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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
ASHLAND HOSPITAL CORPORATION

Doing Business As
KING'S DAUGHTERS MEDICAL CENTER

Number and street (or P O box if mail is not delivered to street address)
2201 LEXINGTON AVENUE

Room/suite

City or town, state or country, and ZIP + 4
ASHLAND, KY 41101

D Employer identification number
61-0444716

E Telephone number
(606)408-4000

G Gross receipts $ 584,498,660

F Name and address of principal officer
FRED L JACKSON
2201 LEXINGTON AVENUE
ASHLAND,KY 41101

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: ▶ WWW KDMC COM

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

L Year of formation 1941

M State of legal domicile KY

Part I Summary

1 Briefly describe the organization's mission or most significant activities
TO PROVIDE COMMUNITY HEALTHCARE SERVICES TO CARE TO SERVE TO HEAL

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**	13
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	6
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	4,196
6	Total number of volunteers (estimate if necessary)	**6**	363
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	94,778
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	584,947	203,811
9	Program service revenue (Part VIII, line 2g)	550,203,300	534,999,548
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,656,761	12,986,750
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	4,459,923	3,663,228
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	556,904,931	551,853,337
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	141,508	113,452
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	233,478,751	217,826,537
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	300,848,360	295,821,871
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	534,468,619	513,761,860
19	Revenue less expenses Subtract line 18 from line 12	22,436,312	38,091,477

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	778,947,132	789,113,026
21	Total liabilities (Part X, line 26)	406,709,400	394,922,121
22	Net assets or fund balances Subtract line 21 from line 20	372,237,732	394,190,905

Part II Signature Block

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

Sign Here

****** — Signature of officer — 2012-08-15 — Date

PAUL MCDOWELL CFO/VP FINANCE — Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name: JULIUS C GREEN CPA JD	Preparer's signature: JULIUS C GREEN CPA JD	Date: 2012-08-15	Check if self-employed ☐	PTIN
Firm's name ▶ PARENTEBEARD LLC				Firm's EIN ▶
Firm's address ▶ 400 MARKET STREET WILLIAMSPORT, PA 17701				Phone no ▶ (570) 323-6023

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

TO CARE TO SERVE TO HEAL

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 $ 439,727,264 including grants of $ 113,452) (Revenue $ 529,754,751)

COMMUNITY INFORMATION KING'S DAUGHTERS ("KDMC") IS NESTLED IN THE FOOTHILLS OF THE APPALACHIAN MOUNTAINS, WHERE THE KENTUCKY, OHIO AND WEST VIRGINIA STATE LINES MEET KDMC'S PRIMARY SERVICE AREA ENCOMPASSES SIX COUNTIES IN TWO STATES, BOYD, CARTER, GREENUP AND LAWRENCE COUNTIES IN KENTUCKY AND LAWRENCE AND SCIOTO COUNTIES IN OHIO MORE THAN 272,000 PEOPLE (U S CENSUS BUREAU) LIVE IN THE SIX-COUNTY PRIMARY SERVICE AREA WITH THE EXCEPTION OF TWO CITIES WITH POPULATIONS AROUND 20,000 THE AREA IS VERY RURAL, COVERING NEARLY 2,400 SQUARE MILES WITH A POPULATION DENSITY OF 113 PEOPLE PER SQUARE MILE MORE THAN 18% OF THE POPULATION LIVES IN POVERTY, WITH CHILDREN IN POVERTY AT MORE THAN 25% THE POPULATION IS 96% WHITE, 2% BLACK AND ALL OTHER RACES 2% THE AVERAGE MEDIAN INCOME IS $36,575, WELL BELOW THE LEVELS FOR KENTUCKY, OHIO AND THE NATION AVERAGE UNEMPLOYMENT IS 10 1% COMPARED TO 8 9% NATIONALLY AND 9 5% FOR KENTUCKY THE KENTUCKY BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM SHOWS THAT IN 2008, IN KDMC'S KENTUCKY MARKET AREA, 18 9% OF THOSE AGED 19-64 YEARS LACKED ANY FORM OF HEALTHCARE COVERAGE, COMPARED TO 14 4% FOR THE STATE AND 14 5% FOR THE NATION KDMC'S OHIO MARKET AREA SHOWS 17 4% WITHOUT HEALTHCARE COVERAGE COMPARED TO 12 5% IN THE STATE AND 14 5% IN THE NATION COMMUNITY BUILDING ACTIVITIES TO REACH OUR COMMUNITIES AND TO PROVIDE THE BEST OUTREACH SERVICES POSSIBLE, WE PARTNERED WITH A DIVERSE GROUP OF BOTH PUBLIC AND PRIVATE ENTITIES WE HAVE ESTABLISHED PARTNERSHIPS WITH AREA RETAILERS, HEALTH DEPARTMENTS, FACTORIES AND CHEMICAL PLANTS, CITY OF ASHLAND, LOCAL EMS SERVICES, AMERICAN RED CROSS, SUSAN G KOMEN FOR THE CURE, CARES (LOCAL REFERRAL AGENCY), COMMUNITY KITCHEN, SAFE HARBOR, 16 SCHOOL DISTRICTS AND NEARBY COLLEGES AND UNIVERSITIES, NAACP, ASHLAND FAIR HOUSING, SHELTER OF HOPE, ASHLAND AREA YMCA, KENTUCKY STATE POLICE, OHIO HIGHWAY PATROL, AREA SENIOR CENTERS AND MORE THAN 150 CHURCHES WE SEND OUR HEALTH TEAMS OUT INTO THE COMMUNITY TO MEET PEOPLE ON THEIR TIME AND IN THE PLACES THAT ARE COMFORTABLE FOR THEM - SCHOOLS, MALLS, LIBRARIES, WORKSITES, GROCERY STORES AND MORE SERVICES PROVIDED INCLUDE MORE THAN 75 SCREENING AND EDUCATIONAL EVENTS PER MONTH, MOBILE HEALTH SERVICES, COORDINATION OF THE CPR TRAINING CENTER, AND A MEALS ON WHEELS PROGRAM PATIENTS WITH ABNORMAL RESULTS FROM OUR HEALTH SCREENINGS RECEIVE A FOLLOW-UP LETTER REMINDING THEM OF THE IMPORTANCE OF SHARING THE RESULTS WITH THEIR HEALTHCARE PROVIDER IDENTIFYING THOSE AT RISK FOR HEART AND VASCULAR DISEASE, EDUCATING THE PUBLIC ABOUT HEART ATTACK AND STROKE SIGNS AND SYMPTOMS, AND REDUCING TOBACCO USE THROUGHOUT THE REGION ARE THREE IMPORTANT AREAS OF FOCUS OUR REGION HAS A HIGH INCIDENCE OF UNDIAGNOSED OR UNTREATED HEART AND VASCULAR DISEASE HEALTH CONNECTIONS CONTINUES TO EXPAND SERVICES BY OFFERING FREE COMPREHENSIVE HEALTHY HEART AND VASCULAR SCREENINGS TO HIGH RISK POPULATIONS THIS SCREENING MAY INCLUDE A FASTING LIPID PANEL, TOTAL CHOLESTEROL, AN ANKLE BRACHIAL INDEX, BLOOD PRESSURE, BLOOD SUGAR AND AN EKG WE ARE RAISING AWARENESS ABOUT THE CARDIOVASCULAR RISKS AND CATCHING DISEASE THAT HAD NOT BEEN DIAGNOSED SO IT CAN BE TREATED WE ARE MAKING SURE THE PARTICIPANTS KNOW THEIR HEART RISK NUMBERS OUR HEART SCREENINGS PROVIDED 6,861 BLOOD PRESSURE (44% ABNORMAL), 5,531 BLOOD SUGAR (14% ABNORMAL) AND 5,271 TOTAL CHOLESTEROL (34% ABNORMAL) SCREENINGS IN 2011 THESE SCREENINGS HAD MORE THAN 2,100 PARTICIPANTS THE AGE ADJUSTED CARDIOVASCULAR MORTALITY RATE FOR THE SERVICE AREA HAS IMPROVED 22 7% FROM 1998 TO 2006 OTHER INFORMATION WITH THE EXCEPTION OF TWO CITIES WITH A POPULATION AROUND 20,000, KDMC'S MARKET AREA IS VERY RURAL COVERING NEARLY 2,000 SQUARE MILES WITH A POPULATION DENSITY OF 129 PEOPLE PER SQUARE MILE BARRIERS TO HEALTHCARE INCLUDE LACK OF TRANSPORTATION, LOW HEALTH LITERACY AND GEOGRAPHIC ISOLATION IN ADDITION THERE ARE CULTURAL BARRIERS INCLUDING A DISTRUST OF HEALTHCARE PROVIDERS WHICH IMPACTS HEALTH AND HEALTH-RELATED COMMUNICATION KING'S DAUGHTERS TAKES AN ACTIVE ROLE IN RECRUITING AND RETAINING PHYSICIANS IN THESE RURAL, UNDERSERVED AREAS EFFORTS ARE MADE TO INTEGRATE THE PHYSICIAN INTO THE NETWORK OF THE COMMUNITY THROUGH FREE SCREENINGS, SPEAKING PRESENTATIONS AND ATTENDANCE AT COMMUNITY EVENTS THUS BUILDING TRUST AND POSITIVE RELATIONSHIPS FAMILIES THAT LIVE OUTSIDE OUR COMMUNITY WITH LIMITED RESOURCES (FINANCIAL, TRANSPORTATION, FAMILY SUPPORT) WHO HAVE A LOVED ONE IN CRITICAL CARE ARE REFERRED BY KDMC SOCIAL WORKERS TO THE KDMC HOSPITALITY HOUSE GUESTS OF THE HOSPITALITY HOUSE INCLUDE ADULT FAMILY MEMBERS OR CAREGIVERS OF EITHER CRITICALLY ILL PATIENTS RECEIVING CARE AT KDMC, OR QUALIFYING OUTPATIENTS RECEIVING EXTENDED THERAPEUTIC CARE IN NEARLY ALL CASES, GUESTS LIVE OUTSIDE A 30-MILE RADIUS OF ASHLAND THE HOUSE DOES NOT CHARGE FAMILIES TO STAY, HOWEVER A NUMBER OF THE GUESTS MADE A VOLUNTARY CONTRIBUTION FAMILY CARE CENTERS PROVIDE SAMPLE MEDICATIONS TO INDIGENT PATIENTS THIS PROGRAM IS PROVIDED AT NO COST TO THE PATIENT FAMILY CARE CENTER STAFF RECORDS THE MEDICATIONS, LABEL FOR USE AND DOCUMENT THE DISTRIBUTION THE TOBACCO CESSATION PROGRAM AND LUNG HEALTH PROGRAM OFFER SUPPORT THROUGH TOBACCO CESSATION CLASSES AND ASSISTANCE TO PATIENTS DIAGNOSED WITH LUNG CANCER AT KDMC THE LUNG HEALTH PROGRAM INCLUDES A CLINICAL NURSE SPECIALIST WHO PROVIDES PATIENT NAVIGATION FOR NEWLY DIAGNOSED LUNG CANCER PATIENTS THE PROGRAM INCLUDES TWO LUNG HEALTH ADVOCATES THAT PROVIDE TOBACCO CESSATION COUNSELING AND CLASSES DURING THE FISCAL YEAR, KDMC PROVIDED 811 FREE FLU SHOTS THROUGHOUT THE COMMUNITY WITH THE FLU SHOT PROGRAM, WE STRIVE TO REACH POPULATIONS THAT ARE AT HIGHER RISK OF CONTRACTING THE FLU TARGETED POPULATIONS INCLUDE THOSE DESIGNATED HIGH RISK BY THE CENTER FOR DISEASE CONTROL, CAREGIVERS OF VULNERABLE POPULATIONS INCLUDING HOMELESS, INDIGENT, SCHOOL TEACHERS, DAY CARE WORKERS AND CAREGIVERS FOR THE ELDERLY FLU SHOTS ARE DELIVERED THROUGH A VARIETY OF SETTINGS AND IN MULTIPLE COUNTIES SERVED BY THE MEDICAL CENTER THE PASTORAL CARE SERVICE DEPARTMENT EMPLOYS FOUR FULL-TIME CHAPLAINS AND AN ADMINISTRATIVE ASSISTANT TO PROVIDE SPIRITUAL AND EMOTIONAL SUPPORT FOR OUR PATIENTS, THEIR FAMILIES AND FRIENDS AND FOR THE STAFF OF KING'S DAUGHTERS MEDICAL CENTER ONE-ON-ONE COUNSELING AS WELL AS GROUP COUNSELING, WHICH INCLUDES GRIEF SUPPORT AND PALLIATIVE CARE FOR END-OF-LIFE PATIENTS AND THEIR FAMILIES, IS OFFERED BY THE DEPARTMENT AFFILIATED HEALTH CARE SYSTEM ROLES KING'S DAUGHTERS MEDICAL CENTER IS PART OF AN AFFILIATED HEALTH CARE DELIVERY SYSTEM THE SYSTEM PROVIDES PHYSICIAN SERVICES THROUGH TWO AFFILIATES, KENTUCKY HEART INSTITUTE AND KING'S DAUGHTERS MEDICAL SPECIALTIES, INC BOTH AFFILIATES PROVIDE CHARITY CARE AND PARTICIPATE IN GOVERNMENT PROGRAMS

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** ▶ $ 439,727,264

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	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
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	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, 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)*

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**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *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**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	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**	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
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**	Yes	
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**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**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	384		
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	4,196		
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	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			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		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **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	13		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	6		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		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	Yes	
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		No
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		

Section C. Disclosure

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

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 ▶

AUTUMN MCFANN CONTROLLER
2201 LEXINGTON AVENUE
ASHLAND, KY 41101
(606) 408-9631

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)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) ADDINGTON STEPHEN DIRECTOR	30	X						0	0	0
(2) BLAIR JACK DIRECTOR	30	X						0	0	0
(3) BORDERS CHARLIE DIRECTOR	30	X						0	0	0
(4) BOYKIN MAYOLA MD DIRECTOR& MEDICAL/DENTAL PRES	1 30	X						24,000	0	0
(5) BURNETTE TOM DIRECTOR	30	X						0	0	0
(6) CANTRELL JIM DIRECTOR	30	X						0	0	0
(7) CASSIDY DAN DIRECTOR	30	X						0	0	0
(8) HAMMONDS DONALD DO DIRECTOR	30	X						0	0	0
(9) HILLMAN TRACY DIRECTOR	30	X						0	0	0
(10) MECCA RAYMOND MD DIRECTOR	50	X						1,000	0	0
(11) STEWART JOHN DIRECTOR	30	X						0	0	0
(12) JONES DAVID CHAIRMAN OF THE BOARD	1 00	X		X				0	0	0
(13) JACKSON FRED PRESIDENT/CEO	40 00	X		X				959,193	0	419,480
(14) MCDOWELL PAUL TRESURER, SR VP FINANCE/CFO	40 00			X				497,185	0	157,130
(15) MAHANEY SHERYL SECRETARY, SR VP GENERAL COUNSEL/CLO	40 00			X				356,898	0	119,271
(16) FIORET PHILIP MD SR VP MEDICAL AFF	40 00				X			769,486	20,000	187,318

