213
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a	217,628,280			
	b	Less accumulated depreciation	10b	111,331,347	104,270,579	10c	106,296,933
	11	Investments—publicly traded securities			27,882,115	11	28,262,924
	12	Investments—other securities See Part IV, line 11				12	
	13	Investments—program-related See Part IV, line 11				13	
	14	Intangible assets				14	
	15	Other assets See Part IV, line 11			5,098,394	15	6,269,076
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)			198,203,920	16	210,655,546
Liabilities	17	Accounts payable and accrued expenses			60,376,171	17	73,516,548
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities			53,398,944	20	50,836,619
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*				22	
	23	Secured mortgages and notes payable to unrelated third parties				23	
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities Complete Part X of Schedule D				25	
	26	**Total liabilities.** Add lines 17 through 25			113,775,115	26	124,353,167
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**					
	27	Unrestricted net assets			83,274,914	27	85,119,292
	28	Temporarily restricted net assets				28	
	29	Permanently restricted net assets			1,153,891	29	1,183,087
		Organizations that do not follow SFAS 117, check here ▶ ☐ 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			84,428,805	33	86,302,379
	34	Total liabilities and net assets/fund balances			198,203,920	34	210,655,546

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	229,634,902
2	Total expenses (must equal Part IX, column (A), line 25)	2	221,978,508
3	Revenue less expenses Subtract line 2 from line 1	3	7,656,394
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	84,428,805
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-5,782,820
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	86,302,379

Part XII Financial Statements and Reporting

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

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ 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? . .	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separated basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits . .	3b		

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
MARIETTA MEMORIAL HOSPITAL

Employer identification number
31-4379509

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

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Other

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

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

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

		Yes	No
(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?	**11g(i)**		
(ii) a family member of a person described in (i) above?	**11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above?	**11g(iii)**		

h Provide the following information about the supported organization(s)

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

Part II **Support Schedule for Organizations Described in 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)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(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						0

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	**(a)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(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						0
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 2010 (line 6 column (f) divided by line 11 column (f)) | **14** | 0 %

15 Public Support Percentage for 2009 Schedule A, Part II, line 14 | **15** |

16a **33 1/3% support test—2010.** 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—2009.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2010.** 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—2009.** 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) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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)						0

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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 section501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15	Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	15	0 %
16	Public support percentage from 2009 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f))	17	0 %
18	Investment income percentage from **2009** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2010.** 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—2009.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions ▶☐

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the 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).

SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
MARIETTA MEMORIAL HOSPITAL

Employer identification number
31-4379509

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 may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit ☐ 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)

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

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

			Held at the End of the Year
a	Total number of conservation easements	2a	
b	Total acreage restricted by conservation easements	2b	
c	Number of conservation easements on a certified historic structure included in (a)	2c	
d	Number of conservation easements included in (c) acquired after 8/17/06	2d	

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶________

4 Number of states where property subject to conservation easement is located ▶________

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ▶________

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $ ________

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No

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

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

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

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

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ ________

(ii) Assets included in Form 990, Part X ▶ $ ________

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

a Revenues included in Form 990, Part VIII, line 1 ▶ $ ________

b Assets included in Form 990, Part X ▶ $ ________

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

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

a ☐ Public exhibition **d** ☐ Loan or exchange programs

b ☐ Scholarly research **e** ☐ Other

c ☐ Preservation for future generations

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

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

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

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

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

		Amount
c Beginning balance	**1c**	
d Additions during the year	**1d**	
e Distributions during the year	**1e**	
f Ending balance	**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 XIV

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

	(a) Current Year	**(b)** Prior Year	**(c)** Two Years Back	**(d)** Three Years Back	**(e)** Four Years Back
1a Beginning of year balance					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2 Provide the estimated percentage of the year end balance held as

a Board designated or quasi-endowment ▶

b Permanent endowment ▶

c Term endowment ▶

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

		Yes	No
(i) unrelated organizations	**3a(i)**		
(ii) related organizations	**3a(ii)**		
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	**3b**		

4 Describe in Part XIV the intended uses of the organization's endowment funds

Part VI **Investments—Land, Buildings, and Equipment.** See Form 990, Part X, line 10.

Description of investment	**(a)** Cost or other basis (investment)	**(b)** Cost or other basis (other)	**(c)** Accumulated depreciation	**(d)** Book value
1a Land		7,616,989		7,616,989
b Buildings		143,634,666	61,232,240	82,402,426
c Leasehold improvements				
d Equipment		66,376,625	50,099,107	16,277,518
e Other				
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				106,296,933

Part VII Investments—Other Securities. 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		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . ▶	

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	

2. Fin 48 (ASC 740) Footnote In Part XIV, 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 (ASC740)

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	229,634,902
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	221,978,508
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	7,656,394
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	7,656,394

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	229,634,902
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	229,634,902
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	229,634,902

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	221,978,508
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	221,978,508
4	Amounts included on Form 990, Part IX, line 25, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	221,978,508

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
MARIETTA MEMORIAL HOSPITAL

Employer identification number
31-4379509

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a finnancial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☑ 100% ☐ 150% ☐ 200% ☐ Other ______ %	3a	Yes	
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☑ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other ______ %	3b	Yes	
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
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	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Does the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	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 Worksheets 1 and 2)			9,698,046	611,596	9,086,450	4 090 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			14,908,976	12,228,040	2,680,936	1 210 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			24,607,022	12,839,636	11,767,386	5 300 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			194,058		194,058	0 090 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			385,766		385,766	0 170 %
h Research (from Worksheet 7)			30,717		30,717	0 010 %
i Cash and in-kind contributions to community groups (from Worksheet 8)						
j **Total** Other Benefits			610,541		610,541	0 270 %
k **Total.** Add lines 7d and 7j			25,217,563	12,839,636	12,377,927	5 570 %

Part II Community Building Activities during the tax year, and describe in Part VI how its 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 Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense (at cost)	2	4,748,602		
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3			
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	52,677,381
6	Enter Medicare allowable costs of care relating to payments on line 5	6	57,283,707
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-4,606,326

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

☐ Cost accounting system ☐ Cost to charge ratio ☐ Other

Section C. Collection Practices

			Yes	No
9a	Does the organization have a written debt collection policy?	9a	Yes	
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b	Yes	

Part IV Management Companies and Joint Ventures

(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 MARIETTA SURGERY CENTER	Outpatient Surgery	51 000 %		
2 MARIETTA HOME HEALTH & HOSPICE	Home Health Care	49 000 %		
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V Facility Information

Section A. Hospital Facilities
(list in order of size, measured by total revenue per facility, from largest to smallest)

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER–24 hours	ER–other	Other (Describe)
1	MARIETTA MEMORIAL HOSPITAL 401 MATTHEW ST MARIETTA, OH 45750		X							

Part V **Facility Information** *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, measured by total revenue per facility, from largest to smallest)

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

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
Pt II		Collection The patient will receive two statements (120 days) and if a reasonable payment

Identifier	ReturnReference	Explanation
Pt II		arrangement has not been agreed upon then the account will be sent

Identifier	ReturnReference	Explanation
Pt II		to a third party agency and five consecutive inquiry letters follow

Identifier	ReturnReference	Explanation
Pt II		If the payment arrangement is still incomplete then the third party will start

Identifier	ReturnReference	Explanation
Pt II		the collection process If the account is Medicare then it is

Identifier	ReturnReference	Explanation
Pt II		sent to another agency who attempts collection for 100 days and if

Identifier	ReturnReference	Explanation
Pt II		unsuccessful returns to the hospital to enter on the Medicare log and cost report

Identifier	ReturnReference	Explanation
Pt VI Line 2		Needs Assessment is a collaboration of Washington County community Health Council's

Identifier	ReturnReference	Explanation
Pt VI Line 2		Health Needs Assessment committee and Washington County Family & Children First

Identifier	ReturnReference	Explanation
Pt VI Line 2		Results are announced at a press conference and posted on the website

Identifier	ReturnReference	Explanation
Pt V Sec B 19d		A self pay discount of 40% is available to all uninsured patients who do not qualify for

Identifier	ReturnReference	Explanation
Pt V Sec B 19d		any other financial assistance and pay in full or by an acceptable plan

Identifier	ReturnReference	Explanation
Pt V Sec B 19d		There is a 15% discount available for all patients at time of service

Identifier	ReturnReference	Explanation
Pt V Sec B 19d		and 10% if paid within 30 days of the first statement

Identifier	ReturnReference	Explanation
Pt VI Line 7		O H

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
MARIETTA MEMORIAL HOSPITAL

Employer identification number
31-4379509

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate 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 ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ 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 orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply ☐ Compensation committee ☐ Written employment contract ☐ Independent compensation consultant ☑ Compensation survey or study ☐ Form 990 of other organizations ☑ 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 from the organization or a related organization?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**		No
c	Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III	**4c**		No
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization? If "Yes," to line 5a or 5b, describe in Part III	**5b**		No
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization? If "Yes," to line 6a or 6b, describe in Part III	**6b**		No
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use 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) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		**(B)** Breakdown of W-2 and/or 1099-MISC compensation			**(C)** Retirement and other deferred compensation	**(D)** Nontaxable benefits	**(E)** Total of columns (B)(i)-(D)	**(F)** Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	**(ii)** Bonus & incentive compensation	**(iii)** Other reportable compensation				
(1) PAUL WESTBROCK	(i) (ii)	198,596					198,596	180,000
(2) SCOTT CANTLEY	(i) (ii)	472,248					472,248	373,658
(3) ORVIE FISCHER	(i) (ii)	254,070					254,070	251,622
(4) BONNIE FLANNERY	(i) (ii)	166,565					166,565	146,192
(5) ROBERTA HOWARD	(i) (ii)	191,197					191,197	142,279
(6) KEVIN MALCOMB	(i) (ii)	150,274					150,274	137,179
(7) DEEANN GEHAULF	(i) (ii)	216,295					216,295	175,155
(8) JOAN WASHBURN	(i) (ii)	184,980					184,980	152,897
(9)								
(10)								
(11)								
(12)								
(13)								
(14)								
(15)								
(16)								

Part III Supplemental Information

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

Identifier	Return Reference	Explanation

Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
MARIETTA MEMORIAL HOSPITAL

Employer identification number
31-4379509

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased Yes	(g) Defeased No	(h) On Behalf of Issuer Yes	(h) On Behalf of Issuer No	(i) Pool financing Yes	(i) Pool financing No
A	COUNTY OF WASHINGTON OH	31-6400089	938154DR9	12-01-2003	22,600,000	Facility Improvement		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased				
3	Total proceeds of issue	22,600,000	12,000,000		
4	Gross proceeds in reserve funds	1,517,106			
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	1,541,075	136,871		
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	19,541,819	11,863,129		
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2005	2009		

		A Yes	A No	B Yes	B No	C Yes	C No	D Yes	D No
14	Were the bonds issued as part of a current refunding issue?		X		X				
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III Private Business Use

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

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?								
b	Are there any research agreements that may result in private business use of bond-financed property?								
c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?								

Part IV Arbitrage

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

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
MARIETTA MEMORIAL HOSPITAL

Employer identification number
31-4379509

Part I Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).

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

1 (a) Name of disqualified person	(b) Description of transaction	(c) Corrected? Yes	No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 . . . . ▶ $

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

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

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

Part III Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of grant or type of assistance

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues? Yes	No
(1) BARENGO INSURANCE	Insurance Agent	2,309,358	Insurance		No
(2) SILVERHEELS INC	Contractor	694,075	Construction		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE O (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
► Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
MARIETTA MEMORIAL HOSPITAL

Employer identification number
31-4379509

Identifier	Return Reference	Explanation
Pt VI-B, Line 12c		Inhouse counsel reviews disclosures and reports to board annually
Pt VI-B, Line 15		Compensation committee of the board engages outside studies for review
Pt VI-C, Line 19		Disclosures are available upon request
Pt VI-B, Line 11a		Prepared by finance - reveiwed by CFO
Form 990EZ, Part I, Line 8		CAFETERIA
Form 990EZ, Part I, Line 16		PURCHASED SERVICES MEDICAL PROF FEES UTILITIES INSURANCE BAD DEBTS & OTHER
Form 990EZ, Part II, Line 24		ACCOUNTS RECEIVABLE - NET OTHER RECEIVABLES INVENTORIES PREPAIDS INVESTMENTS
Form 990EZ, Part II, Line 26		ACCOUNTS PAYABLE & ACCRUED EXPENSES BONDS, MORTGAGES & OTHER NOTES
Form 990, Part IX, Line 24f		TELEPHONE 626091 49029 577062 POSTAGE 141045 7287 133758 PRINTING 264192 118975 145217 OTHER 4214742 2759587 1455155 UTILITIES 2469599 2469599

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047
2010
Open to Public Inspection

Name of the organization
MARIETTA MEMORIAL HOSPITAL

Employer identification number
31-4379509

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization Yes	No
(1) MARIETTA AREA HEALTH CARE INC 401 MATTHEW ST MARIETTA, OH 45750 31-1126451							

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) MARIETTA HOME HEALTH AND HOSPICE 5959 S SHERWOOD FOREST BLVD BATON ROUGE, LA70816 26-1480799												
(2) MARIETTA SURGERY CENTER 611 SECOND ST MARIETTA, OH45750 31-1684367												
(3) MARIETTA OCCUPATIONAL HEALTH PARTNERS 401 MATTHEW ST MARIETTA, OH45750 04-3587132												

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership

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

		Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III or IV			
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to other organization(s)	1b		No
c Gift, grant, or capital contribution from other organization(s)	1c		No
d Loans or loan guarantees to or for other organization(s)	1d		No
e Loans or loan guarantees by other organization(s)	1e		No
f Sale of assets to other organization(s)	1f		No
g Purchase of assets from other organization(s)	1g		No
h Exchange of assets	1h		No
i Lease of facilities, equipment, or other assets to other organization(s)	1i		No
j Lease of facilities, equipment, or other assets from other organization(s)	1j		No
k Performance of services or membership or fundraising solicitations for other organization(s)	1k		No
l Performance of services or membership or fundraising solicitations by other organization(s)	1l		No
m Sharing of facilities, equipment, mailing lists, or other assets	1m		No
n Sharing of paid employees	1n		No
o Reimbursement paid to other organization for expenses	1o		No
p Reimbursement paid by other organization for expenses	1p		No
q Other transfer of cash or property to other organization(s)	1q		No
r Other transfer of cash or property from other organization(s)	1r		No

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

	(a) Name of other organization	**(b)** Transaction type(a-r)	**(c)** Amount involved	**(d)** Method of determining amount involved
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproprtionate allocations?		(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

MARIETTA AREA HEALTH CARE, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2011 AND 2010

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

TABLE OF CONTENTS
SEPTEMBER 30, 2011 AND 2010

blue

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Marietta Area Health Care, Inc. and Subsidiaries
Marietta, Ohio

We have audited the accompanying consolidated balance sheets of Marietta Area Health Care, Inc. and Subsidiaries (collectively referred to as the "System") as of September 30, 2011 and 2010, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Marietta Memorial Health Foundation (the "Foundation"), a consolidated subsidiary, which statements reflect total assets representing 5.3% and 5.6% of the consolidated total as of September 30, 2011 and 2010, respectively, and total revenues and nonoperating gains representing .02% and .1% of the consolidated total for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for the Foundation, is based solely on the reports of the other auditors.

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

In our opinion, based upon our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Marietta Area Health Care, Inc. and Subsidiaries as of September 30, 2011 and 2010, and its consolidated results of operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Blue & Co., LLC

January 31, 2012

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2011 AND 2010

ASSETS

	2011	2010
Current assets		
Cash and cash equivalents	$ 29,526,624	$ 28,507,196
Patient accounts receivable, net of allowance for doubtful accounts of $11,332,057 in 2011 and $8,237,230 in 2010	32,587,079	27,231,436
Other receivables	238,613	405,043
Estimated third-party settlements	1,168,819	1,251,192
Inventories	2,010,145	1,760,351
Prepaid expenses and other assets	1,889.272	2,009,521
Total current assets	67,420,552	61,164,739
Cash and investments limited as to use		
Board designated assets and donor restricted funds	40,464,257	39,814,714
Held by trustee- under bond indenture agreement	5,794,846	5,742,742
	46,259,103	45,557,456
Notes receivable, net	721,411	739,388
Property, plant and equipment, net		
Used in operations	127,822,260	126,065,105
Assets used for rental purposes	2,636.631	2,790,269
	130,458,891	128,855,374
Other assets		
Unamortized bond issue costs	1,715,250	1,894,445
Goodwill	4,089,816	1,806,486
Other	1,234,476	1,430,079
	7,039,542	5,131,010
Total assets	$ 251,899,499	$ 241,447,967

See accompanying notes to consolidated financial statements.

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2011 AND 2010

LIABILITIES AND NET ASSETS

	2011	2010
Current liabilities		
Line of credit	$ 4,000,000	$ 4,000,000
Accounts payable and accrued expenses	23,134,378	16,367,555
Accrued salaries, wages and related liabilities	13,046,908	15,651,518
Accrued interest payable	314,695	329,039
Other obligations	1,100,000	-
Estimated third-party settlements	508,994	210,603
Current portion of long-term debt	5,309,045	5,320,488
Deferred revenue, current	185,853	279,000
Total current liabilities	47,599,873	42,158,203
Interest rate swap liability	5,501,907	5,065,154
Other obligations	550,000	-
Accrued pension cost	26,224,509	19,504,918
Long-term debt, less current portion	67,300,588	71,304,611
Deferred revenue	5,024,949	5,348,317
Total liabilities	152,201,826	143,381,203
Net assets		
Unrestricted:		
Controlling interest	98,463,335	96,970,383
Non-controlling interest	166,252	57,490
Total unrestricted	98,629,587	97,027,873
Temporarily restricted	65,904	71,971
Permanently restricted	1,002,182	966,920
Total net assets	99,697,673	98,066,764
Total liabilities and net assets	$ 251,899,499	$ 241,447,967

See accompanying notes to consolidated financial statements.

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Operating revenue		
Net patient service revenue	$ 269,011,562	$ 228,915,441
Other operating revenue	2,391,947	2,099,280
Total operating revenue	271,403,509	231,014,721
Operating expenses		
Salaries and wages	105,480,362	94,255,788
Employee benefits	33,468,077	27,671,353
Supplies	50,186,592	43,780,276
Purchased services	25,746,184	23,421,559
Medical professional fees	4,474,837	3,624,125
Bad debts	14,173,610	10,337,813
Rent	4,421,056	5,441,807
Insurance	2,133,004	2,044,991
Utilities	3,838,995	3,653,395
Interest and amortization	4,004,824	3,822,379
Depreciation	10,235,884	10,233,401
Other	5,805,194	5,196,413
Total operating expenses	263,968,619	233,483,300
Operating income (loss)	7,434,890	(2,468,579)
Non-operating gains (losses)		
Investment income	1,492,445	1,886,489
Unrestricted contributions	378,712	1,074,135
Change in fair value of interest rate swaps	(436,753)	(1,660,685)
Other	(384,029)	704,361
Total non-operating gains (losses)	1,050,375	2,004,300
Excess of revenues over (under) expenses	$ 8,485,265	$ (464,279)

See accompanying notes to consolidated financial statements.

