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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)	OMB No 1545-0047 <div>2011</div>
	▶ The organization may have to use a copy of this return to satisfy state reporting requirements	Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011		D Employer identification number 31-0537095	
B Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending		E Telephone number (937) 440-7853	
C Name of organization Upper Valley Medical Center		G Gross receipts \$ 223,119,622	
Doing Business As			
Number and street (or P O box if mail is not delivered to street address) Room/suite 3130 North County Road 25A			
City or town, state or country, and ZIP + 4 Troy, OH 45373			
F Name and address of principal officer Thomas Parker 3130 North County Road 25A Troy, OH 45373		H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () (Insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions)	
J Website: www.uvmc.com		H(c) Group exemption number	
K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other		L Year of formation 1926	M State of legal domicile OH

Part I		Summary	
Activities & Governance	1 Briefly describe the organization's mission or most significant activities The primary exempt purpose is to provide comprehensive inpatient, outpatient and emergency health care services to area residents The Hospital furthers its exempt purpose by promoting community health		
	2 Check this box <input type="checkbox"/> 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	17
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	13
	5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	1,628
6 Total number of volunteers (estimate if necessary)	6	180	
7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	192,858	
b Net unrelated business taxable income from Form 990-T, line 34	7b	-42,161	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	26,332	63,258
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	140,499,574	147,412,296
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,760,318	2,719,969
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,414,283	1,433,718
		144,700,507	151,629,241
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	140,741	242,433
	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)	73,405,112	79,119,649
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	62,537,181	65,994,730
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	136,083,034	145,356,812
	19 Revenue less expenses Subtract line 18 from line 12	8,617,473	6,272,429
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	160,660,248	154,457,885
	21 Total liabilities (Part X, line 26)	106,955,964	117,307,199
	22 Net assets or fund balances Subtract line 21 from line 20	53,704,284	37,150,686

Part II	Signature Block
<p>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.</p>	

Sign Here	<div> <div></div> <div>Signature of officer</div> </div>			<div>2012-11-13</div> <div>Date</div>	
	<div> <div></div> <div>TIMOTHY D SNIDER VICE PRESIDENT/CFO</div> <div>Type or print name and title</div> </div>				
Paid Preparer's Use Only	<div>Preparer's signature</div> <div></div>		<div>Date</div>	<div>Check if self-employed</div> <div><input checked="" type="checkbox"/></div>	<div>Preparer's taxpayer identification number (see instructions)</div>
	<div>Firm's name (or yours if self-employed), address, and ZIP + 4</div> <div> <div>ERNST & YOUNG US LLP</div> <div>111 MONUMENT CIRCLE SUITE 2600</div> <div>INDIANAPOLIS, IN 46204</div> </div>		<div>EIN</div> <div></div>		<div>Phone no</div> <div>(317) 681-7000</div>

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 ☐ Yes ☒ No

1

Briefly describe the organization's mission

SEE SCHEDULE O

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 organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations 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 \$ 113,469,223 including grants of \$ 242,433) (Revenue \$ 147,860,671)

See Schedules H and O

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 \$ 113,469,223

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)? <i>If "Yes," complete Schedule A.</i> 	1	Yes
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? 	2	Yes
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</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? <i>If "Yes," complete Schedule C, Part II.</i> 	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? <i>If "Yes," complete Schedule C, Part III.</i> 	5	No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</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? <i>If "Yes," complete Schedule D, Part II.</i> 	7	No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	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? <i>If "Yes," complete Schedule D, Part IV.</i> 	9	No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10	Yes
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	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? <i>If "Yes," complete Schedule D, Part VII.</i> 	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? <i>If "Yes," complete Schedule D, Part VIII.</i> 	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? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	No
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	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)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	Yes
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a	No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	13	No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i> 	14b	Yes
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 ? <i>If "Yes," complete Schedule F, Part II and IV.</i> 	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 ? <i>If "Yes," complete Schedule F, Part III and IV.</i> 	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? <i>If "Yes," complete Schedule G, Part I.</i>	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? <i>If "Yes," complete Schedule G, Part II.</i>	18	No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>	19	No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	20a	Yes
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. All Form 990 filers that operated one or more hospitals must attach audited financial statements 	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? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	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? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26	Yes	
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? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36	Yes	
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 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 <input type="checkbox"/>					
		Yes	No		
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a	93		
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, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return. .	2a	1,628		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes		
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	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 or securities 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. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	13a			
b	Enter the aggregate 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 aggregate 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		
1b	Enter the number of voting members included in line 1a, above, who are independent		
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?		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?		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		No
6	Did the organization have members or stockholders?	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	Yes	
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	Yes	
8b	Each committee with authority to act on behalf of the governing body?	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		No

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	OH
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. 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.	TIMOTHY SNIDER 3130 NORTH COUNTY RD 25A Troy, OH 45373 (937) 440-7853

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

☐ Check this box if neither the organization nor any related organizations compensated any current or former officer, director, or trustee

Form **990** (2011)

Part VII

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	2,521,228	3,167,687	816,171

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 22

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

Section B. Independent Contractors

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

(A)	(B)	(C)
Name and business address	Description of services	Compensation
Brackett Builders 185 Marybill Dr TROY, OH 45373	Construction	4,323,228
Valley Anesthesia Inc 3130 North County Rd 25A TROY, OH 45373	Anesthesiology	1,639,358
North Dayton Pathologist Inc 2222 Philadelphia Dr DAYTON, OH 45406	Pathology	998,585
Premier Health Care Services Inc 332 Congress Park Dr DAYTON, OH 45459	Occupational Health	444,662
Quest Diagnostics 3 Giralda Farms MADISON, NJ 07940	Lab/Healthcare	439,509

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization 20

Part VIII

Statement of Revenue

				(A)	(B)	(C)	(D)
				Total revenue	Related or exempt function revenue	Unrelated business revenue	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				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	63,258			
	g	Noncash contributions included in lines 1a-1f \$ _____					
	h	Total. Add lines 1a-1f		63,258			
Program Service Revenue	2a	NET MEDICARE / MEDICAID	Business Code 621300	65,161,268	65,161,268		
	b	NET PATIENT CARE SERVICES	212000	81,376,260	81,376,260		
	c	JOINT HOSPITAL SERVICES - LAUNDRY	812300	611,250	601,602	9,648	
	d	TRAINING & EDUCATION	561499	115,878	115,878		
	e	RENTAL FROM AFFILIATES	532000	23,940	23,940		
	f	All other program service revenue		123,700	123,700		
	g	Total. Add lines 2a-2f		147,412,296			
	Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		2,092,929		
4		Income from investment of tax-exempt bond proceeds . .		303,678			303,678
5		Royalties		0			
6a		Gross rents	(i) Real 195,527	(ii) Personal			
b		Less rental expenses	131,989				
c		Rental income or (loss)	63,538				
d		Net rental income or (loss)		63,538			63,538
7a		Gross amount from sales of assets other than inventory	(i) Securities 71,445,370	(ii) Other 236,384			
b		Less cost or other basis and sales expenses	71,297,256	61,136			
c		Gain or (loss)	148,114	175,248			
d		Net gain or (loss)		323,362			323,362
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 . .		0			
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 . .		0			
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 . .		0			
Miscellaneous Revenue		Business Code					
11a		NUTRITION SERVICES	722210	811,667	73,072		738,595
b	PHYSICIAN LABORATORY SERVICES	621500	137,654		137,654		
c	MEDICAL RECORDS FEES	541800	47,856	47,856			
d	All other revenue		373,003	327,447	45,556		
e	Total. Add lines 11a-11d		1,370,180				
12	Total revenue. See Instructions		151,629,241	147,851,023	192,858	3,522,102	

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)

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	242,433	242,433		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	2,073,851	57,061	2,016,790	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7	Other salaries and wages	59,138,291	46,973,327	12,164,964	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	4,676,107	4,002,047	674,060	
9	Other employee benefits	9,070,495	6,784,531	2,285,964	
10	Payroll taxes	4,160,905	3,469,280	691,625	
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	72,966		72,966	
c	Accounting	176,938		176,938	
d	Lobbying	15,403		15,403	
e	Professional fundraising See Part IV, line 17	0			
f	Investment management fees	111,981		111,981	
g	Other	7,147,210	6,588,491	558,719	
12	Advertising and promotion	478,597	52,046	426,551	
13	Office expenses	3,456,024	2,368,732	1,087,292	
14	Information technology	4,714,902	57,817	4,657,085	
15	Royalties	0			
16	Occupancy	3,118,666	2,740,462	378,204	
17	Travel	160,901	124,340	36,561	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	1,492,678	1,463,887	28,791	
20	Interest	2,678,813	2,196,627	482,186	
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	7,265,994	5,607,050	1,658,944	
23	Insurance	1,246,389		1,246,389	
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	OPERATING SUPPLIES/EQUIP	14,706,075	14,697,922	8,153	
b	JOINT OPERATING AGREEMENT	7,223,000	7,223,000		
c	PURCHASED SERVICES	6,854,500	3,964,218	2,890,282	
d	BAD DEBTS	3,648,419	3,648,419		
e					
f	All other expenses	1,425,274	1,207,533	217,741	
25	Total functional expenses. Add lines 1 through 24f	145,356,812	113,469,223	31,887,589	0
26	Joint costs. Check here <input type="checkbox"/> 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)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			3,395	1	3,518
	2	Savings and temporary cash investments			2,562,716	2	1,340,748
	3	Pledges and grants receivable, net			0	3	0
	4	Accounts receivable, net			11,001,086	4	16,363,312
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L			45,177	5	28,995
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L			0	6	0
	7	Notes and loans receivable, net			478,548	7	487,223
	8	Inventories for sale or use			534,319	8	633,671
	9	Prepaid expenses and deferred charges			1,337,541	9	1,891,735
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a	142,590,916			
	b	Less: accumulated depreciation	10b	79,179,660	56,242,584	10c	63,411,256
	11	Investments—publicly traded securities			86,868,834	11	68,986,819
	12	Investments—other securities. See Part IV, line 11			0	12	0
	13	Investments—program-related. See Part IV, line 11			0	13	0
	14	Intangible assets			0	14	0
	15	Other assets. See Part IV, line 11			1,586,047	15	1,310,608
	16	Total assets. Add lines 1 through 15 (must equal line 34)			160,660,248	16	154,457,885
Liabilities	17	Accounts payable and accrued expenses			51,319,938	17	62,253,136
	18	Grants payable			0	18	0
	19	Deferred revenue			0	19	0
	20	Tax-exempt bond liabilities			53,190,064	20	51,180,950
	21	Escrow or custodial account liability. Complete Part IV of Schedule D			0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L			0	22	0
	23	Secured mortgages and notes payable to unrelated third parties			0	23	0
	24	Unsecured notes and loans payable to unrelated third parties			0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D			2,445,962	25	3,873,113
	26	Total liabilities. Add lines 17 through 25			106,955,964	26	117,307,199
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			51,123,204	27	34,468,919
	28	Temporarily restricted net assets			1,507,638	28	1,592,465
	29	Permanently restricted net assets			1,073,441	29	1,089,302
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			53,704,283	33	37,150,686
	34	Total liabilities and net assets/fund balances			160,660,248	34	154,457,885

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	151,629,241
2	Total expenses (must equal Part IX, column (A), line 25)	2	145,356,812
3	Revenue less expenses Subtract line 2 from line 1	3	6,272,429
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	53,704,283
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-22,826,026
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	37,150,686

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
b	Were the organization's financial statements audited by an independent accountant?	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	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 <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> 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?		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		

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

2011

Open to Public
Inspection

Name of the organization Upper Valley Medical Center	Employer identification number 31-0537095
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Part I Reason for Public Charity Status

(All organizations must complete this part.) See instructions

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

- 1

☐

A church, convention of churches, or association of churches **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?

(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?

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
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 2011 (line 6 column (f) divided by line 11 column (f))	14
15	Public Support Percentage for 2010 Schedule A, Part II, line 14	15
16a	33 1/3% support test—2011. 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—2010. 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—2011. 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—2010. 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 IIIPart III

Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

Section C. Computation of Public Support Percentage			
15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15		
16 Public support percentage from 2010 Schedule A, Part III, line 15	16		

Section D. Computation of Investment Income Percentage			
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17		
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18		
19a 33 1/3% support tests—2011. 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—2010. 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 explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ Complete if the organization is described below.

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

OMB No 1545-0047

2011

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, line 35c (Proxy Tax), then

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

Name of the organization Upper Valley Medical Center	Employer identification number 31-0537095
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

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

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

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

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

Part II-A

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(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)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?	Yes		8,653
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		6,750
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV		No	
j	Total lines 1c through 1i			15,403
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
Schedule C, Part II-B, Lines 1f & 1g		Amounts include a portion of membership dues paid to Ohio Hospital Association and Greater Dayton Area Hospital Association that were used for lobbying purposes. Also includes payments to a contracted lobbyist for health care related issues.

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, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
► Attach to Form 990. ► See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Upper Valley Medical Center

Employer identification number
31-0537095

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds 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 <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1

Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or 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
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

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

► \$ _____

For Privacy Act and Paperwork Reduction Act Notice, see the Intructions for Form 990

Cat No 52283D

Schedule D (Form 990) 2011

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
1c	
1d	
1e	
1f	

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part 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	1,253,294	1,013,866	974,642	946,469
b	Contributions	85,008	213,180	161,508	74,844
c	Investment earnings or losses	121,433	62,404	-80,688	-2,389
d	Grants or scholarships	45,284	24,999	30,895	16,333
e	Other expenditures for facilities and programs	7,898	11,157	10,701	27,949
f	Administrative expenses				
g	End of year balance	1,406,553	1,253,294	1,013,866	974,642

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶ 77 440 %

c

Term endowment ▶ 22 560 %

3a

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

(i) unrelated organizations

3a(i)

☐ Yes

☐ No

(ii) related organizations

3a(ii)

☐ Yes

☐

b

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

3b

☐ Yes

☐

4

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

Part VI

Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		409,459		409,459
b Buildings		65,088,429	33,023,264	32,065,165
c Leasehold improvements		78,425	78,425	
d Equipment		70,102,287	44,871,109	25,231,178
e Other		6,912,316	1,206,862	5,705,454
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				63,411,256

Schedule D (Form 990) 2011

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

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

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

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

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
Intended uses of the organization's endowment funds	Schedule D, Part V, Line 4	The permanent and term endowment funds are to be used to provide building/equipment and program related needs for the UVMC Health System, to provide support to the Upper Valley Medical Center Cancer Care Center, and to provide healthcare scholarships. In addition, the term endowment funds are to be used to provide financial support for indigent patient bills, to provide health education programs, and to provide benefits to enhance a child's well being while spending time in the hospital.
Income Taxes	Schedule D, Part X, Line 2	UVMC is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. As such, there is no income tax liability recorded at December 31, 2011 and 2010. In addition, Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the combined financial statements. UVMC and its respective subsidiaries are a group of corporations that are tax-exempt corporations under Section 501(c)(3) of the Internal Revenue Code except for the following subsidiaries: - UVMC Management Corporation - For-profit corporation subject to federal income taxes - After Hours Family Care, Inc. - For-profit corporation subject to federal income taxes - Med-Terra, Inc. - Tax-exempt corporation under Section 501(c)(2) of the Internal Revenue Code.