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)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(17) HIGGINS LARRY SR VP OPERATIONS & ORGANIZATIONAL EFFECTIVENESS	40 00				X			414,010	0	133,907
(18) WHITLATCH KRISTIE SR VP SERVICE LINE	40 00				X			441,868	0	138,400
(19) BAILIFF ROBERT MD PHYSICIAN	40 00					X		479,916	0	22,553
(20) GUIAB ROBIN MD PHYSICIAN	40 00					X		462,710	0	29,032
(21) MARCUM JENAWIK M PHYSICIAN	40 00					X		457,342	0	29,711
(22) SANCHEZ-VANHOOSE TRACI MD PHYSICIAN	40 00					X		473,508	0	19,841
(23) SMITH PAUL DO PHYSICIAN	40 00					X		466,575	0	14,494
(24) CORBITT PATRICIA FORMER VP, MARKETING/PR& COMMUNITY RELATIONS	40 00						X	165,192	0	21,594
(25) LUCAS ROBERT FORMER SR VP OPERATIONS	40 00						X	288,573	0	90,673
(26) PARIKH MANISH MD FORMER PHYSICIAN	40 00						X	110,071	0	0

1b	**Sub-Total** . . . . . ▶			
c	**Total from continuation sheets to Part VII, Section A** . . . . ▶			
d	**Total (add lines 1b and 1c)** . . . . . ▶	6,367,527	20,000	1,383,404

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 ▶ 131

			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**	Yes	
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *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
TRI-STATE RADIOLOGY ASSOCIATES POBOX 2408 ASHLAND, KY 41105	RADIOLOGISTS	3,409,530
DELOITTE CONSULTING LLP POBOX 7247-6447 PHILADELPHIA, PA 19170	CONSULTANTS	3,009,242
ASHLAND ANESTHESIOLOGY ASSOCIATES POBOX 986 ASHLAND, KY 41105	ANESTHESIOLOGISTS	1,565,430
STITES & HARBISON PLLC 250 W MAIN ST 2300 LEXINGTON FINAN LEXINGTON, KY 40507	LAWYERS	1,171,267
MARILLIA DESIGN & CONSTRUCTION 259 WEST SHORT STREET SUITE 325 LEXINGTON, KY 40507	CONSTRUCTION CONTRACTORS	726,364

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 ▶ 57

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				
	e Government grants (contributions)	1e	20,000			
	f All other contributions, gifts, grants, and similar amounts not included above	1f	183,811			
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . . ▶		203,811			
Program Service Revenue		Business Code				
	2a NET PATIENT SERVICE RE	621110	526,280,764	526,280,764		
	b MEANINGFUL USE REVENUE	621110	5,192,214	5,192,214		
	c PHARMACY	446110	3,526,570	3,473,987	52,583	
	d					
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		534,999,548			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		8,807,188		1,659	8,805,529
	4 Income from investment of tax-exempt bond proceeds . . ▶					
	5 Royalties . . . . . ▶					

		(i) Real	(ii) Personal				
	6a Gross Rents	2,143,164	3,150				
	b Less rental expenses	1,209,069	2,520				
	c Rental income or (loss)	934,095	630				
	d Net rental income or (loss) . . . . . ▶			934,725		630	934,095

		(i) Securities	(ii) Other				
	7a Gross amount from sales of assets other than inventory	34,304,588	1,308,708				
	b Less cost or other basis and sales expenses	30,042,681	1,391,053				
	c Gain or (loss)	4,261,907	-82,345				
	d Net gain or (loss) . . . . . ▶			4,179,562			4,179,562
Other Revenue	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a						
	b Less direct expenses . . . b						
	c Net income or (loss) from fundraising events . . ▶						
	9a Gross income from gaming activities See Part IV, line 19 . a						
	b Less direct expenses . . . . . b						
	c Net income or (loss) from gaming activities . . . ▶						
	10a Gross sales of inventory, less returns and allowances . a						
	b Less cost of goods sold . . b						
	c Net income or (loss) from sales of inventory . . ▶						

	Miscellaneous Revenue	Business Code				
	11a CAFETERIA	722210	2,370,667		3,099	2,367,568
	b MEDICAL RECORDS	561499	105,732			105,732
	c VALET REVENUE	561499	88,184			88,184
	d All other revenue		163,920		36,807	127,113
	e **Total.** Add lines 11a–11d . . . . . ▶		2,728,503			
	12 **Total revenue.** See Instructions . . . ▶		551,853,337	534,946,965	94,778	16,607,783

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	113,452	113,452		
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	4,645,342		4,645,342	
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	165,692,184	148,800,577	16,891,607	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	6,661,338	5,982,548	678,790	
9 Other employee benefits	29,017,390	26,060,518	2,956,872	
10 Payroll taxes	11,810,283	10,407,221	1,403,062	
a Fees for services (non-employees) Management				
b Legal	3,262,937	133,437	3,129,500	
c Accounting	127,940		127,940	
d Lobbying	28,602	28,602		
e Professional fundraising services *See Part IV, line 17*				
f Investment management fees	527,998		527,998	
g Other	33,081,902	22,105,700	10,976,202	
12 Advertising and promotion	2,684,140	403	2,683,737	
13 Office expenses	3,044,773	1,792,062	1,252,711	
14 Information technology	1,160,557	1,160,557		
15 Royalties				
16 Occupancy	5,665,007	1,646,628	4,018,379	
17 Travel	422,122	327,439	94,683	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	8,383	8,383		
20 Interest	9,303,730	3,931	9,299,799	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	36,353,225	32,331,430	4,021,795	
23 Insurance	4,952,638	96,883	4,855,755	
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 SUPPLIES	98,275,427	95,104,568	3,170,859	
b PROVISION FOR BAD DEBTS	52,828,740	52,828,740		
c REPAIR AND MAINTENANCE	13,719,736	12,201,907	1,517,829	
d PHYSICIAN FEES	13,108,366	13,108,366		
e TAXES (INCLUDING PROVID	7,699,800	7,625,008	74,792	
f All other expenses	9,565,848	7,858,904	1,706,944	
25 **Total functional expenses.** Add lines 1 through 24f	513,761,860	439,727,264	74,034,596	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

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		13,075	1	49,154,674
	2	Savings and temporary cash investments		85,534,850	2	27,329,088
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		68,308,397	4	72,959,350
	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		3,017,230	7	1,872,493
	8	Inventories for sale or use		9,517,272	8	10,389,576
	9	Prepaid expenses and deferred charges		9,582,091	9	9,769,950
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 652,332,786			
	b	Less accumulated depreciation	10b 333,921,987	326,386,943	10c	318,410,799
	11	Investments—publicly traded securities		158,600,089	11	182,075,735
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		9,845,848	13	8,722,251
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		108,141,337	15	108,429,110
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		778,947,132	16	789,113,026
Liabilities	17	Accounts payable and accrued expenses		62,939,282	17	65,168,270
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		253,307,026	20	248,738,461
	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		14,638,476	23	8,212,718
	24	Unsecured notes and loans payable to unrelated third parties		15,000,000	24	
	25	Other liabilities Complete Part X of Schedule D		60,824,616	25	72,802,672
	26	**Total liabilities.** Add lines 17 through 25		406,709,400	26	394,922,121
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		372,237,732	27	394,190,905
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		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		372,237,732	33	394,190,905
	34	Total liabilities and net assets/fund balances		778,947,132	34	789,113,026

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	551,853,337
2	Total expenses (must equal Part IX, column (A), line 25)	2	513,761,860
3	Revenue less expenses Subtract line 2 from line 1	3	38,091,477
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	372,237,732
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-16,138,304
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	394,190,905

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
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

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? Yes	(iv) No	(v) Did you notify the organization in col (i) of your support? Yes	(v) No	(vi) Is the organization in col (i) organized in the U S ? Yes	(vi) No	(vii) Amount of support
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						

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						
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**

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)						

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**	
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**	
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).

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
ASHLAND HOSPITAL CORPORATION	61-0444716

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

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $ _____

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $ _____

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $ _____

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities ▶ $ _____

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $ _____

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

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

A Check ☐ if the filing organization belongs to an affiliated group
B Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing Organization's Totals	(b) Affiliated Group Totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ Yes ☐ No

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		28,602
j	Total lines 1c through 1i			28,602
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
EXPLANATION OF OTHER LOBBYING ACTIVITIES	PART II-B, LINE 1I	$25,409 A PORTION OF THE DUES PAID TO THE KENTUCKY HOSPITAL ASSOCIATION ATTRIBUTABLE TO LOBBYING EXPENSES $3,193 A PORTION OF THE DUES PAID TO THE AMERICAN MEDICAL REHABILITATION PROVIDERS ATTRIBUTABLE TO LOBBYING EXPENSES

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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
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

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
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part 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		27,831,018		27,831,018
b Buildings		360,651,204	154,164,218	206,486,986
c Leasehold improvements				
d Equipment		253,144,160	174,916,133	78,228,027
e Other		10,706,404	4,841,636	5,864,768
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				318,410,799

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
(1) SELF INSURANCE FUNDS	9,708,778
(2) TRUSTEED FUNDS	35,829,320
(3) DEFERRED FINANCING COSTS	2,791,479
(4) OTHER ASSETS	499,383
(5) DUE FROM RELATED PARTIES	59,600,150
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	108,429,110

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
MALPRACTICE COSTS	12,084,910
ACCRUED PENSION	21,247,000
OTHER LONG-TERM LIABILITIES	1,940,466
DERIVATIVES OBLIGATION	20,112,124
ESTIMATED THIRD PARTY PAYOR SETTLEMENTS	17,418,172
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	72,802,672

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	551,853,337
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	513,761,860
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	38,091,477
4	Net unrealized gains (losses) on investments	4	-14,501,382
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-1,636,922
9	Total adjustments (net) Add lines 4 - 8	9	-16,138,304
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	21,953,173

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	534,284,609
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	-14,501,382		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	-4,275,180		
e	Add lines **2a** through **2d**			2e	-18,776,562
3	Subtract line **2e** from line **1**			3	553,061,171
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	-1,207,834		
c	Add lines **4a** and **4b**			4c	-1,207,834
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	551,853,337

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

1	Total expenses and losses per audited financial statements			1	514,973,449
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	1,211,589		
e	Add lines **2a** through **2d**			2e	1,211,589
3	Subtract line **2e** from line **1**			3	513,761,860
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	0
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	513,761,860

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
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE MEDICAL CENTER, KHF, KBNH, CDC, KHI, KDMT, KDMS, AND THE FOUNDATION HAVE BEEN RECOGNIZED BY THE IRS AS SECTION 501(C)(3) CHARITABLE ORGANIZATIONS SECTION 501(C)(3) ORGANIZATIONS ARE EXEMPT FROM FEDERAL AND STATE INCOME TAXES ON RELATED INCOME THESE ORGANIZATIONS DO NOT ENGAGE IN SIGNIFICANT UNRELATED ACTIVITIES AND THEREFORE NO TAX IS RECORDED
PART XI, LINE 8 - OTHER ADJUSTMENTS		PENSION LIABILITY ADJUSTMENT 1,933,904 AMORTIZATION OF SWAP AGREEMENT 79,556 CHANGE IN MARKET VALUE INTEREST RATE SWAP -4,152,944 CHANGE IN MARKET VALUE SELF INSURANCE FUNDS - 122,236 TRANSFER FROM AFFILIATE 624,798
PART XII, LINE 2D - OTHER ADJUSTMENTS		CHANGE IN MARKET VALUE INTEREST RATE SWAP - 4,152,944 CHANGE IN MARKET VALUE SELF INSURANCE FUNDS -122,236
PART XII, LINE 4B - OTHER ADJUSTMENTS		RENTAL EXPENSES -1,211,589 GIFT FOR CAPITAL ITEM NOT REPORTED AS OPERATING INCOME ON F/S 3,755
PART XIII, LINE 2D - OTHER ADJUSTMENTS		RENTAL EXPENSES 1,211,589

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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
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .	1a	Yes	
b	If "Yes," 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)			17,099,767		17,099,767	3 710 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			54,611,607	40,155,907	14,455,700	3 140 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			71,711,374	40,155,907	31,555,467	6 850 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			2,145,046		2,145,046	0 470 %
f Health professions education (from Worksheet 5)			328,891		328,891	0 070 %
g Subsidized health services (from Worksheet 6)			2,350,596	2,181,289	169,307	0 040 %
h Research (from Worksheet 7)			575,421	462,857	112,564	0 020 %
i Cash and in-kind contributions to community groups (from Worksheet 8)			51,417		51,417	0 010 %
j **Total** Other Benefits			5,451,371	2,644,146	2,807,225	0 610 %
k **Total.** Add lines 7d and 7j			77,162,745	42,800,053	34,362,692	7 460 %

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			199,074		199,074	0 040 %
9	Other						
10	**Total**			199,074		199,074	0 040 %

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1	Yes		
2	Enter the amount of the organization's bad debt expense (at cost)	2	16,682,664		
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	3,589,825		
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	148,989,304
6	Enter Medicare allowable costs of care relating to payments on line 5	6	157,958,306
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-8,969,002
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

9a	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					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, 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	ASHLAND HOSPITAL CORPORATION 2201 LEXINGTON AVENUE ASHLAND, KY 41101	X	X					X		

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
		PART I, LINE 7 KDMC USED WORKSHEET 2 PROVIDED IN THE 2010 SCHEDULE H INSTRUCTIONS (FORM 990) TO CALCULATE A COST OF CHARGE RATIO THIS RATIO WAS USED TO CALCULATE CHARITY CARE AT COST ALL OTHER ITEMS WERE REPORTED AT NET EXPENSE

Identifier	ReturnReference	Explanation
		PART I, LINE 7G THERE ARE NO COSTS ATTRIBUTABLE TO PHYSICIAN CLINICS INCLUDED AS SUBSIDIZED HEALTH SERVICES

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) THE AMOUNT OF BAD DEBT EXPENSE THAT WAS SUBTRACTED IN ORDER TO CALCULATE THE PERCENT OF TOTAL EXPENSE WAS $52,828,740