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Unrestricted net assets		
Excess of revenues over (under) expenses	$ 8,485,265	$ (464,279)
Net change in unrealized gains on investments	(838,296)	1,486,355
Pension related changes other than net periodic pension cost	(5,033,976)	(1,363,819)
Other	(1,120,041)	(295,457)
Change in unrestricted net assets before effect of non-controlling interest	1,492,952	(637,200)
Less amount attributed to non-controlling interest	108,762	57,490
Change in unrestricted net assets	1,601,714	(579,710)
Temporarily Restricted net assets		
Contributions	-	106,500
Net assets released from restrictions	-	(793,000)
Investment income and unrealized losses on investments	(6,067)	101,426
Change in temporarily restricted net assets	(6,067)	(585,074)
Permanently restricted net assets		
Investment income	35,262	12,325
Contributions	-	1,053
Change in permanently restricted net assets	35,262	13,378
Change in net assets	1,630,909	(1,151,406)
Net assets, beginning of year	98,066,764	99,218,170
Net assets, end of year	$ 99,697,673	$ 98,066,764

See accompanying notes to consolidated financial statements.

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30. 2011 AND 2010

	2011	2010
Operating activities		
Change in net assets	$ 1,630,909	$ (1,151,406)
Adjustments to reconcile change in net assets to net cash from operating activities		
Bad debts	14,173,610	10,337,813
Depreciation - assets used for operations	10,235,884	9,531,564
Depreciation - assets used for rental purposes	743,895	701,837
Proceeds from restricted contributions and investment income	(29,195)	(221,304)
Net change in unrealized gains on investments	838,296	(1,486,355)
Other changes in unrestricted net assets	926,100	(235,395)
Realized (gains) losses on investments	(576,171)	(931,149)
Net change in pension liability	5,033,976	1,363,819
Change in fair value of interest rate swap	436,753	1,660,685
Changes in operating assets and liabilities		
Patient accounts receivable	(19,529,253)	(8,803,944)
Inventories	(249,794)	349,958
Prepaid expenses and other assets	286,679	791,051
Other assets	374,798	371,088
Accounts payable and accrued expenses	6,766,823	7,807,194
Accrued salaries, wages and related liabilities	(2,604,610)	3,717,706
Accrued interest payable	(14,344)	(12,941)
Estimated third-party settlements	380,764	(798,605)
Pension liability	1,685,615	2,465,112
Deferred revenue and other long term liabilities	(416,515)	330,452
Net cash from operating activities	20,094,220	25,787,180
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(12,583,296)	(9,765,773)
Changes in notes receivable, net	17,977	(107,358)
Goodwill	(2,283,330)	(1,801,536)
Change in assets whose use is limited	(963,772)	1,927,103
Net cash from investing activities	(15,812,421)	(9,747,564)
Cash flows from financing activities		
Proceeds from restricted contributions and investment income	29,195	221,304
Refunds of deposits and refundable fees	-	(412,723)
Dividends paid	(926,100)	(90,847)
Changes in other obligations	1,650,000	-
Proceeds from long term borrowings	1,200,000	6,500,000
Principal payments on long-term obligations	(5,215,466)	(4,409,895)
Net cash from financing activities	(3,262,371)	1,807,839
Net change in cash and cash equivalents	1,019,428	17,847,455
Cash and cash equivalents, beginning of year	28,507,196	10,659,741
Cash and cash equivalents, end of year	$ 29,526,624	$ 28,507,196
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 4,019,168	$ 3,807,429

See accompanying notes to consolidated financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Marietta Area Health Care, Inc. ("MAHC") is a nonprofit corporation organized under the laws of the State of Ohio to provide and promote health care services.

MAHC is the sole corporate member of Marietta Area Health, Inc. (the "Nursing Home"), Marietta Memorial Health Foundation (the "Foundation"), Marietta Continuing Care Retirement Community, Inc. (the "CCRC"), Selby General Hospital ("Selby") and Marietta Memorial Hospital ("MMH"). Selby and MMH will be collectively known as the "Hospitals." All of these subsidiaries are Ohio nonprofit organizations.

During 2010, MMH purchased a 51% interest in Marietta Surgery Center, Ltd ("MSC"). MSC is consolidated with the operations of MAHC for financial statements purposes.

The accompanying consolidated financial statements include the accounts of MAHC and subsidiaries (the "System"). All significant intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents

Investments, consisting of money markets and certificates of deposit, with a maturity of three months or less when purchased are considered to be cash equivalents, excluding assets whose use is limited.

The System maintains cash balances with several banking institutions. At September 30, 2011 and 2010, certain amounts on deposit at these institutions exceeded the amounts which would be covered by the Federal Deposit Insurance Corporation ("FDIC").

Investments and Assets Whose Use Is Limited

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues under expenses, unless the income or loss is restricted by donor or law. Realized gains and losses are determined based on the specific identification method. Unrealized gains and losses on investments are excluded from the excess of revenues under expenses.

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, there were no other-than-temporary losses during the year ended September 30, 2011 and 2010.

The System invests in alternative investments that primarily represent ownership in limited partnerships that invest in hedge funds, real asset funds, and private equity venture capital funds. In order to liquidate such investments, management is required to provide notice ranging from 45 to 90 days to withdraw from the partnerships. Alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the System's investment managers. The System reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

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 the changes in value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the accompanying financial statements.

Assets whose use is limited include assets held by trustees under indenture agreements and designated assets set aside by the Board of Directors (the "Board") to fund the following obligations of the System:

- Expansion and renovation project and other capital improvements;
- Payment of principal and interest on outstanding bond obligations and other financing arrangements;
- Payment of obligations arising from the System's self-insurance arrangements;
- Payment of obligations arising from the System's deferred compensation agreements.

The System receives certain contributions and bequests which are restricted as to use by the donor. Income derived from these restricted funds is recorded as part of unrestricted fund operations, unless explicitly restricted by donors.

Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the System in perpetuity, the income from which is expendable to support health care services.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give are reported at fair value at the date the gift is received. The gifts are reported as temporarily 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 to unrestricted net assets. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Patient Accounts Receivable and Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realized amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under payment agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The System is a provider of services to patients entitled to coverage under Medicare and Medicaid.

Medicare: Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Non-prospectively determined inpatient services for exempt units are paid based on a cost reimbursement methodology. Outpatient services (including ambulatory surgery, radiology, and other diagnostic services) are paid based on a payment system entitled Ambulatory Payment Classification. The System's Medicare cost reports have been settled by the Medicare intermediary through 2006.

Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment system. Capital cost relating to Medicaid inpatient services are paid on the cost-reimbursement method. The System is reimbursed for outpatient services on an established fee-for-service methodology. The System's Medicaid cost reports have been settled through 2006.

The estimated settlements recorded at September 30, 2011 could differ from actual settlements based on the results of cost report audits by appropriate government authorities or their agents. In the opinion of management, adequate provision has been made in the financial statements for any adjustments that may result from their audits.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The System believes that it is substantially in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

Allowance for Doubtful Accounts

The System estimates an allowance for doubtful accounts based on an evaluation of historical losses, current economic conditions and other factors unique to the System's client base.

Bond Issue Costs

Financing costs are amortized over the term of the debt.

Inventories

Inventories, which consist of supplies, are stated at the lower of cost determined by the last-in, first out method (LIFO), or market.

Notes Receivable

The System advances monies to physicians under various cash flow support and loan arrangements. These loans are unsecured and are forgiven systematically in accordance with the loan agreements. Should the arrangement between the System and the physician be terminated prior to the end date the System will pursue collection of any outstanding advances.

Goodwill

The excess of cost over book value created by acquisitions is shown as goodwill in accordance with accounting principles generally accepted in the United States of America. The System is required to perform an impairment test for goodwill at least annually or more frequently if adverse events or changes in circumstances indicate that the asset may be impaired. The System performs the annual impairment test at the end of each year.

Self-Insurance Programs

The System has self-insurance programs for workers' compensation and employee health insurance. Operations are charged with the cost of claims reported and an estimate of claims incurred but not reported. The estimated liability for unpaid claims, including incurred but not reported losses, is reflected in the balance sheet as an accrued liability. The plan has maximum annual reinsurance coverage amount per participant of $175,000 and is reinsured for aggregate claims exceeding $1,000,000 annually.

Property, Plant and Equipment

Additions to property, plant and equipment have been recorded at cost or at fair value if acquired by gift. The carrying value of assets sold, retired, or otherwise disposed of and the related allowances for depreciation are eliminated from the accounts with any gains or losses reported as other expense. The System provides for depreciation and obsolescence of property, plant and equipment by monthly charges to expense. These charges are calculated to depreciate, on the straight-line method, the gross carrying amounts of depreciable assets over the expected useful lives of the various classes of assets.

The range of useful lives used in computing depreciation is:

Land improvements	10-25 years
Buildings and building equipment	5-40 years
Major and minor equipment	5-20 years

Property and equipment not used in operations consists of land and buildings related to rental properties held by MMH.

Charity Care

The System accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the System. In assessing a patient's inability to pay, the System utilizes generally recognized poverty income levels, but also includes cases where incurred charges are significant when compared to an individual's financial condition (or resources). Because the System does not expect to receive payment of amounts determined to qualify as charity care, they are not reported as net patient service revenue. Charity care, based upon charges at established rates, totaled $29,016,338 and $26,191,572 in fiscal years 2011 and 2010, respectively. In addition, the System provides community services intended to benefit the underserved and enhance the health status of the community.

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 certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Operating and Nonoperating Activities

The System's primary purpose is to provide diversified health care services to the community. As such, activities related to the ongoing operations of the System are classified as revenue. Revenue includes those generated from direct patient care, related support services and sundry revenues.

Gains and losses not directly related to the ongoing operations of the System or that occur infrequently are reported as nonoperating. Included in nonoperating are investment income, unrestricted contributions, and rental revenue net of depreciation and other expenses related to property and equipment not used in the System's operations.

Excess of Revenues Over (Under) Expenses

For purposes of reporting, transactions deemed by management to be directly related to the provision of health care services are reported as excess of revenues over (under) expenses. Changes in unrestricted net assets that are excluded from excess of revenues over (under) expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, transfers from affiliates and pension related changes other than net periodic pension cost.

Obligation to Provide Future Services

CCRC estimates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance deposit fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from the advance fees, a liability is recorded (obligation to provide future services and the use of facilities) with the corresponding charge to income. Management has determined that no accrual for an obligation to provide future services is required as of September 30, 2011 and 2010.

Prospective Resident and Security Deposits and Deferred Revenue

CCRC may collect a percentage of the expected entrance fees from prospective residents once an independent living unit is identified for occupancy. These initial deposits are refundable to the prospective residents until their time of occupancy less a $500 administrative fee, which may be waived subject to provisions in the residency agreement. The remaining percentage of the expected entrance fees is collected at the residents' point of occupancy. CCRC may also collect deposits from prospective residents, designated as waiting list fees, which place those prospective residents at a priority level. These deposits are applied towards the prospective residents' entrance fees. Finally, CCRC collects a $2,500 security deposit on each of its assisted living units.

The residents of CCRC's independent living units are entitled to a refund of their entrance deposit fees depending upon the initial amount of the deposit and whether the units occupied are for single occupancy (55% or 95%) or double occupancy (50% or 90%). Refunds are subject to a new resident paying the entrance deposit fees and other provisions as provided in the residency agreement. CCRC amortizes to revenue the nonrefundable entrance deposit fees received over the remaining economic useful life of the building and the refundable entrance deposit fees received over the remaining actuarial life expectancy of the resident. The unamortized entrance deposit fees are classified as deferred revenue in the accompanying financial statements.

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, patient accounts receivable, assets whose use is limited, pledge and notes receivables, accounts payable, accrued liabilities, estimated third-party settlements, deferred revenue, refundable advance fees, derivative liabilities, and long-term debt. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, patient accounts receivable, pledge receivables, accounts payable, accrued liabilities and estimated third-party settlements approximate fair value based upon the short term maturity of these instruments. The carrying values reported in the consolidated balance sheets for assets whose use is limited equal fair value as based upon quoted market prices for those or similar investments which are observable. The carrying value reported in the consolidated balance sheets for the interest rate swap is based on current market interest rates compared to the fixed interest rate of the swap. The fair values of the notes receivable, deferred revenue and refundable advance fees have not been determined as the timing of any refund settlement, if any, is not specified. The carrying value reported in the consolidated balance sheet for long-term debt approximates fair value based primarily on the current borrowing rates of the primary debt indentures.

Federal Income Taxes

The System is organized as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code. As such, it is generally exempt from income taxes. However, it is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only. This return has been filed for periods through 2010. MSC is organized as a limited liability company, whereby, net taxable income is taxed directly to the members and not MSC. Its return has been filed for periods through 2010. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability if an uncertain position has been taken that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by these entities and has concluded that as of September 30, 2011 and 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The entities are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Reclassifications

Certain 2010 amounts have been reclassified to conform to the 2011 presentation in the accompanying financial statements. Such reclassifications did not impact the 2010 excess of revenues over (under) expenses or changes in net assets.

Subsequent Events

The System has evaluated events or transactions occurring subsequent to the consolidated balance sheet date for recognition and disclosure in the accompanying financial statements through the date the financial statements are issued, which is January 31, 2012.

2. PATIENT ACCOUNTS RECEIVABLE AND THIRD PARTY SETTLEMENTS

The details of patient accounts receivable are set forth below:

	2011	2010
Patient accounts receivable	$ 80,748,160	$ 70,930,645
Less allowances for:		
Uncollectible accounts	(11,332,057)	(8,237,230)
Contractual adjustments	(36,829,024)	(35,461,979)
Net patient accounts receivable	$ 32,587,079	$ 27,231,436

The System provides services without collateral to its patients, most of whom are local residents and insured under third-party payor agreements. The mix of receivables and revenue from patients and third-party payors is as follows:

	2011		2010	
	Accounts Receivable	Revenue	Accounts Receivable	Revenue
Medicare	45%	44%	46%	43%
Medicaid	12%	11%	12%	10%
Commercial	25%	38%	29%	41%
Patient pay	18%	7%	13%	6%
Total	100%	100%	100%	100%

3. CASH AND INVESTMENTS LIMITED AS TO USE

Assets whose use is limited include assets held by trustees under indenture agreements, donor restricted funds, and designated assets set aside by the Board for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities of the System have been classified as current assets in the consolidated balance sheets.

The composition of cash and investments limited as to use carried at fair value is set forth in the following table:

	2011	2010
Board designated assets and donor restricted funds		
Cash and cash equivalents	$ 4,923,053	$ 4,751,640
Mutual funds	20,985,142	21,959,521
Common stock	342	404
Alternative investments	-	2,858,097
Foreign equity	2,672,859	2,260,652
US government and corporate bonds	11,459,089	7,414,306
Municipal Obligations	27,274	-
Foreign obligations	396,498	570,094
	$ 40,464,257	$ 39,814,714
Held by trustee - under bond indenture agreement		
Cash and cash equivalents	$ 5,794,846	$ 5,742,742

Assets Whose Use is Limited

The following schedule summarizes the fair value of securities included in assets whose use is limited by board-designation and held by trustee that have gross unrealized losses (the amount by which historical cost exceeds the fair value) as of September 30, 2011.

The schedule further segregates the securities that have been in a gross unrealized position as of September 30, 2011, for less than twelve months and those for twelve months or more. The gross unrealized losses of less than twelve months are a reflection of the normal fluctuations of the stock market and therefore considered temporary. The gross unrealized losses of twelve months or longer are reflective of current market fluctuations. The majority of the decline is attributable to investments in financially strong companies by industry standards with which industry experts expect recover.

The decline in value is determined by management to be temporary, and unrealized losses have not been reclassified to realized as of September 30, 2011:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US government, corporate bonds and foreign obligations	$ 2,030,290	$ 127,986	$ 253,202	$ 30,007	$ 2,283,492	$ 157,993
Mutual funds, common stock, and foreign equity	2,672,858	520,846	5,807,881	864,346	8,480,739	$ 1,385,192
Total	$ 4,703,148	$ 648,832	$ 6,061,083	$ 894,353	$ 10,764,231	$ 1,543,185

The decline in value is determined by management to be temporary, and unrealized losses have not been reclassified to realized as of September 30, 2010:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US government, corporate bonds and foreign obligations	$ 172	$ 3	$ 253,261	$ 23,178	$ 253,433	$ 23,181
Mutual funds, common stock, and foreign equity	-	-	18,516,308	1,070,389	18,516,308	$ 1,070,389
Total	$ 172	$ 3	$ 18,769,569	$ 1,093,567	$ 18,769,741	$ 1,093,570

Investments of the System consist of fixed income funds, equity securities and mutual funds. There is no concentration of investments in any one security or industry sector.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Major classes of assets and liabilities that are measured at fair value are categorized according to a fair value hierarchy that prioritizes the inputs to value techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 inputs are readily determinable using unadjusted quoted prices for identical assets or liabilities in active markets. Level 2 inputs are derived from quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets (other than those included in Level 1) which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. If the inputs used fall within different levels of the hierarchy, the categorization is based upon the lowest level input that is significant to the fair value measurements.