Additional Data

Software ID:

Software Version:

EIN: 31-0537095

Name: Upper Valley Medical Center

Form 990, Special Condition Description:

Special Condition Description

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(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			
Douglas R Murray Chair	5	X		X						
Rowan R Nickol MD First Vice Chair	40 0	X		X					332,731	88,007
Craig C Bundschuh Second Vice Chair/Secretary	5	X		X						
Cliff R Alexander Director	5	X								
Arthur R Disbrow Director	5	X								
Ronald R Fox Director	5	X								
Daniel P French Director	5	X								
Gail Haddad RN Director	5	X								
R Douglas Haines Director	5	X								
L Stewart Lowry MD Director	40 0	X							329,401	23,845
William E Lukens Director	5	X								
Peter E Nims MD Director	5	X								
P Naga Maddireddy MD Director	5	X						13,317		
James Pancoast Director	5	X								
Michael R Tinkler DDS Director	5	X								
Joel H Walker Director	5	X								
Mary Patricia Wampler RN Director	5	X								
Thomas Parker President/CEO	40 0			X				362,894		52,290
Timothy Snider Vice President/CFO	40 0			X				251,661		27,768
Judith Snyder Vice President	40 0				X			226,578		66,446
Rebecca Rice Vice President	40 0				X			205,063		64,923
James Hurak Vice President	40 0				X			193,119		53,058
Barbara Evert MD Former Vice President	40 0				X			171,342		9,885
Mary M Clancy VP-CIO (PHP)	40 0				X				467,688	55,146
WILLIAM E LINESCH VP - HR & OE (PHP)	40 0				X				424,338	41,137

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(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			
THOMAS J ARQUILLA VP-BUSINESS DEV (PHP)	40.0				X				203,967	28,003
MARK W SHAW VP-MANAGED CARE (PHP)	40.0				X				349,386	84,013
J NICHOLAS LAIR VP-CHF PURCH OFFICER (PHP)	40.0				X				295,289	34,887
RENEE P GEORGE VP-REVENUE CYCLE (PHP)	40.0				X				269,407	33,415
Shakil Rahman MD Physician	40.0					X		392,449		26,255
Rafay Atiq MD Physician	40.0					X		248,056		24,216
William Watercutter Director of IT	40.0					X		149,158		24,601
Thomas Bigley Director of Pharmacy	40.0					X		169,174		24,896
Tracy Moser Director of Human Resources	40.0					X		138,417		26,783
Michael J Maiberger Former President/CEO							X		495,480	26,597

1

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter ► _____

3 Enter total number of other organizations or entities ► _____

Part III **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 16.
Use Part V if additional space is needed.

[illegible]

Part IV Foreign Forms

- 1

Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926 (see instructions for Form 926)*

☐

Yes

☒

No
- 2

Did the organization have an interest in a foreign trust during the tax year? *If " Yes," the organization may be required to file Form 3520 and/or Form 3520-A. (see instructions for Forms 3520 and 3520-A)*

☐

Yes

☒

No
- 3

Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with respect to Certain Foreign Corporations. (see instructions for Form 5471)*

☐

Yes

☒

No
- 4

Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see instructions for Form 8621)*

☐

Yes

☒

No
- 5

Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with respect to Certain Foreign Partnerships. (see instructions for Form 8865)*

☐

Yes

☒

No
- 6

Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see instructions for Form 5713).*

☐

Yes

☒

No

Supplemental Information

Complete this part to provide the information (see instructions) required in Part I, line 2, and any additional information.

[illegible]

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Upper Valley Medical Center

Employer identification number
31-0537095

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <div><input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div>			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100%<input type="checkbox"/> 150%<input checked="" type="checkbox"/> 200%<input type="checkbox"/> Other _____%</div> b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <div><input type="checkbox"/> 200%<input type="checkbox"/> 250%<input type="checkbox"/> 300%<input type="checkbox"/> 350%<input checked="" type="checkbox"/> 400%<input type="checkbox"/> Other _____%</div> c If the organization did 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	3a	Yes	
4	Did the organization's policy provide 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 charity care expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
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 Charity Care and Certain Other Community Benefits at Cost						
Charity Care 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 Charity care at cost (from Worksheet 1)			8,776,234	1,877,661	6,898,573	4 870 %
b Medicaid (from Worksheet 3, column a)			15,661,841	11,067,403	4,594,438	3 240 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			425,742	333,510	92,232	0 070 %
d Total Charity Care and Means-Tested Government Programs			24,863,817	13,278,574	11,585,243	8 180 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1,069,932	99,907	970,025	0 680 %
f Health professions education (from Worksheet 5)			54,280		54,280	0 040 %
g Subsidized health services (from Worksheet 6)			3,516,441	783,279	2,733,162	1 930 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			214,430		214,430	0 150 %
j Total Other Benefits			4,855,083	883,186	3,971,897	2 800 %
k Total. Add lines 7d and 7j			29,718,900	14,161,760	15,557,140	10 980 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development			632		632	
3Community support						
4Environmental improvements						
5Leadership development and training for community members			1,200		1,200	
6Coalition building						
7Community health improvement advocacy						
8Workforce development			12,970		12,970	0.010 %
9Other			18,361		18,361	0.010 %
10Total			33,163		33,163	0.020 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1Yes	
2	Enter the amount of the organization's bad debt expense	2802,643	
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	534,935,883	
6	Enter Medicare allowable costs of care relating to payments on line 5	640,058,840	
7	Subtract line 6 from line 5. This is the surplus or (shortfall).	7-5,122,957	
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9aYes	
9b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	9bYes	

Part IVManagement Companies and Joint Ventures (see instructions)

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

Section A. Hospital Facilities

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

Name and address

[illegible]

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

UPPER VALLEY MEDICAL CENTER

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A):1

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input checked="" type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input checked="" type="checkbox"/> Other (describe in Part VI)	11	
12	Explained the method for applying for financial assistance?	12	Yes
13	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input checked="" type="checkbox"/> The policy was attached to all billing invoices c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input checked="" type="checkbox"/> Other (describe in Part VI)	13	

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)		
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16	
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input checked="" type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input checked="" type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input checked="" type="checkbox"/> Other (describe in Part VI)		

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

		Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

Individuals Eligible for Financial Assistance

19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input checked="" type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI	20	No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? If "Yes," explain in Part VI	21	No

Part V

Facility Information (continued)

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 7

Name and address		Type of Facility (Describe)
1	DIALYSIS SERVICES 3130 N COUNTY RD 25A TROY, OH 45373	DIALYSIS
2	HYATT CENTER 450 HYATT STREET TIPP CITY, OH 45371	LABORATORY, IMAGING, SPORTS MEDICINE, SURGERY
3	OUTPATIENT CARE CENTER NORTH 280 LOONEY RD PIQUA, OH 45356	LABORATORY, IMAGING, REHABILITATIVE THERAPY
4	OUTPATIENT CARE CENTER SOUTH 998 SOUTH DORSET ROAD TROY, OH 45373	LABORATORY, IMAGING OCCUPATIONAL HEALTH REHABILITATIVE THERAPY
5	STANFIELD PLACE 31 STANFIELD ROAD TROY, OH 45373	LABORATORY, IMAGING
6	JACOB DETTMER BUILDING 3130 N COUNTY RD 25A TROY, OH 45373	SLEEP DISORDER
7	VERSAILLES CENTER 471 MARKER ROAD VERSAILLES, OH 45380	LABORATORY
8		
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health 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
SUPPLEMENTAL INFORMATION	Part I, line 3c	Not applicable Upper Valley Medical Center uses the Federal Poverty Guidelines for determining eligibility for free or discounted care under the organization's charity care policy

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION	Part I, line 6 a	An annual written community benefit report is prepared by the organization directly. In addition, Upper Valley Medical Center's community benefit information is included in an annual written community benefit report with Premier Health Partners, a related organization. Both of these reports are made available to the public via publications in local newspapers, as well as on the organizations' websites.

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION	Part I, line 7g	Included in subsidized health services are revenues and expenses related to an obstetrics clinic which is subsidized by both the Miami County Health Department and Upper Valley Medical Center. This clinic serves the prenatal, delivery and postnatal medical needs of women in the hospital's Miami County service area. Also included in subsidized health services are revenues and expenses related to an outpatient behavioral health clinic which serves the mental and behavioral health needs of area residents. The clients in both of these clinics include those who either have no medical insurance or qualify for Medicaid services. The total community benefit expense for these clinics in 2011 was \$1,105,770, with direct offsetting revenues of \$783,279. The net community benefit expense was \$322,491.

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION	Part I, line 7, column (f)	Bad debt expenses of \$3,648,419, which are included on Form 990, Part IX, line 25, column (A), have been removed from the denominator prior to the calculation of the percent of total expense

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION	Part I, line 7	A cost-to-charge ratio methodology was used to calculate the community benefit expenses which appear in the table in Schedule H, Part I, Sections 7a-c This cost-to-charge ratio was derived from Worksheet 2, Ratio of Patient Care Cost-to-Charges The community benefits expenses which appear in the table under Sections 7e-j are calculated based on actual costs

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION - Community Building Activities	Part II	To aid in the leadership development and training for community members, Upper Valley Medical Center participates in the Leadership Piqua and Leadership Troy programs. These programs consist of annual sessions, whereby participants learn leadership and interpersonal skills to be informed civic-oriented leaders who are interested in helping to direct the future of the Miami County communities. Upper Valley Medical Center is a member of the local area chambers of commerce. Through this membership and the various chamber activities, the organization participates in the economic development of the Miami County area. In 2011, Upper Valley Medical Center participated in the Project Search Program. Project Search is a high school transition program which provides training and education leading to employment for individuals with disabilities. It is a collaborative program between Upper Valley Medical Center, Upper Valley Joint Vocational School, Rehabilitation Services Commission, the Miami and Shelby County Boards of Developmental Disabilities, and Capabilities. Eight individuals were selected to gain employable skills working in various departments within the hospital performing various tasks. The goal of this program is to have the individuals gain more independence and an ability to work in gainful employment. A Project Search Coordinator and a Job Coach supervise the students on a daily basis. Other community building activities include cash donations made to other organizations throughout the Miami County area. Upper Valley Medical Center makes several direct charitable donations to other not-for-profit organizations throughout Miami County. These organizations include area schools, chambers of commerce, churches, etc. These donations are given in the spirit of aiding in the overall well-being of the community.

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION - BAD DEBTS	Part III, line 4	Upper Valley Medical Center uses Worksheet A and the cost-to-charge ratio methodology from Worksheet 2, Ratio of Patient Care Cost-to-Charges to determine the amounts reported as the organization's bad debt expense (at cost) on Part III, Section A , lines 2-3 The Medical Center does not have a footnote in the audited financial statements that describes bad debt expense Bad debt expense is incurred when an account is taken out of accounts receivable and turned over to a collection agency This is done immediately if a patient refuses payment arrangements, refuses to apply for charitable assistance and there is no insurance balance being contended An account is written off to bad debt after 120 days if an attempt to collect from the patient is made within the organization's collection policy and the patient has not returned phone calls, set up a payment plan, applied for charitable assistance and there is no insurance balance being contended The collection agency attempts to collect the account in accordance with established guidelines Collection attempts are immediately ceased and the account returned back to the organization if the patient applies for charitable assistance Any amounts collected from these accounts are credited back against bad debt Upper Valley Medical Center recognizes that there are accounts written off to bad debt that may have qualified for charity care if the patient provided the necessary financial information In order to resolve this, the organization has engaged a third party vendor to analyze data based on credit scores to reallocate some of this expense to charity care The policy is as follows The collection agency pursues all bad-debt accounts until they exhaust their efforts of until 9 months after the placement date, whichever occurs earlier If the collection agency has not been able to resolve the account, the account is returned to the organization for final close-back These accounts are then sent to the third party vendor who gathers external credit data that presents the account as less than 200% Federal Poverty Level or not enough information (typically indicative of indigent) These accounts are reclassified from bad debt expense to charity expense on our income statement Any credit score that presents the accounts as greater than 200% Federal Poverty Level remains in bad debt expense Due to this process, Upper Valley Medical Center does not feel it has reported bad debt expense for patients eligible under the organization's charity care policy

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION - MEDICARE SHORTFALL	Part III, line 8	The Medicare shortfall of \$5,122,957 should be treated as community benefit because the organization is providing high-quality care in excess of the cost to those in its community who need care. The Medicare population at the organization is approximately 30% of net patient revenue. The Medicare advantage plans and Medicare managed care plans are excluded from this percentage. Upper Valley Medical Center uses the Medicare Allowable Costing Methodology (Medicare Cost Report 2552-96) to determine Medicare allowable costs reported.

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION	Part III, line 9b	Upper Valley Medical Center makes reasonable efforts to determine whether or not an individual is eligible for assistance under the state's or hospital's financial assistance policy before engaging in extraordinary collective actions against that individual. Patients who are known to qualify for financial assistance are not subjected to extraordinary collections actions. Any third party collecting self pay receivables on our behalf is required to make reasonable efforts to determine if the individual meets the qualifications of the state or of our hospital's financial assistance programs. Reasonable efforts include: 1) Validating that the patient owes the unpaid bills and that all sources of third party payment have been identified and billed by the hospital. 2) Documenting that the organization has or has attempted to offer the patient the opportunity to apply for charity care under its financial assistance policy. 3) Documenting that the patient does not qualify for financial assistance. 4) Documenting that the patient has been offered a payment plan, but has not honored the terms of that plan. The Financial Counselors meet with both inpatient and outpatient self-pay and other patients upon request, who may need financial assistance. In addition to assisting patients who want to apply for assistance through the Medicaid program, the Financial Counselor will provide the patient with a financial assistance application.