Identifier	ReturnReference	Explanation
		PART II TO REACH OUR COMMUNITIES AND TO PROVIDE THE BEST OUTREACH SERVICES POSSIBLE, WE P ARTNER WITH A DIVERSE GROUP OF BOTH PUBLIC AND PRIVATE ENTITIES WE HAVE ESTABLISHED PARTN ERSHIPS WITH AREA RETAILERS, HEALTH DEPARTMENTS, FACTORIES, CITY OF ASHLAND, LOCAL EMS SER VICES, AMERICAN RED CROSS, SUSAN G KOMEN FOR THE CURE, CARES, COMMUNITY KITCHEN, SAFE HAR BOR, 16 SCHOOL DISTRICTS AND NEARBY COLLEGES AND UNIVERSITIES, SHELTER OF HOPE, ASHLAND AR EA YMCA, AREA SENIOR CITIZENS CENTERS AND MORE THAN 150 CHURCHES WE SEND OUR OUTREACH TEA MS OUT INTO THE COMMUNITY TO MEET PEOPLE ON THEIR TIME AND IN THE PLACES THAT ARE COMFORTA BLE FOR THEM - SCHOOLS, MALLS, CHURCHES, LIBRARIES, WORKSITES, GROCERY STORES AND MORE SE RVICES PROVIDED INCLUDE MORE THAN 75 SCREENING AND EDUCATIONAL EVENTS EACH MONTH, MOBILE H EALTH SERVICES, COORDINATION OF A REGIONAL CPR TRAINING CENTER AND A MEALS ON WHEELS PROGR AM PATIENTS WITH ABNORMAL RESULTS FROM OUR HEALTH SCREENINGS RECEIVE A FOLLOW-UP LETTER R EMINDING THEM OF THE IMPORTANCE OF SHARING THE RESULTS WITH THEIR HEALTHCARE PROVIDER IDEN TIFYING THOSE AT RISK FOR HEART AND VASCULAR DISEASE, EDUCATING THE PUBLIC ABOUT HEART ATT ACK AND STROKE SIGNS AND SYMPTOMS, AND REDUCING TOBACCO USE THROUGHOUT THE REGION ARE THRE E IMPORTANT AREAS OF FOCUS OUR REGION HAS A HIGH INCIDENCE OF UNDIAGNOSED OR UNTREATED HE ART AND VASCULAR DISEASE OUR "HEALTH CONNECTIONS" PROGRAM CONTINUES TO EXPAND SERVICES BY OFFERING FREE COMPREHENSIVE HEALTHY HEART AND VASCULAR SCREENINGS TO HIGH RISK POPULATION S THIS SCREENING MAY INCLUDE A FASTING LIPID PANEL, TOTAL CHOLESTEROL, AN ANKLE BRACHIAL INDEX, BLOOD PRESSURE, BLOOD SUGAR OR AN EKG WE ARE RAISING AWARENESS ABOUT THE CARDIOVAS CULAR RISKS AND CATCHING DISEASE THAT HAD NOT BEEN DIAGNOSED SO IT CAN BE TREATED WE ARE MAKING SURE THE PARTICIPANTS KNOW THEIR HEART RISK NUMBERS OUR TOTAL HEART SCREENINGS PRO VIDED 6,861 BLOOD PRESSURE (44% ABNORMAL), 5,531 BLOOD SUGAR (14% ABNORMAL) AND 5,271 TOTA L CHOLESTEROL (34% ABNORMAL) SCREENINGS IN 2011 OUR "HEALTHY HEART" SCREENINGS HAD MORE T HAN 2,100 PARTICIPANTS THE AGE ADJUSTED CARDIOVASCULAR MORTALITY RATE FOR THE SERVICE ARE A HAS IMPROVED 22 7% FROM 1998 TO 2006 WITH THE EXCEPTION OF TWO CITIES WITH A POPULATION AROUND 20,000, KDMC'S MARKET AREA IS VERY RURAL COVERING NEARLY 2,000 SQUARE MILES WITH A POPULATION DENSITY OF 150 PEOPLE PER SQUARE MILE BARRIERS TO HEALTHCARE INCLUDE LACK OF T RANSPORTATION, LOW HEALTH LITERACY AND GEOGRAPHIC ISOLATION IN ADDITION THERE ARE CULTURA L BARRIERS INCLUDING A DISTRUST OF HEALTHCARE PROVIDERS WHICH IMPACTS HEALTH AND HEALTH-RE LATED COMMUNICATION KING'S DAUGHTERS TAKES AN ACTIVE ROLE IN RECRUITING AND RETAINING PHY SICIANS IN THESE RURAL, UNDERSERVED AREAS EFFORTS ARE MADE TO INTEGRATE THE PHYSICIAN INT O THE NETWORK OF THE COMMUNITY THROUGH FREE SCREENINGS, SPEAKING PRESENTATIONS AND ATTENDA NCE AT COMMUNITY EVENTS THUS BUILDING TRUST AND POSITIVE RELATIONSHIPS FAMILIES THAT LIVE OUTSIDE OUR COMMUNITY WITH LIMITED RESOURCES (FINANCIAL, TRANSPORTATION, FAMILY SUPPORT) W HO HAVE A LOVED ONE IN CRITICAL CARE ARE REFERRED BY KDMC SOCIAL WORKERS TO THE KDMC HOSPI TALITY HOUSE GUESTS OF THE HOSPITALITY HOUSE INCLUDE ADULT FAMILY MEMBERS OR CAREGIVERS O F EITHER CRITICALLY ILL PATIENTS RECEIVING CARE AT KDMC, OR QUALIFYING OUTPATIENTS RECEIVI NG EXTENDED THERAPEUTIC CARE IN NEARLY ALL CASES, GUESTS LIVE OUTSIDE A 30-MILE RADIUS OF ASHLAND THE HOUSE DOES NOT CHARGE FAMILIES TO STAY, HOWEVER A NUMBER OF THE GUESTS MADE A VOLUNTARY CONTRIBUTION FAMILY CARE CENTERS PROVIDE SAMPLE MEDICATIONS TO INDIGENT PATIEN TS THIS PROGRAM IS PROVIDED AT NO COST TO THE PATIENT FAMILY CARE CENTER STAFF RECORDS T HE MEDICATIONS, LABELS FOR USE AND DOCUMENTS THE DISTRIBUTION THE TOBACCO CESSATION PROGRA M AND LUNG HEALTH PROGRAM OFFER SUPPORT THROUGH TOBACCO CESSATION CLASSES AND ASSISTANCE T O PATIENTS DIAGNOSED WITH LUNG CANCER AT KDMC THE LUNG HEALTH PROGRAM INCLUDES A CLINICAL NURSE SPECIALIST WHO PROVIDES PATIENT NAVIGATION FOR NEWLY DIAGNOSED LUNG CANCER PATIENTS THE PROGRAM INCLUDES TWO LUNG HEALTH ADVOCATES THAT PROVIDE TOBACCO CESSATION COUNSELING AND CLASSES DURING THE FISCAL YEAR, KDMC PROVIDED 811 FREE FLU SHOTS THROUGHOUT THE COMM UNITY WITH THE FLU SHOT PROGRAM, WE STRIVE TO REACH POPULATIONS THAT ARE AT HIGHER RISK O F CONTRACTING THE FLU TARGETED POPULATIONS INCLUDE THOSE DESIGNATED HIGH RISK BY THE CENT ER FOR DISEASE CONTROL, CAREGIVERS OF VULNERABLE POPULATIONS INCLUDING HOMELESS, INDIGENT, SCHOOL TEACHERS, DAY CARE WORKERS AND CAREGIVERS FOR THE ELDERLY FLU SHOTS ARE DELIVERED THROUGH A VARIETY OF SETTINGS AND IN MULTIPLE COUNTIES SERVED BY THE MEDICAL CENTER THE P ASTORAL CARE SERVICE DEPARTMENT EMPLOYS FOUR FULL-TIME CHAPLAINS AND AN ADMINISTRATIVE ASS ISTANT TO PROVIDE SPIRITUAL AND EMOTIONAL SUPPORT FOR OUR PATIENTS, THEIR FAMILIES AND FRI ENDS AND FOR THE STAFF OF KING'S DAUGHTERS MEDICAL CENTER ONE-ON-ONE COUNSELING AS WELL A S GROUP COUNSELING, WHICH INCLUDES GRIEF SUPPORT A

Identifier	ReturnReference	Explanation
		ND PALLIATIVE CARE FOR END-OF-LIFE PATIENTS AND THEIR FAMILIES, IS OFFERED BY THE DEPARTME NT

Identifier	ReturnReference	Explanation
		PART III, LINE 4 MANAGEMENT MAINTAINS AN ALLOWANCE FOR DOUBTFUL ACCOUNTS TO RESERVE FOR ESTIMATED LOSSES BASED ON THE LENGTH OF TIME THE ACCOUNT HAS BEEN PAST DUE, THIRD PARTY PAYER CLASSIFICATION, AND HISTORICAL EXPERIENCE BAD DEBT IS CLASSIFIED AS AN OPERATING EXPENSE WHICH IS CONSISTENT WITH THE HFMA PRINCIPLES AND PRACTICES BOARD STATEMENT NO 15 KDMC USED WORKSHEET 2 PROVIDED IN THE 2010 SCHEDULE H INSTRUCTIONS (FORM 990) TO CALCULATE A COST TO CHARGE RATIO THIS RATIO WAS USED TO CALCULATE BAD DEBT EXPENSE AT COST BAD DEBT EXPENSE IS RECORDED AFTER ANY DISCOUNTS AND PAYMENTS ARE MADE ON PATIENT ACCOUNTS THE BUSINESS OFFICE ESTIMATED AN AMOUNT BASED ON A NUMBER OF "NO-RESPONSE" APPLICATIONS ANNUALLY THEY THEN APPLY THIS NUMBER TO A PRO-RATED AVERAGE COST OF IP AND OP CASES TO ESTIMATE THE COST

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE HOSPITAL CONTINUES TO PROVIDE CARE TO ALL PRESENTING AND ADMITTED PATIENTS, REGARDLESS OF ABILITY OR PAY NOTWITHSTANDING THE COSTS TO PROVIDE CARE, RECEIVING "LESS" THAN WHAT IT COSTS TO PROVIDE ADEQUATE CARE TO MEDICARE COVERED LIVES DOES THE HOSPITAL A DISSERVICE THIS SHORTFALL SHOULD COUNT AS A COMMUNITY BENEFIT THE HOSPITAL USES THE ALLOWABLE COSTS PER THE MEDICARE COST REPORT

Identifier	ReturnReference	Explanation
		PART III, LINE 9B THE HOSPITAL DOES HAVE A WRITTEN POLICY FOR BAD DEBT IT IS A SYSTEM PROGRESSION WITH THREE PATIENT STATEMENTS, THREE LETTERS FROM CREDIT COLLECTIONS, INC , AND IF NO PAYMENT ARRANGEMENTS ARE MADE DURING THIS TIME, THERE IS AUTOMATION TO THE COLLECTION AGENCY EACH BILL THAT A PATIENT RECEIVES HAS A STATEMENT STATING IF THEY ARE UNABLE TO PAY THEIR BILL TO CONTACT THE HOSPITAL'S FINANCIAL ASSISTANCE TEAM WITH A DIRECT LINE NUMBER ALSO, EACH SELF-PAY PATIENT IS CONTACTED BY THE HOSPITAL'S MEDICAID ELIGIBILITY VENDOR AS WELL AS RECEIVING A FINANCIAL ASSISTANCE APPLICATION

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 WE USE A VARIETY OF RESOURCES TO HELP US MAKE DECISIONS ON HOW TO BEST TARGET OUR ACTIVITIES WE'VE CONDUCTED INFORMAL NEEDS ASSESSMENTS, ANALYZED STATE AND COUNTY MORTALITY DATA AND TALKED WITH SCHOOL OFFICIALS, NON-PROFIT AGENCIES AND ELECTED OFFICIALS ABOUT TRENDS AND ISSUES ONCE WE KNOW WHAT ISSUES WE WANT TO TARGET, OUR COMMUNITY HEALTH INITIATIVES ARE BUILT INTO THE MEDICAL CENTER'S THREE-YEAR STRATEGIC PLAN IN 2011, THE CORPORATE GOAL WAS TO PROMOTE WELLNESS THROUGH AT LEAST 180 COMMUNITY HEALTH SCREENINGS AND EDUCATIONAL PROGRAMS THROUGH THE PARTICIPATION OF NO LESS THAN 2,461 KDMC TEAM MEMBERS, PHYSICIANS AND ALLIED HEALTH PROFESSIONALS AS VOLUNTEERS THE KDMC TEAM EXCEEDED THIS GOAL BY PROVIDING 289 SCREENINGS AND EDUCATIONAL PROGRAMS WITH 2,663 TEAM MEMBERS AND PROVIDERS VOLUNTEERING MORE THAN 29,000 HOURS

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 THE MEDICAL CENTER'S FINANCIAL ASSISTANCE POLICY PROVIDES DIRECTION FOR FREE OR DISCOUNTED SERVICES TO RESIDENTS OF THE COMMUNITY WHO HAVE INADEQUATE FINANCIAL RESOURCES TO PAY FOR NECESSARY HEALTHCARE SERVICES PROVIDED BY KDMC THE POLICY STATES THAT THE MEDICAL CENTER WILL NOT DENY CARE TO ANY PATIENT REQUIRING CARE DUE TO THEIR INABILITY TO PAY THE FINANCIAL ASSISTANCE POLICY PROVIDES GUIDANCE TO PROVIDING ASSISTANCE BASED ON SLIDING SCALE METHODOLOGY AND THE FEDERAL POVERTY GUIDELINES ESTABLISHED BY THE DEPARTMENT OF HEALTH AND HUMAN SERVICES PATIENTS REQUIRING CARE WITH INCOME BELOW 300% OF THE FEDERAL POVERTY LEVEL QUALIFY FOR FREE OR REDUCED COST SERVICES THE FINANCIAL ASSISTANCE PROGRAM IS ON THE KDMC WEBSITE AND THE PHONE NUMBER TO ACCESS INFORMATION IS PROVIDED TO PATIENTS THROUGH THE PATIENT INFORMATION GUIDE AT ADMITTANCE TO THE HOSPITAL KDMC WORKS TO IDENTIFY PATIENTS THAT MAY HAVE LIMITED RESOURCES AND OFFERS FINANCIAL ASSISTANCE WHEN APPROPRIATE THERE ARE SIGNS POSTED IN VARIOUS REGISTRATION AREAS INFORMING PATIENTS OF THE PHONE NUMBER TO CALL IF THEY NEED FINANCIAL ASSISTANCE ON EACH PATIENT STATEMENT THE INFORMATION IS ALSO PRINTED WITH THE PHONE NUMBER WE ALSO HAVE STAFF IN THE OUTPATIENT IMAGING CENTER, HEART AND VASCULAR CENTER, ADMITTING AND PRE ADMISSION TESTING AREAS ALL SELF-PAY PATIENTS RECEIVE CORRESPONDENCE AND PHONES CALLS AND INPATIENTS RECEIVE VISITS FROM OUR MEDICAID ELIGIBILITY VENDOR IN REFERENCE TO GOVERNMENT PROGRAMS

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 KDMC IS NESTLED IN THE FOOTHILLS OF THE APPALACHIAN MOUNTAINS, WHERE THE KENTUCKY, OHIO AND WEST VIRGINIA STATE LINES MEET OUR PRIMARY SERVICE AREA ENCOMPASSES SIX COUNTIES IN TWO STATES, BOYD, CARTER, GREENUP AND LAWRENCE COUNTIES IN KENTUCKY AND LAWRENCE AND SCIOTO COUNTIES IN OHIO MORE THAN 272,000 PEOPLE (U S CENSUS BUREAU) LIVE IN THE SIX-COUNTY AREA WITH THE EXCEPTION OF TWO CITIES WITH POPULATIONS AROUND 20,000, THE AREA IS VERY RURAL, COVERING APPROXIMATELY 2,400 SQUARE MILES WITH A POPULATION DENSITY OF 113 PEOPLE PER SQUARE MILE MORE THAN 18% OF THE POPULATION LIVES IN POVERTY, WITH CHILDREN IN POVERTY AT MORE THAN 25% THE POPULATION IS 97% WHITE, 2% BLACK AND ALL OTHER RACES 1% APPROXIMATELY 20% OF THE POPULATION DID NOT GRADUATE FROM HIGH SCHOOL THE AVERAGE MEDIAN INCOME IS $36,695, WELL BELOW THE LEVELS FOR KENTUCKY, OHIO AND THE NATION AVERAGE UNEMPLOYMENT IS 10 8% COMPARED TO 9 6% NATIONALLY AND 10% FOR KENTUCKY THE KENTUCKY BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM SHOWS THAT IN 2007, IN KDMC'S KENTUCKY MARKET AREA, 15 7% OF THOSE AGE 19-64 YEARS LACKED ANY FORM OF HEALTHCARE COVERAGE, COMPARED TO 14 5% IN THE NATION