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 are as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Funds:				
Mid-Cap mutual funds	$ 1,922,468	$ -	$ -	$ 1,922,468
Large-Cap mutual funds	11,562,180	-	-	11,562,180
Small-Cap mutual funds	1,060,300	-	-	1,060,300
Fixed income mutual funds	6,440,194	-	-	6,440,194
Foreign mutual funds	2,672,859	-	-	2,672,859
Common Stock	342	-	-	342
US government treasury bills	816,375	-	-	816,375
Corporate bonds:				
Financial services sector bonds	-	2,379,919	-	2,379,919
Utilities sector bonds	-	460,586	-	460,586
Energy sector bonds	-	470,912	-	470,912
Consumer-defensive sector bonds	-	387,076	-	387,076
Industrial sector bonds	-	675,568	-	675,568
Other sector bonds	-	2,173,671	-	2,173,671
Mortgage-backed securities	-	4,094,982	-	4,094,982
Municipal obligations	-	27,274	-	27,274
Foreign obligations	-	396,498	-	396,498
Total assets at fair value	$ 24,474,718	$ 11,066,486	$ -	$ 35,541,204
Liabilities:				
Interest rate swaps	$ -	$ 5,501,907	$ -	$ 5,501,907
Total liabilities at fair value	$ -	$ 5,501,907	$ -	$ 5,501,907

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2010 are as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds	$ 21,959,521	$ -	$ -	$ 21,959,521
Common stock	404	-	-	404
Foreign equity	2,260,652	-	-	2,260,652
Alternative investments	-	2,858,097	-	2,858,097
US government and corporate bonds	-	7,414,306	-	7,414,306
Foreign obligations	-	570,094	-	570,094
Total assets at fair value	$ 24,220,577	$ 10,842,497	$ -	$ 35,063,074
Liabilities:				
Interest rate swaps	$ -	$ 5,065,154	$ -	$ 5,065,154
Total liabilities at fair value	$ -	$ 5,065,154	$ -	$ 5,065,154

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is summarized as follows:

	2011	2010
Used in operation:		
Land and land improvements	$ 11,449,544	$ 11,410,464
Buildings and fixed equipment	162,624,058	149,020,103
Major movable and minor equipment	85,084,484	93,497,580
Construction-in-progress	8,581,525	1,389,608
	267,739,611	255,317,755
Less allowances for depreciation	(139,917,351)	(129,252,650)
	$ 127,822,260	$ 126,065,105
Assets used for rental purposes:		
Land and buildings	$ 4,645,420	$ 4,590,684
Less allowances for depreciation	(2,008,789)	(1,800,415)
	$ 2,636,631	$ 2,790,269

6. LONG TERM DEBT

Long term obligations consist of the following:

	2011	2010
Washington County , Ohio Hospital Facilities Revenue Bonds, Marietta Area Health Care, Inc. Series 1998, maturing in various annual amounts through 2023 with interest due semiannually at rates ranging from 4.0% to 5.375%	$ 15,670,000	$ 16,595,000

	2011	2010
Washington County, Ohio Hospital Facilities Revenue Bonds, Marietta Area Health Care, Inc. Series 2001, maturing in various annual amounts through 2025 with interest due semiannually at variable rates (0.39% at September 30, 2011)	8,790,000	9,169,176
Washington County, Ohio Hospital Facilities Revenue Bonds, Marietta Area Health Care, Inc. Series 2002, maturing in various annual amounts through 2026 with interest due semiannually at variable rates (0.39% at September 30, 2011)	3,290,000	3,425,000
Washington County, Ohio Hospital Facilities Revenue Bonds, Marietta Area Health Care, Inc. Series 2003, maturing in various annual amounts through 2026 with interest due semiannually at variable weekly rates (0.23% at September 30, 2011, for 25% of the obligation) and 4.27% fixed	20,190,000	20,645,000
Washington County, Ohio Hospital Facilities Revenue Bonds, Series 1997 (Glenwood Retirement Community Project), maturing in various annual amounts through 2027 with interest due semiannually at rates ranging from 5.10% to 6 35%.	7,955,000	8,295,000
Washington County, Ohio Hospital Facilities Revenue Bonds, Marietta Area Health Care, Inc. Series 2008, maturing in various annual amounts through 2033 with interest due semiannually at variable weekly rates (0.16% at September 30, 2011)	9,754,176	10,535,000
Note payable, physician loan, Selby General Hospital, payable in monthly installments of $2,825 through January 2012 including interest at 5.0%	8,009	33,781
Note payable, Peoples Bank, Marietta Area Health Care Inc., amended and additional debt of $1,200,000 obtained April, 2011, payable in monthly installments of $123,623 through March, 2016 including interest at 5.0%	5,823,258	5,729,377
Note payable, JP Morgan Chase Bank, Marietta Area Health Care Inc., payable in monthly payments of $81,369 through October 2012 including interest at 5.4%	951,824	1,843,150
Note payable, People's Bank, Marietta Surgery Center, Ltd, payable in monthly payments of $8,492 through June 2013 including interest at 6.25%	167,707	256,128
Capital leases	9,659	98,487
	72,609,633	76,625,099
Less current maturities	(5,309,045)	(5,320,488)
Long-term obligations	$ 67,300,588	$ 71,304,611

During 1998, MMH, MAHC, the Nursing Home, and the Foundation formed an Obligated Group to accomplish common financing plans. During 1998, the Obligated Group issued $25,075,000 County of Washington, Ohio Hospital Facilities Revenue Refunding and Improvement Bonds (Series 1998 Bonds). The purpose of the 1998 Bonds was to (i) refund and retire the Hospital Revenue Bonds Refunding Series 1988A and Series 1992 bonds, (ii) finance the acquisition, construction, renovation, installation, and equipping of additional hospital facilities, (iii) fund a debt service reserve fund for the Series 1998 Bonds, and (iv) pay certain costs of issuance of the Series 1998 Bonds. Each member of the Obligated Group is jointly and severally obligated with respect to all of the Series 1998 Bonds.

During 2002, the Obligated Group issued $11,705,000 Adjustable Rate Demand Hospital Revenue Bonds (Series 2001 Bonds). In addition, the Obligated Group issued $4,200,000 Adjustable Rate Demand Hospital Revenue Bonds (Series 2002 Bonds). The purpose of the Series 2001 Bonds and Series 2002 Bonds was to (i) finance the acquisition, construction. renovation, installation. and equipping of additional hospital facilities, (ii) fund a debt service reserve fund for the Series 2001 and Series 2002 Bonds, and (iii) pay certain costs of issuance of the Series 2001 and Series 2002 Bonds. Each member of the Obligated Group is jointly and severally obligated with respect to all of the Series 2001 and Series 2002 Bonds.

During 2003, the Obligated Group issued $22,600,000 Adjustable Rate Demand Hospital Facilities Revenue Bonds (Series 2003 Bonds). The purpose of the Series 2003 Bonds was to (i) finance certain improvements to existing hospital facilities including the acquisition, construction, installation, and equipping of additional hospital facilities and (ii) pay certain costs related to the issuance of the Series 2003 Bonds. Each member of the Obligated Group is jointly and severally obligated with respect to all of the Series 2003 Bonds.

During 2008, the Obligated Group issued $12,000,000 Adjustable Rate Demand Hospital Facilities Revenue Bonds (Series 2008 Bonds), of which the entire amount was recorded on the Hospital's balance sheet. The purpose of the Series 2008 Bonds was to (i) finance certain improvements to existing hospital facilities including the acquisition, construction, installation, and equipping of additional hospital facilities and (ii) pay certain costs related to the issuance of the Series 2008 Bonds. Each member of the obligated Group is jointly and severally obligated with respect to all of the Series 2008 Bonds.

Substantially all gross receipts of the Obligated Group members are pledged as collateral against retirement of the Series 1998, Series 2001, Series 2002, Series 2003, and Series 2008 Bonds (the Bonds). In addition, the Obligated Group is required to maintain specified balances in special funds held by the trustee and comply with certain financial ratios.

For the portion of the facilities financed by the Bonds, the Obligated Group has entered into a lease agreement with the County which expires on the mandatory retirement date of the Bonds. A provision of the lease grants an option to the Obligated Group to purchase the facilities for a nominal sum after provision has been made to retire the Bonds. Accordingly, such premises and equipment together with the bond proceeds and bond indebtedness are included in the accompanying consolidated financial statements as assets and liabilities of the System.

The Obligated Group has obtained two letters of credit from a bank each expiring on December 15, 2012, to guarantee payment of the Series 2001 Bonds outstanding principal plus accrued interest and the Series 2002 Bonds outstanding principal plus accrued interest. The Obligated Group has also obtained a letter of credit from a bank expiring March 15, 2013, to guarantee payment of the Series 2008 Bonds outstanding principal plus accrued interest. The letters of credit also guarantee payment for any unremarketed bonds resulting from tender drawings. The terms of the obligated Group's Master Trust Indenture require the Obligated Group members to. among other things, comply with certain financial ratios and restrict additional encumbrances.

The owners of the Series 2001 and Series 2002 Bonds have the option to demand payment of their outstanding bonds. The Obligated Group has entered into a Remarketing Agreement which requires the remarketing agent to utilize its best efforts to remarket any such bonds that may be tendered for payment. In the event the Series 2001 or Series 2002 Bonds cannot be remarketed, the letters of credit provide that the letter of credit bank will make payment for the Series 2001 or Series 2002 Bonds tendered. The Obligated Group members have an obligation to make payment to the letter of credit banks for unremarketed bonds by the expiration dates of the letters of credit (December 15, 2012 for Series 2001 and Series 2002, March 15, 2013 for Series 2008), plus any accrued interest.

The owners of the Series 2003 Bonds have the option to demand payment of their outstanding bonds. The Obligated Group has entered into a Standby Bond Purchase Agreement (the Agreement) which requires the remarketing agent to utilize its best efforts to remarket any such bonds that may be tendered for payment. In the event the Series 2003 Bonds cannot be remarketed, the Agreement provides that the bank will make payment for the Series 2003 Bonds tendered. The Obligated Group members have an obligation to make payment to the bank for unremarketed bonds over five years in quarterly payments, plus any accrued interest.

During 1997, the CCRC issued $14,750,000 County of Washington, Ohio Health Care Facilities Revenue Bonds, Series 1997 (1997 Bonds), to construct a residential assisted living facility. Substantially all assets of the CCRC are pledged as security for the 1997 Bonds. In addition, the CCRC is required to maintain specified balances in the debt service reserve fund held by the trustee and comply with certain financial ratios for the 1997 Bonds.

The People's Bank notes payable and the JP Morgan Chase Bank notes payable are collateralized by gross revenues and property and equipment.

At September 30, 2011, future scheduled minimum payments for the long-term obligations by year and in the aggregated consist of the following:

	Bonds and Notes Payable	Capital Leases
2012	$ 5,299,386	$ 9,919
2013	4,660,253	-
2014	4,825,474	-
2015	5,068,048	-
2016	4,579,686	-
Thereafter	48,167,127	-
Total payments	$ 72,599,974	$ 9,919
Less amounts representing interest		260
Total minimum future payments		$ 9,659

Selby General Hospital has capital lease obligations payable in monthly installments of $1,653 including interest of 9.16%, secured by equipment.

Assets held under capital lease obligations are include with property and equipment on the consolidated balance sheet. A summary of these assets and related depreciation on September 30 is as follows:

	2011	2010
Equipment	$ 79,342	$ 1,081,739
Less: accumulated depreciation	74,260	1,071,068
	$ 5,082	$ 10,671

MMH capitalized interest cost in fiscal years 2011 and 2010 in the amount of $0 and $218,173, respectively.

Objectives and Strategies for Using Derivatives

The System makes limited use of derivative financial instruments for the purpose of managing interest rate risk. In particular, forward interest rate swaps are used to manage the risk associated with interest rates on variable-rate borrowings and to lower its overall borrowing costs.

At September 30, 2011 and 2010, the System has four interest rate swap agreements outstanding with notional amounts and maturity dates as follows:

Series	Maturity	2011	2010
2001	August 15, 2015	$ 8,790,000	$ 9,170,000
2002	August 15, 2015	3,290,000	3,425,000
2003B	December 1, 2033	15,142,500	15,483,750
2008	March 1, 2033	9,755,000	10,535,000

2001 Series SWAP Agreement - The swap was issued on August 2, 2005 for a total notional amount of $10,850,000. The swap requires the System to pay a fixed rate of 3.87% on the notional amounts while receiving variable rate payments equal to the BMA Municipal Swap Index.

2002 Series SWAP Agreement - The swap was issued on August 2, 2005 for a total notional amount of $4,005,000. The swap requires the System to pay a fixed rate of 3.87% on the notional amounts while receiving variable rate payments equal to the BMA Municipal Swap Index.

2003B Series SWAP Agreement - The swap was issued on December 30, 2003 for a total notional amount of $16,950,000. The swap requires the System to pay a fixed rate of 4.27% on the notional amounts while receiving variable rate payments equal to the BMA Municipal Swap Index.

2008 Series SWAP Agreement - The swap was issued on May 1, 2008 for a total notional amount of $12,000,000. The swap requires the System to pay a fixed rate of 3.57% on the notional amounts while receiving variable rate payments equal to the BMA Municipal Swap Index.

The interest rate swaps have been designated by management as cash flow hedges of variable-rate debt with no hedge effectiveness; therefore, changes in the fair value of the swaps are recorded in the Statement of Operations. The interest differential to be paid or received under the swap agreements is accrued and recognized as an adjustment to interest expense. The fair value of the interest rate swaps at September 30, 2011 and 2010 was a liability and is included in the balance sheet.

The System is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreements. However, the System does not anticipate nonperformance by the counterparties.

Cash flows from interest rate swap contracts are classified as an operating activity on the statements of cash flows. Additional information regarding fair value measurements of the interest rate swap agreements is disclosed in Note 4.

Tabular Disclosures

The liability derivatives are reported as interest rate swaps on the balance sheet. The fair values of the derivatives recorded in the balance sheet are as follows:

	Liability Derivatives			
	September 30, 2011		September 30, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swap agreements	Long-term liabilities	$ 5,501,907	Long-term liabilities	$ 5,065,154

During 2011 and 2010, the amounts of loss recognized in the income statement (and their locations) are as follows:

	Location of Gain (Loss)	Year ended September 30	
		2011	2010
Change in fair value of interest rate swaps	Non operating gains (losses)	$ (436,753)	$ (1,660,685)

7. LINE OF CREDIT

MMH has a revolving line of credit with JP Morgan Chase Bank in the amount of $4,000,000. The line carries an interest rate of 1.761% over the LIBOR rate (.23% as of September 30, 2011) and requires monthly interest payments. As of September 30, 2011 and 2010, MMH had outstanding borrowings on the line of $4,000,000 and $4,000,000, respectively. The line is secured by assets owned by MMH and expires June 30, 2012.

8. DEFERRED REVENUE FOR ADVANCE FEES

Deferred revenue for advance fees represents the unamortized refundable and nonrefundable portions of entrance deposit fees received from residents of CCRC and consists of the following at September 30:

	2011	2010
Entrance deposit fees:		
Refundable	$ 6,734,189	$ 6,974,312
Nonrefundable	1,458,327	1,360,677
Accumulated amortization	(2,981,714)	(2,707,672)
	$ 5,210,802	$ 5,627,317

CCRC refunded $646,130 and $412,723 in 2011 and 2010, respectively, in entrance deposits to former residents as determined by their contracts. CCRC estimates that the total amount of fees to be refunded to current residents is approximately $1,695,000.

9. RETIREMENT PLANS

Pension Plan

MMH has a noncontributory defined benefit plan (the "Plan") for employees who meet certain requirements as to age and length of service. Benefits for retired or terminated employees or their beneficiaries are based on employees' compensation during their period of credited service. MMH's funding policy is to make the minimum annual contribution required by federal regulations. MMH expects to contribute $2,200,000 to the Plan during 2012. Employees hired after July 1, 2007 are not eligible to participate in the Plan.

Supplemental Executive Retirement Plan

MMH has a noncontributory defined benefit supplemental executive retirement plan ("SERP") for certain officers, management, and other highly compensated employees. Benefits for these retired employees are based on employees' final average compensation, adjusted for pension payable under the MMH defined benefit pension plan, and primary social security benefit. MMH does not expect to make any contributions to the SERP during 2012.

Details regarding the Plan and SERP at September 30, 2011 and 2010 are as follows:

	2011	2010
Change in benefit obligation		
Benefit obligation at beginning of year	$ 50,158,236	$ 44,975,800
Service cost	1,957,997	1,972,686
Interest cost	2,673,218	2,554,745
Actuarial losses	3,526,005	1,981,478
Benefits paid	(1,421,101)	(1,326,473)
Benefit obligation at end of year	$ 56,894,355	$ 50,158,236
Change in plan assets		
Fair value of plan assets at beginning of year	$ 30,653,316	$ 29,299,813
Actual return on plan assets	374,791	2,679,978
Contributions	1,062,840	-
Benefits paid	(1,421,101)	(1,326,473)
Fair value of plan assets at end of year	$ 30,669,846	$ 30,653,318
Funded Status	$ (26,224,509)	$ (19,504,918)
Amounts recognized in the consolidated balance sheets consist of		
Noncurrent liabilities	$ (26,224,509)	$ (19,504,918)
Related changes in unrestricted net assets		
Net loss	$ 25,390,356	$ 20,330,654
Prior service cost	108,793	134,519
Total	$ 25,499,149	$ 20,465,173
Accumulated Benefit Obligation	$ 40,975,318	$ 40,975,318
Other Pension Related Changes Other than Net Periodic Pension Cost		
Net loss	$ 5,962,339	$ 2,079,432
Amortization of net loss	(902,637)	(689,887)
Amortization of prior service cost	(25,726)	(25,726)
Total recognized in other pension changes other than net periodic pension cost	$ 5,033,976	$ 1,363,819
Components of Net Periodic Benefit Cost		
Service cost	$ 1,957,997	$ 1,972,686
Interest cost	2,673,218	2,554,745
Expected return on plan assets	(2,811,125)	(2,777,930)
Amortization of prior service cost	25,726	25,726
Recognized net actuarial (gain) or loss	902,637	689,887
Net periodic benefit cost	$ 2,748,453	$ 2,465,114

	2012
Estimated amounts that will be amortized from other changes in unrestricted net assets over the next fiscal year	
Amortization of prior service cost (credit)	$ 1,356,191
Amortization of net loss	25,726

	2011	2010
Weighted-average assumptions at the measurement date of September 30, 2011 and 2010 used to determine benefit obligations at September 30		
Discount rate	5.00%	5.40%
Rate of compensation increase	3.25%	3.25%
Weighted-average assumptions used to determine expense (income):		
Discount rate	5.40%	5.40%
Expected long term return on plan assets	8.00%	8.00%
Rate of compensation increase	3.25%	3.25%
The Plan's weighted average asset allocation by asset category are as follows:		
Equity securities	43.00%	71.00%
Debt securities	52.00%	25.00%
Other	5.00%	4.00%

MMH's investment policy is to invest assets per the target allocations stated above. The assets will be reallocated periodically to meet the above target allocations. The investment policy will be reviewed periodically, under the advisement of a certified investment advisor, to determine if the policy should be changed.

The overall investment return goal is to achieve a return greater than a blended mix of stated indices tailored to the same assets mix of the Plan assets over a full market cycle (three to five years).

In order to achieve a prudent level of portfolio diversification, the securities of any one company should not exceed more than 10% of the total Plan assets, and no more than 25% of total Plan assets should be invested in any one industry (other than securities of U.S. Government of Agencies). Additionally, no more than 10% of the Plan assets shall be invested in foreign securities.

The expected long-term rate of return for the Plan's total assets is based on the expected return of each of the above categories, weighted based on the median of the target allocation for each class.

Plan Assets

The fair values of the System's pension plan assets as of September 30, 2011 were:

	Level 1	Level 2	Total
Assets:			
Cash and cash equivalents	$ 292,874	$ -	$ 292,874
Money market funds	1,387,724	-	1,387,724
Corporate Bonds	-	4,602,002	4,602,002
International Bonds	-	520,815	520,815
US Government & Agency Issues	-	3,304,679	3,304,679
Common Stock	739,349	-	739,349
Mutual funds:			
Fixed income mutual funds	8,474,035	-	8,474,035
Large-cap mutual funds	6,658,243	-	6,658,243
Mid-cap mutual funds	2,849,301	-	2,849,301
Small-cap mutual funds	509,658	-	509,658
International mutual funds	1,331,166	-	1,331,166
Total assets at fair value	$ 22,242,350	$ 8,427,496	$ 30,669,846

The fair values of the System's pension plan assets as of September 30, 2010 were:

	Level 1	Level 2	Total
Assets:			
Equities	$ 2,204,225	$ -	$ 2,204,225
Mutual funds	20,971,274	-	20,971,274
Cash and cash equivalents	1,133,466	-	1,133,466
Corporate Bonds	-	2,881,805	2,881,805
US Government & agency issues	-	3,462,548	3,462,548
Total assets at fair value	$ 24,308,965	$ 6,344,353	$ 30,653,318

The benefits expected to be paid over the next ten years, as estimated based on the same assumptions used to measure MMH's benefit obligations at the end of the year, are as follows:

Years Ended September 30	Estimated Pension Benefits
2012	$ 1,438,122
2013	1,508,506
2014	1,664,968
2015	1,866,752
2016	2,116,387
2017-2021	14,344,830

Defined Contribution Plan

MMH and Selby employees were eligible to participate in Memorial Health System Hospitals Defined Contribution Plan (the "DC Plan") as of January 1, 2009. Eligible employees must complete one year of service and have attained age 21 and not be eligible for MMH's Defined Benefit Retirement Plans. MMH and Selby contribute 2% of compensation for those eligible with up to 4 years of service. Participants with 5 to 14 years of service at the end of the previous plan year, shall have a contribution of 3% of compensation and those with 15 or more years of service at the end of the previous plan year, MMH and Selby shall contribute 4% of compensation. The amount of MMH's and Selby's contribution to the Plan for the year ended September 30, 2011 and 2010 was $491,292 and $221,701, respectively.