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION - FACILITY INFORMATION	Part V, Section B	<p>Part V, Section B, line 9 Not applicable Upper Valley Medical Center uses the Federal Poverty Guidelines for determining eligibility for free care under the organization's charity care policy</p> <p>Part V, Section B, line 10 Not applicable Upper Valley Medical Center uses the Federal Poverty Guidelines for determining eligibility for discounted care under the organization's charity care policy</p> <p>Part V, Section B, line 11 If the patient's family income falls within 400% of the federal poverty guidelines, the patient qualifies for assistance under the hospital's financial assistance policy and all or part of the account will be written off to charity care, based upon a sliding fee schedule. The amount charged to patients who are eligible for financial assistance are not more than the amounts generally billed to individuals who have insurance covering such care. Patients who qualify for financial assistance are not charged gross charges for emergency or medically necessary care. Patients may also qualify for charity care discounts due to a medically-based catastrophic event which have occurred in their life. If a patient qualifies for this discount, he/she would only be held responsible for payment of his/her medical expenses up to 25% of their annual income.</p> <p>Part V, Section B, line 13 Upper Valley Medical Center widely distributes information about its financial assistance policy within the Miami County area and surrounding communities that it serves. This information includes the method of applying for and accessing financial assistance. Notices are publicized in patient's bills and are posted in the emergency room, admitting and registration areas, hospital business offices and patient financial services offices, as well as other public areas. A summary of the financial assistance policy is published on the UVMC website, in brochures available in patient areas and in other places within the community. Financial counselors, patient advocates and customer service representatives discuss the financial assistance policy with all uninsured patients and any patient who express financial hardship with paying their bill. Information regarding the financial assistance policy is available in both English and Spanish.</p> <p>Part V, Section B, line 15 Upper Valley Medical Center does not impose extraordinary collection actions such as wage garnishments, liens on primary residences or other legal actions for any patient without first making reasonable efforts to determine whether the patient is eligible for charity care under its financial assistance policy. Reasonable efforts include:</p> <ul style="list-style-type: none">a. Validating that the patient owes the unpaid bills and that all sources of third party payment have been identified and billed by the hospital;b. Documenting that Upper Valley Medical Center has or has attempted to offer the patient the opportunity to apply for charity care under its financial assistance policy;c. Document that the patient does not qualify for financial assistance;d. Document that the patient has been offered a payment plan but has not honored the terms of that plan. <p>Part V, Section B, line 16 Upper Valley Medical Center engages the services of third party collection agencies to assist in its collection efforts. These collection agencies may engage in similar collection actions allowed by the hospital under its billing and collections policy after first making reasonable efforts to determine whether the patient is eligible for charity care under its financial assistance policy.</p> <p>Part V, Section B, line 17 Before initiating collections actions, Upper Valley Medical Center notifies patients of its financial assistance policy. Notices of the policy are publicized in patient's bills and are also posted in the emergency room, admitting and registration areas, hospital business offices and patient financial services offices, as well as other public areas. A summary of the financial assistance policy is published on the UVMC website, in brochures available in patient areas and in other places within the community. Patient advocates discuss the financial assistance policy directly with all uninsured patients in the emergency department and those who are admitted to the hospital. The patient advocates also contact uninsured outpatients who are scheduled to have major procedures and all inpatients who are covered by Medicare only. In any instance where a patient calls the hospital and expresses a concern about their ability to pay, the financial assistance policy is explained. For all accounts with balances over \$500, the patient advocate attempts to contact the patient three times prior to turning the account over for collections.</p> <p>Part V, Section B, line 18 Upper Valley Medical Center's financial assistance policy ensures that the financial capacity of people who require health care services does not prevent them from seeking or receiving care. Upper Valley Medical Center provides, without discrimination, care for emergency medical care.</p>

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION - FACILITY INFORMATION	Part V, Section B	nditions, consistent with Section 1867 of the Social Security Act (EMTALA), to individuals regardless of their eligibility for financial assistance or for government assistance Part V, Section B, lines 19 & 20 Upper Valley Medical Center does not have a discount progra m for all uninsured patients However, for those uninsured or underinsured patients who ap ply for and meet the eligibility criteria for financial assistance under the financial ass istance policy, the hospital uses the lowest negotiated commercial insurance rate for the services received by the patient Part V, Section B, line 21 Upper Valley Medical Center d oes not have a discount program for all uninsured patients Uninsured or underinsured pati ents who do not apply for financial assistance or those who do not qualify for financial a ssistance are charged the gross charges for any services provided to the patient

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION - Needs assessment	Part VI, Question 2	The primary purpose of the UVMC Community Benefit Plan is to work toward improved health in the communities that we serve by responding to community needs with programs that increase access to health care. This is accomplished through identifying community needs, making prudent choices for the use of resources, building and strengthening relationships in the community, and demonstrating accountability and transparency. UVMC works with the community on programs that address the underlying causes of persistent health problems, as part of a comprehensive strategy to improve the health status and quality of life for identified members of the community who are economically disadvantaged, disenfranchised and/or who have disproportionate unmet health needs. UVMC strives to work with Premier Health Partners, the UVMC Board of Directors, executive management, managers, staff members, community groups, and individuals to provide a collaborative approach to the governance and management of community benefit activities.

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION - Patient education of eligibility for assistance	Part VI, Question 3	There are several ways in which Upper Valley Medical Center informs and educates patients who may be billed for services about their eligibility for assistance under federal, state, or local government programs or under the Medical Center's financial assistance policy. First, notification of such available assistance is clearly posted in registration areas, as well as the maternity and emergency departments. Next, patient advocates, patient access staff members and financial advocates in the inpatient and emergency departments meet with uninsured and under-insured patients, as well as those with just Medicare coverage, to discuss eligibility for assistance. Financial counselors also discuss options to resolve unpaid account balances with uninsured and under-insured patients. A summary of the financial assistance policy is posted on the hospital's website, along with information on how to obtain an application. When a patient receives a bill from Upper Valley Medical Center, the reverse side of the bill contains information about the State of Ohio Free Care Program (Care Assurance). The patient statement offers a summary of the financial assistance options available and the contact information for assistance.

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION - Community information	Part VI, Question 4	Upper Valley Medical Center serves the northern Miami Valley area with acute care services, community health and wellness programs and more Upper Valley Medical Center is located in Miami County, Ohio and is the sole hospital system operating within the county The population of Upper Valley Medical Center's primary service area is approximately 130,000 people Including the adjacent counties, which are also served (Shelby, Darke, and Champaign Counties), Upper Valley Medical Center's total primary and secondary service area population approaches 300,000 residents The overall service area is categorized as having relatively slow growth with an aging population, consistent with current trends throughout Ohio The median household income of Miami County and the surrounding area is slightly above \$50,000 per year, with approximately 10% of its citizens living below the federal poverty level Approximately 48% of the hospital's gross revenues are generated from Medicare patients, while another 19% of the revenues are generated from either uninsured patients or Medicaid recipients The current unemployment rate of Miami County is approximately 9% Recent job growth has been negative

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION - Promotion of Community Health	Part VI, Question 5	<p>The primary exempt purpose of Upper Valley Medical Center is to provide comprehensive inpatient, outpatient and emergency health care services to the residents of Miami and surrounding counties. The hospital furthers its tax-exempt purpose by promoting the health of the community in many ways. A principal financial contribution to the community is the provision of acute health services to patients regardless of their ability to pay. In addition to charity care services provided, Upper Valley Medical Center experienced bad debt expenses and also incurred costs from providing care for patients covered by government programs such as Medicare and Medicaid, where reimbursement is limited. Upper Valley Medical Center also subsidizes an obstetrics clinic and a behavioral health clinic and provides a comprehensive continuum of psychiatric and chemical dependency programs. These services are provided at a reduced cost or no cost for those who are uninsured or unable to pay. Thousands of individuals throughout Miami and surrounding counties benefited from Upper Valley Medical Center's health-focused programs during 2011, including health fairs, screenings, immunizations, support groups and other services. Many of these programs are free to the public or offered at a reduced price. Free presentations are available to area civic, service and social groups, professional organizations, schools, churches, and industries through the UVMC speaker's bureau. Speakers are available on a wide variety of medical/health care topics and are able to provide accurate up-to-date information to the community. Upper Valley Medical Center's use of surplus funds includes the purchase of property, plant and equipment of approximately \$16 million. Highlights include - Epic (Electronic Medical Record) Implementation -Cancer Care Center Expansion -CT Scanner for Cancer Care -Hemodialysis Machines -Emergency Room Renovation for Behavioral Health Assessments -Information Systems Upgrades. The UVMC board of directors consists of 18 members of the community. The majority of the board members are neither employees nor contractors of the organization. None of these board members receive compensation from the organization for services provided in the role of board member. The Medical Center extends medical staff privileges to all qualified physicians in its community for the majority of its departments. See Schedule O, Part III for more comprehensive details about how the Medical Center promotes the health of the community.</p>

Identifier	ReturnReference	Explanation
SUPPLEMENTAL INFORMATION - Affiliated Health Care System	Part VI, Question 6	Upper Valley Medical Center is affiliated with Miami Valley Hospital, Good Samaritan Hospital, and Atrium Medical Center. The agreement between the systems provides for the creation of Premier Health Partners (PHP), an Ohio non-profit corporation. Each hospital system has the authority to determine the amounts it contributes to community building and other indigent programs.

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Upper Valley Medical Center

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

2011

Open to Public
Inspection

Employer identification number
31-0537095

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. Use Part IV and Schedule I-1 (Form 990) if additional space is needed ☐

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) UVMC FOUNDATION 3130 N COUNTY ROAD 25A TROY, OH 45373	31-1581859	501(C)(3)	36,000				SCHOLARSHIP
(2) AMERICAN CANCER SOCIETY5555 FRANTZ ROAD DUBLIN, OH 43017	34-0726080	501(C)(3)	7,500				SPONSORSHIP MIAMI CO RELAY FOR LIFE
(3) EDISON FOUNDATION 1973 EDISON DRIVE PIQUA, OH 45356	31-1379781	501(C)(3)	124,200				CAPITAL, EVENT SPONSORSHIP & GENERAL FUND
(4) Health Partners Free Clinic1300 North County Rd 25A Troy, OH 45373	31-1596731	501(C)(3)	61,000				Operations
(5) Troy City Schools151 Staunton Rd Troy, OH 45373	31-6000985		75,000				Equipment & Sponsorship
(6) AMERICAN HEART ASSOCIATION1313 W Dorothy Lane Kettering, OH 45409	13-5613797	501(c)(3)	6,000				GO RED NORTH SPONSORSHIP

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table 6

3 Enter total number of other organizations listed in the line 1 table 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
Form 990, Schedule I, Part I, Line 2	Description of Organization's Procedures for Monitoring the Use of Grants	UPPER VALLEY MEDICAL CENTER MONITORS THE USE OF GRANT FUNDS IN THE UNITED STATES BY VERIFYING THAT THE ORGANIZATIONS REQUESTING ASSISTANCE ARE 501(C)(3) TAX EXEMPT ORGANIZATIONS. THE GRANTS THAT ARE GIVEN ARE USUALLY SMALL IN NATURE AND LARGER ONES ARE APPROVED BY THE UVMC BOARD OF DIRECTORS. THEY ARE USUALLY GIVEN FOR A SPECIFIC PURPOSE, SUCH AS ONGOING OPERATIONS OR A CAPITAL PROJECT, AND ARE RELATED TO HEALTHCARE IN THE COMMUNITY.

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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.

Name of the organization Upper Valley Medical Center	Employer identification number 31-0537095
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Part I

Questions Regarding Compensation

	Yes	No
1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
<input type="checkbox"/> First-class or charter travel		
<input type="checkbox"/> Travel for companions		
<input type="checkbox"/> Tax idemnification and gross-up payments		
<input type="checkbox"/> Discretionary spending account		
<input type="checkbox"/> Housing allowance or residence for personal use		
<input type="checkbox"/> Payments for business use of personal residence		
<input type="checkbox"/> Health or social club dues or initiation fees		
<input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)		
1b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain		
2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?		
3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply		
<input checked="" type="checkbox"/> Compensation committee		
<input checked="" type="checkbox"/> Independent compensation consultant		
<input type="checkbox"/> Form 990 of other organizations		
<input type="checkbox"/> Written employment contract		
<input checked="" type="checkbox"/> Compensation survey or study		
<input checked="" type="checkbox"/> Approval by the board or compensation committee		
4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
a Receive a severance payment or change-of-control payment?		No
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	Yes	
c Participate in, or receive payment from, an equity-based compensation arrangement?		No
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a The organization?		No
b Any related organization?		No
If "Yes," to line 5a or 5b, describe in Part III		
6 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a The organization?	Yes	
b Any related organization?	Yes	
If "Yes," to line 6a or 6b, describe in Part III		
7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III		No
8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III		No
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?		

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.