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 KING'S DAUGHTERS MEDICAL CENTER ("KDMC") IS A LOCALLY CONTROLLED, NOT-FOR-PROFIT, 465-BED REGIONAL REFERRAL CENTER, COVERING A 150-MILE RADIUS THAT INCLUDES SOUTHERN OHIO, EASTERN KENTUCKY AND WESTERN WEST VIRGINIA KDMC OFFERS COMPREHENSIVE CARDIAC, MEDICAL, SURGICAL, PEDIATRIC, REHABILITATIVE, PSYCHIATRIC, CANCER, NEUROLOGICAL, PAIN CARE, WOUND CARE AND HOME CARE SERVICES IN ONE CONVENIENT LOCATION THERE ARE 295 PHYSICIANS ON STAFF, AND APPROXIMATELY 1,900 CLINICAL EMPLOYEES, INCLUDING LAB TECHNICIANS, NURSES, NURSING ASSISTANTS, PHYSICAL, OCCUPATIONAL AND SPEECH THERAPISTS, RADIOLOGY TECHNICIANS, PHLEBOTOMISTS, AND SUPPORT PERSONNEL EACH ARE HIGHLY TRAINED TO DELIVER QUALITY AND SAFE CARE TO INPATIENTS AND OUTPATIENTS THE MEDICAL CENTER HAS 1) AN OPEN MEDICAL STAFF WITH PRIVILEGES AVAILABLE TO ALL QUALIFIED PHYSICIANS IN THE AREAS,2) A BOARD OF DIRECTORS WHO GOVERN THE ORGANIZATION THE BOARD IS COMPRISED OF COMMUNITY AND BUSINESS LEADERS, AND PHYSICIANS REPRESENTING THE GEOGRAPHIC AREA OF OUR REGION,3) AN EMERGENCY DEPARTMENT THAT IS OPEN TO ALL PERSONS IN NEED REGARDLESS OF THEIR ABILITY TO PAY FOR SERVICES,4) PROVIDES FINANCIAL SUPPORT TO OTHER NONPROFIT ORGANIZATIONS FOR THE PURPOSE OF HEALTH PROMOTION AND COLLABORATING TO MEET UNMET NEEDS IN THE COMMUNITY 5) THE MEDICAL CENTER'S COMMUNITY RELATIONS DEPARTMENT IS FUNDED USING MEDICAL CENTER RESOURCES THE DEPARTMENT INITIATES AND ORGANIZES HEALTH SCREENINGS AND EDUCATIONAL EVENTS DEVELOPED FOR THE SOLE PURPOSE OF IMPROVING THE HEALTH OF THOSE IN OUR REGION THE COMMUNITY RELATIONS STAFF OFFERS HEALTH SCREENINGS, HEALTH EDUCATION TO ADULTS AND CHILDREN, SUPPORT GROUPS, FLU SHOTS, AND SAFETY INSPECTIONS IN FISCAL YEAR 2011, THE COMMUNITY RELATIONS DEPARTMENT PROVIDED NEARLY 300 HEALTH SCREENING EVENTS, 1074 FLU VACCINATIONS AND EDUCATED 19,000 YOUTH ABOUT THE HARMFUL EFFECTS OF TOBACCO USE AND THE IMPORTANCE OF HEALTHY EATING ANY SURPLUS FUNDS ARE REINVESTED IN THE CAPITAL AND OPERATIONS OF THE HOSPITAL

Identifier	ReturnReference	Explanation
		PART VI, LINE 7 KING'S DAUGHTERS MEDICAL CENTER IS PART OF AN AFFILIATED HEALTH CARE DELIVERY SYSTEM THE SYSTEM PROVIDES PHYSICIAN SERVICES THROUGH TWO AFFILIATES, KENTUCKY HEART INSTITUTE AND KING'S DAUGHTERS MEDICAL SPECIALTIES, INC BOTH AFFILIATES PROVIDE CHARITY CARE AND PARTICIPATE IN GOVERNMENT PROGRAMS PART VI LINE 7 THE COMMUNITY BENEFIT REPORT IS NOT REPORTED WITH ANY STATE BUT IT IS AVAILABLE TO THE PUBLIC

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

Part I General Information on Grants and Assistance

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

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

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Part II can be duplicated if additional space is needed. . . . . ▶ ☐

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) UNITED WAY OF NORTHEAST KENTUCKY 1236 WINCHESTER AVENUE ASHLAND,KY 41101	61-6000060	501(C)(3)	60,785				ANNUAL SUPPORT
(2) BOYD COUNTY FISCAL COURT DBA BOYD COUNTY SHERIFF'S DEPARTMENT2900 LOUISA STREET CATLETTSBURG,KY 41129	61-6000733	GOVMT		8,856	INVOICE FROM COMPANY	12 TASERS	TO PURCHASE TASERS
(3) LEXINGTON AFFILIATE OF SUSAN G KOMEN FOR THE CURE1795 ALYSHEBA WAY SUITE 3104 LEXINGTON,KY 40509	75-2854969	501(C)(3)	5,000				SPONSORSHIP FOR THE "I AM THE CURE" WALK IN ASHLAND

2 Enter total number of section 501(c)(3) and government organizations . . . . . ▶ 3

3 Enter total number of other organizations . . . . . ▶ 0

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. Use Schedule I-1 (Form 990) if additional space is needed.

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

Part IV **Supplemental Information.** Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 ANY REQUEST FOR A GRANT MUST BE SUBMITTED IN WRITING TO THE COMMUNITY SERVICES DEPARTMENT AT KDMC THIS REQUEST MUST BE SPECIFIC AS TO THE USE OF THE GRANT BY THE REQUESTING ORGANIZATION ONCE THE GRANT CHECK IS ISSUED, A REPRESENTATIVE FROM THE GRANTEE ORGANIZATION MUST SIGN FOR THE CHECK AND SUBMIT A REPORT ON THE USE OF THE FUNDS AS WELL AS THE NUMBER OF PEOPLE SERVED BY THE GRANT SINCE THIS IS A SMALL COMMUNITY, KDMC ALSO USUALLY KNOWS SOMEONE WITH CLOSE ASSOCIATION TO THE ORGANIZATION OR WHO REPRESENTS THE MEDICAL CENTER ON THEIR BOARD SO THAT USE OF THE GRANT CAN BE INDIRECTLY MONITORED

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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
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

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**		No
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**	Yes	
3	Indicate which, if any, of the following the 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**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**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) JACKSON FRED	(i)	700,728	147,441	111,024	402,464	17,016	1,378,673	0
	(ii)	0	0	0	0	0	0	0
(2) MCDOWELL PAUL	(i)	253,783	150,887	92,515	138,914	18,216	654,315	65,236
	(ii)	0	0	0	0	0	0	0
(3) MAHANEY SHERYL	(i)	213,109	95,734	48,055	102,255	17,016	476,169	41,848
	(ii)	0	0	0	0	0	0	0
(4) FIORET PHILIP MD	(i)	465,718	172,191	131,577	167,302	20,016	956,804	89,622
	(ii)	20,000	0	0	0	0	20,000	0
(5) HIGGINS LARRY	(i)	209,271	119,662	85,077	118,851	15,056	547,917	51,143
	(ii)	0	0	0	0	0	0	0
(6) WHITLATCH KRISTIE	(i)	272,286	109,619	59,963	121,384	17,016	580,268	44,897
	(ii)	0	0	0	0	0	0	0
(7) BAILIFF ROBERT MD	(i)	479,658	0	258	7,350	15,203	502,469	0
	(ii)	0	0	0	0	0	0	0
(8) GUIAB ROBIN MD	(i)	462,572	0	138	7,350	21,682	491,742	0
	(ii)	0	0	0	0	0	0	0
(9) MARCUM JENAWIK M	(i)	429,628	15,000	12,714	7,350	22,361	487,053	0
	(ii)	0	0	0	0	0	0	0
(10) SANCHEZ-VANHOOSE TRACI MD	(i)	473,418	0	90	7,350	12,491	493,349	0
	(ii)	0	0	0	0	0	0	0
(11) SMITH PAUL DO	(i)	432,437	25,000	9,138	7,350	7,144	481,069	0
	(ii)	0	0	0	0	0	0	0
(12) CORBITT PATRICIA	(i)	144,128	20,370	694	4,976	16,618	186,786	0
	(ii)	0	0	0	0	0	0	0
(13) LUCAS ROBERT	(i)	147,981	78,970	61,622	73,149	17,524	379,246	37,432
	(ii)	0	0	0	0	0	0	0
(14) PARIKH MANISH MD	(i)	110,071	0	0	0	0	110,071	0
	(ii)	0	0	0	0	0	0	0
(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
	PART I, LINE 1A	GROSS-UP PAYMENTS PAUL MCDOWELL $6,708 (100% TAXABLE), LARRY HIGGINS $3,795 (100% TAXABLE) ARE RELATED TO ANNUAL BONUSES
	PART I, LINE 1B	THE GROSS-UP PAYMENTS ARE APPROVED BY THE CEO FOR THE VICE-PRESIDENTS
	PART I, LINE 4B	SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN PAYMENTS PAUL MCDOWELL - $65,236, SHERYL MAHANEY - $41,848, PHILIP FIORET - $89,622, LARRY HIGGINS - $51,143, KRISTIE WHITLATCH - $44,897, ROBERT LUCAS - $37,432 THE CEO AND VICE PRESIDENTS WHOSE BENEFIT IN THE QUALIFIED TAX SHELTERED ANNUITY PLAN IS LIMITED DUE TO THE IRS COMPENSATION AND BENEFIT LIMITS RECEIVE A BENEFIT RESTORATION CONTRIBUTION UNDER THE DEFERRED ANNUITY PLAN THAT IS PAID AS A TAXABLE DISTRIBUTION TO THE PARTICIPANT ANNUALLY IN ADDITION, FRED JACKSON WILL BE PROVIDED WITH A LUMP-SUM SUPPLEMENTAL RETIREMENT BENEFIT IF HE REMAINS EMPLOYED UNTIL AGE 62 THE LUMP-SUM PAYMENT, WHEN COMBINED WITH ALL OTHER RETIREMENT BENEFITS, IS ESTIMATED TO PRODUCE A TARGET RETIREMENT INCOME REPLACEMENT EQUAL TO A PERCENTAGE OF FRED JACKSON'S FINAL AVERAGE PAY COMMENCING AT AGE 62

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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
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	KENTUCKY ECONOMIC DEVELOPMENT AUTHORITY (KEDFA)	61-0600439	491269CG9	09-24-2008	146,580,000	REFUND PRIOR BOND ISSUES		X		X		X
B	KENTUCKY ECONOMIC DEVELOPMENT AUTHORITY (KEDFA)	61-0600439	491269CX2	04-01-2010	75,000,000	HEALTHCARE FACILITIES, BUILDING AND EQUIPMENT		X		X		X
C	CITY OF ASHLAND KENTUCKY	61-6001775	044293AA6	04-01-2010	32,615,000	REFUND SERIES 1998 BONDS		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	145,708,338	73,681,839	33,986,558	
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow	131,710,005		33,479,012	
7	Issuance costs from proceeds	1,423,351	1,170,837	507,546	
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	12,574,982	36,847,567		
11	Other spent proceeds				
12	Other unspent proceeds	35,823,487	35,823,487		
13	Year of substantial completion	2010			

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X		X		X		
b	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
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?	X		X		X			
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0 %		0 %		0 %			
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 ▶	0 %		0 %		0 %			
6	Total of lines 4 and 5	0 %		0 %		0 %			
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X		X			

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?		X		X		X		
2	Is the bond issue a variable rate issue?	X			X		X		
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X			X		X		
b	Name of provider	JP MORGAN							
c	Term of hedge	22 500000000000							
d	Was the hedge superintegrated?		X						
e	Was a hedge terminated?		X						
4a	Were gross proceeds invested in a GIC?		X		X		X		
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X		X		X		
6	Did the bond issue qualify for an exception to rebate?		X		X		X		

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
PART II, LINE 3, ISSUE A	TOTAL PROCEEDS LISTED ON LINE 3 ARE NOT THE SAME AS THE ISSUE PRICE	SERIES 2008C BOND DISCOUNT $871,662 ALSO, THE BOND ISSUES LISTED ON SCHEDULE K, PART I, LINE A CONSISTED OF THREE SERIES SERIES 2008A, CUSIP 49126CG9, ISSUE PRICE 50,000,000 VARIABLE RATE ISSUE, SERIES 2008B, CUSIP 401269CH7, ISSUE PRICE 50,000,000, VARIABLE RATE ISSUE, SERIES 2008C, CUSIP 491269CJ3, ISSUE PRICE $46,580,000, FIXED RATE ISSUE
PART II, LINE 3, ISSUE B	TOTAL PROCEEDS LISTED ON LINE 3 ARE NOT THE SAME AS THE ISSUE PRICE	SERIES 2010A BOND DISCOUNT $1,318,161 05
PART II, LINE 3, ISSUE C	TOTAL PROCEEDS LISTED ON LINE 3 ARE NOT THE SAME AS THE ISSUE PRICE	SERIES 2010B BOND PREMIUM $1,371,558 05

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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
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

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	(c) Corrected? 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	(b) From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) No	(f) Approved by board or committee? Yes	(f) No	(g) Written agreement? Yes	(g) 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
See Additional Data Table					

Part V **Supplemental Information**

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

Identifier	Return Reference	Explanation

Additional Data

Software ID:
Software Version:
EIN: 61-0444716
Name: ASHLAND HOSPITAL CORPORATION