403(b) Pension Plans and Tax Deferred Annuity Plan

MMH and Selby employees also have the option to contribute to 403(b) Pension Plan or a Tax Deferred Annuity plan. Certain age, length of service and hours-worked requirements must be met to be eligible for participation.

10. NET PATIENT SERVICE REVENUE

Net patient service revenue is comprised of the following:

	2011	2010
Charges at established rates	$ 630,022,065	$ 552,759,006
Deductions:		
Medicare contractual adjustments	156,447,533	139,072,973
Medicaid contractual adjustments	53,289,533	45,346,405
Other contractual adjustments	122,257,099	113,232,615
Charity care	29,016,338	26,191,572
Total deductions	361,010,503	323,843,565
Net patient service revenue	$ 269,011,562	$ 228,915,441

11. ACCOUNTING FOR NON-CONTROLLING INTEREST

In 2011, new accounting guidance relative to the presentation of non-controlling interests in financial statements became effective. The System adopted this guidance and reclassified the non-controlling interest as a component of net assets in the consolidated balance sheets. In addition, the change in unrestricted net assets is shown in two components, displaying both the portion attributable to both the controlling interest and non-controlling interest in the table below:

	Controlling Interest	Non-Controlling Interest	Total
Beginning balance as of October 1, 2010	$ 96,970,383	$ 57,490	$ 97,027,873
Excess of revenues over (under) expenses	7,450,403	1,034,862	8,485,265
Net change in unrealized gains on investments	(838,296)	-	(838,296)
Pension related changes other than net periodic pension cost	(5,033,976)	-	(5,033,976)
Other	(85,179)	(926,100)	(1,011,279)
Change in net assets	1,492,952	108,762	1,601,714
Ending balance as of September 30, 2011	$ 98,463,335	$ 166,252	$ 98,629,587

The effects of accounting for the non-controlling interest as of September 30, 2010 are detailed below:

Change in unrestricted net assets for 2010, as previously presented	$ (637,200)
Accounting for non-controlling interest	57,490
Change in unrestricted net assets for 2010, with adjustments	$ (579,710)

12. PROFESSIONAL LIABILITY INSURANCE

Based on the nature of its operations, the System is at times subject to pending or threatened legal actions which arise in the normal course of activities. The System is insured against medical professional liability claims under an occurrence-based policy. The policy covers claims resulting from incidents that occur during the policy term, regardless of when the claims are reported to the insurance carrier. The System's management believes asserted and unasserted claims and assessments will not result in losses which would exceed the limits of insurance coverage which is $3,000,000, subject to a self-insured retention of $75,000 per claim and $225,000 in the aggregate.

13. COMMITMENTS AND CONTINGENCIES

Construction in Progress Commitments

The System is committed to construction projects to improve its facilities and implement software. Management estimates an additional $3.5 million will be expended for these projects which are expected to be completed in 2012.

Information Technology Agreements

During the year ended September 30, 2009, the System entered into an information technology services agreement with CareTech Solutions, Inc. effective through June 2014 with the option to renew for up to two additional three year terms. The base service fee charged to the System for 2011 and 2010 was $2,129,000 and $1,728,000, respectively. Under the terms of the agreement, the base service fee will be adjusted annually based on the consumer price index. Payments under the agreement are to be made on a monthly basis.

Operating Lease Commitments

The System leases various office space and equipment under operating leases expiring at various dates in the future. Total rental expense for the years ended September 30, 2011 and 2010 was $4,425,396 and $5,625,262, respectively.

The total rental commitment on non-cancelable operating and other leases for future years is as follows for the years ending September 30:

2012	$	1,118,786
2013		866,281
2014		616,988
2015		311,450
2016		209,174
Thereafter		1,905,389
	$	5,028,068

14. FUNCTIONAL EXPENSES

The System provides general health care services to residents within its geographic service area. Estimated expenses related to providing these services for the year ended September 30, 2011 and 2010, are as follows:

	2011	2010
Program services	$ 217,750,668	$ 193,551,148
Fundraising	55,424	30,568
General and administrative	46,162,527	39,901,584
Total	$ 263,968,619	$ 233,483,300

15. BUSINESS COMBINATIONS

On October 1, 2010, MMH entered into a purchase agreement of approximately $3.1 million, for certain assets and liabilities of a medical practice owned and operated by Marietta Health Care Systems, Inc. The following assets and liabilities were recorded:

Accounts receivable	$ 500,000
Fixed assets	373,000
Goodwill	2,200,000
Cash paid in current year	(1,253,000)
Liabilities assumed	(170,000)
Other obligation recorded	(1,650,000)

Payments made in the current year approximated $1,253,000, with remaining payments of $1,650,000 due as of September 30, 2011. A payment of $1,100,000 is due on December 15, 2011 and $550,000 is due on December 15, 2012.

Based upon a valuation of assets and liabilities assumed, goodwill in the amount of $2,200,000 was recognized in the acquisition and is attributable to patient records, lists and the practice name. Prior period pro forma disclosures are not practicable based upon changes in the physician compensation structure of the prior entity.

During January 2010, MMH purchased 51% of the units Marietta Surgery Center, Ltd., which is a limited liability company engaged in the business of owning and operating an ambulatory surgery center. MMH acquired MSC as part of furthering its mission to provide medical care throughout the community. MMH purchased its interest in MSC for $1,816,000.

SUPPLEMENTARY INFORMATION

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Marietta Area Health Care, Inc.
Marietta, Ohio

We have audited the consolidated financial statements of Marietta Area Health Care, Inc. and Subsidiaries as of and for the years ended September 30, 2011 and 2010, and have issued our report thereon dated January 31, 2012, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidated financial statements on pages 35 through 39 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Blue & Co., LLC

January 31, 2012

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2011 AND 2010

	Marietta Memorial Hospital	Marietta Memorial Health Foundation	Marietta Area Health Inc	Marietta Area Health Care Inc	Consolidations and Eliminations	Combined Obligated Group	Selby General Hospital	Marietta Continuing Care Retirement Community, Inc	Marietta Surgery Center, Ltd.	Consolidations and Eliminations	2011 Consolidated	2010 Consolidated
Assets												
Current assets												
Cash and cash equivalents	$ 26,676,162	$ 133,204	$ 2,423 848	$ -	$ -	$ 29,233,214	$ 131,974	$ 30 455	$ 130,981	$ -	$ 29 526,624	$ 28,507,196
Patient accounts receivable, net	27,951,563		700,417	-	-	28,651,980	3 498,149	110,509	326,441	-	32,587,079	27,231,436
Other receivables	-	238,613	-		-	238,613	-	-	-		238,613	405,043
Estimated third party settlements	-	-	17,051		-	17 051	1 151,768	-	-		1,168,819	1,251,192
Inventories	1,789,923	-	19,132			1,809,055	144,700	-	56,390	-	2,010,145	1,760,351
Prepaid expenses and other assets	1,820,715	-	-			1,820 715		27,910	40,647	-	1 889,272	2,009,521
Due from related organizations	10 917 407	-	-	2,042,268	(785 192)	12 174 483	-			(12 174,483)	-	
Total current assets	69,155,770	371,817	3,160,448	2,042,268	(785,192)	73,945,111	4,926,591	168,874	554,459	(12,174,483)	67,420,552	61,164,739
Cash and investments limited as to use												
Board designed assets and donor restricted funds	23,447,532	13,158,058	1,585,905	-	-	38,191,495	-	2,272,762	-	-	40 464 257	39,814,714
Held by trustee under bond indenture agreements	4 930,393			-	-	4,930,393		864,453	-	-	5,794 846	5 742,742
	28,377,925	13,158,058	1,585,905	-	-	43,121,888	-	3 137,215	-	-	46,259,103	45,557,456
Notes receivable, net	680,461	-	-	-	-	680 461	40,950	-	-	-	721,411	739,388
Property, plant and equipment, net:												
Used in operations	103 660,298	-	5,100,966	-	-	108,761,264	8,606,291	10,405,937	48,768	-	127,822,260	126,065,105
Assets used for rental purposes	2,636 631	-			-	2 636 631	-	-	-		2 636,631	2 790,269
	106,296,929		5,100,966	-	-	111,397 895	8 606 291	10,405,937	48 768	-	130,458,891	128,855,374
Interest in net assets of Marietta Memorial Health Foundation	1,068,086	-	-		(1,068 086)	-	-	-	-		-	-
Other assets												
Due from related organizations	-	-	-	4 732,814	-	4,732,814	-	-	-	(4,732,814)	-	-
Unamortized bond issue costs	1,407,767		82,748	-	-	1,490 515	-	224,735		-	1 715 250	1,894,445
Goodwill	3,988,346		101,470	-	-	4,089,816	-	-		-	4,089,816	1,806,486
Other	789 878		319,437			1,109,315	298 199	-	-	(173,038)	1,234 476	1 430,079
Total assets	$ 211,765,162	$ 13,529,875	$ 10,350,974	$ 6,775 082	$ (1,853,278)	$ 240,567,815	$ 13,872 031	$ 13 936,761	$ 603,227	$ (17,080,335)	$ 251,899 439	$ 241,447 967

See Report of Independent Auditors on Supplementary Information on page 34.

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2011 AND 2010

	Marietta Memorial Hospital	Marietta Memorial Health Foundation	Marietta Area Health, Inc	Marietta Area Health Care, Inc	Consolidations and Eliminations	Combined Obligated Group	Selby General Hospital	Marietta Continuing Care Retirement Community, Inc	Marietta Surgery Center, Ltd	Consolidations and Eliminations	2011 Consolidated	2010 Consolidated
Liabilities and net assets												
Current Liabilities												
Due to related organizations	$ -	$ 18,614	$	$ -	$ (18,614)	$ -	$ 2,042,268	$	$ -	$ (2,042,268)	$ -	$ -
Line of credit	4,000,000	-	-	-	-	4,000,000	-	-	-	-	4,000,000	4,000,000
Accounts payable and accrued expenses	22,517,250	5,860	96,860	-	-	22,619,970	187,984	302,059	24,365	-	23,134,378	16,367,555
Accrued Salaries, wages & related liabilities	11,596,583	-	245,242	-	-	11,841,825	1,133,218	-	71,865	-	13,046,908	15,651,518
Accrued interest payable	64,599		-	-	-	64,599	-	250,096	-	-	314,695	329,039
Other obligations	1,100,000	-	-	-	-	1,100,000	-	-	-	-	1,100,000	-
Estimated third party settlements	508,994	-		-	-	508,994	-	-	-		508,994	210,603
Current portion of long-term debt	2,562,325	-	232,675	2,042,268	-	4,837,268	17,668	360,000	94,109	-	5,309,045	5,320,488
Deferred revenue, current	-	-	-	-	-	-		185,853		-	185,853	279,000
Total current liabilities	42,349,751	24,474	574,777	2,042,268	(18,614)	44,972,656	3,381,138	1,098,008	190,339	(2,042,268)	47,599,873	42,158,203
Due to related organizations	-	-	766,578	-	(766,578)	-	14,440,029	425,000	-	(14,865,029)	-	-
Interest rate swap liability	5,501,907	-	-	-	-	5,501,907	-	-	-	-	5,501,907	5,065,154
Other obligations	550,000	-	-	-	-	550,000		-	-	-	550,000	
Accrued pension cost	26,224,509	-	-	-	-	26,224,509	-	-	-	-	26,224,509	19,504,918
Long-term debt, less current portion	50,836,619	-	4,062,557	4,732,814	-	59,631,990	-	7,595,000	73,598	-	67,300,588	71,304,611
Deferred revenue	-	-	-	-	-	-	-	5,024,949		-	5,024,949	5,348,317
Total liabilities	125,462,786	24,474	5,403,912	6,775,082	(785,192)	136,881,062	17,821,167	14,142,957	263,937	(16,907,297)	152,201,826	143,381,203
Net assets												
Unrestricted:												
Controlling interest	85,234,290	12,437,315	4,947,062	-	-	102,618,667	(3,949,136)	(206,196)	173,038	(173,038)	98,463,335	96,970,383
Non-controlling interest	-	-	-	-	-	-	-	-	166,252	-	166,252	57,490
Total unrestricted	85,234,290	12,437,315	4,947,062		-	102,618,667	(3,949,136)	(206,196)	339,290	(173,038)	98,629,587	97,027,873
Temporarily restricted	65,904	65,904	-	-	(65,904)	65,904	-		-	-	65,904	71,971
Permanently restricted	1,002,182	1,002,182	-	-	(1,002,182)	1,002,182	-		-	-	1,002,182	966,920
Total net assets	86,302,376	13,505,401	4,947,062	-	(1,068,086)	103,686,753	(3,949,136)	(206,196)	339,290	(173,038)	99,697,673	98,066,764
Total liabilities and net assets	$ 211,765,162	$ 13,529,875	$ 10,350,974	$ 6,775,082	$ (1,853,278)	$ 240,567,815	$ 13,872,031	$ 13,936,761	$ 603,227	$ (17,080,335)	$ 251,899,499	$ 241,447,967

See Report of Independent Auditors on Supplementary Information on page 34.

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	Marietta Memorial Hospital	Marietta Memorial Health Foundation	Marietta Area Health, Inc	Marietta Area Health Care, Inc	Consolidations and Eliminations	Combined Obligated Group	Selby General Hospital	Marietta Continuing Care Retirement Community, Inc	Marietta Surgery Center Ltd.	Consolidations and Eliminations	2011 Consolidated	2010 Consolidated
Operating revenue												
Net patient service revenue	$ 225,975,876	$ -	$ 8,062,947	$ -	$ -	$ 234,038,823	$ 27,459,605	$ 3,892,554	$ 3,620,580	$ -	$ 269,011,562	$ 228,915,441
Other operating revenue	3,252,131	-	-	415,087	(11,522)	3,655,696	82,851	60,409	-	(1,407,009)	2,391,947	2,099,280
Total operating revenue	229,228,007	-	8,062,947	415,087	(11,522)	237,694,519	27,542,456	3,952,963	3,620,580	(1,407,009)	271,403,509	231,014,721
Operating expenses												
Salaries and wages	90,779,180	100,070	2,884,856	-	-	93,764,106	10,064,588	1,156,810	494,858	-	105,480,362	94,255,788
Employee benefits	28,461,069	8,614	1,048,891	-	-	29,518,574	3,540,772	288,181	120,550	-	33,468,077	27,671,353
Supplies	41,886,736	-	999,530	-	-	42,886,266	6,668,852	304,181	327,293	-	50,186,592	43,780,276
Purchased services	21,314,393	10,100	1,098,406	-	-	22,422,899	2,797,642	286,982	238,661	-	25,746,184	23,421,559
Medical professional fees	3,239,773	-	-	-	-	3,239,773	1,235 064	-	-	-	4,474,837	3,624,125
Bad debts	12,175,902	6,844	63,679		-	12,246,425	1,927,185	-	-	-	14,173,610	10,337,813
Rent	3,598,054	3,513	-	-	-	3,601,567	605,127	-	214,362	-	4,421,056	5,441,807
Insurance	1,684,975	-	105,124	-	-	1,790,099	342,905	-	-	-	2,133,004	2,044,991
Utilities	3,095,692	-	157,017	-	-	3,252,709	362,018	224,268	-	-	3,838,995	3,653,395
Interest and amortization	2,763,552	-	219,965	415,087	-	3,398,604	479,864	527,043	14,400	(415,087)	4,004,824	3,822,379
Depreciation	8,359,182	734	235,021	-	-	8,594,937	945,484	669,226	26,237	-	10,235,884	10,233,401
Other	4,620,380	287,111	377,108	-	(11,522)	5,273,077	277,226	309,772	67 267	(122,148)	5,805,194	5,196,413
Total operating expenses	221,978,888	416,986	7,189,597	415,087	(11,522)	229,989,036	29,246,727	3,766,463	1,503,628	(537,235)	263 968,619	233,483,300
Operating income (loss)	7,249,119	(416,986)	873,350	-	-	7 705,483	(1,704,271)	186,500	2,116,952	(869,774)	7,434,890	(2,468,579)
Non-operating gains (losses)												
Investment income	1,249,214	148,698	75,050	-	-	1,472,962	4,005	15,478	-	-	1,492,445	1,886,489
Unrestricted contributions	11,522	367,190	-	-	-	378,712	-	122,148	-	(122,148)	378,712	1,074,135
Change in fair value of interest rate swaps	(436,753)	-	-	-	-	(436,753)	-	-	-	-	(436,753)	(1,660,685)
Other	(416,708)	-	-	-	-	(416,708)	37,668	-	(4,989)	-	(384,029)	704,361
Total nonoperating gains	407,275	515,888	75,050	-	-	998,213	41,673	137,626	(4,989)	(122,148)	1,050,375	2,004,300
Excess of revenues over (under) expenses	$ 7,656,394	$ 98,902	$ 948,400	$ -	$ -	$ 8,703,696	$ (1 662,598)	$ 324,126	$ 2,111 963	$ (991,922)	$ 8,485,265	$ (464 279)

See Report of Independent Auditors on Supplementary Information on page 34.

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	Marietta Memorial Hospital	Marietta Memorial Health Foundation	Marietta Area Health, Inc.	Marietta Area Health Care, Inc	Consolidations and Eliminations	Combined Obligated Group	Selby General Hospital	Marietta Continuing Care Retirement Community, Inc	Marietta Surgery Center, Ltd	Consolidations and Eliminations	2011 Consolidated	2010 Consolidated
Unrestricted net assets												
Excess of revenues over (under) expenses	$ 7,656,394	$ 98,902	$ 948,400	$ -	$ -	$ 8,703,696	$ (1,662,598)	$ 324,126	$ 2,111,963	$ (991,922)	$ 8,485,265	$ (464,279)
Net change in unrealized gains on investments	(778,040)	-	(51,313)	-	-	(829,353)	(1,190)	(7,753)	-	-	(838,296)	1,486,355
Pension related changes other than net periodic pension cost	(5,033,976)	-	-	-	-	(5,033,976)	-	-	-	-	(5,033,976)	(1,363,819)
Other	-	-	-	-	-	-	-	-	(1,889,999)	769,958	(1,120,041)	(295,457)
Change in unrestricted net assets before effect of non-controlling interest	1,844,378	98,902	897,087	-	-	2,840,367	(1,663,788)	316,373	221,964	(221,964)	1,492,952	(637,200)
Less amount attributed to non-controlling interest	-	-	-	-	-	-	-	-	-	108,762	108,762	57,490
Change in unrestricted net assets	1,844,378	98,902	897,087	-	-	2,840,367	(1,663,788)	316,373	221,964	(113,202)	1,601,714	(579,710)
Temporarily restricted net assets												
Contributions	-	-	-		-	-	-	-	-	-	-	106,500
Net assets released from restrictions	-	-	-	-	-	-	-	-	-	-	-	(793,000)
Change in interest in net assets of Marietta Memorial Health Foundation	(6,067)	-	-	-	6,067	-	-	-	-	-	-	-
Investment income and unrealized losses on investments	-	(6,067)	-	-	-	(6,067)	-	-	-	-	(6,067)	101,426
Change in temporarily restricted net assets	(6,067)	(6,067)	-	-	6,067	(6,067)	-	-	-	-	(6,067)	(585,074)
Permanently restricted net assets												
Change in interest in net assets of Marietta Memorial Health Foundation	35,262	-	-	-	(35,262)	-	-	-	-	-	-	-
Investment income and unrealized losses on investments	-	35,262	-	-	-	35,262	-	-	-	-	35,262	12,325
Contributions	-	-	-	-	-	-	-	-	-	-	-	1,053
Change in permanently restricted net assets	35,262	35,262	-	-	(35,262)	35,262	-	-	-	-	35,262	13,378
Change in net assets	1,873,573	128,097	897,087	-	(29,195)	2,869,562	(1,663,788)	316,373	221,964	(113,202)	1,630,909	(1,151,406)
Net assets, beginning of year	84,428,803	13,377,304	4,049,975	-	(1,038,891)	100,817,191	(2,285,348)	(522,569)	117,326	(59,836)	98,066,764	99,218,170
Net assets, end of year	$ 86,302,376	$ 13,505,401	$ 4,947,062	$ -	$ (1,068,086)	$ 103,686,753	$ (3,949,136)	$ (206,196)	$ 339,290	$ (173,038)	$ 99,697,673	$ 98,066,764

See Report of Independent Auditors on Supplementary Information on page 34.