[illegible]

Part III **Supplemental Information**

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

Identifier	Return Reference	Explanation
SCHEDULE J, PART I, LINE 4B		Due to restrictions imposed by the Internal Revenue Code, certain persons are limited in the amount of benefit that can be earned under a qualified retirement plan. Like many employers, UVMC Management Corporation (related organization) compensates for this limitation and supplements the affected executives' qualified pension through certain nonqualified plans. UVMC Management Corporation supplements through a Supplemental Executive Retirement Plan or "SERP." The benefits under the SERP are subject to multi-year vesting and a participant can forfeit benefits earned if vesting requirements are not satisfied. The SERP is a non-qualified deferred compensation plan subject to the requirements of the Internal Revenue Code Section 409A. The 2011 Participant in the SERP with a vested amount is Michael Maiberger, and his vested amount of SERP for 2011 is \$20,993. Additionally, the 451 Deferred Compensation Plan is offered to a select group of key management or highly compensated employees. This plan is intended to be a nonqualified deferred compensation arrangement which complies with the requirements of the Internal Revenue Code Section 409A. This plan is funded solely by the plan participants and maintained by a related organization. The 2011 participant is Michael Maiberger. The amount of his deferral under the Plan for 2011 is \$56,488. All or parts of these payments were also properly reported on prior years' filed IRS Form 990 returns disclosing compensation earned by these individuals under the plans for each such year. However, based on the guidance provided in the instructions to the Form 990, any payments to the participants related to these plans that were made within 2-1/2 months after the end of the organization's tax year are not treated as deferred compensation for purposes of Schedule J. Such amounts are properly reported as compensation for Form 990 purposes when included in the participants' Form W-2 wages, which in this situation is 2012.
Schedule J, Part I, Lines 6a & 6b		PREMIER HEALTH PARTNERS (PHP), OF WHICH UPPER VALLEY MEDICAL CENTER IS A PART, HAS AN INCENTIVE COMPONENT FOR ALL EXECUTIVE AND DIRECTOR LEVEL EMPLOYEES THAT TIES A PORTION OF THEIR TOTAL COMPENSATION TO ORGANIZATIONAL AND INDIVIDUAL OBJECTIVES AND OUTCOMES. THE ORGANIZATIONAL CRITERION IS WEIGHTED ACCORDING TO BALANCED SCORECARD CATEGORIES: POSITIVE WORK ENVIRONMENT (15%), QUALITY (30%), PATIENT SATISFACTION (15%), PHYSICIAN PARTNERSHIP, (15%), FINANCIAL (20%) AND MAJOR PROJECTS (5%). THE FINANCIAL CATEGORY OF THE SCORECARD IS BASED ON NET EARNINGS OF THE INDIVIDUAL HOSPITAL AND THE NET EARNINGS OF THE SYSTEM OF A WHOLE. THIS FINANCIAL TARGET IS SET BASED ON THE OPERATING AND CASH FLOW MARGINS REQUIRED TO MAINTAIN THE SYSTEM AA CREDIT RATINGS. DIRECTORS, VICE PRESIDENTS AND ABOVE INCENTIVE OBJECTIVES ARE WEIGHTED 45% ON ORGANIZATIONAL CRITERIA AND 45% ON INDIVIDUAL CRITERIA, AND 10% ON ORGANIZATIONAL EFFECTIVENESS. THE 2011 INCENTIVE PLAN AMOUNTS WERE PAID TO THE PARTICIPANTS IN 2012. THESE ARE NOT REPORTED AS DEFERRED COMPENSATION ON THE 2011 FORM 990 BASED ON THE DEFINITION OF DEFERRED COMPENSATION CONTAINED IN THE FORM 990 INSTRUCTIONS. PER THE INSTRUCTIONS, "DEFERRED COMPENSATION IS GENERALLY TREATED AS EARNED OR ACCRUED IN THE YEAR THAT SERVICES ARE RENDERED, EXCEPT WHEN ENTITLEMENT TO PAYMENT IS CONTINGENT ON SATISFACTION OF ORGANIZATIONAL GOALS OR SPECIFIED PERFORMANCE CRITERIA (OTHER THAN MERE LONGEVITY OF SERVICE) UNDER THE DEFERRED COMPENSATION PLAN." BASED ON THE INCENTIVE PROGRAM'S CRITERIA OUTLINED ABOVE, WE BELIEVE THE INCENTIVE PAYMENTS MEET THE EXCEPTION NOTED IN THE INSTRUCTIONS. SUCH AMOUNTS ARE PROPERLY REPORTED AS COMPENSATION FOR FORM 990 PURPOSES WHEN INCLUDED IN THE PARTICIPANTS' FORM W-2 WAGES, WHICH IN THIS SITUATION IS 2012.

Software ID:
Software Version:
EIN: 31-0537095
Name: Upper Valley Medical Center

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Rowan R Nickol MD	(i) (ii)	258,350	54,829	19,552	66,483	21,524	420,738	
L Stewart Lowry MD	(i) (ii)	302,724	8,839	17,838	2,450	21,395	353,246	
Michael J Maiberger	(i) (ii)	294,532	103,295	97,653	14,700	11,897	522,077	20,993
Thomas Parker	(i) (ii)	258,307	66,488	38,099	43,710	8,580	415,184	
Timothy Snider	(i) (ii)	196,471	37,691	17,499	14,700	13,068	279,429	
Judith Snyder	(i) (ii)	152,010	42,542	32,026	60,205	6,241	293,024	
Rebecca Rice	(i) (ii)	146,617	32,400	26,046	58,249	6,674	269,986	
James Hurak	(i) (ii)	133,704	33,843	25,572	39,899	13,159	246,177	
Shakil Rahman MD	(i) (ii)	287,924	103,488	1,037	2,450	23,805	418,704	
Rafay Atiq MD	(i) (ii)	222,093	25,000	963	2,450	21,766	272,272	
William Watercutter	(i) (ii)	126,384	13,080	9,694	9,135	15,466	173,759	
Thomas Bigley	(i) (ii)	141,342	20,632	7,200	10,321	14,575	194,070	
Tracy Moser	(i) (ii)	117,714	15,560	5,143	8,696	18,087	165,200	
Barbara Evert MD	(i) (ii)	70,304	58,239	42,799	4,652	5,233	181,227	
Mary M Clancy	(i) (ii)	313,530	126,634	27,524	41,787	13,359	522,834	151,055
WILLIAM E LINESCH	(i) (ii)	300,256	103,880	20,202	33,815	7,322	465,475	118,246
THOMAS J ARQUILLA	(i) (ii)	126,756	67,633	9,578	6,832	21,171	231,970	75,243
MARK W SHAW	(i) (ii)	255,244	86,405	7,737	62,595	21,418	433,399	86,405

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
J NICHOLAS LAIR	(i) (ii)	199,671	94,873	745	14,638	20,249	330,176	94,873
RENEE P GEORGE	(i) (ii)	202,151	66,675	581	9,394	24,021	302,822	66,675

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

2011

Open to Public Inspection

Name of the organization
Upper Valley Medical Center

Employer identification number
31-0537095

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 County of Miami Ohio	31-6000055	593328EV5	06-29-2006	57,502,248	See Part VI		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired	5,855,000							
2	Amount of bonds defeased	0							
3	Total proceeds of issue	61,109,249							
4	Gross proceeds in reserve funds	5,240,175							
5	Capitalized interest from proceeds	0							
6	Proceeds in refunding escrow	0							
7	Issuance costs from proceeds	663,253							
8	Credit enhancement from proceeds	0							
9	Working capital expenditures from proceeds	0							
10	Capital expenditures from proceeds	19,589,170							
11	Other spent proceeds	35,616,651							
12	Other unspent proceeds	0							
13	Year of substantial completion	2009							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?	X							
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X							
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 100 %							
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	0 200 %							
6	Total of lines 4 and 5	0 300 %							
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	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						
2	Is the bond issue a variable rate issue?		X						
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
b	Name of provider	0							
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X						
b	Name of provider	0							
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							
6	Did the bond issue qualify for an exception to rebate?		X						

Part V

Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations ☐ Yes ☒ No

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
See Schedule O	0	

Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Upper Valley Medical Center

Employer identification number
31-0537095

Part I

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

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

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

2

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

\$

3

Enter the amount of tax, if any, on line 2, above, reimbursed by the organization

\$

Part II

Loans to and/or From Interested Persons.

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

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c)Original principal amount	(d)Balance due	(e) In default?		(f) Approved by board or committee?		(g)Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
(1) DIGESTIVE SPECIALTY LINE OF CREDIT		X	52,847	28,995		No	Yes		Yes	
Total				28,995						

Part III

Grants or Assistance Benefitting Interested Persons.

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

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

Part IV

Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Digestive Specialty Care	>35% OWNED-ABBOUD (FORM)	300,000	GASTROENTEROLOGY SERVICES		No

Part V

Supplemental Information

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

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on

Form 990 or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2011

Open to Public

Inspection

Name of the organization Upper Valley Medical Center	Employer identification number 31-0537095
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Identifier	Return Reference	Explanation
MISSION STATEMENT	PART III, LINE 1	Upper Valley Medical Center, as a subsidiary of UVMC, serves as an integral part in achieving UVMC's mission UVMC will strive to provide quality care that upholds the dignity of all individuals Care will be given in a holistic manner without regard to race, religion, creed, national origin or social status Our health care delivery system is structured to optimize the delivery of safe, efficient and cost-effective health care

Identifier	Return Reference	Explanation
PROGRAM SERVICES	PART III, LINE 4A	<p>Upper Valley Medical Center (UVMC) was founded in 1986 as the umbrella corporation for the merger of Miami County's three independent & competing hospitals. In 1998, acute care services were consolidated into a centrally located facility. Currently, the hospital is licensed for 139 acute care beds and 39 behavioral health beds. UVMC's vision is committed to preserving long-term access to quality health care services for Miami County and the surrounding area. Quality customer service is a priority at UVMC. Our culture is defined by "Caring Plus" which is UVMC's commitment to quality, kindness, and compassion for our patients, their families, visitors, physicians, and co-workers. It is an important part of the basic foundation of UVMC's patient-centered approach to care. UVMC also uses AIDET -- a powerful, proven communication tool designed to reinforce our Caring Plus customer service. AIDET is an acronym that represents how we can gain trust and communicate with patients who are nervous, anxious, and feeling vulnerable about their illness by remembering these key words: Acknowledge, Introduce, Duration, Explanation, and Thank-you. In January 2009, a joint operating agreement was implemented in which Upper Valley Medical Center became a part of the Premier Health Partners (PHP), a comprehensive health system serving southwestern Ohio through member and affiliate organizations in seven counties. The association with PHP, a not-for-profit corporation, allows for more flexibility in accessing specialty services not provided locally. It also gives local residents more access to community health services such as expanded wellness programs provided in conjunction with Premier Community Health and the CareFinders physician referral network. Upper Valley Medical Center is a member of PHP along with three other hospitals. Each hospital has the authority to determine the amounts it contributes to community building and other indigent programs. The policies for bad debts and charity collections are established by PHP. The hospital was granted tax exempt status as a hospital in February of 1935.</p>

Identifier	Return Reference	Explanation
PROGRAM SERVICES - CONTINUED	PART III, LINE 4A	<p>The primary exempt purpose of Upper Valley Medical Center is to provide comprehensive inpatient, outpatient, and emergency health care services to the residents of Miami and the surrounding counties. The hospital furthers its tax-exempt purpose by promoting the health of the community in many ways. Upper Valley Medical Center, as a subsidiary of UVMC, serves as an integral part in achieving UVMC's mission. UVMC will strive to provide quality care that upholds the dignity of all individuals. Care will be given in a holistic manner without regard to race, religion, creed, national origin or social status. Our health care delivery system is structured to optimize the delivery of safe, efficient, and cost-effective health care. As a part of the PHP system of providers, UVMC also shares the PHP mission of building healthier communities with others who share our commitment to provide high quality cost-competitive health care services. A principal financial contribution that Upper Valley Medical Center makes to the community is its provision of acute health care services to patients regardless of their ability to pay. The hospital operates a 24-hour emergency room 365 days per year that is open to all individuals. It also participates in government-sponsored health care programs such as Medicare, Medicaid, TRICARE, and has an active charity care program. The Board of Directors for Upper Valley Medical Center consists of 18 members of the community. The majority of them are neither employees nor contractors of the organization. No board member receives compensation from the organization for services provided in the role of board member. The Medical Center extends medical staff privileges to all qualified physicians in its community for the majority of its departments. The medical staff consists of 215 physicians and the health system continues to actively recruit new doctors to Miami County in important primary and specialty areas of medicine.</p>

Identifier	Return Reference	Explanation
PROGRAM SERVICES - CONTINUED	PART III, LINE 4A	<p>COMMUNITY BENEFIT APPROACH Upper Valley Medical Center is located between Troy and Piqua, Ohio and serves the northern Miami Valley area with acute care services, community health and wellness programs, and more. It is the sole hospital system operating within Miami County. The hospital also offers easy access to quality care by providing outpatient services throughout the Miami County area. Satellite locations provide Laboratory, Radiology, Surgical, Sports Medicine, Occupational Health, Dialysis, and Rehabilitative services. Upper Valley Medical Center also provided Home Health/Home Care visits to community residents in their homes for part of the year. 2011 operating statistics for Upper Valley Medical Center follow: Patient Days -Acute Care (Excluding New borns) 30,096 -Behavioral Health 8,282 Other Volume Indicators -Laboratory Tests 571,308 -Radiology/Imaging Exams 110,554 -Cardiopulmonary Procedures 122,760 -Rehabilitation Services Visits 50,410 -Emergency Room Visits 42,693 -Occupational Health Procedures 35,387 -Cancer Care Visits 11,281 -Home Care Services Visits 12,097 -Dialysis Treatments 10,085 -Outpatient Surgeries 7,353 -Inpatient Surgeries 1,798 -Behavioral Health Outpatient Visits 9,876 -Births 689. Approximately 48% of the hospital's gross revenues are generated from Medicare patients, while another 19% of the revenues are generated from either uninsured patients or Medicaid recipients. The primary purpose of the UVMC Community Benefit Plan is to work toward improved health in the communities that we serve by responding to community needs with programs that increase access to health care. This is accomplished through identifying community needs, making prudent choices for the use of resources, building and strengthening relationships in the community, and demonstrating accountability and transparency. UVMC works with the community on programs that address the underlying causes of persistent health problems as part of a comprehensive strategy to improve the health status and quality of life for members of the community who may be economically disadvantaged, disenfranchised, and/or have disproportionate unmet health needs. UVMC strives to work with Premier Health Partners, the UVMC Board of Directors, executive management, managers, staff members, community groups, and individuals to provide a collaborative approach to the governance and management of community benefit activities.</p>