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction $	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
ASHLAND AREA YMCA	TOM BURNETTE,BOARD DIRECTOR, IS ON THE BOARD OF ASHLAND AREA YMCA	403,956	TOM BURNETTE IS ON THE ASHLAND AREA YMCA BOARD ASHLAND HOSPITAL CORPORATION PAID THE YMCA $403,956 VIA PAYROLL DEDUCTIONS FOR DUES FOR EMPLOYEES		No
ASHLAND OFFICE SUPPLY	TOM BURNETTE, BOARD DIRECTOR, IS THE OWNER OF ASHLAND OFFICE SUPPLY	2,610,179	TOM BURNETTE IS OWNER OF ASHLAND OFFICE SUPPLY THE HOSPITAL PURCHASES OFFICE SUPPLIES & EQUIPMENT FROM ASHLAND OFFICE SUPPLY		No
FRESENIUS MEDICAL CARE	DON HAMMONDS, BOARD DIRECTOR, IS MEDICAL DIRECTOR OF FRESENIUS MEDICAL CARE	1,111,013	DON HAMMONDS IS MEDICAL DIRECTOR OF FRESENIUS MEDICAL CARE WHICH PROVIDES INPATIENT DIALYSIS TREATMENT TO THE HOSPITAL		No
SUSAN K SCHNEIDER	SISTER OF TRACY HILLMAN, BOARD DIRECTOR	30,100	EMPLOYEE PAYROLL COMPENSATION FOR SUSAN SCHNEIDER		No
VAN ART PROPERTIES	JOHN STEWART, BOARD DIRECTOR, IS THE OWNER OF VAN ART PROPERTIES	476,296	JOHN STEWART IS THE OWNER OF VAN ART PROPERTIES THE HOSPITAL RENTS OFFICE SPACE FROM VAN ART PROPERTIES		No
TRI-STATE RADIOLOGY	MAYOLA BOYKIN, BOARD DIRECTOR, IS AN EMPLOYEE OF TRI-STATE RADIOLOGY	3,435,771	MAYOLA BOYKIN IS AN EMPLOYEE OF TRI-STATE RADIOLOGY, WHICH PROVIDES RADIOLOGY SERVICES AND SUPPORT TO THE HOSPITAL		No
ANN SLOAN	SISTER IN LAW OF JOHN STEWART, BOARD DIRECTOR	38,823	EMPLOYEE PAYROLL COMPENSATION FOR ANN SLOAD		No

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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
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		THE 990 WILL BE REVIEWED IN DETAIL BY THE CFO AND CONTROLLER, BUT BEFORE IT IS FILED WITH THE IRS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	KING'S DAUGHTERS MEDICAL CENTER REQUIRES ALL DIRECTORS, OFFICERS, AND KEY EMPLOYEES TO COMPLY WITH ITS CONFLICTS OF INTEREST POLICY, WHICH TRACKS THE IRS'S RECOMMENDED POLICY WITH RESPECT TO SUCH OFFICERS AND DIRECTORS MEMBERS OF THE MEDICAL CENTER'S BOARD OF DIRECTORS MUST ANNUALLY IDENTIFY, IN WRITING, ANY INTEREST THAT COULD GIVE RISE TO A CONFLICT, SUCH AS A LEADERSHIP POSITION IN A CONFLICTING ORGANIZATION, DISCLOSURE IS NOT LIMITED TO FINANCIAL CONFLICTS LEADERSHIP EMPLOYEES MUST ANNUALLY CERTIFY, IN WRITING, THAT NO CONFLICTS OF INTEREST EXIST IN ADDITION, EMPLOYEES OF THE MEDICAL CENTER MUST CERTIFY THAT NO CONFLICTS OF INTEREST EXIST OR OBTAIN AN ADVANCE WAIVER OF ANY CONFLICTS THE MEDICAL CENTER'S GENERAL COUNSEL OBTAINS ALL RELEVANT DISCLOSURES AND SIGNATURES IF A CONFLICT OF INTEREST IS REPORTED, THE VICE PRESIDENT OR SENIOR VICE PRESIDENT TO WHOM THE REPORTING EMPLOYEE DIRECTLY OR INDIRECTLY REPORTS, TOGETHER WITH THE CEO, DETERMINES IF A CONFLICT EXISTS IF THE REPORTING EMPLOYEE IS A SENIOR VICE PRESIDENT, THE CEO, IN CONSULTATION WITH THE GENERAL COUNSEL, DETERMINES IF A CONFLICT EXISTS A MEMBER OF THE MEDICAL CENTER'S BOARD OF DIRECTORS REPORTS ANY CONFLICT OR POTENTIAL CONFLICT TO THE CHAIRMAN OF THE BOARD, THE CEO AND/OR THE GENERAL COUNSEL OF THE MEDICAL CENTER, AS APPROPRIATE IF IT IS DETERMINED THAT A CONFLICT EXISTS, THE EMPLOYEE OR BOARD MEMBER IS REMOVED FROM ANY PART OF THE DECISION-MAKING PROCESS, AND HAS NO ROLE IN THE INSTANCE IN WHICH THE CONFLICT EXISTS A BOARD MEMBER WHO REPORTS A POTENTIAL OR ACTUAL CONFLICT OF INTEREST MUST ABSTAIN FROM ANY RELEVANT DISCUSSION OR VOTE IF A CONFLICT OF INTEREST IS DISCOVERED AFTER THE FACT, THE CEO AND VICE PRESIDENT OR SENIOR VICE PRESIDENT, TOGETHER WITH THE GENERAL COUNSEL, IF APPROPRIATE, REVIEWS THE INSTANCE IN WHICH THE CONFLICT OCCURRED THOSE LEADERS ENSURE THAT THE CONFLICTED INDIVIDUAL DID NOT INFLUENCE DECISION-MAKING OR PROFIT FROM THE CONFLICT THE CONFLICTED INDIVIDUAL IS REMOVED FROM ANY FURTHER INVOLVEMENT IN ADDITION, ANY FAILURE TO REPORT CONFLICTS OF INTEREST VIOLATES THE MEDICAL CENTER'S POLICY AND COULD RESULT IN DISCIPLINARY ACTION, UP TO AND INCLUDING TERMINATION OF EMPLOYMENT OR REMOVAL FROM THE MEDICAL CENTER'S BOARD OF DIRECTORS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	AT THE DIRECTION OF THE HUMAN RESOURCES & COMPENSATION COMMITTEE OF THE BOARD, KDMC ENGAGES AON HEWITT, A LEADING INDEPENDENT GLOBAL HUMAN CAPITAL AND COMPENSATION CONSULTING COMPANY TO ASSIST IN DETERMINING COMPENSATION OF THE CEO AND VICE PRESIDENTS THIS IS AN ANNUAL PROCESS AND AON HEWITT'S MOST RECENT EXECUTIVE COMPENSATION REVIEW WAS PERFORMED IN 2011 AON HEWITT IS NOT ENGAGED IN ANY OTHER WORK WITH KDMC THE PRINCIPLE OBJECTIVE OF THIS STUDY WAS TO ASSEMBLE A DETAILED PROFILE OF THE CURRENT COMPENSATION LEVELS AVAILABLE TO EXECUTIVES MANAGING SIMILAR TASKS AND RESPONSIBILITIES AS MEMBERS OF THE KDMC EXECUTIVE TEAM, AS AON HEWITT SELECTED OTHER KEY EXECUTIVE MANAGEMENT ROLES MOREOVER, THE OBJECTIVE WAS TO COMPILE MARKET DATA FOR EACH POSITION THAT WAS REFLECTIVE OF THE PAY LEVELS OFFERED BY INDEPENDENT, NOT-FOR-PROFIT HEALTH CARE ORGANIZATIONS OF COMPARABLE SIZE (I E., $600 MILLION IN ANNUAL REVENUE) WITH OPERATIONS IN THE UNITED STATES THE AON HEWITT DATA COUPLED WITH THE PERFORMANCE OF THE ORGANIZATION AS WELL AS THE PERSONAL PERFORMANCE OF EACH EXECUTIVE IS THE BASIS FOR KDMC'S HUMAN RESOURCE & COMPENSATION COMMITTEE'S REVIEW AND RECOMMENDATIONS, AND THE BOARD'S REVIEW AND APPROVAL OF ANNUAL COMPENSATION INCREASES THE PROCESS INCLUDES A REVIEW AND APPROVAL BY INDEPENDENT PERSONS, COMPARABILITY DATA AND CONTEMPORANEOUS SUBSTANTIATION OF THE DELIBERATION AND DECISION THIS PROCESS WAS USED TO DETERMINE COMPENSATION FOR THE PRESIDENT/CEO AND ALL VICE-PRESIDENTS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	ON A QUARTERLY BASIS, THE FINANCIAL STATEMENTS ARE REPORTED TO EMMA AND MADE AVAILABLE ON THEIR WEBSITE. GOVERNING DOCUMENTS AND POLICIES ARE AVAILABLE UPON REQUEST

Identifier	Return Reference	Explanation
	FORM 990, PART VII	AVERAGE HOURS PER WEEK FOR ASHLAND HOSPITAL CORPORATION AND ALL RELATED ORGANIZATIONS IS AS FOLLOWS JACK BLAIR - 0 8 HOURS TOM BURNETTE - 0 8 HOURS JOHN STEWART - 0 6 HOURS DAVID JONES - 5 5 HOURS FRED JACKSON - 47 0 HOURS PAUL MCDOWELL - 46 3 HOURS SHERYL MAHANEY - 46 0 HOURS PHILIP FIORET - 41 0 HOURS LARRY HIGGINS - 41 5 HOURS KRISTIE WHITLATCH - 40 5 HOURS

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -14,501,382 PENSION LIABILITY ADJUSTMENT 1,933,904 AMORTIZATION OF SWAP AGREEMENT 79,556 CHANGE IN MARKET VALUE INTEREST RATE SWAP -4,152,944 CHANGE IN MARKET VALUE SELF INSURANCE FUNDS -122,236 TRANSFER FROM AFFILIATE 624,798 TOTAL TO FORM 990, PART XI, LINE 5 -16,138,304

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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
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

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
See Additional Data Table							

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? 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

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
(1) ASHLAND MEDICAL PROPERTIES INC 2201 LEXINGTON AVENUE ASHLAND, KY41101 61-1079090	RENTALS	KY	ASHLAND HOSPITAL CORPORATION	C		62,242	100 000 %

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

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

		Yes	No
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	Yes	
b Gift, grant, or capital contribution to other organization(s)	1b	Yes	
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	Yes	
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	Yes	
r Other transfer of cash or property from other organization(s)	1r	Yes	

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) See Additional Data Table			
(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

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 61-0444716
Name: ASHLAND HOSPITAL CORPORATION

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
ASHLAND NURSING HOME CORP 2500 STATE ROUTE 5 ASHLAND, KY41102 61-1386016	NURSING HOME	KY	501(C)(3)	11-I	ASHLAND HOSPITAL CORPORATION	Yes	
CHILD DEVELOPMENT CENTER CORP 2201 LEXINGTON AVENUE ASHLAND, KY41101 01-0560598	CHILD CARE	KY	501(C)(3)	11-I	ASHLAND HOSPITAL CORPORATION	Yes	
KENTUCKY HEART INSTITUTE 2201 LEXINGTON AVENUE ASHLAND, KY41101 61-1255904	PHYSICIANS	KY	501(C)(3)	9	ASHLAND HOSPITAL CORPORATION	Yes	
KENTUCKY HEART FOUNDATION 2201 LEXINGTON AVENUE ASHLAND, KY41101 26-0791997	MEDICAL RESEARCH	KY	501(C)(3)	7	ASHLAND HOSPITAL CORPORATION	Yes	
KENTUCKY MEDICAL LOGISTICS INC 2518 STATE ROUTE 5 ASHLAND, KY41102 26-4736971	MEDICAL TRANSPORT	KY	501(C)(3)	9	ASHLAND HOSPITAL CORPORATION	Yes	
KING'S DAUGHTERS HEALTH FOUNDATION INC 2201 LEXINGTON AVENUE ASHLAND, KY41101 61-1035701	FUNDRAISING	KY	501(C)(3)	11-III-FI	ASHLAND HOSPITAL CORPORATION	Yes	
KING'S DAUGHTERS HEALTH SYSTEM INC 2201 LEXINGTON AVENUE ASHLAND, KY41101 27-4553836	HEALTHCARE	KY	501(C)(3)	11-II	N/A	Yes	
KING'S DAUGHTERS MEDICAL SPECIALTIES INC 2201 LEXINGTON AVENUE ASHLAND, KY41101 26-4183569	PHYSICIANS	KY	501(C)(3)	9	ASHLAND HOSPITAL CORPORATION	Yes	
PORTSMOUTH HOSPITAL CORP 2201 LEXINGTON AVENUE ASHLAND, KY41101 45-3215312	HEALTHCARE	KY	501(C)(3)	3	ASHLAND HOSPITAL CORPORATION	Yes	

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	ASHLAND NURSING HOME CORP	Q	806,632	ALL TRANSACTIONS BETWEEN
(2)	ASHLAND NURSING HOME CORP	R	847,757	COMPANIES ARE CAPTURED
(3)	CHILD DEVELOPMENT CENTER CORP	Q	204,125	IN THE DUE TO/FROM
(4)	KING'S DAUGHTERS HEALTH FOUNDATION INC	R	624,798	ACCOUNTS THE TYPES OF
(5)	KENTUCKY HEART FOUNDATION INC	A	28,764	TRANSACTIONS THAT HIT THIS
(6)	KENTUCKY HEART INSTITUTE INC	A	504,026	ACCOUNT ARE TRACKED MONTHLY
(7)	KENTUCKY HEART INSTITUTE INC	B	770,526	
(8)	KENTUCKY HEART INSTITUTE INC	N	173,434	
(9)	KENTUCKY HEART INSTITUTE INC	Q	9,971,773	
(10)	KENTUCKY MEDICAL LOGISTICS INC	Q	1,430,069	
(11)	KENTUCKY MEDICAL LOGISTICS INC	R	1,000,000	
(12)	KING'S DAUGHTERS MEDICAL SPECIALTIES INC	A	270,404	
(13)	KING'S DAUGHTERS MEDICAL SPECIALTIES INC	B	1,524,152	
(14)	KING'S DAUGHTERS MEDICAL SPECIALTIES INC	N	138,990	
(15)	KING'S DAUGHTERS MEDICAL SPECIALTIES INC	Q	5,905,243	

Ashland Hospital Corporation and Subsidiaries d/b/a King's Daughters Medical Center

Consolidated Financial Statements

Years Ended September 30, 2011 and 2010

With Independent Auditors' Report

Ashland Hospital Corporation and Subsidiaries
d/b/a King's Daughters Medical Center

Consolidated Financial Statements

Years Ended September 30, 2011 and 2010

Contents

ParenteBeard

Independent Auditors' Report

Board of Directors
Ashland Hospital Corporation and Subsidiaries
d/b/a King's Daughters Medical Center

We have audited the consolidated balance sheet of Ashland Hospital Corporation and Subsidiaries d/b/a King's Daughters Medical Center (collectively, the "Medical Center") as of September 30, 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended These financial statements are the responsibility of the Medical Center's management Our responsibility is to express an opinion on these financial statements based on our audit The financial statements of the Medical Center as of September 30, 2010, were audited by other auditors whose report dated November 18, 2010, expressed an unqualified opinion on those statements

We conducted our audit in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial statement presentation We believe that our audit provides a reasonable basis for our opinion

In our opinion, the 2011 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ashland Hospital Corporation and Subsidiaries d/b/a King's Daughters Medical Center as of September 30, 2011, and the results of their operations, changes in net assets, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America

ParenteBeard LLC

Pittsburgh, Pennsylvania
November 16, 2011

Ashland Hospital Corporation and Subsidiaries
d/b/a King's Daughters Medical Center

Consolidated Balance Sheets

	September 30 2011	2010
Assets		
Current assets		
Cash and cash equivalents	$ 59,600,015	$ 73,240,147
Short-term investments	21,087,565	16,354,650
Patient accounts receivable, less allowance for doubtful accounts of $128,931,000 in 2011 and $89,601,000 in 2010	80,817,580	75,628,397
Inventories	10,449,806	9,582,794
Current portion of assets limited as to use	3,157,411	2,375,905
Other current assets	13,394,345	15,179,220
Total current assets	188,506,722	192,361,113
Assets limited as to use		
By board of directors	182,075,735	158,600,089
By donors	488,505	923,919
By self-insurance trust agreements	9,708,778	9,090,761
By bond indenture agreements	35,829,320	55,206,901
	228,102,338	223,821,670
Less assets limited as to use that are required for current liabilities	(3,157,411)	(2,375,905)
	224,944,927	221,445,765
Property, plant and equipment, net of accumulated depreciation	334,328,592	342,015,707
Other assets		
Deferred financing costs, net of accumulated amortization of $316,128 in 2011 and $133,378 in 2010	2,791,478	2,974,228
Other	8,931,969	7,201,237
	11,723,447	10,175,465
Total assets	$ 759,503,688	$ 765,998,050

See notes to consolidated financial statements.