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	Marietta Memorial Hospital	Marietta Memorial Health Foundation	Marietta Area Health, Inc	Marietta Area Health Care, Inc	Consolidations and Eliminations	Combined Obligated Group	Selby General Hospital	Marietta Continuing Care Retirement Community, Inc	Marietta Surgery Center, Ltd	Consolidations and Eliminations	2011 Consolidated	2010 Consolidated
Operating activities												
Change in net assets	$ 1 873,573	$ 128,097	$ 897,087	$ -	$ (29,195)	$ 2 869 562	$ (1,663,788)	$ 316,373	$ 221,964	$ (113,202)	$ 1,630,909	$ (1,151,406)
Adjustments to reconcile change in net assets to net cash from operating activities												
Bad debts	12,175,902	6,844	63,679	-	-	12,246,425	1,927,185	-	-	-	14,173,610	10,337,813
Depreciation - assets used for operations	8,359,182	734	235 021	-	-	8,594,937	945,484	669,226	26,237	-	10,235,884	9,531,564
Depreciation - assets used for rental purposes	743,895	-	-	-	-	743,895	-	-		-	743,895	701,837
Proceeds from restricted contributions and investment income	(35,262)	(29,195)	-	-	35 262	(29,195)	-	-	-	-	(29 195)	(221,304)
Net change in unrealized gains on investments	778,040	-	51,313	-	-	829,353	1 190	7,753	-	-	838,296	(1,486,355)
Other changes in unrestricted net assets	-	-	-	-	-	-	-	-	1,889,999	(963,899)	926 100	(235,395)
Realized (gains) losses on investments	(689,382)	167,012	(36 998)	-		(559,368)	(4,005)	(12,798)	-	-	(576,171)	(931 149)
Net change in pension liability	5,033,976	-	-	-	-	5,033,976	-	-	-	-	5,033,976	1,363,819
Change in fair value of interest rate swap	436,753	-	-	-	-	436,753	-		-	-	436,753	1,660,685
Changes in operating assets and liabilities												
Patient accounts receivable	(16 376,327)	(6,844)	(53,354)	-	-	(16,436 525)	(3,006,534)	3,620	(89,814)		(19,529,253)	(8,803,944)
Inventories	(269 596)	-	(1,599)	-	-	(271 195)	23 210	-	(1,809)	-	(249,794)	349,958
Prepaid expenses and other assets	126,448	166,430	-	-	-	292 878	-	279	(6,478)	-	286,679	791,051
Other assets	46,792	-	16,700	-	-	63,492	170,153	27,951	-	113,202	374,798	371,088
Accounts payable and accrued expenses	7,523,100	(2,681)	(433,869)	-	-	7 086,550	(3,324)	(242,489)	(73,914)		6,766,823	7,807,194
Accrued salaries, wages and related liabilities	(2 591,352)	-	45,792	-	-	(2,545,560)	(41,961)		(17,089)	-	(2,604,610)	3,717,706
Accrued interest payable	(4,144)	-	-	-	-	(4,144)	-	(10,200)	-	-	(14,344)	(12,941)
Estimated third-party settlements	409,378	-	(128,038)	-	-	281,340	99,424	-	-	-	380 764	(798,605)
Pension liability	1,665,615	-	-	-		1,685 615	-	-	-	-	1,685,615	2 465,112
Due to related entities	-	4,900	362,497	-	-	367,397	2,962,161	-	-	(3,329 558)	-	-
Due from related entities	(4,127,003)	-	-	797,445	-	(3,329,558)	-	-	-	3,329,558	-	-
Deferred revenue and other long term liabilities	-	-	-	-	-	-	-	(416 515)	-	-	(416 515)	330,452
Net cash from operating activities	15 099,588	435,297	1,018,231	797,445	6,067	17 356 628	1,409,195	343,200	1,949,096	(963,899)	20,094,220	25,787,180
Cash flows from investing activities												
Purchase of property, plant and equipment, net	(11,129 430)	-	(56,446)	-	-	(11,185 876)	(1,302 731)	(90,030)	(4,659)	-	(12,583,296)	(9,765,773)
Changes in notes receivable, net	(33,572)	-	-	-	-	(33 572)	51,549	-	-	-	17,977	(107,358)
Change in interest in Foundation	(29,195)	-	-	-	29 195	-	-	-	-	-	-	-
Goodwill	(2,288,280)	-	4,950	-		(2,283,330)	-	-	-	-	(2 283 330)	(1,801,536)
Change in assets whose use is limited	(469,468)	(607,312)	(38,046)	-		(1,114,826)	2,815	148 239	-	-	(963 772)	1,927,103
Net cash from investing activities	(13,949,945)	(607,312)	(89,542)	-	29,195	(14,617,604)	(1,248 367)	58,209	(4,659)	-	(15,812,421)	(9,747,564)
Cash flows from financing activities												
Proceeds from restricted contributions and investment income	35,262	29,195	-	-	(35,262)	29,195	-	-			29,195	221,304
Refunds of deposits and refundable fees	-	-		-	-	-	-		-	-	-	(412,723)
Dividends paid	-	-	-	-	-	-		-	(1,889,999)	963,899	(926,100)	(90,847)
Change in other obligations	1,650,000	-	-	-	-	1,650,000	-	-	-	-	1,650,000	-
Proceeds from long term borrowings	-	-	-	1,200,000	-	1,200 000	-	-	-	-	1,200,000	6 500,000
Principal payments on long term obligations	(2,455,654)	-	(219 346)	(1,997,445)	-	(4,672,445)	(114,600)	(340,000)	(88,421)	-	(5,215,466)	(4,409,895)
Net cash from financing activities	(770,392)	29,195	(219,346)	(797,445)	(35,262)	(1,793,250)	(114 600)	(340,000)	(1,978,420)	963,899	(3 262,371)	1 807,839
Net change in cash and cash equivalents	379,251	(142,820)	709,343	-		945,774	46 228	61,409	(33,983)	-	1,019,428	17,847,455
Cash and cash equivalents, beginning of year	26 296 911	276,024	1,714,505	-	-	28 287,440	85 746	(30,954)	164,964		28 507,196	10 659,741
Cash and cash equivalents, end of year	$ 26,676,162	$ 133,204	$ 2,423,848	$ -	$ -	$ 23 233,214	$ 131,974	$ 30,455	$ 130,981	$	$ 29,526,624	$ 28,507 196
Supplemental disclosure of cash flow information												
Cash paid for interest	$ 2,767,696	$ -	$ 219,965	$ -	$	$ 3,402,748	$ 479,864	$ 537 243	$ 14,400	$ (415,087)	$ 4,019,168	$ 3,807,429

See Report of Independent Auditors on Supplementary Information on page 34.

MARIETTA AREA HEALTH CARE, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2011 AND 2010

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

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SEPTEMBER 30, 2011 AND 2010

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Marietta Area Health Care, Inc. and Subsidiaries
Marietta, Ohio

We have audited the accompanying consolidated balance sheets of Marietta Area Health Care, Inc. and Subsidiaries (collectively referred to as the "System") as of September 30, 2011 and 2010, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Marietta Memorial Health Foundation (the "Foundation"), a consolidated subsidiary, which statements reflect total assets representing 5.3% and 5.6% of the consolidated total as of September 30, 2011 and 2010, respectively, and total revenues and nonoperating gains representing .02% and .1% of the consolidated total for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for the Foundation, is based solely on the reports of the other auditors.

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

In our opinion, based upon our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Marietta Area Health Care, Inc. and Subsidiaries as of September 30, 2011 and 2010, and its consolidated results of operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Blue & Co., LLC

January 31, 2012

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2011 AND 2010

ASSETS

	2011	2010
Current assets		
Cash and cash equivalents	$ 29,526,624	$ 28,507,196
Patient accounts receivable, net of allowance for doubtful accounts of $11,332,057 in 2011 and $8,237,230 in 2010	32,587,079	27,231,436
Other receivables	238,613	405,043
Estimated third-party settlements	1,168,819	1,251,192
Inventories	2,010,145	1,760,351
Prepaid expenses and other assets	1,889.272	2,009,521
Total current assets	67,420,552	61,164,739
Cash and investments limited as to use		
Board designated assets and donor restricted funds	40,464,257	39,814,714
Held by trustee- under bond indenture agreement	5,794,846	5,742,742
	46,259,103	45,557,456
Notes receivable, net	721,411	739,388
Property, plant and equipment, net		
Used in operations	127,822,260	126,065,105
Assets used for rental purposes	2,636.631	2,790,269
	130,458,891	128,855,374
Other assets		
Unamortized bond issue costs	1,715,250	1,894,445
Goodwill	4,089,816	1,806,486
Other	1,234,476	1,430,079
	7,039,542	5,131,010
Total assets	$ 251,899,499	$ 241,447,967

See accompanying notes to consolidated financial statements.

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2011 AND 2010

LIABILITIES AND NET ASSETS

	2011	2010
Current liabilities		
Line of credit	$ 4,000,000	$ 4,000,000
Accounts payable and accrued expenses	23,134,378	16,367,555
Accrued salaries, wages and related liabilities	13,046,908	15,651,518
Accrued interest payable	314,695	329,039
Other obligations	1,100,000	-
Estimated third-party settlements	508,994	210,603
Current portion of long-term debt	5,309,045	5,320,488
Deferred revenue, current	185,853	279,000
Total current liabilities	47,599,873	42,158,203
Interest rate swap liability	5,501,907	5,065,154
Other obligations	550,000	-
Accrued pension cost	26,224,509	19,504,918
Long-term debt, less current portion	67,300,588	71,304,611
Deferred revenue	5,024,949	5,348,317
Total liabilities	152,201,826	143,381,203
Net assets		
Unrestricted:		
Controlling interest	98,463,335	96,970,383
Non-controlling interest	166,252	57,490
Total unrestricted	98,629,587	97,027,873
Temporarily restricted	65,904	71,971
Permanently restricted	1,002,182	966,920
Total net assets	99,697,673	98,066,764
Total liabilities and net assets	$ 251,899,499	$ 241,447,967

See accompanying notes to consolidated financial statements.

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Operating revenue		
Net patient service revenue	$ 269,011,562	$ 228,915,441
Other operating revenue	2,391,947	2,099,280
Total operating revenue	271,403,509	231,014,721
Operating expenses		
Salaries and wages	105,480,362	94,255,788
Employee benefits	33,468,077	27,671,353
Supplies	50,186,592	43,780,276
Purchased services	25,746,184	23,421,559
Medical professional fees	4,474,837	3,624,125
Bad debts	14,173,610	10,337,813
Rent	4,421,056	5,441,807
Insurance	2,133,004	2,044,991
Utilities	3,838,995	3,653,395
Interest and amortization	4,004,824	3,822,379
Depreciation	10,235,884	10,233,401
Other	5,805,194	5,196,413
Total operating expenses	263,968,619	233,483,300
Operating income (loss)	7,434,890	(2,468,579)
Non-operating gains (losses)		
Investment income	1,492,445	1,886,489
Unrestricted contributions	378,712	1,074,135
Change in fair value of interest rate swaps	(436,753)	(1,660,685)
Other	(384,029)	704,361
Total non-operating gains (losses)	1,050,375	2,004,300
Excess of revenues over (under) expenses	$ 8,485,265	$ (464,279)

See accompanying notes to consolidated financial statements.

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Unrestricted net assets		
Excess of revenues over (under) expenses	$ 8,485,265	$ (464,279)
Net change in unrealized gains on investments	(838,296)	1,486,355
Pension related changes other than net periodic pension cost	(5,033,976)	(1,363,819)
Other	(1,120,041)	(295,457)
Change in unrestricted net assets before effect of non-controlling interest	1,492,952	(637,200)
Less amount attributed to non-controlling interest	108,762	57,490
Change in unrestricted net assets	1,601,714	(579,710)
Temporarily Restricted net assets		
Contributions	-	106,500
Net assets released from restrictions	-	(793,000)
Investment income and unrealized losses on investments	(6,067)	101,426
Change in temporarily restricted net assets	(6,067)	(585,074)
Permanently restricted net assets		
Investment income	35,262	12,325
Contributions	-	1,053
Change in permanently restricted net assets	35,262	13,378
Change in net assets	1,630,909	(1,151,406)
Net assets, beginning of year	98,066,764	99,218,170
Net assets, end of year	$ 99,697,673	$ 98,066,764

See accompanying notes to consolidated financial statements.

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30. 2011 AND 2010

	2011	2010
Operating activities		
Change in net assets	$ 1,630,909	$ (1,151,406)
Adjustments to reconcile change in net assets to net cash from operating activities		
Bad debts	14,173,610	10,337,813
Depreciation - assets used for operations	10,235,884	9,531,564
Depreciation - assets used for rental purposes	743,895	701,837
Proceeds from restricted contributions and investment income	(29,195)	(221,304)
Net change in unrealized gains on investments	838,296	(1,486,355)
Other changes in unrestricted net assets	926,100	(235,395)
Realized (gains) losses on investments	(576,171)	(931,149)
Net change in pension liability	5,033,976	1,363,819
Change in fair value of interest rate swap	436,753	1,660,685
Changes in operating assets and liabilities		
Patient accounts receivable	(19,529,253)	(8,803,944)
Inventories	(249,794)	349,958
Prepaid expenses and other assets	286,679	791,051
Other assets	374,798	371,088
Accounts payable and accrued expenses	6,766,823	7,807,194
Accrued salaries, wages and related liabilities	(2,604,610)	3,717,706
Accrued interest payable	(14,344)	(12,941)
Estimated third-party settlements	380,764	(798,605)
Pension liability	1,685,615	2,465,112
Deferred revenue and other long term liabilities	(416,515)	330,452
Net cash from operating activities	20,094,220	25,787,180
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(12,583,296)	(9,765,773)
Changes in notes receivable, net	17,977	(107,358)
Goodwill	(2,283,330)	(1,801,536)
Change in assets whose use is limited	(963,772)	1,927,103
Net cash from investing activities	(15,812,421)	(9,747,564)
Cash flows from financing activities		
Proceeds from restricted contributions and investment income	29,195	221,304
Refunds of deposits and refundable fees	-	(412,723)
Dividends paid	(926,100)	(90,847)
Changes in other obligations	1,650,000	-
Proceeds from long term borrowings	1,200,000	6,500,000
Principal payments on long-term obligations	(5,215,466)	(4,409,895)
Net cash from financing activities	(3,262,371)	1,807,839
Net change in cash and cash equivalents	1,019,428	17,847,455
Cash and cash equivalents, beginning of year	28,507,196	10,659,741
Cash and cash equivalents, end of year	$ 29,526,624	$ 28,507,196
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 4,019,168	$ 3,807,429

See accompanying notes to consolidated financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Marietta Area Health Care, Inc. ("MAHC") is a nonprofit corporation organized under the laws of the State of Ohio to provide and promote health care services.

MAHC is the sole corporate member of Marietta Area Health, Inc. (the "Nursing Home"), Marietta Memorial Health Foundation (the "Foundation"), Marietta Continuing Care Retirement Community, Inc. (the "CCRC"), Selby General Hospital ("Selby") and Marietta Memorial Hospital ("MMH"). Selby and MMH will be collectively known as the "Hospitals." All of these subsidiaries are Ohio nonprofit organizations.

During 2010, MMH purchased a 51% interest in Marietta Surgery Center, Ltd ("MSC"). MSC is consolidated with the operations of MAHC for financial statements purposes.

The accompanying consolidated financial statements include the accounts of MAHC and subsidiaries (the "System"). All significant intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents

Investments, consisting of money markets and certificates of deposit, with a maturity of three months or less when purchased are considered to be cash equivalents, excluding assets whose use is limited.

The System maintains cash balances with several banking institutions. At September 30, 2011 and 2010, certain amounts on deposit at these institutions exceeded the amounts which would be covered by the Federal Deposit Insurance Corporation ("FDIC").

Investments and Assets Whose Use Is Limited

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues under expenses, unless the income or loss is restricted by donor or law. Realized gains and losses are determined based on the specific identification method. Unrealized gains and losses on investments are excluded from the excess of revenues under expenses.

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, there were no other-than-temporary losses during the year ended September 30, 2011 and 2010.

The System invests in alternative investments that primarily represent ownership in limited partnerships that invest in hedge funds, real asset funds, and private equity venture capital funds. In order to liquidate such investments, management is required to provide notice ranging from 45 to 90 days to withdraw from the partnerships. Alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the System's investment managers. The System reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

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 the changes in value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the accompanying financial statements.

Assets whose use is limited include assets held by trustees under indenture agreements and designated assets set aside by the Board of Directors (the "Board") to fund the following obligations of the System:

- Expansion and renovation project and other capital improvements;
- Payment of principal and interest on outstanding bond obligations and other financing arrangements;
- Payment of obligations arising from the System's self-insurance arrangements;
- Payment of obligations arising from the System's deferred compensation agreements.

The System receives certain contributions and bequests which are restricted as to use by the donor. Income derived from these restricted funds is recorded as part of unrestricted fund operations, unless explicitly restricted by donors.

Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the System in perpetuity, the income from which is expendable to support health care services.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give are reported at fair value at the date the gift is received. The gifts are reported as temporarily 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 to unrestricted net assets. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Patient Accounts Receivable and Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realized amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under payment agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The System is a provider of services to patients entitled to coverage under Medicare and Medicaid.

Medicare: Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Non-prospectively determined inpatient services for exempt units are paid based on a cost reimbursement methodology. Outpatient services (including ambulatory surgery, radiology, and other diagnostic services) are paid based on a payment system entitled Ambulatory Payment Classification. The System's Medicare cost reports have been settled by the Medicare intermediary through 2006.

Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment system. Capital cost relating to Medicaid inpatient services are paid on the cost-reimbursement method. The System is reimbursed for outpatient services on an established fee-for-service methodology. The System's Medicaid cost reports have been settled through 2006.

The estimated settlements recorded at September 30, 2011 could differ from actual settlements based on the results of cost report audits by appropriate government authorities or their agents. In the opinion of management, adequate provision has been made in the financial statements for any adjustments that may result from their audits.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The System believes that it is substantially in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

Allowance for Doubtful Accounts

The System estimates an allowance for doubtful accounts based on an evaluation of historical losses, current economic conditions and other factors unique to the System's client base.

Bond Issue Costs

Financing costs are amortized over the term of the debt.

Inventories

Inventories, which consist of supplies, are stated at the lower of cost determined by the last-in, first out method (LIFO), or market.

Notes Receivable

The System advances monies to physicians under various cash flow support and loan arrangements. These loans are unsecured and are forgiven systematically in accordance with the loan agreements. Should the arrangement between the System and the physician be terminated prior to the end date the System will pursue collection of any outstanding advances.