Identifier	Return Reference	Explanation
PROGRAM SERVICES - CONTINUED	PART III, LINE 4A	<p>COMMUNITY OUTREACH FOR THE BROADER COMMUNITY During 2011, thousands of individuals throughout Miami and surrounding counties benefited from Upper Valley Medical Center's health-focused programs, such as health fairs, screenings, immunizations, support groups, and other services. Many of these programs are free to the public or offered at a reduced price. Free presentations are available to area civic, service and social groups, professional organizations, schools, churches, and industries through the UVMC Speaker's Bureau. Speakers are available on a wide variety of medical/healthcare topics and are able to provide accurate, up-to-date information to the community. UVMC, along with other PHP hospitals, began Target Zero, an important safety initiative that ensures all staff members are committed to safety first in every aspect of their work. The outcome of this initiative is to create the safest environment for all patients, visitors, and employees with the goal of zero preventable accidents. This is achieved by a daily check-in, which is a 15-minute standup meeting, led by a senior executive and attended by directors/managers to identify any safety issues from the last shift or 24 hours. Upper Valley Medical Center participated in STate Action on Avoidable Readmissions (STAAR), a statewide initiative. The goal of the pilot project is to reduce costly, avoidable hospital readmissions by improving patient care and the transition from hospital care to home or extended care facility. In the spring of 2011, UVMC introduced Quiet Time in the patient care setting daily from 2:00 p.m. to 4:00 p.m. Among the goals of Quiet Time is to enhance the patient experience by reducing environmental stimuli and promoting patient rest and/or sleep during those hours. Evidence-based research suggests that this timeframe is when the body is most ready for rest due to natural lows in the body's circadian rhythm. Upper Valley Medical Center subsidizes the outpatient services for Behavioral Health. It provides traditional private outpatient therapy and medication management for adults, adolescents, and children. Clients include those who either have no insurance or qualify for Medicaid services. Also included in subsidized health services are revenues and expenses related to an obstetrics clinic which is subsidized by both the Miami County Health Department and Upper Valley Medical Center. The obstetrics clinic serves the prenatal, delivery, and postnatal medical needs of women in the hospital's Miami County service area who either have no medical insurance or qualify for Medicaid services. The net community benefit expense for 2011 was \$322,000 for these services. UVMC increased support of the local Health Partners Free Clinic in the form of contributions totaling \$61,000 as part of both organizations' common mission to assure access to needed health care services in our communities.</p>

Identifier	Return Reference	Explanation
PROGRAM SERVICES - CONTINUED	PART III, LINE 4A	<p>A Heart Month Health Fair was held in February With heart disease being the leading cause of death for American adults, people should be aware of their risks The event was open to the community and included free screenings for total cholesterol, HDL, blood sugar, as well as blood pressure testing UVMC programs and Cardiology professionals also provided health testing and helpful information The second Go Red for Women/North Expo was held at Edison Community College in September The event was presented by UVMC in conjunction with the American Heart Association's "Go Red" initiatives focusing on promoting women's heart health UVMC provided more than 300 free health tests/screenings and counseling The keynote speaker used humor to emphasize the need for women to lighten up and get a handle on stress that surrounds them Other activities at the event included mini-makeovers, hand/chair massages, heart healthy cooking demonstrations, and more The annual McGraw Cancer Awareness Symposium was also held in September The keynote speaker presented the topic "Genetics and Cancer How Your Genes Influence Your Cancer Risk." The symposium also included a panel discussion This event was sponsored by the UVMC Cancer Care Center and the UVMC Foundation along with a gift from the McGraw Family Fund of the Troy Foundation and support from Myriad Labs The symposium was free and open to the public The Nutrition Services Department encompasses all components of food production for patient meals, cafeteria services, vending foods, and internal catering The clinical team of dietitians and diet technicians accommodate inpatient and outpatient as well as community nutrition therapy and education Nutrition Services also prepares meals for the Altrusa Mobile Meals and Piqua Meals on Wheels programs The number of meals prepared was 12,736 and 12,825 respectively The hospital subsidizes these programs People of different ages have the opportunity to contribute their time and skills to various departments within the hospital such as the gift shop, emergency services, escort services, surgical services, chaplaincy, reception, etc During 2011, 180 UVMC volunteers provided over 28,000 hours of service throughout the hospital system These volunteers generously give of their time to perform services that benefit our patients, visitors, and staff The UVMC Auxiliary also sponsors an important community program called Lifeline, a low-cost medical alert service designed to reduce the risk of living alone Lifeline began in 1985 with 25 clients and now serves over 500 clients in a seven county area The hospital offers this program office and storage space The Department of Pastoral Care has staff chaplains and community clergy volunteers who provide spiritual care at all UVMC facilities 24 hours a day In addition, nondenominational worship services are provided for patients, their family members, visitors, and staff There is no fee to patients for the services that the UVMC Pastoral Care staff provides Teams from UVMC participated in the Miami County Relay for Life held in May The event celebrates cancer survivorship, helps increase awareness of cancer prevention and treatment, and raises funds for important cancer research and programs UVMC Center for Sports Medicine offers many services and programs throughout the year to the community In February, it held its annual Symposium The Sportsmetrics Knee Injury Reduction Program is designed to reduce the risk of injury and enhance performance for female athletes Also, offered for the ninth year, was Explosive Speed & Power for local athletes who want to improve speed, agility, vertical jump, strength, and flexibility These are just a few of the specialized programs that are offered</p>

Identifier	Return Reference	Explanation
PROGRAM SERVICES - CONTINUED	Part III, Line 4a	<p>The caring professionals of Upper Valley Medical Center have shown their commitment to the needs of the community through the annual United Way Fund campaign for many years. Employees demonstrate their commitment to the community by contributing to the local chapters of the United Way Fund in order to benefit the many important services provided by local agencies. The 2011 fund drive brought in over \$15,000 in contributions. Food pantries around the area reported an increase in requests. The Caring Plus Holiday Food Drive collected a record 657 food items for its annual event. Items were donated to the Bethany Center in Pi qua and St. Patrick Soup Kitchen in Troy, both of which provide food and other assistance for those in need in our communities. The hospital offers interpreters, at no cost to the patient, to serve hearing-impaired or non-English speaking patients.</p> <p>EDUCATION Both the Ohio Board of Nursing and the Ohio Counselor/Social Worker Board approved Upper Valley Medical Center as a provider of continuing education credits. This distinction enables the Education and Development Department to meet its responsibility to assist in the maintenance and improvement of healthcare education. This is significant for those in search of opportunities to maintain and improve their professional skills and fulfill educational needs and requirements. The department coordinates education programs, provides resources, satellite teleconferences, and provides continuing education credits for a variety of disciplines. The scope of the department's services includes coordination of Advanced Cardiac Life Support Education Fair, Continuing Education In-Services, CPR Nursing Orientation. Education on managing diabetes is available for inpatients and outpatients who have the disease. This department also teaches community diabetes classes and coordinates a support group. The subsidy for offering all of the above programs was \$426,000 in 2011. The Health Sciences Library, located on the Lower Level, is open to the public during normal business hours, or by making special arrangements with the librarian. A Health Education Center, adjacent to the Library, offers educational materials to help promote wellness and understanding about diseases. Information is available via computer, videos, and pamphlets. The subsidy for offering this service was \$67,000 in 2011. EMS Education provides initial training and continuing education that local EMS providers require. First Responder is a 40-hour program designed to fit the needs of those who are often "first-on-the-scene", such as police officers and industrial health personnel. A 130-hour class provides the foundation for pre-hospital care for a basic Emergency Medical Technician. Refresher classes are also offered for EMS levels. This program was subsidized by the hospital in the amount of \$96,000 in 2011. During 2011, Upper Valley Medical Center participated in the Project SEARCH program. This is a high school transition program, designed to provide training and education leading to employment for individuals with disabilities. Local Project SEARCH partners include UVMC, Upper Valley Career Center, Capabilities Inc., the Board of Developmental Disabilities in Miami and Shelby counties, and the state Bureau of Vocational Rehabilitation.</p> <p>RESEARCH PROGRAMS UVMC Cancer Care Center partners with the Dayton Clinical Oncology Program (DCOP). Clinical trials investigate cancer prevention and evaluate agents and drugs for the prevention of cancer. One type of study is a "chemo-prevention trial." This type of study is conducted by recruiting healthy, cancer-free individuals who are at risk for developing cancer. Chemo-prevention trials use medications, vitamins, and other substances which have been tested for preventing the development of a specific type of cancer. DCOP develops and investigates new drugs and new combinations of surgery, chemotherapy, and radiation treatments for cancer. UVMC is an active partner in these new treatment protocols. UVMC surgeons, oncologists, and radiation oncologists are active participants in DCOP trials both in patient recruitment and treatment. Our affiliation with DCOP provides cancer patients access to clinical trial protocols. As a result of this affiliation, our patients can receive the latest in cancer treatments and participate in clinical trials from several research bases such as NSABP Foundation, Southwest Oncology Group (SWOG), Radiation Therapy Oncology Group (RTOG), and MD Anderson Cancer Center. Through participation in clinical trials, cancer patients benefit from, as well as contribute to, how this disease is treated.</p> <p>AWARDS AND RECOGNITION UVMC has received many awards and recognitions that demonstrate our commitment to excellence, to our patients, and to our employees. The Department of Health and Human Services, Centers for Medicare & Medicaid Services issued a preview performance score report for the UVMC Dialysis Unit. The purpose of the</p>

Identifier	Return Reference	Explanation
PROGRAM SERVICES - CONTINUED	Part III, Line 4a	End Stage Renal Disease Quality Incentive report is to improve patient care by setting quality of care performance standards. Facilities failing to meet the quality of care performance standards may be subject to a payment reduction of up to two percent. The UVMC Dialysis Unit total performance score was 30 out of 30 possible points, meaning the unit will not incur any payment reduction in the next year. GROWTH AND ENHANCEMENTS Upper Valley Medical Center invested over \$16 million in important technological advancements to enhance the range of services offered. Highlights include: Implementation of EPIC (Electronic Medical Record), Expansion of Cancer Care Center, Purchase of equipment such as CT Scanner and Hemodialysis Machines, Renovation of Emergency Department for Behavioral Health Assessments, Upgrades to Information Systems. See Schedule H for more information.

Identifier	Return Reference	Explanation
DID THE ORGANIZATION HAVE MEMBERS OR STOCKHOLDERS?	PART VI, QUESTION 6	Upper Valley Medical Center has two members. One member is UVMC, the parent company of the hospital. The second member is Premier Health Partners, an Ohio nonprofit corporation, formed pursuant to the Joint Operating Agreement. UVMC has the sole authority to elect the Board of Trustees of the corporation. Premier Health Partners has the general authority to operate and manage the operations of the Premier Health Partners activities of the corporation.

Identifier	Return Reference	Explanation
MEMBERS/STOCKHOLDERS WHO MAY ELECT GOVERNING BODY MEMBERS	PART VI, QUESTION 7A	UVMC has the sole authority to elect the board of trustees for Upper Valley Medical Center (hospital) UVMC has the authority to remove trustees at any regular or special board meeting or by written consent In addition to removal by UVMC, a trustee may be removed from office with approval by UVMC, by the affirmative vote of not less than two-thirds of the entire board of trustees Premier Health Partners (PHP) has the right to request that UVMC remove a trustee of the corporation if PHP has determined that such trustee is frustrating the goals and purposes of the Premier Health Partners network Such request shall not be unreasonably refused by UVMC

Identifier	Return Reference	Explanation
APPROVAL OF GOVERNING BODY DECISIONS	PART VI, QUESTION 7B	Premier Health Partners (PHP) develops and oversees the implementation of the strategic plan for Upper Valley Medical Center (hospital), which addresses such matters as location of clinical and administrative services and the consolidation of such services. Hospital shall comply with and implement this plan and shall not take any action that materially departs from this plan without PHP approval. Hospital develops and submits an annual capital and operating budget to PHP for approval. Hospital shall adopt and implement the capital and operating budget so approved and/or revised for it by PHP. Hospital periodically develops and submits a business plan to PHP for approval. Hospital shall implement the business plan approved by PHP. PHP is the sole agent to negotiate all relationships with payors on behalf of hospital with all third party payors and alternative delivery systems including, but not limited to insurers. Hospital must have approval from PHP to borrow in any fiscal year, guarantee in any year, or incur any lien or other encumbrance on any property in an amount equal to or greater than \$500,000. Hospital must seek PHP approval for any acquisitions, sale or transfer of any material asset used in PHP activities.

Identifier	Return Reference	Explanation
REVIEW OF FORM 990	PART VI, SECTION B, LINE 11B	<p>The 990 tax return and attached schedules are prepared by staff members of the UVMC Finance department. Draft returns are reviewed by the Budget and Reimbursement Manager, Controller and Chief Financial Officer. After revisions are made, the draft returns are sent to Ernst & Young (E&Y) for review and evaluation. Review notes are made available by E&Y, changes are made, and then the returns are reviewed again by the finance management team. An electronic version of the return is provided to the UVMC Board of Directors at least one week prior to the board meeting. At that meeting, the Chief Financial Officer of UVMC presents detailed information on compensation and community benefits, as well as addresses questions from the board. The board then approves the return and associated schedules for filing. In addition, an electronic version is sent out at least one week prior to the Premier Health Partners (PHP) audit committee meeting. At the meeting, the Vice President/Controller of PHP shares detailed information on compensation and community benefits, as well as addresses any questions from the committee. The Audit Committee then approves the return and schedules for filing.</p>

Identifier	Return Reference	Explanation
CONFLICTS OF INTEREST PROCESS	PART VI, LINE 12C	<p>Premier Health Partners (PHP), of which Upper Valley Medical Center is included, requires all board members, officers, executives and management personnel to annually review the PHP Comprehensive Conflict of Interest Statement, an explanatory memorandum, the Antitrust Compliance Policy and complete an individual questionnaire disclosing any potential conflicts as defined in the Conflicts of Interest Policy. This is accomplished with a memo sent out annually from the Chairman of the Board and Chief Executive Officer of PHP to all board members, executive directors, management directors and above personnel, purchasing department staff and authorized purchasers. It also includes an explanatory memorandum of specific activities that might give cause to a conflict and an individual questionnaire to disclose all such activities. This questionnaire must be completed and signed by the individual. Last, this memo includes a copy of the Antitrust Compliance Policy that must be signed by the individual. All of these documents are sent to the Corporate Compliance Officer. The Corporate Compliance Department ensures all forms are returned and retains the documents for five years. In addition, at each meeting of the Board or any Board committee, following approval of the minutes, the Board Committee Chair shall request any board member who perceives a potential conflict of interest on any of the meeting's agenda items to disclose such conflict. Additionally, any Board or Board Committee meeting where the subject of conflicts of interest is discussed, the normally taken minutes shall contain the name of the party discussing a potential conflict of interest, the nature of the potential conflict of interest and whether a conflict of interest was found to exist. If a conflict of interest does exist, the board member will be excused from participating in any discussion or voting on the particular agenda item. The Corporate Compliance Officer reports the results of the PHP Conflicts of Interest questionnaires no less than annually to the Board of Trustees by way of the Compliance and Audit Committee. This review is documented in the minutes of the meeting. Periodically, the Internal Audit department will review a sample of completed Conflict of Interest questionnaires and report the results to the Compliance and Audit Committee. The annual conflicts of interest questionnaires are summarized by person in a word document and sent electronically to the Finance department for any necessary disclosures required on the 990 tax return.</p>