	September 30	
	2011	2010
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	$ 37,284,121	$ 38,535,069
Accrued salaries, wages and related liabilities	31,025,945	27,296,752
Accrued interest payable	1,773,200	1,887,314
Estimated third-party payor settlements	17,634,504	7,427,378
Notes payable	–	15,000,000
Current portion of long-term debt	11,373,885	11,342,061
Total current liabilities	99,091,655	101,488,574
Estimated malpractice liabilities, net of current portion	12,084,910	9,815,393
Long-term debt, net of current portion	245,872,699	256,603,441
Interest rate swap agreements	20,112,124	15,959,180
Accrued pension obligation	21,247,000	24,077,000
Other long-term liabilities	1,940,466	3,803,135
Total liabilities	400,348,854	411,746,723
Net assets		
Unrestricted net assets	358,574,617	353,053,604
Temporarily restricted net assets	463,162	1,082,354
Permanently restricted net assets	117,055	115,369
Total net assets	359,154,834	354,251,327
Total liabilities and net assets	$ 759,503,688	$ 765,998,050

See notes to consolidated financial statements.

Ashland Hospital Corporation and Subsidiaries
d/b/a King's Daughters Medical Center

Consolidated Statements of Operations and Changes in Net Assets

	Years Ended September 30	
	2011	**2010**
Unrestricted revenues		
Net patient service revenues	$ 582,285,287	$ 590,423,575
Other revenues	14,065,302	9,925,361
Total unrestricted revenues	596,350,589	600,348,936
Expenses		
Salaries and wages	217,113,978	217,951,814
Employee benefits	53,693,221	62,086,127
Supplies and other expenses	162,138,563	171,627,727
Purchased services	40,225,628	35,353,412
Depreciation and amortization	38,065,370	36,708,032
Interest expense	9,729,946	8,653,507
Provision for bad debts	58,032,748	53,904,013
Provider tax expense	7,609,675	7,706,738
Total expenses	586,609,129	593,991,370
Operating income	9,741,460	6,357,566
Investment (loss) income, net	(1,605,006)	11,365,653
Change in fair value of interest rate swap agreements	(4,152,944)	(4,423,480)
Other loss, net	(29,227)	(40,526)
Loss on early extinguishment of debt	–	(1,345,083)
Excess of revenues over expenses	3,954,283	11,914,130
Pension liability adjustment	1,933,904	(6,852,602)
Other	(984,680)	(185,838)
Change in net assets	4,903,507	4,875,690
Net assets, beginning of year	354,251,327	349,375,637
Net assets, end of year	$ 359,154,834	$ 354,251,327

See notes to consolidated financial statements.

Ashland Hospital Corporation and Subsidiaries
d/b/a King's Daughters Medical Center

Consolidated Statements of Cash Flows

	Years Ended September 30	
	2011	2010
Operating activities and other income		
Change in net assets	$ 4,903,507	$ 4,875,690
Adjustments to reconcile change in net assets to net cash provided by operating activities and other income		
Depreciation and amortization	38,065,370	36,708,032
Provision for bad debts	58,032,748	53,904,013
Change in fair value of interest rate swap agreements	4,152,944	4,423,480
Loss on early extinguishment of debt	–	1,345,083
Pension liability adjustment	(1,933,904)	6,852,602
Other changes in assets and liabilities		
Patient accounts receivable	(63,221,931)	(52,796,073)
Short-term investments	(4,732,915)	(9,929,650)
Other current and noncurrent assets	(812,869)	(145,146)
Estimated third-party payor settlements	10,207,126	765,593
Other current and noncurrent liabilities	(394,634)	9,244,982
Estimated malpractice liabilities	2,269,517	1,535,270
Net cash provided by operating activities	46,534,959	56,783,876
Investing activities		
Purchases of property, plant, and equipment, net	(29,506,682)	(58,408,537)
Change in assets limited as to use	(4,280,668)	(68,082,772)
Net cash used in investing activities	(33,787,350)	(126,491,309)
Financing activities		
Repayment of notes payable	(15,000,000)	–
Repayment of long-term debt	(11,387,741)	(42,632,064)
Proceeds from long-term debt	–	107,668,397
Payment of financing costs	–	(1,676,572)
Net cash (used in) provided by financing activities	(26,387,741)	63,359,761
Decrease in cash and cash equivalents	(13,640,132)	(6,347,672)
Cash and cash equivalents, beginning of year	73,240,147	79,587,819
Cash and cash equivalents, end of year	$ 59,600,015	$ 73,240,147
Supplemental Disclosures		
Cash paid for interest	$ 9,844,060	$ 8,058,484
Property acquired through capital lease	$ 707,388	$ 12,174,872

Ashland Hospital Corporation and Subsidiaries
d/b/a King's Daughters Medical Center

Notes to Consolidated Financial Statements

Years Ended September 30, 2011 and 2010

1. Organization

The accompanying consolidated financial statements of Ashland Hospital Corporation and Subsidiaries d/b/a King's Daughters Medical Center (the Medical Center) include the transactions and accounts of Ashland Hospital Corporation (the Controlling Company), Ashland Medical Properties, Inc (AMP), Kentucky Heart Foundation (KHF), Child Development Center (CDC), Kingsbrook Lifecare Center (KBNH), Kentucky Heart Institute (KHI), King's Daughters Medical Transport (KDMT), King's Daughters Medical Specialties (KDMS) and KDMC Health Foundation (the Foundation) The Medical Center's primary mission is to provide health care services to the citizens of the communities it serves through its acute and specialty care operations All significant intercompany transactions and balances have been eliminated in consolidation

2. Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U S generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of its financial statements Estimates also affect the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates Adjustments to estimates are recorded, as appropriate, in periods in which they are determined

Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents include highly liquid investments with a maturity at the time of acquisition of three months or less Short-term investments represent investments that management has identified as available to meet current operating needs

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to $250,000 At September 30, 2011, the Medical Center maintained deposits in excess of this coverage The Medical Center also has repurchase agreements of approximately $3,021,000 that are not covered under FDIC insurance that are included in cash and cash equivalents The repurchase agreements are secured by U S Treasury Obligations held by a financial institution

2. Accounting Policies (continued)

Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions

Patient Accounts Receivable and Net Patient Service Revenue

Patient accounts receivable and net patient service revenues are derived primarily from patients who reside in Kentucky and surrounding states Patient accounts receivable consist of amounts due from third-party payers, including federal and state indemnity and managed care programs, managed care health plans and commercial insurance companies, and individual patients for health care services rendered

The Medical Center does not require collateral or other security on its patient accounts receivable Management maintains an allowance for doubtful accounts to reserve for estimated losses based on the length of time the account has been past due, third party payer classification, and historical experience

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations

Charity Care

The Medical Center provides medically necessary services without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy

2. Accounting Policies (continued)

Essentially, these policies define charity services as those services for which no payment is anticipated In assessing a patient's ability to pay, the Medical Center utilizes the generally recognized Federal Poverty Guidelines, but also includes certain cases where incurred charges are significant when compared to income Charity care provided in 2011 and 2010, measured at established rates, was approximately $55,691,000 and $47,944,000, respectively These charges are not included in net patient service revenues The estimated cost of charity care provided in 2011 and 2010 was $19,602,000 and $16,875,000, respectively

Inventories

Inventories, which primarily consist of pharmaceuticals and medical supplies, are stated at the lower of cost (first-in, first-out) or market

Assets Limited as to Use and Investments

Assets limited as to use include assets set aside by the Board of Directors for plant replacement, over which the Board of Directors retains control and may at its discretion subsequently use for other purposes, and assets held by trustees under bond indenture agreements and self-insurance trust arrangements Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value Investment income or loss (including realized and unrealized gains and losses on investments and interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law Investment income on proceeds of borrowings that are held by a trustee, to the extent not capitalized, and investment income on assets deposited in the malpractice trust is reported as other revenue Investment income from all other investments is reported as investment income

2. Accounting Policies (continued)

Interest Rate Swap Agreements

The Medical Center has entered into certain interest rate swap agreements, considered to be derivative instruments, in connection with its debt management program The Medical Center records its derivative instruments as either assets or liabilities in the accompanying consolidated balance sheets at fair value The accounting for changes in the fair value (i e , gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship The Medical Center's derivatives are not designated as hedges Accordingly, the derivative gain or loss related to the change in fair value is included in excess of revenues over expenses During the years ended September 30, 2011 and 2010, the Medical Center amortized approximately $80,000 of the accumulated derivative obligation included as a component of net assets, which is included in interest expense in the accompanying consolidated financial statements The accumulated derivative obligation on previously designated hedges excluded from the excess of revenues over expenses was approximately $1,660,000 and $1,740,000 at September 30, 2011 and 2010, respectively

Property, Plant, and Equipment

Property, plant, and equipment amounts are recorded at cost or at fair market value if acquired by gift The Medical Center provides for depreciation of property, plant, and equipment and amortization of capital lease obligations on a straight-line basis over the expected useful lives of the assets Upon retirement or disposal, the asset and accumulated depreciation accounts are adjusted, and any gain or loss is recorded in the consolidated statement of operations Maintenance costs and repairs are expensed as incurred

The Medical Center reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition If expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value excess the fair value of the assets Any write-downs due to impairment are charged to operations at the time impairment is identified Management determined that no impairment write-downs were necessary in 2011 and 2010

2. Accounting Policies (continued)

Management has considered its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties Management believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the Medical Center may settle the obligations is unknown and cannot be estimated

The Medical Center capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowings

Deferred Financing Costs

Deferred financing costs consist of the costs incurred in conjunction with the issuance of bonds The Medical Center's policy is to amortize deferred financing costs over the term of the bonds using the bonds outstanding method Amortization expense was $182,750 and $119,983 for the years ended September 30, 2011 and 2010, respectively

Unamortized Bond Discount and Premium

Unamortized bond discount and premium are being amortized over the period the bonds are outstanding using the bonds outstanding method

Estimated Malpractice Liabilities

The provision for estimated self-insured medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported

Excess of Revenues Over Expenses

The statement of operations includes excess of revenues over expenses Changes in unrestricted net assets that are excluded from excess of revenues over expenses, consistent with industry practice, include contributions received for the acquisition of property and equipment, pension liability adjustment, and the effects of changes in accounting methods

2. Accounting Policies (continued)

Operating Income and Nonoperating Gains

Only those activities directly associated with the furtherance of the Medical Center's primary mission are considered to be operating activities Other activities that result in gains or losses are considered to be nonoperating Nonoperating gains include investment income, loss on early extinguishment of debt, changes in the fair value of interest rate swap agreements, and other miscellaneous nonoperating revenues and expenses

Federal Income Taxes

The Medical Center, KHF, KBNH, CDC, KHI, KDMT, KDMS and the Foundation have been recognized by the IRS as Section 501(c)(3) charitable organizations Section 501(c)(3) organizations are exempt from federal and state income taxes on related income These organizations do not engage in significant unrelated activities and therefore no tax is recorded AMP is a small taxable entity subject to federal and state income taxation

Meaningful Use of Electronic Health Records

The American Recovery and Reinvestment Act of 2009 established one-time incentive payments under the Medicare and Medicaid programs for hospitals that meaningfully use certified electronic health records ("EHR") technology In general, a hospital may receive an incentive payment for up to four years, provided it successfully demonstrates meaningful use of certified EHR technology for the EHR reporting period The key component of receiving the EHR incentive payments is "demonstrating meaningful use," which means meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency, and patient safety Meaningful use will be assessed on a year-by-year basis

Once the Medical Center meets the requirements for an incentive payment, a preliminary payment is made by The Centers for Medicare & Medicaid Services based on discharge data from the Medical Center's most recently filed cost report The final amount of the payment is determined at the time the cost report for the period beginning in the payment year is settled, based on discharge data from that cost report The Medical Center attested as a meaningful user for the year ended September 30, 2011 As such, the Medical Center recognized approximately $3,293,000 under the Medicare program and $1,899,000 under the Medicaid program as grant income for the year ended September 30, 2011, which is included in other operating revenues in the accompanying consolidated statement of operations

2. Accounting Policies (continued)

Grant income recognized is based on management's estimate and it is reasonably possible that the estimates used could change materially in the near term Any such changes would affect operations in the period in which they occur The Medical Center's attestation as a meaningful user is subject to audit by the Federal Government or its designee

3. Medicare and Medicaid Programs

The Medical Center is a provider of services under contractual arrangements with the Medicare and Medicaid Programs (Programs) Approximately 42% and 12%, respectively, of the Medical Center's 2011 net patient service revenue was derived from services to patients covered by these Programs Comparable percentages for 2010 were 42% and 11%, respectively

Payments from Medicare for inpatient services are based upon the patient's diagnosis, irrespective of cost The diagnosis upon which payment is based is subject to review by Medicare Program representatives The Medicare Program reimburses the Medical Center for outpatient services on a prospective payment system with services classified into clinically similar ambulatory payment classes

The Kentucky Medicaid program reimburses the Medical Center on a prospectively determined rate per discharge using diagnosis related groups for inpatient services Outpatient services are reimbursed on a fee-for-service reimbursement rate

In the health care industry, laws and regulations governing the Programs are extremely complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term Certain reimbursement from the Programs is determined from annual cost reports, which are subject to audit by the Programs Management believes that adequate provisions have been made for reasonable adjustments that may result from final settlements Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines and penalties, and exclusions from the Programs The Medical Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing

3. Medicare and Medicaid Programs (continued)

The Commonwealth of Kentucky legislation imposes a tax on health care providers The legislation also provides a system for limited reimbursement for services provided to indigent patients The Medical Center incurred provider tax expense of approximately $7,610,000 and $7,629,000 in 2011 and 2010, respectively, and received a reimbursement benefit of approximately $2,268,000 and $2,750,000 in 2011 and 2010, respectively