Goodwill

The excess of cost over book value created by acquisitions is shown as goodwill in accordance with accounting principles generally accepted in the United States of America. The System is required to perform an impairment test for goodwill at least annually or more frequently if adverse events or changes in circumstances indicate that the asset may be impaired. The System performs the annual impairment test at the end of each year.

Self-Insurance Programs

The System has self-insurance programs for workers' compensation and employee health insurance. Operations are charged with the cost of claims reported and an estimate of claims incurred but not reported. The estimated liability for unpaid claims, including incurred but not reported losses, is reflected in the balance sheet as an accrued liability. The plan has maximum annual reinsurance coverage amount per participant of $175,000 and is reinsured for aggregate claims exceeding $1,000,000 annually.

Property, Plant and Equipment

Additions to property, plant and equipment have been recorded at cost or at fair value if acquired by gift. The carrying value of assets sold, retired, or otherwise disposed of and the related allowances for depreciation are eliminated from the accounts with any gains or losses reported as other expense. The System provides for depreciation and obsolescence of property, plant and equipment by monthly charges to expense. These charges are calculated to depreciate, on the straight-line method, the gross carrying amounts of depreciable assets over the expected useful lives of the various classes of assets.

The range of useful lives used in computing depreciation is:

Land improvements	10-25 years
Buildings and building equipment	5-40 years
Major and minor equipment	5-20 years

Property and equipment not used in operations consists of land and buildings related to rental properties held by MMH.

Charity Care

The System accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the System. In assessing a patient's inability to pay, the System utilizes generally recognized poverty income levels, but also includes cases where incurred charges are significant when compared to an individual's financial condition (or resources). Because the System does not expect to receive payment of amounts determined to qualify as charity care, they are not reported as net patient service revenue. Charity care, based upon charges at established rates, totaled $29,016,338 and $26,191,572 in fiscal years 2011 and 2010, respectively. In addition, the System provides community services intended to benefit the underserved and enhance the health status of the community.

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 certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Operating and Nonoperating Activities

The System's primary purpose is to provide diversified health care services to the community. As such, activities related to the ongoing operations of the System are classified as revenue. Revenue includes those generated from direct patient care, related support services and sundry revenues.

Gains and losses not directly related to the ongoing operations of the System or that occur infrequently are reported as nonoperating. Included in nonoperating are investment income, unrestricted contributions, and rental revenue net of depreciation and other expenses related to property and equipment not used in the System's operations.

Excess of Revenues Over (Under) Expenses

For purposes of reporting, transactions deemed by management to be directly related to the provision of health care services are reported as excess of revenues over (under) expenses. Changes in unrestricted net assets that are excluded from excess of revenues over (under) expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, transfers from affiliates and pension related changes other than net periodic pension cost.

Obligation to Provide Future Services

CCRC estimates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance deposit fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from the advance fees, a liability is recorded (obligation to provide future services and the use of facilities) with the corresponding charge to income. Management has determined that no accrual for an obligation to provide future services is required as of September 30, 2011 and 2010.

Prospective Resident and Security Deposits and Deferred Revenue

CCRC may collect a percentage of the expected entrance fees from prospective residents once an independent living unit is identified for occupancy. These initial deposits are refundable to the prospective residents until their time of occupancy less a $500 administrative fee, which may be waived subject to provisions in the residency agreement. The remaining percentage of the expected entrance fees is collected at the residents' point of occupancy. CCRC may also collect deposits from prospective residents, designated as waiting list fees, which place those prospective residents at a priority level. These deposits are applied towards the prospective residents' entrance fees. Finally, CCRC collects a $2,500 security deposit on each of its assisted living units.

The residents of CCRC's independent living units are entitled to a refund of their entrance deposit fees depending upon the initial amount of the deposit and whether the units occupied are for single occupancy (55% or 95%) or double occupancy (50% or 90%). Refunds are subject to a new resident paying the entrance deposit fees and other provisions as provided in the residency agreement. CCRC amortizes to revenue the nonrefundable entrance deposit fees received over the remaining economic useful life of the building and the refundable entrance deposit fees received over the remaining actuarial life expectancy of the resident. The unamortized entrance deposit fees are classified as deferred revenue in the accompanying financial statements.

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, patient accounts receivable, assets whose use is limited, pledge and notes receivables, accounts payable, accrued liabilities, estimated third-party settlements, deferred revenue, refundable advance fees, derivative liabilities, and long-term debt. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, patient accounts receivable, pledge receivables, accounts payable, accrued liabilities and estimated third-party settlements approximate fair value based upon the short term maturity of these instruments. The carrying values reported in the consolidated balance sheets for assets whose use is limited equal fair value as based upon quoted market prices for those or similar investments which are observable. The carrying value reported in the consolidated balance sheets for the interest rate swap is based on current market interest rates compared to the fixed interest rate of the swap. The fair values of the notes receivable, deferred revenue and refundable advance fees have not been determined as the timing of any refund settlement, if any, is not specified. The carrying value reported in the consolidated balance sheet for long-term debt approximates fair value based primarily on the current borrowing rates of the primary debt indentures.

Federal Income Taxes

The System is organized as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code. As such, it is generally exempt from income taxes. However, it is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only. This return has been filed for periods through 2010. MSC is organized as a limited liability company, whereby, net taxable income is taxed directly to the members and not MSC. Its return has been filed for periods through 2010. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability if an uncertain position has been taken that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by these entities and has concluded that as of September 30, 2011 and 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The entities are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Reclassifications

Certain 2010 amounts have been reclassified to conform to the 2011 presentation in the accompanying financial statements. Such reclassifications did not impact the 2010 excess of revenues over (under) expenses or changes in net assets.

Subsequent Events

The System has evaluated events or transactions occurring subsequent to the consolidated balance sheet date for recognition and disclosure in the accompanying financial statements through the date the financial statements are issued, which is January 31, 2012.

2. PATIENT ACCOUNTS RECEIVABLE AND THIRD PARTY SETTLEMENTS

The details of patient accounts receivable are set forth below:

	2011	2010
Patient accounts receivable	$ 80,748,160	$ 70,930,645
Less allowances for:		
Uncollectible accounts	(11,332,057)	(8,237,230)
Contractual adjustments	(36,829,024)	(35,461,979)
Net patient accounts receivable	$ 32,587,079	$ 27,231,436

The System provides services without collateral to its patients, most of whom are local residents and insured under third-party payor agreements. The mix of receivables and revenue from patients and third-party payors is as follows:

	2011		2010	
	Accounts Receivable	Revenue	Accounts Receivable	Revenue
Medicare	45%	44%	46%	43%
Medicaid	12%	11%	12%	10%
Commercial	25%	38%	29%	41%
Patient pay	18%	7%	13%	6%
Total	100%	100%	100%	100%

3. CASH AND INVESTMENTS LIMITED AS TO USE

Assets whose use is limited include assets held by trustees under indenture agreements, donor restricted funds, and designated assets set aside by the Board for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities of the System have been classified as current assets in the consolidated balance sheets.

The composition of cash and investments limited as to use carried at fair value is set forth in the following table:

	2011	2010
Board designated assets and donor restricted funds		
Cash and cash equivalents	$ 4,923,053	$ 4,751,640
Mutual funds	20,985,142	21,959,521
Common stock	342	404
Alternative investments	-	2,858,097
Foreign equity	2,672,859	2,260,652
US government and corporate bonds	11,459,089	7,414,306
Municipal Obligations	27,274	-
Foreign obligations	396,498	570,094
	$ 40,464,257	$ 39,814,714
Held by trustee - under bond indenture agreement		
Cash and cash equivalents	$ 5,794,846	$ 5,742,742

Assets Whose Use is Limited

The following schedule summarizes the fair value of securities included in assets whose use is limited by board-designation and held by trustee that have gross unrealized losses (the amount by which historical cost exceeds the fair value) as of September 30, 2011.

The schedule further segregates the securities that have been in a gross unrealized position as of September 30, 2011, for less than twelve months and those for twelve months or more. The gross unrealized losses of less than twelve months are a reflection of the normal fluctuations of the stock market and therefore considered temporary. The gross unrealized losses of twelve months or longer are reflective of current market fluctuations. The majority of the decline is attributable to investments in financially strong companies by industry standards with which industry experts expect recover.

The decline in value is determined by management to be temporary, and unrealized losses have not been reclassified to realized as of September 30, 2011:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US government, corporate bonds and foreign obligations	$ 2,030,290	$ 127,986	$ 253,202	$ 30,007	$ 2.283,492	$ 157,993
Mutual funds, common stock, and foreign equity	2.672,858	520,846	5 807,881	864,346	8.480.739	$ 1.385,192
Total	$ 4,703,148	$ 648.832	$ 6,061,083	$ 894.353	$ 10,764.231	$ 1,543.185

The decline in value is determined by management to be temporary, and unrealized losses have not been reclassified to realized as of September 30, 2010:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US government, corporate bonds and foreign obligations	$ 172	$ 3	$ 253,261	$ 23,178	$ 253,433	$ 23.181
Mutual funds, common stock, and foreign equity	-	-	18.516,308	1.070.389	18,516,308	$ 1.070.389
Total	$ 172	$ 3	$ 18,769,569	$ 1.093,567	$ 18,769,741	$ 1.093,570

Investments of the System consist of fixed income funds, equity securities and mutual funds. There is no concentration of investments in any one security or industry sector.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Major classes of assets and liabilities that are measured at fair value are categorized according to a fair value hierarchy that prioritizes the inputs to value techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 inputs are readily determinable using unadjusted quoted prices for identical assets or liabilities in active markets. Level 2 inputs are derived from quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets (other than those included in Level 1) which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. If the inputs used fall within different levels of the hierarchy, the categorization is based upon the lowest level input that is significant to the fair value measurements.

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 are as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Funds:				
Mid-Cap mutual funds	$ 1,922,468	$ -	$ -	$ 1,922,468
Large-Cap mutual funds	11,562,180	-	-	11,562,180
Small-Cap mutual funds	1,060,300	-	-	1,060,300
Fixed income mutual funds	6,440,194	-	-	6,440,194
Foreign mutual funds	2,672,859	-	-	2,672,859
Common Stock	342	-	-	342
US government treasury bills	816,375	-	-	816,375
Corporate bonds:				
Financial services sector bonds	-	2,379,919	-	2,379,919
Utilities sector bonds	-	460,586	-	460,586
Energy sector bonds	-	470,912	-	470,912
Consumer-defensive sector bonds	-	387,076	-	387,076
Industrial sector bonds	-	675,568	-	675,568
Other sector bonds	-	2,173,671	-	2,173,671
Mortgage-backed securities	-	4,094,982	-	4,094,982
Municipal obligations	-	27,274	-	27,274
Foreign obligations	-	396,498	-	396,498
Total assets at fair value	$ 24,474,718	$ 11,066,486	$ -	$ 35,541,204
Liabilities:				
Interest rate swaps	$ -	$ 5,501,907	$ -	$ 5,501,907
Total liabilities at fair value	$ -	$ 5,501,907	$ -	$ 5,501,907

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2010 are as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds	$ 21,959,521	$ -	$ -	$ 21,959,521
Common stock	404	-	-	404
Foreign equity	2,260,652	-	-	2,260,652
Alternative investments	-	2,858,097	-	2,858,097
US government and corporate bonds	-	7,414,306	-	7,414,306
Foreign obligations	-	570,094	-	570,094
Total assets at fair value	$ 24,220,577	$ 10,842,497	$ -	$ 35,063,074
Liabilities:				
Interest rate swaps	$ -	$ 5,065,154	$ -	$ 5,065,154
Total liabilities at fair value	$ -	$ 5,065,154	$ -	$ 5,065,154

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is summarized as follows:

	2011	2010
Used in operation:		
Land and land improvements	$ 11,449,544	$ 11,410,464
Buildings and fixed equipment	162,624,058	149,020,103
Major movable and minor equipment	85,084,484	93,497,580
Construction-in-progress	8,581,525	1,389,608
	267,739,611	255,317,755
Less allowances for depreciation	(139,917,351)	(129,252,650)
	$ 127,822,260	$ 126,065,105
Assets used for rental purposes:		
Land and buildings	$ 4,645,420	$ 4,590,684
Less allowances for depreciation	(2,008,789)	(1,800,415)
	$ 2,636,631	$ 2,790,269

6. LONG TERM DEBT

Long term obligations consist of the following:

	2011	2010
Washington County , Ohio Hospital Facilities Revenue Bonds, Marietta Area Health Care, Inc. Series 1998, maturing in various annual amounts through 2023 with interest due semiannually at rates ranging from 4.0% to 5.375%	$ 15,670,000	$ 16,595,000

	2011	2010
Washington County, Ohio Hospital Facilities Revenue Bonds, Marietta Area Health Care, Inc. Series 2001, maturing in various annual amounts through 2025 with interest due semiannually at variable rates (0.39% at September 30, 2011)	8,790,000	9,169,176
Washington County, Ohio Hospital Facilities Revenue Bonds, Marietta Area Health Care, Inc. Series 2002, maturing in various annual amounts through 2026 with interest due semiannually at variable rates (0.39% at September 30, 2011)	3,290,000	3,425,000
Washington County, Ohio Hospital Facilities Revenue Bonds, Marietta Area Health Care, Inc. Series 2003, maturing in various annual amounts through 2026 with interest due semiannually at variable weekly rates (0.23% at September 30, 2011, for 25% of the obligation) and 4.27% fixed	20,190,000	20,645,000
Washington County, Ohio Hospital Facilities Revenue Bonds, Series 1997 (Glenwood Retirement Community Project), maturing in various annual amounts through 2027 with interest due semiannually at rates ranging from 5.10% to 6 35%.	7,955,000	8,295,000
Washington County, Ohio Hospital Facilities Revenue Bonds, Marietta Area Health Care, Inc. Series 2008, maturing in various annual amounts through 2033 with interest due semiannually at variable weekly rates (0.16% at September 30, 2011)	9,754,176	10,535,000
Note payable, physician loan, Selby General Hospital, payable in monthly installments of $2,825 through January 2012 including interest at 5.0%	8,009	33,781
Note payable, Peoples Bank, Marietta Area Health Care Inc., amended and additional debt of $1,200,000 obtained April, 2011, payable in monthly installments of $123,623 through March, 2016 including interest at 5.0%	5,823,258	5,729,377
Note payable, JP Morgan Chase Bank, Marietta Area Health Care Inc., payable in monthly payments of $81,369 through October 2012 including interest at 5.4%	951,824	1,843,150
Note payable, People's Bank, Marietta Surgery Center, Ltd, payable in monthly payments of $8,492 through June 2013 including interest at 6.25%	167,707	256,128
Capital leases	9,659	98,487
	72,609,633	76,625,099
Less current maturities	(5,309,045)	(5,320,488)
Long-term obligations	$ 67,300,588	$ 71,304,611

During 1998, MMH, MAHC, the Nursing Home, and the Foundation formed an Obligated Group to accomplish common financing plans. During 1998, the Obligated Group issued $25,075,000 County of Washington, Ohio Hospital Facilities Revenue Refunding and Improvement Bonds (Series 1998 Bonds). The purpose of the 1998 Bonds was to (i) refund and retire the Hospital Revenue Bonds Refunding Series 1988A and Series 1992 bonds, (ii) finance the acquisition, construction, renovation, installation, and equipping of additional hospital facilities, (iii) fund a debt service reserve fund for the Series 1998 Bonds, and (iv) pay certain costs of issuance of the Series 1998 Bonds. Each member of the Obligated Group is jointly and severally obligated with respect to all of the Series 1998 Bonds.

During 2002, the Obligated Group issued $11,705,000 Adjustable Rate Demand Hospital Revenue Bonds (Series 2001 Bonds). In addition, the Obligated Group issued $4,200,000 Adjustable Rate Demand Hospital Revenue Bonds (Series 2002 Bonds). The purpose of the Series 2001 Bonds and Series 2002 Bonds was to (i) finance the acquisition, construction, renovation, installation, and equipping of additional hospital facilities, (ii) fund a debt service reserve fund for the Series 2001 and Series 2002 Bonds, and (iii) pay certain costs of issuance of the Series 2001 and Series 2002 Bonds. Each member of the Obligated Group is jointly and severally obligated with respect to all of the Series 2001 and Series 2002 Bonds.

During 2003, the Obligated Group issued $22,600,000 Adjustable Rate Demand Hospital Facilities Revenue Bonds (Series 2003 Bonds). The purpose of the Series 2003 Bonds was to (i) finance certain improvements to existing hospital facilities including the acquisition, construction, installation, and equipping of additional hospital facilities and (ii) pay certain costs related to the issuance of the Series 2003 Bonds. Each member of the Obligated Group is jointly and severally obligated with respect to all of the Series 2003 Bonds.

During 2008, the Obligated Group issued $12,000,000 Adjustable Rate Demand Hospital Facilities Revenue Bonds (Series 2008 Bonds), of which the entire amount was recorded on the Hospital's balance sheet. The purpose of the Series 2008 Bonds was to (i) finance certain improvements to existing hospital facilities including the acquisition, construction, installation, and equipping of additional hospital facilities and (ii) pay certain costs related to the issuance of the Series 2008 Bonds. Each member of the obligated Group is jointly and severally obligated with respect to all of the Series 2008 Bonds.

Substantially all gross receipts of the Obligated Group members are pledged as collateral against retirement of the Series 1998, Series 2001, Series 2002, Series 2003, and Series 2008 Bonds (the Bonds). In addition, the Obligated Group is required to maintain specified balances in special funds held by the trustee and comply with certain financial ratios.

For the portion of the facilities financed by the Bonds, the Obligated Group has entered into a lease agreement with the County which expires on the mandatory retirement date of the Bonds. A provision of the lease grants an option to the Obligated Group to purchase the facilities for a nominal sum after provision has been made to retire the Bonds. Accordingly, such premises and equipment together with the bond proceeds and bond indebtedness are included in the accompanying consolidated financial statements as assets and liabilities of the System.

The Obligated Group has obtained two letters of credit from a bank each expiring on December 15, 2012, to guarantee payment of the Series 2001 Bonds outstanding principal plus accrued interest and the Series 2002 Bonds outstanding principal plus accrued interest. The Obligated Group has also obtained a letter of credit from a bank expiring March 15, 2013, to guarantee payment of the Series 2008 Bonds outstanding principal plus accrued interest. The letters of credit also guarantee payment for any unremarketed bonds resulting from tender drawings. The terms of the obligated Group's Master Trust Indenture require the Obligated Group members to. among other things, comply with certain financial ratios and restrict additional encumbrances.

The owners of the Series 2001 and Series 2002 Bonds have the option to demand payment of their outstanding bonds. The Obligated Group has entered into a Remarketing Agreement which requires the remarketing agent to utilize its best efforts to remarket any such bonds that may be tendered for payment. In the event the Series 2001 or Series 2002 Bonds cannot be remarketed, the letters of credit provide that the letter of credit bank will make payment for the Series 2001 or Series 2002 Bonds tendered. The Obligated Group members have an obligation to make payment to the letter of credit banks for unremarketed bonds by the expiration dates of the letters of credit (December 15, 2012 for Series 2001 and Series 2002, March 15, 2013 for Series 2008), plus any accrued interest.

The owners of the Series 2003 Bonds have the option to demand payment of their outstanding bonds. The Obligated Group has entered into a Standby Bond Purchase Agreement (the Agreement) which requires the remarketing agent to utilize its best efforts to remarket any such bonds that may be tendered for payment. In the event the Series 2003 Bonds cannot be remarketed, the Agreement provides that the bank will make payment for the Series 2003 Bonds tendered. The Obligated Group members have an obligation to make payment to the bank for unremarketed bonds over five years in quarterly payments, plus any accrued interest.