Identifier	Return Reference	Explanation
OFFICES & POSITIONS FOR WHICH PROCESS WAS USED, & YEAR PROCESS WAS BEGUN	PART VI, SECTION B, LINE 15A & 15B	<p>Premier Health Partners, of which UVMC is a part, follows a market-based compensation philosophy designed to attract and retain the executive talent required to meet the high performance standards of our board and our community. PHP annually reviews executive compensation survey data for a regional peer group of systems and hospitals that are similar in size and complexity to PHP and its subsidiaries. The data for the survey is provided by a third party consultant group that is independent of PHP. The report includes comparability for key executives, vice presidents and director level positions. The independent comparability data is reviewed by the executive compensation committee on an annual basis. This committee is comprised of three members, all of which are independent. This committee reviews in detail the compensation for the PHP CEO, COO, CFO, Chief Strategy Officer and the hospital CEOs. Other positions are reviewed at a high level for reasonableness. All the meeting minutes are documented and kept on file along with any comparability data and the consultant report. After the compensation committee reviews and approves the compensation actions, the process is audited by the internal audit department. The executive compensation committee presents the compensation actions to the PHP board annually.</p>

Identifier	Return Reference	Explanation
AVAILABILITY OF DOCUMENTS	PART VI, LINE 19	The governing documents, conflict of interest policy, and financial statements are made available to the public w hen required by law or for accreditation purposes

Identifier	Return Reference	Explanation
Other Changes in Net Assets	Part XI, Line 5	Pension Adjustment (12,690,391) Net Transfers with Affiliates (8,787,781) Unrealized Gain/(Loss) on Investments (907,395) Amortization of Investment Premiums/Discounts (383,222) Change in Foundation General Funds (184,915) Change in Foundation Restricted Funds 86,550 Change in Foundation Endow ment Funds 15,861 Change in Temporarily Restricted Funds (1,723) Other Changes 26,990 Total (22,826,026)

Identifier	Return Reference	Explanation
Supplemental Information on Tax-Exempt Bonds	Schedule K	<p>Schedule K, Part I, Line A, Column F - Purpose of Bond The bond issue of 06/29/2006 was used to currently refund the 1996A, 1996B and 1996C series bonds and to provide capital for hospital improvements and equipment purchases</p> <p>Schedule K, Part II, Line 3 - Total Proceeds of Issue Includes sale proceeds of \$57,502,248 plus \$1,473,860 earnings on Debt Service Reserve Fund and \$2,133,141 earnings on Project Fund</p> <p>Schedule K, Part II, Line 11 - Other Spent Proceeds Includes \$34,109,391 sale proceeds used to currently refund the 1996A, 1996B and 1996C bonds and \$1,507,260 of earnings on the Debt Service Reserve Fund used to pay debt service on the 2006 series bonds</p> <p>Schedule K, Part IV, Line 1 - Arbitrage An arbitrage rebate calculation and a yield restriction calculation were performed by a rebate analyst and it was determined that no arbitrage rebate or yield restriction liability were owed Therefore, Form 8038-T was not required to be filed</p> <p>Schedule K, Part IV, Line 5 - Gross Proceeds Invested Beyond an Available Temporary Period A portion of the proceeds received from the sale of the 2006 series bonds, and the earnings thereon, which were held in the Project Fund were not expended prior to June 29, 2009, the end of the three-year temporary period described in Treas Reg 1.148-2(e)(2) Those amounts were fully spent as of December 24, 2009 A yield restriction calculation was performed by a rebate analyst on the five-year anniversary date of the issuance of the 2006 series bonds and it was determined that no yield reduction payments were owed</p> <p>Schedule K, Part V - Procedures To Undertake Corrective Action While the organization does not have written procedures, the organization does have procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations</p>

Identifier	Return Reference	Explanation
AVERAGE HOURS PER WEEK	PART VII, SECTION A, COLUMN B	HOURS REPORTED FOR OFFICERS ARE SPREAD AMONG THE ENTITIES LISTED IN SCHEDULE R, PARTS II AND IV HOURS REPORTED FOR VICE PRESIDENTS OF PREMIER HEALTH PARTNERS (PHP) ARE SPREAD AMONG THE FOUR HOSPITALS IN PHP OF WHICH UPPER VALLEY MEDICAL CENTER IS A PART

Identifier	Return Reference	Explanation
Statement Pertaining to Form 5471		UNDER THE CONSTRUCTIVE OWNERSHIP RULES OF IRC SECTIONS 958(a) AND (b), THE TAXPAYER IS REQUIRED TO FILE FORMS 5471, INFORMATION RETURN OF U.S. PERSONS WITH RESPECT TO CERTAIN FOREIGN CORPORATIONS, AS A CATEGORY 5 FILER WITH RESPECT TO CERTAIN CONTROLLED FOREIGN CORPORATIONS (CFCs). THESE FILING REQUIREMENTS ARE OR WILL BE SATISFIED THROUGH THE FILING OF FORMS 5471 FOR THESE CFCs BY OTHER U.S. TAXPAYERS IDENTIFIED BELOW WHO HAVE THE SAME FILING REQUIREMENT. Samaritan Health Partners 110 North Main St, Suite 500 Dayton, OH 45402 EIN 31-1107411 THE FILING ORGANIZATION, UPPER VALLEY MEDICAL CENTER, IS NOT FILING A SEPARATE FORM 5471 - SCHEDULE I BECAUSE IT HAS NO INCOME FROM THE FOREIGN CORPORATION.

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

2011

Open to Public Inspection

Name of the organization
Upper Valley Medical Center

Employer identification number
31-0537095

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?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) UVMC MANAGEMENT CORPORATION 3130 NORTH COUNTY ROAD 25A TROY, OH 45373 31-1360489	MGT COMPANY	OH	UVMC	C CORP			
(2) After Hours Family Care Inc 31 Stanfield Rd Troy, OH 45373 31-1269483	Health Care	OH	UVPC	C Corp			

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

1

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

a

Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity

b

Gift, grant, or capital contribution to related organization(s)

c

Gift, grant, or capital contribution from related organization(s)

d

Loans or loan guarantees to or for related organization(s)

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

Lease of facilities, equipment, or other assets to related organization(s)

j

Lease of facilities, equipment, or other assets from related organization(s)

k

Performance of services or membership or fundraising solicitations for related organization(s)

l

Performance of services or membership or fundraising solicitations by related organization(s)

m

Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

Other transfer of cash or property to related organization(s)

r

Other transfer of cash or property from related organization(s)

Yes

No

1a

Yes

1b

Yes

1c

Yes

1d

No

1e

Yes

1f

No

1g

No

1h

No

1i

No

1j

Yes

1k

No

1l

Yes

1m

No

1n

No

1o

Yes

1p

Yes

1q

Yes

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)			

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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Software ID:
Software Version:
EIN: 31-0537095
Name: Upper Valley Medical Center

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 501(c)(3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization	
UVMC 3130 NORTH COUNTY ROAD 25A TROY, OH 45373 34-1850683	PARENT	OH	501(c)(3)	11, I	NA		No
UVMC Foundation 3130 North County Road 25A Troy, OH 45373 31-1581859	Foundation	OH	501(c)(3)	11, III-O	NA		No
Miami County Mental Health Center 3130 North County Road 25A Troy, OH 45373 26-0841036	MENTAL HEALTH	OH	501(c)(3)	9	UVMC	Yes	
Med-Terra Inc 3130 North County Road 25A Troy, OH 45373 31-1232074	HOLDING CO	OH	501(c)(2)	N/A	UVMC	Yes	
Premier Health Partners 40 West Fourth Street Dayton, OH 45402 31-1446699	JOA Parent	OH	501(c)(3)	11, I	NA		No
Upper Valley Professional Corporation 3130 North County Road 25A Troy, OH 45373 31-1400963	Health Care	OH	501(c)(3)	9	UVMC	Yes	
UVPC Specialists Inc 3130 North County Road 25A Troy, OH 45373 20-3687536	Health Care	OH	501(c)(3)	9	UVPC	Yes	
UVMC NURSING CARE INC 3130 NORTH COUNTY ROAD 25A TROY, OH 45373 31-1224064	NURSING HOME	OH	501(c)(3)	9	UVMC	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)	Med-Terra Inc	a (iv	2,085	FMV
(2)	Med-Terra Inc	b	1,800,000	Cash
(3)	Med-Terra Inc	f	1,653,400	FMV
(4)	Med-Terra Inc	j	767,515	FMV
(5)	Med-Terra Inc	o	235,878	CASH
(6)	Med-Terra Inc	p	212,880	FMV
(7)	UVMC Nursing Care Inc	p	57,771	fmv
(8)	Upper Valley Professional Corporation	a(iv)	16,000	FMV
(9)	Upper Valley Professional Corporation	b	7,100,000	Cash
(10)	Upper Valley Professional Corporation	e	3,650,000	Cash
(11)	Upper Valley Professional Corporation	p	1,688,144	FMV
(12)	Upper Valley Professional Corporation	q	303,452	Cash
(13)	Upper Valley Professional Corporation	r	1,750,000	Cash
(14)	UVPC Specialists Inc	l	104,000	FMV
(15)	UVPC Specialists Inc	p	67,210	FMV
(16)	UVMC	c	61,000	CASH
(17)	Miami County Mental Health Center	a(iv)	5,770	FMV
(18)	Miami County Mental Health Center	l	161,023	FMV
(19)	Miami County Mental Health Center	p	57,061	pmv
(20)	UVMC Management Corporation	l	683,785	fmv

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
(21)	UVMC Management Corporation	r	54,923	cash

Form

4562

Depreciation and Amortization
(Including Information on Listed Property)

OMB No 1545-0172

2011

Attachment
Sequence No 179

Department of the Treasury
Internal Revenue Service (99)

See separate instructions. Attach to your tax return.

Name(s) shown on return Upper Valley Medical Center	Business or activity to which this form relates GENERAL DEPRECIATION	Identifying number 31-0537095
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Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1 Maximum amount (see instructions)	1	\$ 500,000
2 Total cost of section 179 property placed in service (see instructions)	2	
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	3	\$ 2,000,000
4 Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	4	
5 Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	5	

6 (a) Description of property	(b) Cost (business use only)	(c) Elected cost	
7 Listed property Enter the amount from line 29	7		
8 Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	8		
9 Tentative deduction Enter the smaller of line 5 or line 8	9		
10 Carryover of disallowed deduction from line 13 of your 2010 Form 4562	10		
11 Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11		
12 Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	12		
13 Carryover of disallowed deduction to 2012 Add lines 9 and 10, less line 12	13		

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property) (See instructions)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15 Property subject to section 168(f)(1) election	15	
16 Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A		
17 MACRS deductions for assets placed in service in tax years beginning before 2011	17	6,610
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here		

Section B—Assets Placed in Service During 2011 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27 5 yrs	MM	S/L	
			27 5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

Section C—Assets Placed in Service During 2011 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV Summary (see instructions)

21 Listed property Enter amount from line 28	21	
22 Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	22	7,397
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V

Listed Property (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)
Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No						24b If "Yes," is the evidence written? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation/ deduction	(i) Elected section 179 cost	
25Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)							25		
26 Property used more than 50% in a qualified business use									
		%							
		%							
		%							
27 Property used 50% or less in a qualified business use									
		%				S/L -			
		%				S/L -			
		%				S/L -			
28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1						28			
29 Add amounts in column (i), line 26 Enter here and on line 7, page 1							29		

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person
If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

30 Total business/investment miles driven during the year (do not include commuting miles)	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
31 Total commuting miles driven during the year												
32 Total other personal(noncommuting) miles driven												
33 Total miles driven during the year Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

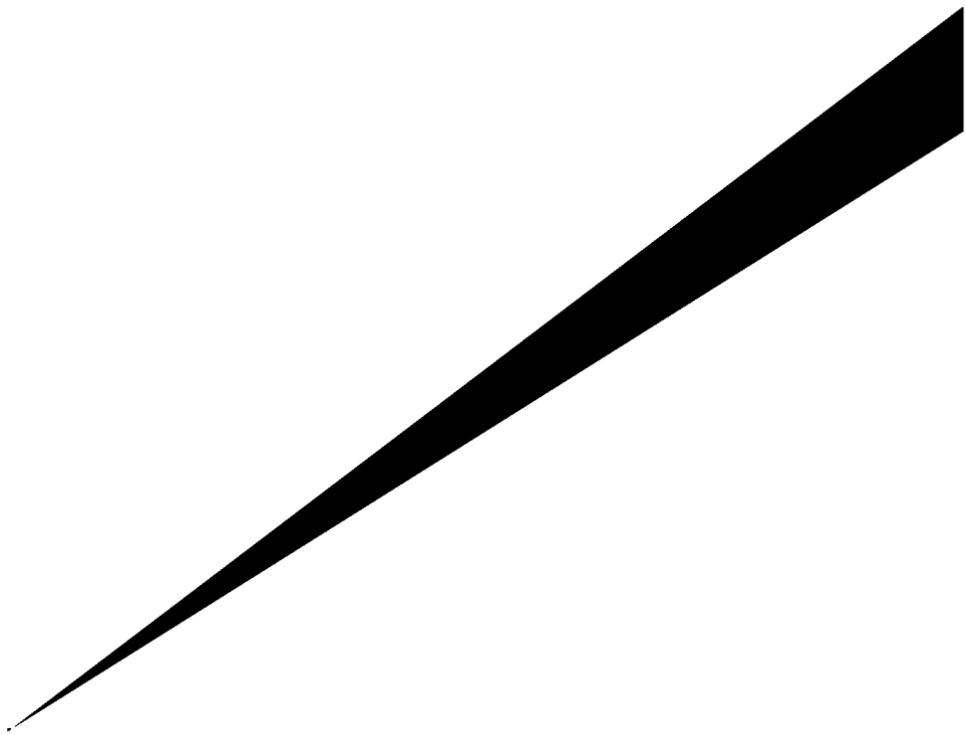
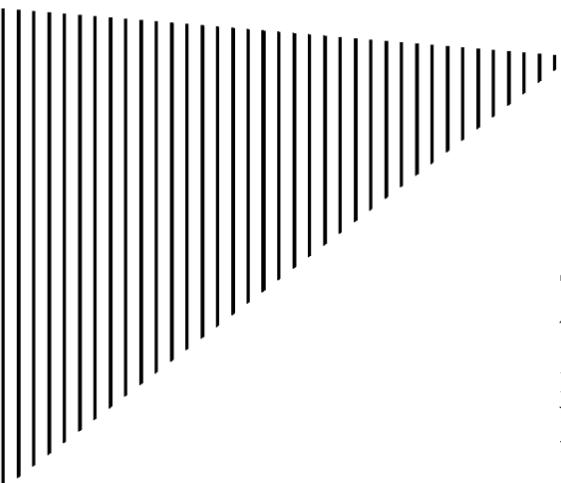
Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons (see instructions)