4. Property, Plant, and Equipment

Property, plant, and equipment consist of the following at September 30

	2011	2010
Land	$ 29,203,181	$ 28,777,615
Land improvements	7,702,812	7,591,962
Buildings	181,853,547	155,726,978
Building improvements	194,545,331	191,486,457
Equipment	260,170,891	246,189,721
Construction in process	3,785,717	18,527,482
	677,261,479	648,300,215
Less accumulated depreciation	(342,932,887)	(306,284,508)
	$ 334,328,592	$ 342,015,707

Depreciation expense, including amortization of capital leases, was $37,901,185 and $36,396,021 for the year ended September 30, 2011 and 2010, respectively

5. Assets Limited as to Use

The composition of assets limited as to use at September 30 are as follows

	2011	2010
By Board of Directors		
Cash and cash equivalents	$ 7,735,523	$ 31,798,927
Common stock and equity mutual funds	75,398,685	38,841,874
Corporate bonds and notes	26,216,126	23,326,522
Bond mutual funds	45,946,423	38,147,459
U S Treasury obligations	8,821,239	13,975,676
U S Government agency obligations	17,957,739	12,909,631
	$ 182,075,735	$ 158,600,089
By donors		
Cash and cash equivalents	$ 488,505	$ 923,919
	$ 488,505	$ 923,919
By self-insurance trust agreements		
Cash and cash equivalents	$ 326,999	$ 568,094
Corporate bonds and notes	3,589,591	-
U S Government agency obligations	7,012	8,823
Mutual funds	5,785,176	8,513,844
	$ 9,708,778	$ 9,090,761
By bond indenture agreements		
Cash and cash equivalents	$ 35,829,320	$ 55,206,901
	$ 35,829,320	$ 55,206,901

The composition of short-term investments at September 30 are as follows

	2011	2010
Corporate bonds and notes	$ 21,087,565	$ 14,964,650
U S Government agency obligations	-	1,390,000
	$ 21,087,565	$ 16,354,650

5. Assets Limited as to Use (continued)

Investment income (loss) from assets limited as to use, short-term investments and cash equivalents is included in other revenue and investment (loss) income, net in the accompanying financial statements as follows for the years ended September 30

	2011	2010
Interest and dividend income	$ 7,561,478	$ 5,049,216
Realized gain (loss) on investments	5,527,204	(3,319,101)
Unrealized (loss) gain on investments	(14,644,235)	10,246,184
	$ (1,555,553)	$ 11,976,299
Amounts included in other revenue	$ 49,453	$ 610,646
Amounts included in investment (loss) income, net	(1,605,006)	11,365,653
	$ (1,555,553)	$ 11,976,299

The Medical Center's investments are exposed to various risks, such as interest rate, market, and credit Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in these risks in the near term could materially affect the amounts reported in the consolidated balance sheets and consolidated statements of operations and changes in net assets While the Medical Center does not directly invest in derivative securities, it may indirectly hold these securities through investment holdings with a manager of hedge funds

6. Retirement Plans

Through January 1, 2011, the Medical Center sponsored a defined benefit plan covering eligible employees who qualify as to age and length of service Pension benefits are generally based upon years of service and an employee's average monthly compensation during their years of service The Medical Center's funding policy is to contribute amounts to the plan sufficient to meet all minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the Medical Center may determine appropriate from time to time Pension plan assets are primarily invested in listed and readily marketable stocks and bonds A measurement date of September 30 was used for the plan at September 30, 2011 and 2010

6. Retirement Plans (continued)

At January 1, 2011, the Medical Center approved a Plan amendment to freeze the benefit accruals in the Plan New employees since the amendment date have not been eligible to participate

Previously, the Medical Center amended the plan to allow participants as of December 31, 1992, eligible to participate in the King's Daughters Medical Center's Base Contribution Plan and King's Daughters Medical Center's Matching Contribution Plan to make a one-time irrevocable election to cease being a member of the defined benefit plan as of January 1, 1993 or any subsequent January 1, and become a limited participant in the defined benefit plan Upon becoming a limited participant, the participant will cease to accrue any additional benefits under the defined benefit plan Additionally, all new employees hired after December 31, 1992, are not eligible to participate in the defined benefit plan However, all employees who are part of a group subject to collective bargaining continue to participate and earn benefits in the defined benefit plan

On January 1, 1993, the Medical Center established two defined contribution plans for those participants of the defined benefit plan as of December 31, 1992, who elect to participate in the defined contribution plans in lieu of accruing additional benefits in the defined benefit plan and for all new non-collectively bargained employees of the Medical Center The plans established are the King's Daughters Medical Center's Base Contribution Plan (Base Plan), a non-contributory plan, and King's Daughters Medical Center's Matching Contribution Plan (Matching Plan), a contributory plan

The Medical Center has established the Base and Matching Plans to cover substantially all employees employed subsequent to December 31, 1992, (except for collectively bargained employees) who qualify as to age and length of service and those employees who were participants in the defined benefit plan and qualify as to length of service, but as of January 1, elected to become a limited participant in the defined benefit plan and an active participant in the defined contribution plans The Medical Center contributes 3% of the participants' compensation for the Base Plan and 50% of eligible participant contributions for the Matching Plan, unless such contributions are suspended or terminated

6. Retirement Plans (continued)

A summary of the components of net periodic costs for the years ended September 30 follows

	2011	2010
Defined benefit plan		
Service cost	$ 1,089,704	$ 1,887,258
Interest cost	3,643,656	3,728,238
Expected return on plan assets	(3,898,908)	(3,270,271)
Net amortization	1,075,829	1,288,155
Net periodic pension cost	1,910,281	3,633,380
Curtailment charge	273,623	-
Defined contribution plans	4,551,794	4,824,109
Total retirement benefit costs	$ 6,735,698	$ 8,457,489

Included in unrestricted net assets at September 30, 2011 and 2010, are the following amounts that have not yet been recognized in net periodic benefit cost unrecognized actuarial loss of $28,404,497 and $30,042,493, respectively, and unrecognized net prior service cost of $0 and $295,611, respectively No prior service cost is expected to be recognized during the year ended September 30, 2012 The actuarial loss expected to be recognized during the year ended September 30, 2012 is $1,602,347

6. Retirement Plans (continued)

The following table sets forth the defined benefit plan's funded status and amounts recognized in the Medical Center's consolidated balance sheets, as measured at September 30, 2011 and 2010

	2011	2010
Change in projected benefit obligation		
Benefit obligation, beginning of year	$69,715,522	$58,615,047
Service cost	1,089,704	1,887,258
Interest cost	3,643,656	3,728,238
Plan curtailments	(7,970,628)	-
Actuarial loss	3,369,244	7,851,446
Benefits paid	(2,760,273)	(2,366,467)
Projected benefit obligation, end of year	67,087,225	69,715,522
Change in plan assets		
Fair value of plan assets, beginning of year	45,638,522	40,997,047
Actual return on plan assets	(118,024)	2,980,942
Employer contributions	3,080,000	4,027,000
Benefits paid	(2,760,273)	(2,366,467)
Fair value of plan assets, end of year	45,840,225	45,638,522
Underfunded status	$ (21,247,000)	$ (24,077,000)

The underfunded status is included in long-term liabilities as accrued pension obligation at September 30, 2011 and 2010

The net increase (decrease) recognized as a pension liability adjustment included in changes in unrestricted net assets was $1,933,904 and $(6,852,602) for the years ended September 30, 2011 and 2010, respectively There was no net prior service cost recognized in the minimum pension liability included in changes in unrestricted net assets for the years ended September 30, 2011 and 2010, respectively

No plan assets are expected to be returned to the Medical Center during the fiscal year-ended September 30, 2012 The accumulated benefit obligation was $67,087,225 and $61,575,893 at September 30, 2011 and 2010, respectively

6. Retirement Plans (continued)

Assumptions:

Weighted average assumptions used to determine net periodic benefit obligations as of September 30 were as follows

	2011	2010
Discount rate	5 11%	5 61%
Rate of compensation increase	N/A	3 50%

Weighted average assumptions used to determine net periodic benefit cost for the years ending September 30 were as follows

	2011	2010
Discount rate	5 61%	6 50%
Rate of compensation increase	3 50%	3 50%
Expected return on Plan assets	8 25%	8 25%

The Medical Center has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information

Plan Assets:

The Medical Center's defined benefit plan weighted-average allocations at September 30 by asset category are as follows

	Target	2011	2010
Asset Class			
Equity	60%	57 5%	59 9%
Fixed income	40%	41 3	38 7
Cash and cash equivalents	–	1 2	1 4
	100%	100 0%	100 0%

6. Retirement Plans (continued)

The defined benefit plan's assets are invested in a portfolio that provides for asset allocation strategies across equity and debt markets The portfolio's objective is to maximize the plan's surplus, minimize annual contributions, and fund the annual interest credit Management and its investment advisor have prepared asset allocation recommendations based on detailed analyses of the plan's current and expected future financial needs

Pension Plan Assets:

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

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy Level 1 plan assets include money market mutual funds and mutual funds If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows The Plan did not hold investments utilizing Level 2 inputs In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy The Plan did not hold investments utilizing Level 3 inputs

6. Retirement Plans (continued)

The fair values of the Medical Center's pension plan assets at September 30, 2011, by asset class are as follows

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market mutual funds	$ 492,753	$ 492,753	$ -	$ -
Mutual funds (A)	45,347,472	45,347,472	-	-

(A) Forty-four percent of mutual funds invest in common stock of large-cap and mid-cap U S companies Four percent of mutual funds invest in common stock of small-cap U S companies Ten percent of the mutual fund investments focus on emerging markets Forty-two percent of mutual funds invest in fixed income investments

The fair values of the Medical Center's pension plan assets at September 30, 2010, by asset class are as follows

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market mutual funds	$ 610,407	$ 610,407	$ -	$ -
Mutual funds (A)	45,028,115	45,028,115	-	-

(A) Forty-five percent of mutual funds invest in common stock of large-cap U S companies Five percent of mutual funds invest in common stock of small-cap U S companies Ten percent of the mutual fund investments focus on emerging markets Forty percent of mutual funds invest in fixed income investments

6. Retirement Plans (continued)

Plan assets are held by a bank-administered trust fund, which invests the plan assets in accordance with the provisions of the plan agreement The plan agreements permit investment in common stocks, corporate bonds and debentures, U S Government securities, certain insurance contracts, real estate and other specified investments, based on certain target allocation percentages

Cash Flows:

The Medical Center currently expects to make contributions of $2,000,000 to the defined benefit plan during the fiscal year ending September 30, 2012 in order to satisfy minimum funding requirements Management will evaluate funding status during the year and may elect to make additional voluntary contributions

Benefits expected to be paid to beneficiaries of the defined benefit plan are approximately as follows

2012	$ 2,836,000
2013	2,994,000
2014	3,194,000
2015	3,376,000
2016	3,558,000
2017 through 2021	20,510,000

7. Notes Payable

The Medical Center had an unsecured, revolving note payable in the amount of $15 million from a bank at September 30, 2010 The note was paid off in full during 2011, but the Medical Center maintained the $15 million line of credit with the bank The line of credit expires February 22, 2012 The note has a variable interest rate equal to LIBOR plus 1 25% with a floor of 3 0% at September 30, 2011 and 2010

8. Long-Term Debt

The following is a summary of long-term debt of the Medical Center at September 30

	2011	2010
Variable Rate Medical Center Revenue Bonds, Series 2008A [A]	$ 50,000,000	$ 50,000,000
Variable Rate Medical Center Revenue Bonds, Series 2008B [A]	50,000,000	50,000,000
Medical Center Revenue Bonds, Series 2008C [B]	46,365,000	46,475,000
Medical Center Revenue Bonds, Series 2010A [C]	75,000,000	75,000,000
Medical Center Revenue Bonds, Series 2010B [C]	28,175,000	32,615,000
Capital Lease Payable - Software [D]	2,116,840	3,188,603
Capital Lease Payable - Other [E]	6,391,283	11,449,873
	258,048,123	268,728,476
Less unaccreted bond discount	(2,034,401)	(2,108,301)
Plus unamortized bond premium	1,232,862	1,325,327
	257,246,584	267,945,502
Current portion	(11,373,885)	(11,342,061)
Total long-term debt	$ 245,872,699	$ 256,603,441

8. Long-Term Debt (continued)

[A] In September 2008, the Kentucky Economic Development Finance Authority (KEDFA) issued $50 million of Variable Rate Medical Center Revenue Bonds, Series 2008A (the Series 2008A Bonds) and $50 million of Variable Rate Medical Center Revenue Bonds, Series 2008B (the Series 2008B Bonds) dated September 1, 2008 on behalf of the Medical Center The proceeds of the Series 2008A Bonds and Series 2008B Bonds were used for the purpose of refunding Series 2006 Bonds and Series 2004 Bonds and to pay costs of acquiring, constructing, improving and equipping the Medical Center's health care facilities and to pay related costs of issuance

The Series 2008A Bonds and Series 2008B Bonds are variable rate demand bonds in which the interest rate is determined every 7 days by a remarketing agent (0 15% at September 30, 2011) The Series 2008A Bonds and Series 2008B Bonds, which are subject to retirement in varying principal payments through 2038, are subject to optional redemption, in whole or in part, on any interest rate adjustment rate date at the redemption price of 100% of the principal amount redeemed plus accrued interest thereon to the redemption date The Medical Center is required to maintain these letters of credit on the Series 2008A Bonds and the Series 2008B Bonds through maturity

The Series 2008A Bonds and Series 2008B Bonds are secured through irrevocable letters of credit provided by a bank that expires on September 24, 2014 after which is renewable for one year thereafter The letters of credits have repayment terms in 48 equal monthly installments commencing on the 367th day after a failed remarketing Interest rates as determined by these auctions are subject to various risks including changes in the credit markets, remarketing mechanisms, and the potential for failed auctions The default interest rate for the Series 2008B Bonds is based upon a formulaic maximum rate which is the greater of the prime rate plus 2% or 12%

[B] In September 2008, KEDFA issued $46 58 million of Medical Center Revenue Bonds, Series 2008C (the Series 2008C Bonds) dated September 1, 2008 on behalf of the Medical Center The proceeds of the Series 2008C Bonds were used for the purpose of refunding Series 1993B Bonds, Series 2001 Bonds and Series 2003B Bonds and to pay related costs of issuance

8. Long-Term Debt (continued)

The Series 2008C Bonds are fixed rate bonds with serial and term maturities at interest rates ranging from 4% to 6 5% Interest is payable semi-annually on February 1 and August 1 The Series 2008C Bonds are subject to retirement in varying principal payments through 2038 The Series 2008C Bonds maturing after February 1, 2018 are subject to an optional redemption prior to maturity on or after February 1, 2018, in whole at any time or in part on any interest payment date, at a redemption price equal to the principal amount thereof, plus interest accrued to the date fixed for redemption

[C] In April 2010, KEDFA issued $75 million of Medical Center Revenue Bonds, Series 2010A (the Series 2010A Bonds) and $32 615 million of Medical Center Revenue Bonds, Series 2010B (the Series 2010B Bonds) dated March 1, 2010 on behalf of the Medical Center The proceeds of the Series 2010A and 2010B Bonds were used for the purpose of refunding Series 1998 Bonds and to pay costs of acquiring, constructing, improving and equipping the Medical Center's health care facilities and to pay related costs of issuance