During 1997, the CCRC issued $14,750,000 County of Washington, Ohio Health Care Facilities Revenue Bonds, Series 1997 (1997 Bonds), to construct a residential assisted living facility. Substantially all assets of the CCRC are pledged as security for the 1997 Bonds. In addition, the CCRC is required to maintain specified balances in the debt service reserve fund held by the trustee and comply with certain financial ratios for the 1997 Bonds.

The People's Bank notes payable and the JP Morgan Chase Bank notes payable are collateralized by gross revenues and property and equipment.

At September 30, 2011, future scheduled minimum payments for the long-term obligations by year and in the aggregated consist of the following:

	Bonds and Notes Payable	Capital Leases
2012	$ 5,299,386	$ 9,919
2013	4,660,253	-
2014	4,825,474	-
2015	5,068,048	-
2016	4,579,686	-
Thereafter	48,167,127	-
Total payments	$ 72,599,974	$ 9,919
Less amounts representing interest		260
Total minimum future payments		$ 9,659

Selby General Hospital has capital lease obligations payable in monthly installments of $1,653 including interest of 9.16%, secured by equipment.

Assets held under capital lease obligations are include with property and equipment on the consolidated balance sheet. A summary of these assets and related depreciation on September 30 is as follows:

	2011	2010
Equipment	$ 79,342	$ 1,081,739
Less: accumulated depreciation	74,260	1,071,068
	$ 5,082	$ 10,671

MMH capitalized interest cost in fiscal years 2011 and 2010 in the amount of $0 and $218,173, respectively.

Objectives and Strategies for Using Derivatives

The System makes limited use of derivative financial instruments for the purpose of managing interest rate risk. In particular, forward interest rate swaps are used to manage the risk associated with interest rates on variable-rate borrowings and to lower its overall borrowing costs.

At September 30, 2011 and 2010, the System has four interest rate swap agreements outstanding with notional amounts and maturity dates as follows:

Series	Maturity	2011	2010
2001	August 15, 2015	$ 8,790,000	$ 9,170,000
2002	August 15, 2015	3,290,000	3,425,000
2003B	December 1, 2033	15,142,500	15,483,750
2008	March 1, 2033	9,755,000	10,535,000

2001 Series SWAP Agreement - The swap was issued on August 2, 2005 for a total notional amount of $10,850,000. The swap requires the System to pay a fixed rate of 3.87% on the notional amounts while receiving variable rate payments equal to the BMA Municipal Swap Index.

2002 Series SWAP Agreement - The swap was issued on August 2, 2005 for a total notional amount of $4,005,000. The swap requires the System to pay a fixed rate of 3.87% on the notional amounts while receiving variable rate payments equal to the BMA Municipal Swap Index.

2003B Series SWAP Agreement - The swap was issued on December 30, 2003 for a total notional amount of $16,950,000. The swap requires the System to pay a fixed rate of 4.27% on the notional amounts while receiving variable rate payments equal to the BMA Municipal Swap Index.

2008 Series SWAP Agreement - The swap was issued on May 1, 2008 for a total notional amount of $12,000,000. The swap requires the System to pay a fixed rate of 3.57% on the notional amounts while receiving variable rate payments equal to the BMA Municipal Swap Index.

The interest rate swaps have been designated by management as cash flow hedges of variable-rate debt with no hedge effectiveness; therefore, changes in the fair value of the swaps are recorded in the Statement of Operations. The interest differential to be paid or received under the swap agreements is accrued and recognized as an adjustment to interest expense. The fair value of the interest rate swaps at September 30, 2011 and 2010 was a liability and is included in the balance sheet.

The System is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreements. However, the System does not anticipate nonperformance by the counterparties.

Cash flows from interest rate swap contracts are classified as an operating activity on the statements of cash flows. Additional information regarding fair value measurements of the interest rate swap agreements is disclosed in Note 4.

Tabular Disclosures

The liability derivatives are reported as interest rate swaps on the balance sheet. The fair values of the derivatives recorded in the balance sheet are as follows:

	Liability Derivatives			
	September 30, 2011		September 30, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swap agreements	Long-term liabilities	$ 5,501,907	Long-term liabilities	$ 5,065,154

During 2011 and 2010, the amounts of loss recognized in the income statement (and their locations) are as follows:

	Location of Gain (Loss)	Year ended September 30	
		2011	2010
Change in fair value of interest rate swaps	Non operating gains (losses)	$ (436,753)	$ (1,660,685)

7. LINE OF CREDIT

MMH has a revolving line of credit with JP Morgan Chase Bank in the amount of $4,000,000. The line carries an interest rate of 1.761% over the LIBOR rate (.23% as of September 30, 2011) and requires monthly interest payments. As of September 30, 2011 and 2010, MMH had outstanding borrowings on the line of $4,000,000 and $4,000,000, respectively. The line is secured by assets owned by MMH and expires June 30, 2012.

8. DEFERRED REVENUE FOR ADVANCE FEES

Deferred revenue for advance fees represents the unamortized refundable and nonrefundable portions of entrance deposit fees received from residents of CCRC and consists of the following at September 30:

	2011	2010
Entrance deposit fees:		
Refundable	$ 6,734,189	$ 6,974,312
Nonrefundable	1,458,327	1,360,677
Accumulated amortization	(2,981,714)	(2,707,672)
	$ 5,210,802	$ 5,627,317

CCRC refunded $646,130 and $412,723 in 2011 and 2010, respectively, in entrance deposits to former residents as determined by their contracts. CCRC estimates that the total amount of fees to be refunded to current residents is approximately $1,695,000.

9. RETIREMENT PLANS

Pension Plan

MMH has a noncontributory defined benefit plan (the "Plan") for employees who meet certain requirements as to age and length of service. Benefits for retired or terminated employees or their beneficiaries are based on employees' compensation during their period of credited service. MMH's funding policy is to make the minimum annual contribution required by federal regulations. MMH expects to contribute $2,200,000 to the Plan during 2012. Employees hired after July 1, 2007 are not eligible to participate in the Plan.

Supplemental Executive Retirement Plan

MMH has a noncontributory defined benefit supplemental executive retirement plan ("SERP") for certain officers, management, and other highly compensated employees. Benefits for these retired employees are based on employees' final average compensation, adjusted for pension payable under the MMH defined benefit pension plan, and primary social security benefit. MMH does not expect to make any contributions to the SERP during 2012.

Details regarding the Plan and SERP at September 30, 2011 and 2010 are as follows:

	2011	2010
Change in benefit obligation		
Benefit obligation at beginning of year	$ 50,158,236	$ 44,975,800
Service cost	1,957,997	1,972,686
Interest cost	2,673,218	2,554,745
Actuarial losses	3,526,005	1,981,478
Benefits paid	(1,421,101)	(1,326,473)
Benefit obligation at end of year	$ 56,894,355	$ 50,158,236
Change in plan assets		
Fair value of plan assets at beginning of year	$ 30,653,316	$ 29,299,813
Actual return on plan assets	374,791	2,679,978
Contributions	1,062,840	-
Benefits paid	(1,421,101)	(1,326,473)
Fair value of plan assets at end of year	$ 30,669,846	$ 30,653,318
Funded Status	$ (26,224,509)	$ (19,504,918)
Amounts recognized in the consolidated balance sheets consist of		
Noncurrent liabilities	$ (26,224,509)	$ (19,504,918)
Related changes in unrestricted net assets		
Net loss	$ 25,390,356	$ 20,330,654
Prior service cost	108,793	134,519
Total	$ 25,499,149	$ 20,465,173
Accumulated Benefit Obligation	$ 40,975,318	$ 40,975,318
Other Pension Related Changes Other than Net Periodic Pension Cost		
Net loss	$ 5,962,339	$ 2,079,432
Amortization of net loss	(902,637)	(689,887)
Amortization of prior service cost	(25,726)	(25,726)
Total recognized in other pension changes other than net periodic pension cost	$ 5,033,976	$ 1,363,819
Components of Net Periodic Benefit Cost		
Service cost	$ 1,957,997	$ 1,972,686
Interest cost	2,673,218	2,554,745
Expected return on plan assets	(2,811,125)	(2,777,930)
Amortization of prior service cost	25,726	25,726
Recognized net actuarial (gain) or loss	902,637	689,887
Net periodic benefit cost	$ 2,748,453	$ 2,465,114

	2012
Estimated amounts that will be amortized from other changes in unrestricted net assets over the next fiscal year	
Amortization of prior service cost (credit)	$ 1,356,191
Amortization of net loss	25,726

	2011	2010
Weighted-average assumptions at the measurement date of September 30, 2011 and 2010 used to determine benefit obligations at September 30		
Discount rate	5.00%	5.40%
Rate of compensation increase	3.25%	3.25%
Weighted-average assumptions used to determine expense (income):		
Discount rate	5.40%	5.40%
Expected long term return on plan assets	8.00%	8.00%
Rate of compensation increase	3.25%	3.25%
The Plan's weighted average asset allocation by asset category are as follows:		
Equity securities	43.00%	71.00%
Debt securities	52.00%	25.00%
Other	5.00%	4.00%

MMH's investment policy is to invest assets per the target allocations stated above. The assets will be reallocated periodically to meet the above target allocations. The investment policy will be reviewed periodically, under the advisement of a certified investment advisor, to determine if the policy should be changed.

The overall investment return goal is to achieve a return greater than a blended mix of stated indices tailored to the same assets mix of the Plan assets over a full market cycle (three to five years).

In order to achieve a prudent level of portfolio diversification, the securities of any one company should not exceed more than 10% of the total Plan assets, and no more than 25% of total Plan assets should be invested in any one industry (other than securities of U.S. Government of Agencies). Additionally, no more than 10% of the Plan assets shall be invested in foreign securities.

The expected long-term rate of return for the Plan's total assets is based on the expected return of each of the above categories, weighted based on the median of the target allocation for each class.

Plan Assets

The fair values of the System's pension plan assets as of September 30, 2011 were:

	Level 1	Level 2	Total
Assets:			
Cash and cash equivalents	$ 292,874	$ -	$ 292,874
Money market funds	1,387,724	-	1,387,724
Corporate Bonds	-	4,602,002	4,602,002
International Bonds	-	520,815	520,815
US Government & Agency Issues	-	3,304,679	3,304,679
Common Stock	739,349	-	739,349
Mutual funds:			
Fixed income mutual funds	8,474,035	-	8,474,035
Large-cap mutual funds	6,658,243	-	6,658,243
Mid-cap mutual funds	2,849,301	-	2,849,301
Small-cap mutual funds	509,658	-	509,658
International mutual funds	1,331,166	-	1,331,166
Total assets at fair value	$ 22,242,350	$ 8,427,496	$ 30,669,846

The fair values of the System's pension plan assets as of September 30, 2010 were:

	Level 1	Level 2	Total
Assets:			
Equities	$ 2,204,225	$ -	$ 2,204,225
Mutual funds	20,971,274	-	20,971,274
Cash and cash equivalents	1,133,466	-	1,133,466
Corporate Bonds	-	2,881,805	2,881,805
US Government & agency issues	-	3,462,548	3,462,548
Total assets at fair value	$ 24,308,965	$ 6,344,353	$ 30,653,318

The benefits expected to be paid over the next ten years, as estimated based on the same assumptions used to measure MMH's benefit obligations at the end of the year, are as follows:

Years Ended September 30	Estimated Pension Benefits
2012	$ 1,438,122
2013	1,508,506
2014	1,664,968
2015	1,866,752
2016	2,116,387
2017-2021	14,344,830

Defined Contribution Plan

MMH and Selby employees were eligible to participate in Memorial Health System Hospitals Defined Contribution Plan (the "DC Plan") as of January 1, 2009. Eligible employees must complete one year of service and have attained age 21 and not be eligible for MMH's Defined Benefit Retirement Plans. MMH and Selby contribute 2% of compensation for those eligible with up to 4 years of service. Participants with 5 to 14 years of service at the end of the previous plan year, shall have a contribution of 3% of compensation and those with 15 or more years of service at the end of the previous plan year, MMH and Selby shall contribute 4% of compensation. The amount of MMH's and Selby's contribution to the Plan for the year ended September 30, 2011 and 2010 was $491,292 and $221,701, respectively.

403(b) Pension Plans and Tax Deferred Annuity Plan

MMH and Selby employees also have the option to contribute to 403(b) Pension Plan or a Tax Deferred Annuity plan. Certain age, length of service and hours-worked requirements must be met to be eligible for participation.

10. NET PATIENT SERVICE REVENUE

Net patient service revenue is comprised of the following:

	2011	2010
Charges at established rates	$ 630,022,065	$ 552,759,006
Deductions:		
Medicare contractual adjustments	156,447,533	139,072,973
Medicaid contractual adjustments	53,289,533	45,346,405
Other contractual adjustments	122,257,099	113,232,615
Charity care	29,016,338	26,191,572
Total deductions	361,010,503	323,843,565
Net patient service revenue	$ 269,011,562	$ 228,915,441

11. ACCOUNTING FOR NON-CONTROLLING INTEREST

In 2011, new accounting guidance relative to the presentation of non-controlling interests in financial statements became effective. The System adopted this guidance and reclassified the non-controlling interest as a component of net assets in the consolidated balance sheets. In addition, the change in unrestricted net assets is shown in two components, displaying both the portion attributable to both the controlling interest and non-controlling interest in the table below:

	Controlling Interest	Non-Controlling Interest	Total
Beginning balance as of October 1, 2010	$ 96,970,383	$ 57,490	$ 97,027,873
Excess of revenues over (under) expenses	7,450,403	1,034,862	8,485,265
Net change in unrealized gains on investments	(838,296)	-	(838,296)
Pension related changes other than net periodic pension cost	(5,033,976)	-	(5,033,976)
Other	(85,179)	(926,100)	(1,011,279)
Change in net assets	1,492,952	108,762	1,601,714
Ending balance as of September 30, 2011	$ 98,463,335	$ 166,252	$ 98,629,587

The effects of accounting for the non-controlling interest as of September 30, 2010 are detailed below:

Change in unrestricted net assets for 2010, as previously presented	$ (637,200)
Accounting for non-controlling interest	57,490
Change in unrestricted net assets for 2010, with adjustments	$ (579,710)

12. PROFESSIONAL LIABILITY INSURANCE

Based on the nature of its operations, the System is at times subject to pending or threatened legal actions which arise in the normal course of activities. The System is insured against medical professional liability claims under an occurrence-based policy. The policy covers claims resulting from incidents that occur during the policy term, regardless of when the claims are reported to the insurance carrier. The System's management believes asserted and unasserted claims and assessments will not result in losses which would exceed the limits of insurance coverage which is $3,000,000, subject to a self-insured retention of $75,000 per claim and $225,000 in the aggregate.

13. COMMITMENTS AND CONTINGENCIES

Construction in Progress Commitments

The System is committed to construction projects to improve its facilities and implement software. Management estimates an additional $3.5 million will be expended for these projects which are expected to be completed in 2012.

Information Technology Agreements

During the year ended September 30, 2009, the System entered into an information technology services agreement with CareTech Solutions, Inc. effective through June 2014 with the option to renew for up to two additional three year terms. The base service fee charged to the System for 2011 and 2010 was $2,129,000 and $1,728,000, respectively. Under the terms of the agreement, the base service fee will be adjusted annually based on the consumer price index. Payments under the agreement are to be made on a monthly basis.

Operating Lease Commitments

The System leases various office space and equipment under operating leases expiring at various dates in the future. Total rental expense for the years ended September 30, 2011 and 2010 was $4,425,396 and $5,625,262, respectively.

The total rental commitment on non-cancelable operating and other leases for future years is as follows for the years ending September 30:

2012	$ 1,118,786
2013	866,281
2014	616,988
2015	311,450
2016	209,174
Thereafter	1,905,389
	$ 5,028,068

14. FUNCTIONAL EXPENSES

The System provides general health care services to residents within its geographic service area. Estimated expenses related to providing these services for the year ended September 30, 2011 and 2010, are as follows:

	2011	2010
Program services	$ 217,750,668	$ 193,551,148
Fundraising	55,424	30,568
General and administrative	46,162,527	39,901,584
Total	$ 263,968,619	$ 233,483,300

15. BUSINESS COMBINATIONS

On October 1, 2010, MMH entered into a purchase agreement of approximately $3.1 million, for certain assets and liabilities of a medical practice owned and operated by Marietta Health Care Systems, Inc. The following assets and liabilities were recorded:

Accounts receivable	$ 500,000
Fixed assets	373,000
Goodwill	2,200,000
Cash paid in current year	(1,253,000)
Liabilities assumed	(170,000)
Other obligation recorded	(1,650,000)

Payments made in the current year approximated $1,253,000, with remaining payments of $1,650,000 due as of September 30, 2011. A payment of $1,100,000 is due on December 15, 2011 and $550,000 is due on December 15, 2012.

Based upon a valuation of assets and liabilities assumed, goodwill in the amount of $2,200,000 was recognized in the acquisition and is attributable to patient records, lists and the practice name. Prior period pro forma disclosures are not practicable based upon changes in the physician compensation structure of the prior entity.

During January 2010, MMH purchased 51% of the units Marietta Surgery Center, Ltd., which is a limited liability company engaged in the business of owning and operating an ambulatory surgery center. MMH acquired MSC as part of furthering its mission to provide medical care throughout the community. MMH purchased its interest in MSC for $1,816,000.

SUPPLEMENTARY INFORMATION

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REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Marietta Area Health Care, Inc.
Marietta, Ohio

We have audited the consolidated financial statements of Marietta Area Health Care, Inc. and Subsidiaries as of and for the years ended September 30, 2011 and 2010, and have issued our report thereon dated January 31, 2012, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidated financial statements on pages 35 through 39 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Blue & Co., LLC

January 31, 2012

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2011 AND 2010

	Marietta Memorial Hospital	Marietta Memorial Health Foundation	Marietta Area Health Inc	Marietta Area Health Care Inc	Consolidations and Eliminations	Combined Obligated Group	Selby General Hospital	Marietta Continuing Care Retirement Community, Inc	Marietta Surgery Center, Ltd.	Consolidations and Eliminations	2011 Consolidated	2010 Consolidated
Assets												
Current assets												
Cash and cash equivalents	$ 26,676,162	$ 133,204	$ 2,423 848	$ -	$ -	$ 29,233,214	$ 131,974	$ 30 455	$ 130,981	$ -	$ 29 526,624	$ 28,507,196
Patient accounts receivable, net	27,951,563		700,417	-	-	28,651,980	3 498,149	110,509	326,441	-	32,587,079	27,231,436
Other receivables	-	238,613	-		-	238,613	-	-	-		238,613	405,043
Estimated third party settlements	-	-	17,051		-	17 051	1 151,768	-	-		1,168,819	1,251,192
Inventories	1,789,923	-	19,132			1,809,055	144,700	-	56,390	-	2,010,145	1,760,351
Prepaid expenses and other assets	1,820,715	-	-			1,820 715		27,910	40,647	-	1 889,272	2,009,521
Due from related organizations	10 917 407	-	-	2,042,268	(785 192)	12 174 483	-			(12 174,483)	-	
Total current assets	69,155,770	371,817	3,160,448	2,042,268	(785,192)	73,945,111	4,926,591	168,874	554,459	(12,174,483)	67,420,552	61,164,739
Cash and investments limited as to use												
Board designed assets and donor restricted funds	23,447,532	13,158,058	1,585,905	-	-	38,191,495	-	2,272,762	-	-	40 464 257	39,814,714
Held by trustee under bond indenture agreements	4 930,393			-	-	4,930,393		864,453	-	-	5,794 846	5 742,742
	28,377,925	13,158,058	1,585,905	-	-	43,121,888	-	3 137,215	-	-	46,259,103	45,557,456
Notes receivable, net	680,461	-	-	-	-	680 461	40,950	-	-	-	721,411	739,388
Property, plant and equipment, net:												
Used in operations	103 660,298	-	5,100,966	-	-	108,761,264	8,606,291	10,405,937	48,768	-	127,822,260	126,065,105
Assets used for rental purposes	2,636 631	-			-	2 636 631	-	-	-		2 636,631	2 790,269
	106,296,929		5,100,966	-	-	111,397 895	8 606 291	10,405,937	48 768	-	130,458,891	128,855,374
Interest in net assets of Marietta Memorial Health Foundation	1,068,086	-	-		(1,068 086)	-	-	-	-		-	-
Other assets												
Due from related organizations	-	-	-	4 732,814	-	4,732,814	-	-	-	(4,732,814)	-	-
Unamortized bond issue costs	1,407,767		82,748	-	-	1.490 515	-	224,735		-	1 715 250	1,894,445
Goodwill	3,988,346		101,470	-	-	4,089,816	-	-		-	4,089,816	1,806,486
Other	789 878		319,437			1,109,315	298 199	-	-	(173,038)	1,234 476	1 430,079
Total assets	$ 211,765,162	$ 13,529,875	$ 10,350,974	$ 6,775 082	$ (1,863,278)	$ 240,567,815	$ 13,872 031	$ 13 936,761	$ 603,227	$ (17,080,335)	$ 251,899 499	$ 241,447 967

See Report of Independent Auditors on Supplementary Information on page 34.