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	Yes	No
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions)		
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles		

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2011 tax year (see instructions)					
43 Amortization of costs that began before your 2011 tax year				43	
44 Total. Add amounts in column (f) See the instructions for where to report				44	



COMBINED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

Premier Health Partners
Years Ended December 31, 2011 and 2010
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

Premier Health Partners

Combined Financial Statements and Other Financial Information

Years Ended December 31, 2011 and 2010

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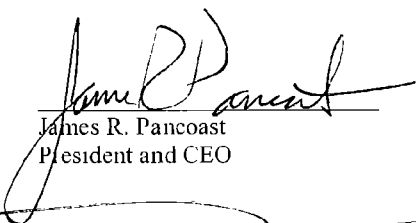
Statement of Management Responsibility

The accompanying combined financial statements of Premier Health Partners (PHP) for the years ended December 31, 2011 and 2010 were prepared by PHP's Management in conformity with generally accepted accounting principles appropriate in the circumstances.


Management of PHP is responsible for the integrity and objectivity of the financial statements, which are presented using the accrual basis of accounting and accordingly, include some amounts based on judgments and estimates. The accounting procedures and related system of internal control are designed to ensure the books and records reflect the transactions of PHP in accordance with established policies and procedures as implemented by qualified personnel. The system of internal control over financial reporting, including safeguarding of assets against unauthorized acquisition, use or disposition, is designed to provide reasonable assurance to PHP's Management and Board of Trustees regarding the preparation of reliable published financial statements and such asset safeguarding.

The Board of Trustees of PHP, through its Compliance and Audit Committee and Finance Committee, reviews the financial and accounting operations of PHP, including review and discussion of periodic financial statements, the evaluation and adoption of budgets, and the basis of engagement and reports of independent auditors.

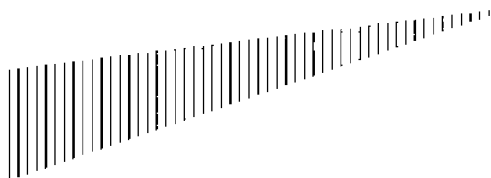
Ernst & Young, LLP, independent auditors, have audited the financial statements of PHP for the years ended December 31, 2011 and 2010, and their report thereon is included herein. The independent auditors meet with members of the Compliance and Audit Committee of the Board of Trustees of PHP, in the absence of Management personnel, to discuss the results of their audit and are afforded the opportunity to present their comments with respect to the quality of the financial reporting of PHP.



James R. Pancoast
President and CEO



Thomas M. Duncan
Vice President and CFO



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Report of Independent Auditors

The Board of Trustees
Premier Health Partners

We have audited the accompanying combined balance sheets of Premier Health Partners and Affiliates (PHP) as of December 31, 2011 and 2010, and the related combined statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of PHP's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of PHP's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PHP's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Premier Health Partners and Affiliates at December 31, 2011 and 2010, and the combined results of their operations and changes in net assets, and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The unaudited community benefit information in Note M is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic combined financial statements, and accordingly, we do not express any assurances on such information.

Ernst & Young LLP

March 20, 2012

Premier Health Partners and Affiliates

Combined Balance Sheets (Dollars in Thousands)

	December 31	
	2011	2010
Assets		
Current assets		
Cash and short-term investments	\$ 82,163	\$ 67,521
Accounts receivable, net of allowances for doubtful accounts and charity care of \$208,845 and \$163,245, at December 31, 2011 and 2010, respectively	230,868	215,076
Inventories	15,423	12,467
Prepaid expenses	18,092	15,362
Assets limited as to use (Note B)	5,053	244,584
Estimated receivable from third parties	1,896	1,000
Other current assets	34,317	51,205
Total current assets	387,812	607,215
Assets limited as to use (Notes A and B)		
Board-designated investments	879,785	518,904
Other investments	121,405	120,492
Assets limited as to use	1,001,190	639,396
Property, plant and equipment, net (Note D)	1,201,705	1,170,943
Prepaid pension asset (Note H)	—	13,838
Intangible assets, net (Note L)	34,861	32,131
Other assets	58,008	56,657
Total assets	\$ 2,683,576	\$ 2,520,180

Premier Health Partners and Affiliates

Combined Balance Sheets (Continued)

(Dollars in Thousands)

	December 31	
	2011	2010
Liabilities and net assets		
Current liabilities		
Accounts pay able	\$ 66,521	\$ 64,616
Accrued expenses	82,870	78,896
Current portion of long-term debt <i>(Note G)</i>	22,293	26,032
Short-term debt <i>(Note G)</i>	5,053	244,584
Estimated pay able to third parties	11,468	13,133
Other current liabilities	37,912	41,732
Total current liabilities	226,117	468,993
Long-term debt, less current portion <i>(Note G)</i>	780,568	446,688
Reserve for professional liability <i>(Note F)</i>	49,668	44,245
Pension obligation <i>(Note H)</i>	187,957	122,275
Interest rate swap liability <i>(Note I)</i>	48,751	12,293
Other liabilities	60,218	58,107
Total liabilities	1,353,279	1,152,601
Net assets		
Unrestricted	1,284,983	1,327,042
Temporarily restricted	21,244	17,621
Permanently restricted	24,070	22,916
Total net assets	1,330,297	1,367,579
Total liabilities and net assets	<u>\$ 2,683,576</u>	<u>\$ 2,520,180</u>

See accompanying notes

Premier Health Partners and Affiliates

Combined Statements of Operations and Changes in Net Assets
(Dollars in Thousands)

	Year Ended December 31	
	2011	2010
Operating revenue		
Net patient revenue	\$ 1,738,763	\$ 1,617,636
Other operating revenue/income	70,293	54,790
Joint venture profits	8,265	5,597
Total operating revenue	<u>1,817,321</u>	<u>1,678,023</u>
Operating expenses		
Salaries and wages	726,811	681,913
Employee benefits	174,740	157,618
Supplies	300,094	285,581
Purchased services, insurance and other	301,788	293,446
Hospital franchise tax	8,430	8,842
Depreciation and amortization	130,849	111,483
Interest	29,324	24,024
Bad debt	43,584	35,959
Total operating expenses	<u>1,715,620</u>	<u>1,598,866</u>
Income from operations before asset impairment	101,701	79,157
Asset impairment (Note E)	(812)	(7,966)
Income from operations	<u>100,889</u>	<u>71,191</u>
Nonoperating (losses) gains, net (Note J)	<u>(56,383)</u>	<u>51,284</u>
Excess of revenue over expenses	\$ 44,506	\$ 122,475

Continued on next page

Premier Health Partners and Affiliates

Combined Statements of Operations and Changes in Net Assets (continued)

(Dollars in Thousands)

	Year Ended December 31	
	2011	2010
Change in net assets		
Excess of revenue over expenses	\$ 44,506	\$ 122,475
Transfer to affiliates	(4,825)	(4,089)
Pension adjustment	(81,857)	7,601
Net gains on temporarily restricted net assets, permanently restricted net assets and other	4,894	3,533
(Decrease) increase in net assets	(37,282)	129,520
Net assets at beginning of year	1,367,579	1,238,059
Net assets at end of year	<u>\$ 1,330,297</u>	<u>\$ 1,367,579</u>

See accompanying notes

Premier Health Partners and Affiliates

Combined Statements of Cash Flows (Dollars in Thousands)

	Year Ended December 31	
	2011	2010
Operating activities		
(Decrease) increase in net assets	\$ (37,282)	\$ 129,520
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	130,849	111,483
Bad debt	43,584	35,959
Asset impairment	812	7,966
Change in the valuation of swap agreement liability	37,430	6,539
Pension adjustment	81,857	(7,601)
Unrealized losses (gains) on assets limited as to use	22,523	(28,628)
(Gain) loss on sale of assets	(68)	196
Net change in assets and liabilities		
Accounts receivable	(58,746)	(26,836)
Net increase in assets limited as to use	(144,786)	(39,870)
Other assets	23,593	(35,526)
Accounts payable and other accruals	(3,555)	2,458
Estimated payable to third parties	(2,561)	3,430
Other liabilities	(7,573)	18,617
Net cash provided by operating activities	86,077	177,707
Investing activities		
Proceeds from the sale of assets, net of closing costs	16,129	553
Purchase of health care business, net of cash acquired	(3,264)	—
Purchases of property, plant, and equipment	(169,050)	(159,865)
Net cash used for investing activities	(156,185)	(159,312)
Financing activities		
Proceeds from issuance of debt	190,120	96,105
Proceeds from issuance of swap agreements	6,754	—
Repayment of lines of credit	—	(1,713)
Repayment of long-term debt and capital leases	(105,370)	(136,613)
Repayment upon settlement of swap agreements	(6,754)	—
Net cash provided by (used) for financing activities	84,750	(42,221)
Increase (decrease) in cash and short-term investments	14,642	(23,826)
Cash and short-term investments at beginning of year	67,521	91,347
Cash and short-term investments at end of year	\$ 82,163	\$ 67,521

See accompanying notes

Premier Health Partners and Affiliates

Notes to Combined Financial Statements

December 31, 2011 and 2010

A. Organization and Significant Accounting Policies

Premier Health Partners exists under a Joint Operating Agreement (the Agreement) between MedAmerica Health Systems Corporation (MAHS), Miami Valley Hospital (MVH), Samaritan Health Partners (SHP), Catholic Health Initiatives (CHI), a tax-exempt organization and sole corporate member of SHP, Good Samaritan Hospital (GSH), Atrium Health System (AHS), Atrium Medical Center (AMC), UVMC and Controlled Affiliates (UVMC), and Upper Valley Medical Center. The Agreement provides for the creation of Premier Health Partners (PHP), a not-for-profit corporation, to operate and jointly manage MAHS, SHP, AHS, and UVMC (the Affiliates).

The combined financial statements include the results of the Affiliates and their respective subsidiaries. Within these notes, PHP will refer to all of its Affiliates, respectively, and altogether, unless the context indicates otherwise. Discussions or areas of these notes that specifically pertain to only MAHS, SHP, AHS, or UVMC will clearly be noted in the section.

The combined PHP revenues over expenses, as defined by the Agreement, is allocated 55.4% to MAHS, 31.1% to SHP, 6.5% to AHS, and 7.0% to UVMC in the income allocation process. For 2011, the income allocation was \$13.2 million for MAHS, \$(12.6) million for SHP, \$6.6 million for AHS, and \$(7.2) million for UVMC. For 2010, the income allocation was \$(22.5) million for MAHS, \$10.9 million for SHP, \$19.0 million for AHS, and \$(7.4) million for UVMC. These amounts are eliminated upon combination of MAHS, SHP, AHS, and UVMC into PHP. The Foundations supporting all four organizations and other certain amounts as defined in the Agreement are excluded from the income allocation process.

PHP Affiliates

MedAmerica Health Systems

MAHS was incorporated in 1982 for the purpose of conducting activities that will promote health care and education services in the greater Dayton area and surrounding counties in southwestern Ohio.

MAHS includes the accounts of MedAmerica Health Systems Corporation and its subsidiaries (collectively, MAHS). Consolidated subsidiaries include MVH, Premier Health Specialists, Inc. (formerly Health Specialists of Dayton, Inc.) and Premier Community Health, MVHE, Inc., Fidelity Health Care, Miami Valley Hospital Foundation, and Dialysis Centers of Dayton, LLC.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

A. Organization and Significant Accounting Policies (continued)

Samaritan Health Partners

SHP was incorporated in 1983 for the purpose of conducting activities that will promote health care in the Greater Dayton area and surrounding counties in southwestern Ohio. As an active sponsoring congregation of CHI (accepting the mission and vision of CHI), the Sisters of Charity hold certain reserve powers for the governance of CHI.

SHP includes the accounts of Samaritan Health Partners and its subsidiaries. Consolidated subsidiaries include GSH, Samaritan North Surgery Center and The Heart Institute of Dayton, Samaritan Family Care, Good Samaritan Hospital Foundation – Dayton (formerly Samaritan Health Foundation) and Samaritan Behavioral Health.

Atrium Health System

AHS was incorporated in 1983 for the purpose of conducting activities that will promote health care in the Middletown area and surrounding counties in southwestern Ohio.

Consolidated subsidiaries include AMC, AMC Primary Care, Atrium Medical Center Foundation and Middletown Surgery Center, LLC.

UVMC and Controlled Affiliates

UVMC was incorporated in 1997 for the purpose of conducting activities that will promote health care in the Miami and surrounding county area.

UVMC includes the accounts of UVMC and its subsidiaries. Consolidated subsidiaries include Upper Valley Medical Center, Miami County Mental Health Center, UVMC Nursing Care, Inc., Med Terra, Inc., UVMC Management Corporation, Upper Valley Professional Corporation, After Hours Family Care, Inc., and UVPC Specialists, Inc.