The Series 2010A Bonds are fixed rate bonds with serial and term maturities at interest rates ranging from 3% to 5% Interest is payable semi-annually on February 1 and August 1 The Series 2010A Bonds are subject to retirement in varying principal payments through 2040 The Series 2010A Bonds maturing after February 1, 2020 are subject to an optional redemption prior to maturity on or after February 1, 2020, in whole at any time or in part on any interest payment date, at a redemption price equal to the principal amount thereof, plus interest accrued to the date fixed for redemption

The Series 2010B Bonds are fixed rate bonds with serial and term maturities at interest rates ranging from 2% to 5% Interest is payable semi-annually on February 1st and August 1st The Series 2010B Bonds are subject to retirement in varying principal payments through 2025 The Series 2010B Bonds maturing after February 1, 2020 are subject to an optional redemption prior to maturity on or after February 1, 2020, in whole at any time or in part on any interest payment date, at a redemption price equal to the principal amount thereof, plus interest accrued to the date fixed for redemption

In connection with the bonds outstanding, the Medical Center has agreed to certain covenants which, among other things, limit additional indebtedness and guarantees, require the Medical Center to maintain specific financial ratios, require that the Medical Center maintain certain insurance coverage, and require certain sinking fund amounts At September 30, 2011, the Medical Center was in compliance with such requirements

8. Long-Term Debt (continued)

[D] In January 2008, the Medical Center entered into a license fee agreement for a term of 68 months for software which was implemented in November 2008 The license fee agreement is recorded at the present value of minimum payments in the amount of approximately $8 million Monthly principal and interest payments of $101,135 are being made and amortization expense of approximately $1,072,000 and $1,017,000 has been recorded in 2011 and 2010, respectively The interest rate was imputed at 5 25% which is considered the Medical Center's incremental borrowing rate at the inception of the lease

[E] At varying rates of imputed interest from 1 49% to 4% due through 2015 collateralized by certain property and equipment

	2011	2010
Building	$ 339,350	$ -
Equipment	22,192,449	21,320,651
Less accumulated depreciation	(5,316,519)	(3,682,125)
	$ 17,215,280	$ 17,638,526

Property and equipment include the following property under capital lease

The Medical Center has a $8,991,536 letter of credit with a bank, none of which is outstanding at September 30, 2011 or 2010 Advances bear interest at prime, with a floor of 4 00% at September 30, 2011 and 2010 The interest rates were 4 00% at September 30, 2011 and 2010 This letter of credit expires May 17, 2012 and is renewable for an additional year This letter of credit is a guarantee of payment for workers' compensation claims in lieu of a trusteed cash balance for the same amount

8. Long-Term Debt (continued)

The following is a schedule of future minimum payments on long-term debt

	Bonds	Capital Leases
Years Ending September 30		
2012	$ 4,665,000	$ 6,961,662
2013	4,830,000	1,747,123
2014	5,020,000	108,413
2015	5,195,000	22,645
2016	5,385,000	-
Thereafter	224,445,000	-
	$ 249,540,000	
		8,839,843
Less amount representing interest		(331,720)
Present value of future minimum lease payments		8,508,123
Less current maturities		(6,708,885)
Non-current portion		$ 1,799,238

The Corporation paid interest of approximately $9,844,000 and $8,058,000 during 2011 and 2010, respectively The Medical Center capitalized interest costs of approximately $2,326,000 and $1,604,000 during 2011 and 2010, respectively

9. Interest Rate Swap Agreements

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Medical Center has entered into several interest rate swap agreements for a portion of its floating rate debt The fair value of the agreements, $20,112,124 and $15,959,180 as of September 30, 2011 and 2010, respectively, were determined by a third-party valuation specialist and are recorded as long-term liabilities within the consolidated balance sheets The agreements are as follows

9. Interest Rate Swap Agreements (continued)

On May 23, 2001, the Medical Center entered into an interest rate swap agreement that provides for the Medical Center to receive interest from the counterparty of 68% of the one-month LIBOR rate and to pay interest to the counterparty at a fixed rate of 4 07% on notional amounts of $15,300,000 and $14,500,000 at September 30, 2011 and 2010, respectively The agreement will expire on February 1, 2031 Under the agreement, the Medical Center pays interest amounts every six-months commencing on August 1, 2001 and receives interest amounts every 35th calendar, with the settlements included in interest expense

On August 10, 2004, the Medical Center entered into an interest rate swap agreement that provides for the Medical Center to receive interest from the counterparty of the one-month LIBOR rate and to pay interest to the counterparty at a fixed rate of 5 618% on notional amounts of $21,000,000 at September 30, 2011 and 2010 The agreement will expire on February 1, 2034 Under the agreement, the Medical Center pays interest amounts every six-months commencing on February 1, 2005 and receives interest amounts every 5th Monday commencing on September 27, 2004, with the settlements included in interest expense

On October 26, 2005, the Medical Center entered into an interest rate swap agreement that provides for the Medical Center to receive interest from the counterparty of the one-month LIBOR rate and to pay interest to the counterparty at a fixed rate of 5 293% on notional amounts of $26,239,500 and $26,848,500 at September 30, 2011 and 2010, respectively The agreement will expire on September 1, 2036 Under the agreement, the Medical Center pays interest amounts every six-months commencing on March 1, 2007 and receives interest amounts monthly, with the settlements included in interest expense

On June 20, 2006, the Medical Center entered into an interest rate swap agreement that provides for the Medical Center to receive interest from the counterparty of the ten-year LIBOR rate less 63 basis points and to pay interest to the counterparty at the one-month LIBOR rate on notional amounts of $26,239,500 and $26,848,500 at September 30, 2011 and 2010, respectively The agreement will expire on September 1, 2036 Under the agreement, the Medical Center pays or receives the net interest amounts monthly, with the monthly settlements included in interest expense

9. Interest Rate Swap Agreements (continued)

On August 3, 2010, the Medical Center entered into an interest rate swap agreement that provides for the Medical Center to receive interest from the counterparty of the one month LIBOR plus 177 basis points and to pay interest to the counterparty at the ten-year ISDA swap rate less 63 basis points on notional amounts of $26,239,500 and $26,848,500 at September 30, 2011 and 2010, respectively The agreement will expire on September 1, 2013 Under the agreement, the Medical Center pays or receives the net interest amounts monthly, with the monthly settlements included in interest expense As a result of these interest rate swap agreements, interest expense was increased by $2,561,519 and $2,372,787 for the years ended September 30, 2011 and 2010, respectively

10. Disclosures About Fair Value of Assets and Liabilities

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date ASC Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value The standard describes three levels of inputs that may be used to measure fair value

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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

10. Disclosures About Fair Value of Assets and Liabilities (continued)

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy Level 1 securities include money market mutual funds, common stock and equity mutual funds, bond mutual funds and U S Treasury obligations If quoted market prices are not available, then fair values are estimated by a third party pricing service using pricing models, quoted market prices of securities with similar characteristics or discounted cash flows The inputs used by the pricing service to determine fair value may include one, or a combination of, observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market research publications and are classified within Level 2 of the valuation hierarchy These level 2 securities include equity mutual funds, corporate bonds and notes, U S Treasury obligations and U S Government agency obligations

Interest Rate Swap Agreements

The fair value is estimated by a third party valuation specialist using forward-looking rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy

10. Disclosures About Fair Value of Assets and Liabilities (continued)

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2011

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market mutual funds	$ 44,380,344	$ 44,380,344	$ -	$ -
Common stock	25,482,530	25,482,530	-	-
Mutual funds (A)	105,237,348	66,487,607	38,749,741	-
Corporate bonds and notes	46,002,120	-	46,002,120	-
U S Treasury obligations	27,188,261	-	27,188,261	-
U S Government agency obligations	899,300	-	899,300	-
Interest rate swap agreements	(20,112,124)	-	(20,112,124)	-

(A) One percent of mutual funds invest in common stock of large-cap U S companies Fifteen percent of the mutual fund investments focus on emerging markets Forty-seven percent of mutual funds invest in fixed income investments Thirty-seven percent of mutual funds invest in alternative investments

10. Disclosures About Fair Value of Assets and Liabilities (continued)

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2010

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market mutual funds	$ 88,097,841	$ 88,097,841	$ -	$ -
Common stock	13,756,273	13,756,273	-	-
Mutual funds (B)	65,245,314	49,976,850	16,268,464	-
Corporate bonds and notes	38,291,172	-	38,291,172	-
U S Treasury obligations	20,477,266	6,501,590	13,975,676	-
U S Government agency obligations	14,308,454	-	14,308,454	-
Interest rate swap agreements	(15,959,180)	-	(15,959,180)	-

(B) Eight percent of mutual funds invest in common stock of large-cap U S companies One percent of the mutual fund investments focus on emerging markets Sixty-six percent of mutual funds invest in fixed income investments Twenty-five percent of mutual funds invest in alternative investments

10. Disclosures About Fair Value of Assets and Liabilities (continued)

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value

Cash and Cash Equivalents

The carrying amount approximates fair value

Notes Payable and Long-Term Debt

The fair value of notes payable and long-term debt is estimated using quoted market prices and discounted cash flows of debt services, based on the current incremental borrowing rate for debt considering similar types of borrowing arrangements

The following table presents estimated fair values of the Medical Center's financial instruments at September 30

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 59,600,015	$ 59,600,015	$ 73,240,147	$ 73,240,147
Assets limited as to use	228,102,338	228,102,338	223,821,670	223,821,670
Short-term investments	21,087,565	21,087,565	16,354,650	16,354,650
Note payable and long-term debt	(249,540,000)	(253,873,013)	(269,090,000)	(276,811,606)
Interest rate swap agreements	(20,112,124)	(20,112,124)	(15,959,180)	(15,959,180)

11. Concentration of Credit Risk

The Medical Center grants credit (without requiring collateral) to its patients, most of whom are insured under third-party payor agreements The mix of receivables from patients and third-party payors at September 30 follows

	2011	2010
Medicare	36%	35%
Medicaid	13	14
Anthem/Blue Cross	10	9
Patients	28	30
Other third-party payers	13	12
	100%	100%

12. Functional Expenses

The Medical Center provides general health care services to residents within the communities served by the Medical Center Approximately 85% of the Medical Center's expenses related to health care services and 15% related to general and administrative costs for both of the years ended September 30, 2011 and 2010

13. Commitments

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred Total rent expense for the years ended September 30, 2011 and 2010 for all operating leases was approximately $3,331,000 and $3,239,000, respectively Future rental commitments, as of September 30, 2011, for all noncancellable operating leases with terms in excess of one year are as follows $3,417,000 – 2012, $2,816,000 – 2013, $2,505,000 – 2014, $2,267,000 – 2015, $2,186,000 – 2016 and $6,927,000 – thereafter

14. Self-Insurance

The Medical Center is involved in litigation arising in the ordinary course of business Claims have been asserted against the Medical Center and are currently in various stages of litigation It is the opinion of management of the Medical Center, based on their experience, that the ultimate resolution of professional liability claims will not have a significant effect on the Medical Center's consolidated financial statements

14. Self-Insurance (continued)

The Medical Center is self-insured for medical malpractice and professional and general liability claims arising on or after July 1, 1976 Currently, the Medical Center has excess insurance for claims over the self-insured limit Losses from asserted claims and from unasserted claims identified under the Medical Center's incident reporting system and incidents incurred but not reported are accrued based on estimates that incorporate the Medical Center's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors

The estimated current portion of the obligation of approximately $3,157,000 and $2,376,000 in 2011 and 2010, respectively, is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets The estimated liability for such malpractice and professional and general liability claims is not discounted in the accompanying consolidated financial statements The Medical Center is also self-insured for workers' compensation and employee health benefits

While the ultimate amount of costs incurred under the Medical Center's self-insured programs is dependent on future developments, in management's opinion, recorded reserves are adequate to cover the future settlement of claims However, it is reasonably possible that recorded reserves may not be adequate to cover the future settlement of claims Adjustments, if any, to estimates recorded resulting from ultimate claim payments will be reflected in operations in the periods in which such adjustments are known

The Medical Center has established an irrevocable trust fund for the payment of medical malpractice claim settlements Professional insurance consultants have assisted the Medical Center in determining amounts to be deposited in the trust fund The balance on deposit in the irrevocable trust was $9,708,778 and $9,090,761 at September 30, 2011 and 2010, respectively

15. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific time period or purpose Permanently restricted net assets are those which must be maintained in perpetuity, based on donor restrictions When a donor restriction expires, temporarily restricted net assets used for operations are classified to unrestricted net assets and reported in the statements of operations as other revenues while temporarily restricted net assets restricted for property and equipment are excluded from the excess of revenues over expenses and reported as an increase in net assets

15. Temporarily and Permanently Restricted Net Assets (continued)

At September 30, temporarily and permanently restricted net assets include the following

	2011	2010
Temporarily restricted		
Education Funds	$ 14,199	$ 17,948
Program Funds	448,963	1,064,406
	$ 463,162	$ 1,082,354
Permanently restricted		
Boyd County Medical Society Scholarship Fund	$ 117,055	$ 115,369
	$ 117,055	$ 115,369

16. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations Those matters include the following

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in Notes 2 and 3

Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in Notes 2 and 14

Litigation

In the normal course of business, the Medical Center is, from time to time, subject to allegations that may or do result in litigation Some of these allegations are in areas not covered by the Medical Center's self-insurance program (discussed elsewhere in these notes) or by commercial insurance, for example, allegations regarding employment practices or performance of contracts The Medical Center evaluates such allegations by conducting investigations to determine the validity of each potential claim Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters Events could occur that would cause the estimate of ultimate loss to differ materially in the near term

16. Significant Estimates and Concentrations (continued)

In connection with its nationwide review, the Department of Justice (DOJ) is reviewing certain hospital charges relating to implantable cardio-defibrillators (ICDs) for compliance with the Centers for Medicare and Medicaid Services criteria The review covers the period from October 2003 to present As such, a potential exists that the Medical Center may be subject to claims for recoupment and penalties The Medical Center has reserved approximately $7,000,000 to cover any and all claims and damages related to this review

Also, the Medical Center has been contacted about another governmental nationwide review related to cardiology At this time, the Medical Center cannot predict what effect, if any, this review or any resulting claims could have on us

Pension and Other Postretirement Benefit Obligations

The Medical Center has a noncontributory defined benefit pension plan whereby it agrees to provide certain postretirement benefits to eligible employees The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term

Investments

The Medical Center invests in various investment securities Investment securities are exposed to various risks such as interest rate, market and credit risks Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets

Current Economic Conditions

The current protracted economic decline continues to present hospitals with difficult circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, constraints on liquidity and difficulty obtaining financing The financial statements have been prepared using values and information currently available to the Medical Center

16. Significant Estimates and Concentrations (continued)

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of our patients to pay for services rendered As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Medical Center's future operating results Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the consolidated financial statements could change rapidly, resulting in material future adjustments in investment values (including defined benefit pension plan investments) and allowances for accounts receivable that could negatively impact the Medical Center's ability to meet debt covenants or maintain sufficient liquidity

17. Subsequent Events

Subsequent events have been evaluated through November 16, 2011, which is the date the financial statements were available to be issued