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2011 AND 2010

	Marietta Memorial Hospital	Marietta Memorial Health Foundation	Marietta Area Health, Inc	Marietta Area Health Care, Inc	Consolidations and Eliminations	Combined Obligated Group	Selby General Hospital	Marietta Continuing Care Retirement Community, Inc	Marietta Surgery Center, Ltd	Consolidations and Eliminations	2011 Consolidated	2010 Consolidated
Liabilities and net assets												
Current Liabilities												
Due to related organizations	$ -	$ 18,614	$	$ -	$ (18,614)	$ -	$ 2,042,268	$	$ -	$ (2,042,268)	$ -	$ -
Line of credit	4,000,000	-	-	-	-	4,000,000	-	-	-	-	4,000,000	4,000,000
Accounts payable and accrued expenses	22,517,250	5,860	96,860	-	-	22,619,970	187,984	302,059	24,365	-	23,134,378	16,367,555
Accrued Salaries, wages & related liabilities	11,596,583	-	245,242	-	-	11,841,825	1,133,218	-	71,865	-	13,046,908	15,651,518
Accrued interest payable	64,599		-	-	-	64,599	-	250,096	-	-	314,695	329,039
Other obligations	1,100,000	-	-	-	-	1,100,000	-	-	-	-	1,100,000	-
Estimated third party settlements	508,994	-		-	-	508,994	-	-	-		508,994	210,603
Current portion of long-term debt	2,562,325	-	232,675	2,042,268	-	4,837,268	17,668	360,000	94,109	-	5,309,045	5,320,488
Deferred revenue, current	-	-	-	-	-	-		185,853		-	185,853	279,000
Total current liabilities	42,349,751	24,474	574,777	2,042,268	(18,614)	44,972,656	3,381,138	1,098,008	190,339	(2,042,268)	47,599,873	42,158,203
Due to related organizations	-	-	766,578	-	(766,578)	-	14,440,029	425,000	-	(14,865,029)	-	-
Interest rate swap liability	5,501,907	-	-	-	-	5,501,907	-	-	-	-	5,501,907	5,065,154
Other obligations	550,000	-	-	-	-	550,000		-	-	-	550,000	
Accrued pension cost	26,224,509	-	-	-	-	26,224,509	-	-	-	-	26,224,509	19,504,918
Long-term debt, less current portion	50,836,619	-	4,062,557	4,732,814	-	59,631,990	-	7,595,000	73,598	-	67,300,588	71,304,611
Deferred revenue	-	-	-	-	-	-	-	5,024,949		-	5,024,949	5,348,317
Total liabilities	125,462,786	24,474	5,403,912	6,775,082	(785,192)	136,881,062	17,821,167	14,142,957	263,937	(16,907,297)	152,201,826	143,381,203
Net assets												
Unrestricted:												
Controlling interest	85,234,290	12,437,315	4,947,062	-	-	102,618,667	(3,949,136)	(206,196)	173,038	(173,038)	98,463,335	96,970,383
Non-controlling interest	-	-	-	-	-	-	-	-	166,252	-	166,252	57,490
Total unrestricted	85,234,290	12,437,315	4,947,062		-	102,618,667	(3,949,136)	(206,196)	339,290	(173,038)	98,629,587	97,027,873
Temporarily restricted	65,904	65,904	-	-	(65,904)	65,904	-		-	-	65,904	71,971
Permanently restricted	1,002,182	1,002,182	-	-	(1,002,182)	1,002,182	-		-	-	1,002,182	966,920
Total net assets	86,302,376	13,505,401	4,947,062	-	(1,068,086)	103,686,753	(3,949,136)	(206,196)	339,290	(173,038)	99,697,673	98,066,764
Total liabilities and net assets	$ 211,765,162	$ 13,529,875	$ 10,350,974	$ 6,775,082	$ (1,853,278)	$ 240,567,815	$ 13,872,031	$ 13,936,761	$ 603,227	$ (17,080,335)	$ 251,899,499	$ 241,447,967

See Report of Independent Auditors on Supplementary Information on page 34.

MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	Marietta Memorial Hospital	Marietta Memorial Health Foundation	Marietta Area Health, Inc	Marietta Area Health Care, Inc	Consolidations and Eliminations	Combined Obligated Group	Selby General Hospital	Marietta Continuing Care Retirement Community, Inc	Marietta Surgery Center Ltd.	Consolidations and Eliminations	2011 Consolidated	2010 Consolidated
Operating revenue												
Net patient service revenue	$ 225,975,876	$ -	$ 8,062,947	$ -	$ -	$ 234,038,823	$ 27,459,605	$ 3,892,554	$ 3,620,580	$ -	$ 269,011,562	$ 228,915,441
Other operating revenue	3,252,131	-	-	415,087	(11,522)	3,655,696	82,851	60,409	-	(1,407,009)	2,391,947	2,099,280
Total operating revenue	229,228,007	-	8,062,947	415,087	(11,522)	237,694,519	27,542,456	3,952,963	3,620,580	(1,407,009)	271,403,509	231,014,721
Operating expenses												
Salaries and wages	90,779,180	100,070	2,884,856	-	-	93,764,106	10,064,588	1,156,810	494,858	-	105,480,362	94,255,788
Employee benefits	28,461,069	8,614	1,048,891	-	-	29,518,574	3,540,772	288,181	120,550	-	33,468,077	27,671,353
Supplies	41,886,736	-	999,530	-	-	42,886,266	6,668,852	304,181	327,293	-	50,186,592	43,780,276
Purchased services	21,314,393	10,100	1,098,406	-	-	22,422,899	2,797,642	286,982	238,661	-	25,746,184	23,421,559
Medical professional fees	3,239,773	-	-	-	-	3,239,773	1,235,064	-	-	-	4,474,837	3,624,125
Bad debts	12,175,902	6,844	63,679		-	12,246,425	1,927,185	-	-	-	14,173,610	10,337,813
Rent	3,598,054	3,513	-	-	-	3,601,567	605,127	-	214,362	-	4,421,056	5,441,807
Insurance	1,684,975	-	105,124	-	-	1,790,099	342,905	-	-	-	2,133,004	2,044,991
Utilities	3,095,692	-	157,017	-	-	3,252,709	362,018	224,268	-	-	3,838,995	3,653,395
Interest and amortization	2,763,552	-	219,965	415,087	-	3,398,604	479,864	527,043	14,400	(415,087)	4,004,824	3,822,379
Depreciation	8,359,182	734	235,021	-	-	8,594,937	945,484	669,226	26,237	-	10,235,884	10,233,401
Other	4,620,380	287,111	377,108	-	(11,522)	5,273,077	277,226	309,772	67,267	(122,148)	5,805,194	5,196,413
Total operating expenses	221,978,888	416,986	7,189,597	415,087	(11,522)	229,989,036	29,246,727	3,766,463	1,503,628	(537,235)	263,968,619	233,483,300
Operating income (loss)	7,249,119	(416,986)	873,350	-	-	7,705,483	(1,704,271)	186,500	2,116,952	(869,774)	7,434,890	(2,468,579)
Non-operating gains (losses)												
Investment income	1,249,214	148,698	75,050	-	-	1,472,962	4,005	15,478	-	-	1,492,445	1,886,489
Unrestricted contributions	11,522	367,190	-	-	-	378,712	-	122,148	-	(122,148)	378,712	1,074,135
Change in fair value of interest rate swaps	(436,753)	-	-	-	-	(436,753)	-	-	-	-	(436,753)	(1,660,685)
Other	(416,708)	-	-	-	-	(416,708)	37,668	-	(4,989)	-	(384,029)	704,361
Total nonoperating gains	407,275	515,888	75,050	-	-	998,213	41,673	137,626	(4,989)	(122,148)	1,050,375	2,004,300
Excess of revenues over (under) expenses	$ 7,656,394	$ 98,902	$ 948,400	$ -	$ -	$ 8,703,696	$ (1,662,598)	$ 324,126	$ 2,111,963	$ (991,922)	$ 8,485,265	$ (464,279)

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MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	Marietta Memorial Hospital	Marietta Memorial Health Foundation	Marietta Area Health, Inc.	Marietta Area Health Care, Inc	Consolidations and Eliminations	Combined Obligated Group	Selby General Hospital	Marietta Continuing Care Retirement Community, Inc	Marietta Surgery Center, Ltd	Consolidations and Eliminations	2011 Consolidated	2010 Consolidated
Unrestricted net assets												
Excess of revenues over (under) expenses	$ 7,656,394	$ 98,902	$ 948,400	$ -	$ -	$ 8,703,696	$ (1,662,598)	$ 324,126	$ 2,111,963	$ (991,922)	$ 8,485,265	$ (464,279)
Net change in unrealized gains on investments	(778,040)	-	(51,313)	-	-	(829,353)	(1,190)	(7,753)	-	-	(838,296)	1,486,355
Pension related changes other than net periodic pension cost	(5,033,976)	-	-	-	-	(5,033,976)	-	-	-	-	(5,033,976)	(1,363,819)
Other	-	-	-	-	-	-	-	-	(1,889,999)	769,958	(1,120,041)	(295,457)
Change in unrestricted net assets before effect of non-controlling interest	1,844,378	98,902	897,087	-	-	2,840,367	(1,663,788)	316,373	221,964	(221,964)	1,492,952	(637,200)
Less amount attributed to non-controlling interest	-	-	-	-	-	-	-	-	-	108,762	108,762	57,490
Change in unrestricted net assets	1,844,378	98,902	897,087	-	-	2,840,367	(1,663,788)	316,373	221,964	(113,202)	1,601,714	(579,710)
Temporarily restricted net assets												
Contributions	-	-	-		-	-	-	-	-	-	-	106,500
Net assets released from restrictions	-	-	-	-	-	-	-	-	-	-	-	(793,000)
Change in interest in net assets of Marietta Memorial Health Foundation	(6,067)	-	-	-	6,067	-	-	-	-	-	-	-
Investment income and unrealized losses on investments	-	(6,067)	-	-	-	(6,067)	-	-	-	-	(6,067)	101,426
Change in temporarily restricted net assets	(6,067)	(6,067)	-	-	6,067	(6,067)	-	-	-	-	(6,067)	(585,074)
Permanently restricted net assets												
Change in interest in net assets of Marietta Memorial Health Foundation	35,262	-	-	-	(35,262)	-	-	-	-	-	-	-
Investment income and unrealized losses on investments	-	35,262	-	-	-	35,262	-	-	-	-	35,262	12,325
Contributions	-	-	-	-	-	-	-	-	-	-	-	1,053
Change in permanently restricted net assets	35,262	35,262	-	-	(35,262)	35,262	-	-	-	-	35,262	13,378
Change in net assets	1,873,573	128,097	897,087	-	(29,195)	2,869,562	(1,663,788)	316,373	221,964	(113,202)	1,630,909	(1,151,406)
Net assets, beginning of year	84,428,803	13,377,304	4,049,975	-	(1,038,891)	100,817,191	(2,285,348)	(522,569)	117,326	(59,836)	98,066,764	99,218,170
Net assets, end of year	$ 86,302,376	$ 13,505,401	$ 4,947,062	$ -	$ (1,068,086)	$ 103,686,753	$ (3,949,136)	$ (206,196)	$ 339,290	$ (173,038)	$ 99,697,673	$ 98,066,764

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MARIETTA AREA HEALTH CARE, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	Marietta Memorial Hospital	Marietta Memorial Health Foundation	Marietta Area Health, Inc	Marietta Area Health Care, Inc	Consolidations and Eliminations	Combined Obligated Group	Selby General Hospital	Marietta Continuing Care Retirement Community, Inc	Marietta Surgery Center, Ltd	Consolidations and Eliminations	2011 Consolidated	2010 Consolidated
Operating activities												
Change in net assets	$ 1,873,573	$ 128,097	$ 897,087	$ -	$ (29,195)	$ 2,869,562	$ (1,663,788)	$ 316,373	$ 221,964	$ (113,202)	$ 1,630,909	$ (1,151,406)
Adjustments to reconcile change in net assets to net cash from operating activities												
Bad debts	12,175,902	6,844	63,679	-	-	12,246,425	1,927,185	-	-	-	14,173,610	10,337,813
Depreciation - assets used for operations	8,359,182	734	235,021	-	-	8,594,937	945,484	669,226	26,237	-	10,235,884	9,531,564
Depreciation - assets used for rental purposes	743,895	-	-	-	-	743,895	-	-		-	743,895	701,837
Proceeds from restricted contributions and investment income	(35,262)	(29,195)	-	-	35,262	(29,195)	-	-	-	-	(29,195)	(221,304)
Net change in unrealized gains on investments	778,040	-	51,313	-	-	829,353	1,190	7,753	-	-	838,296	(1,486,355)
Other changes in unrestricted net assets	-	-	-	-	-	-	-	-	1,889,999	(963,899)	926,100	(235,395)
Realized (gains) losses on investments	(689,382)	167,012	(36,998)	-		(559,368)	(4,005)	(12,798)	-	-	(576,171)	(931,149)
Net change in pension liability	5,033,976	-	-	-	-	5,033,976	-	-	-	-	5,033,976	1,363,819
Change in fair value of interest rate swap	436,753	-	-	-	-	436,753	-		-	-	436,753	1,660,685
Changes in operating assets and liabilities												
Patient accounts receivable	(16,376,327)	(6,844)	(53,354)	-	-	(16,436,525)	(3,006,534)	3,620	(89,814)		(19,529,253)	(8,803,944)
Inventories	(269,596)	-	(1,599)	-	-	(271,195)	23,210	-	(1,809)	-	(249,794)	349,958
Prepaid expenses and other assets	126,448	166,430	-	-	-	292,878	-	279	(6,478)	-	286,679	791,051
Other assets	46,792	-	16,700	-	-	63,492	170,153	27,951	-	113,202	374,798	371,088
Accounts payable and accrued expenses	7,523,100	(2,681)	(433,869)	-	-	7,086,550	(3,324)	(242,489)	(73,914)		6,766,823	7,807,194
Accrued salaries, wages and related liabilities	(2,591,352)	-	45,792	-	-	(2,545,560)	(41,961)		(17,089)	-	(2,604,610)	3,717,706
Accrued interest payable	(4,144)	-	-	-	-	(4,144)	-	(10,200)	-	-	(14,344)	(12,941)
Estimated third-party settlements	409,378	-	(128,038)	-	-	281,340	99,424	-	-	-	380,764	(798,605)
Pension liability	1,685,615	-	-	-		1,685,615	-	-	-	-	1,685,615	2,465,112
Due to related entities	-	4,900	362,497	-	-	367,397	2,962,161	-	-	(3,329,558)	-	-
Due from related entities	(4,127,003)	-	-	797,445	-	(3,329,558)	-	-	-	3,329,558	-	-
Deferred revenue and other long term liabilities	-	-	-	-	-	-	-	(416,515)	-	-	(416,515)	330,452
Net cash from operating activities	15,099,588	435,297	1,018,231	797,445	6,067	17,356,628	1,409,195	343,200	1,949,096	(963,899)	20,094,220	25,787,180
Cash flows from investing activities												
Purchase of property, plant and equipment, net	(11,129,430)	-	(56,446)	-	-	(11,185,876)	(1,302,731)	(90,030)	(4,659)	-	(12,583,296)	(9,765,773)
Changes in notes receivable, net	(33,572)	-	-	-	-	(33,572)	51,549	-	-	-	17,977	(107,358)
Change in interest in Foundation	(29,195)	-	-	-	29,195	-	-	-	-	-	-	-
Goodwill	(2,288,280)	-	4,950	-		(2,283,330)	-	-	-	-	(2,283,330)	(1,801,536)
Change in assets whose use is limited	(469,468)	(607,312)	(38,046)	-		(1,114,826)	2,815	148,239	-	-	(963,772)	1,927,103
Net cash from investing activities	(13,949,945)	(607,312)	(89,542)	-	29,195	(14,617,604)	(1,248,367)	58,209	(4,659)	-	(15,812,421)	(9,747,564)
Cash flows from financing activities												
Proceeds from restricted contributions and investment income	35,262	29,195	-	-	(35,262)	29,195	-	-			29,195	221,304
Refunds of deposits and refundable fees	-	-		-	-	-	-		-	-	-	(412,723)
Dividends paid	-	-	-	-	-	-		-	(1,889,999)	963,899	(926,100)	(90,847)
Change in other obligations	1,650,000	-	-	-	-	1,650,000	-	-	-	-	1,650,000	-
Proceeds from long term borrowings	-	-	-	1,200,000	-	1,200,000	-	-	-	-	1,200,000	6,500,000
Principal payments on long term obligations	(2,455,654)	-	(219,346)	(1,997,445)	-	(4,672,445)	(114,600)	(340,000)	(88,421)	-	(5,215,466)	(4,409,895)
Net cash from financing activities	(770,392)	29,195	(219,346)	(797,445)	(35,262)	(1,793,250)	(114,600)	(340,000)	(1,978,420)	963,899	(3,262,371)	1,807,839
Net change in cash and cash equivalents	379,251	(142,820)	709,343	-		945,774	46,228	61,409	(33,983)	-	1,019,428	17,847,455
Cash and cash equivalents, beginning of year	26,296,911	276,024	1,714,505	-	-	28,287,440	85,746	(30,954)	164,964		28,507,196	10,659,741
Cash and cash equivalents, end of year	$ 26,676,162	$ 133,204	$ 2,423,848	$ -	$ -	$ 29,233,214	$ 131,974	$ 30,455	$ 130,981	$	$ 29,526,624	$ 28,507,196
Supplemental disclosure of cash flow information												
Cash paid for interest	$ 2,767,696	$ -	$ 219,965	$ -	$	$ 3,402,748	$ 479,864	$ 537,243	$ 14,400	$ (415,087)	$ 4,019,168	$ 3,807,429

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