Principles of Combination

The combined financial statements of PHP include the accounts of MAHS, SHP, AHS, and UVMC along with their subsidiaries. PHP prepares consolidated financial statements at each Affiliate in accordance with generally accepted accounting principles (GAAP) in the United States of America and are recorded on the accrual basis of accounting. The Affiliates have

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

A. Organization and Significant Accounting Policies (continued)

various ownership interests in joint ventures, which at the combined level of PHP are 50% or less and are not consolidated in the PHP financial statements. These investments are accounted for using the equity method of accounting and are included in other assets on the balance sheets. All material intercompany accounts and transactions are eliminated between affiliates upon combination of the PHP financial statements to focus on the entity as a whole.

Estimates and Judgments

The preparation of financial statements in conformity with GAAP requires PHP to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the combined financial statements, and the revenue and expenses of the period reported. PHP records liabilities for probable estimated losses based on the likelihood that the future event or events will confirm the loss or impairment of an asset or the incurrence of a liability. The existence of a loss contingency can range from probable to remote. An estimated loss from a loss contingency shall be accrued if both information available prior to the issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability had been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. PHP evaluates the potential liability related to probable losses throughout the year and may revise its estimates. Judgments and uncertainties affecting the application of these estimates may result in materially different amounts being reported under different conditions or circumstances that may affect the financial condition and results of operations. Significant items subject to such estimates and judgments include contractual allowances and the valuation of allowances for accounts receivables, the carrying value of property, plant and equipment, the valuation of investments, interest rate swaps and intangibles, the valuation of insurance and claims costs, and reserves recorded for litigation, other contingencies, assets, and liabilities related to employee benefits.

Claims and Contingencies

In the normal course of business, PHP is subject to various lawsuits, actions, proceedings, claims, and other matters asserted under laws and regulations. Management believes the amounts recorded in its combined financial statements, as prescribed by GAAP, are adequate in light of the probable and estimable contingencies. However, there can be no assurances that the actual amounts required to satisfy alleged liabilities from various legal proceedings, claims, and other matters, and to comply with applicable laws and regulations, will not exceed the amounts

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

A. Organization and Significant Accounting Policies (continued)

reflected in its combined financial statements. As such, costs, if any, that may be incurred in excess of those amounts provided as of December 31, 2011, cannot be reasonably determined (see Note F)

Recently Adopted Accounting Pronouncements

In August 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU"), Health Care Entities (Topic 954) *Measuring Charity Care for Disclosure (ASU 2010-23)*, which requires a company in the healthcare industry to use its direct and indirect costs of providing charity care as the measurement basis for charity care disclosures. This ASU also requires additional disclosures of the method used to determine such costs. PHP and its affiliates adopted this ASU during 2011. The adoption of this ASU did not have a material impact on its combined balance sheets, statements of operations or cash flows but did require additional disclosures in its financial statements.

In August 2010, the FASB issued ASU 2010-24, Health Care Entities (Topic 954) *Presentation of Insurance Claims and Related Insurance Recoveries*, which provides clarification to companies in the healthcare industry on the accounting for professional liability insurance. This ASU states that receivables related to insurance recoveries should not be netted against the related claim liability and such claim liabilities should be determined without considering insurance recoveries. This ASU is effective for fiscal years beginning after December 15, 2010 and was adopted by PHP and its affiliates during 2011. The adoption of this ASU did not have a material impact on its combined balance sheet, statement of operations or cash flows.

In September 2011, the FASB issued ASU 2011-08, Intangibles – Goodwill and Other (Topic 350), *Testing Goodwill for Impairment (ASU 2011-08)*, which modifies how entities test goodwill for impairment. Previous guidance required an entity to perform a two-step goodwill impairment test at least annually by comparing the fair value of a reporting unit with its carrying amount, including goodwill, and recording an impairment loss if the fair value is less than the carrying amount. This ASU allows an entity to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity determines after that assessment that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

A. Organization and Significant Accounting Policies (continued)

not required. This ASU is required to be applied to interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011, but early adoption of this ASU is permitted. PHP and its affiliates adopted this ASU during 2011 and the adoption of this ASU did not have a material impact on its combined financial position, results of operations or cash flows.

Pending Accounting Pronouncements

In July 2011, the FASB issued ASU 2011-07, Health Care Entities (Topic 954) *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which requires health care entities to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue in the statement of operations rather than as an operating expense. This ASU is effective for fiscal years beginning after December 15, 2011, and will be adopted by PHP and its affiliates in the first quarter of fiscal 2012. Additional disclosures relating to a company's sources of patient revenue and its allowance for doubtful accounts related to patient accounts receivable will also be required. The adoption of this ASU is not expected to have any impact on PHP's financial condition, overall results of operations or cash flows. Upon adoption of this ASU, PHP will reclassify the provision for bad debts related to patient service revenue as a deduction from patient service revenue.

Cash and Short-Term Investments

PHP considers all highly liquid investments with a maturity of three months or less when purchased to be cash and short-term investments, excluding the short-term investments within assets limited as to use.

Net Patient Accounts Receivable and Net Patient Revenues

Net patient accounts receivable and net patient revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

A. Organization and Significant Accounting Policies (continued)

Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. PHP management recognizes bad debt expense and the allowance for doubtful accounts based upon historical experience. After satisfaction of amounts due from insurance, established guidelines related to past due balances are followed. Recoveries on previously written off receivables are netted against the bad debt expense in the year of the recovery.

Charity Care

In August 2010, the FASB issued ASU 2010-23, which requires a company in the healthcare industry to use its direct and indirect costs of providing charity care as the measurement basis for charity care disclosures. In the ordinary course of business, PHP renders services to patients who are financially unable to pay for hospital care. Included in deductions from revenue is the value (at PHP's standard charges) of these services to patients who are unable to pay that is eliminated from net operating revenues when it is determined they qualify under PHP's charity care policy. The estimated cost incurred by PHP to provide these services to patients who are unable to pay was approximately \$90.0 million and \$82.5 million for the years ended December 31, 2011 and 2010, respectively. The estimated cost of these charity care services was determined using a ratio of cost to gross charges and applying that ratio to the gross charges associated with providing care to charity patients for the period. Gross charges associated with providing care to charity patients includes only the related charges for those patients who are financially unable to pay and qualify under PHP's charity care policy and that do not otherwise qualify for reimbursement from a governmental program.

PHP received charity care subsidies of \$31.5 million and \$29.4 million for the years ended December 31, 2011 and 2010, respectively, which were recognized as a component of net patient revenue in the combined statements of operations and changes in net assets. Charity care subsidies are comprised of the Ohio Hospital Care Assurance program, and the Montgomery County Home Service Levy.

Inventories

Inventories, carried at average cost, include pharmacy and other medical supplies that are used in the hospital operations.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

A. Organization and Significant Accounting Policies (continued)

Intangible Assets

Intangible assets consist of goodwill and other identifiable intangible assets such as noncompete agreements. Definite lived intangible assets will be amortized over the estimated lives. Amortization is calculated using the straight-line method, which allocates the cost over the estimated useful lives of 3–5 years. Effective January 1, 2010, PHP adopted ASU 2010-07, *Not-for-Profit Entities (Topic 958) Mergers and Acquisitions*, and as a result of this adoption goodwill was no longer amortized and under this guidance is tested annually for impairment. During 2011, PHP adopted ASU 2011-08, which modifies how entities may test goodwill for impairment. This ASU allows an entity to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity determines after that assessment that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is not required. PHP performed the qualitative assessment effective October 1, 2011, its annual goodwill evaluation test date, and the evaluation led management to the determination that no events or circumstances existed to conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

Assets Limited as to Use

MedAmerica Health Systems and Atrium Health System

PHP created a collective investment program in which MAHS and AHS participate.

Investments consist of cash and cash equivalents, equity securities, mutual funds, corporate and other bonds, U.S. government securities, and alternative investments in limited liability companies and hedge funds.

The carrying value of hedge funds and limited liability companies, collectively alternative investments, are based on valuations provided by the administrators of the specific financial instruments. Alternative investments are accounted for using the equity method of accounting based on the net asset value (NAV) provided by the administrators. The underlying investments in these financial instruments may include marketable debt and equity securities, commodities, foreign currencies, derivatives, and private equity investments. The underlying investments are subject to various risks including market, credit, liquidity and foreign exchange risk. MAHS and

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

A. Organization and Significant Accounting Policies (continued)

AHS believe the carrying amount of these financial instruments in the combined balance sheets is a reasonable estimate of its ownership interest in the alternative investments. Because some of these financial instruments are not readily marketable, the estimated carrying value is subject to uncertainty and, therefore, may differ from the value that would have been used had a public market for such financial instruments existed. Such differences could be material. MAHS and AHS's risk related to alternative investments is limited to its carrying value.

Some of MAHS and AHS's alternative investments have liquidity restrictions, meaning amounts can be divested only at specific times based on the terms of the respective partnership agreements.

Gains and losses consist of realized gains and losses on the sale of investments, the market valuation changes in investments, as well as dividend and interest income. These gains and losses are included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Investment income that is restricted by donor or law is included in the changes in temporarily or permanently restricted net assets, as appropriate. Changes in unrealized gains and losses on investments that have been designated as trading securities are also included in the excess of revenue over expenses as investment income or loss.

Certain general resources are designated by the governing board for capital and other expenditures or are limited under the terms of the bond indenture and are reported as noncurrent assets on the combined balance sheets. In addition, the trust fund, which provides funds for professional liability claims under a self-insurance program, is recorded as an asset limited as to use.

The global financial markets and the banking system are subject to volatility which could adversely impact MAHS and AHS. Certain MAHS and AHS assets and liabilities are exposed to various risks such as interest rate, market, and credit risks.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

A. Organization and Significant Accounting Policies (continued)

Samaritan Health Partners

Assets limited as to use include assets set aside for future long-term purposes, including capital improvements and amounts contributed by donors with stipulated restrictions. A portion of SHP's assets limited as to use are held in the CHI Investment Program (the Program). The Program is structured under a Limited Partnership Agreement with CHI, as managing general partner and numerous limited partners, most sponsored by CHI. All assets limited as to use in the Program are professionally managed under the administration of CHI. These investments are represented by pooled units rather than specific securities. These proportionate units are accounted for under the equity method of investments, which are not subject to fair value measurement. For the years ended December 31, 2011 and 2010, SHP held 3.5% and 2.6% of the total CHI Investment Program, respectively.

The CHI investment portfolio that SHP participates in includes derivative financial instruments that are subject to moderate changes in value due to fluctuations in the financial markets. CHI has not designated its derivative financial instruments related to marketable securities as hedges as defined by Accounting Standards Codification (ASC) Topic 815 – *Derivatives and Hedging*. Accordingly, the change in fair value of derivative financial instruments is recognized as a component of nonoperating investment income.

Assets limited as to use and investments held outside the CHI Investment Program include cash and short-term investments, equity securities, mutual funds, corporate and other bonds, and U.S. government securities.

Gains and losses consist of realized gains and losses on the sale of investments, the market valuation changes in investments, as well as dividend and interest income. These gains and losses are included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Investment income that is restricted by donor or law is included in the changes in temporarily or permanently restricted net assets, as appropriate. Changes in unrealized (losses) gains on investments that have been designated as trading securities are also included in the excess of revenue over expenses as nonoperating (losses) gains.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

A. Organization and Significant Accounting Policies (continued)

SHP participates in PHP's collective investment program relating to its self-insurance program for professional liability claims. These trust assets provide funds for professional liability claims under a self-insurance program and are reported as an asset limited as to use.

Certain general resources are designated by the governing board for capital and other expenditures or are limited under the terms of the bond indenture and are reported as noncurrent assets on the combined balance sheets.

The global financial markets and the banking system are subject to volatility which could adversely impact SHP. Certain SHP assets and liabilities are exposed to various risks such as interest rate, market, and credit risks.

UVMC

Assets limited as to use consist of assets under revenue bond documents, investments designated by the governing board for capital and other expenditures, accrued interest, and interest in the net assets of the UVMC Foundation, which is held by the donor. These assets include cash and short-term investments, mutual funds, corporate and other bonds, U.S. government securities, and alternative investments in hedge funds. The amounts recorded under revenue bond documents represent UVMC's interest in the combined assets held by the trustee of UVMC.

The carrying value of the hedge funds are based on valuations provided by the administrators of the specific financial instruments. Alternative investments are accounted for using the equity method of accounting based on the net asset value (NAV) provided by the administrators. The underlying investments in these financial instruments may include marketable debt and equity securities, commodities, foreign currencies, derivatives, and private equity investments. The underlying investments are subject to various risks including market, credit, liquidity, and foreign exchange risk. UVMC believes the carrying amount of these financial instruments in the combined balance sheets is a reasonable estimate of its ownership interest in the alternative investments. Because these financial instruments are not readily marketable, the estimated carrying value is subject to uncertainty and, therefore, may differ from the value that would have been used had a public market for such financial instruments existed. Such differences could be material. UVMC's risk related to alternative investments is limited to its carrying value.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

A. Organization and Significant Accounting Policies (continued)

Gains and losses consist of realized gains and losses on the sale of investments, the market valuation changes in investments, as well as dividend and interest income. These gains and losses are included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Investment income that is restricted by donor or law is included in the changes in temporarily or permanently restricted net assets, as appropriate. Changes in unrealized gains and losses on investments that have been designated as trading securities are also included in the excess of revenue over expenses as investment income or loss.

UVMC classifies certain investments as other-than-trading securities. Unrealized gains and losses on other-than-trading securities are excluded from the excess of revenues over expenses and are reported as a change in unrestricted net assets. A decline in the fair value of an other-than-trading security below its cost that is designated to be other-than-temporary is recognized through an impairment charge. The impairment charge, if any, is included in the excess of revenues over expenses in the combined statements of operations and changes in net assets, and a new cost basis is established.

UVMC participates in PHP's collective investment program mentioned above for the trust assets relating to its self-insurance program for professional liability claims. These trust assets provide funds for professional liability claims under a self-insurance program and are reported as an asset limited as to use.

The entire investment portfolio of the UVMC Foundation, which is included in unrestricted, temporarily restricted, and permanently restricted net assets, is classified as trading securities.

The global financial markets and the banking system are subject to volatility which could adversely impact UVMC. Certain UVMC assets and liabilities are exposed to various risks such as interest rate, market, and credit risks.

Fair Value Measurements

PHP follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC), 820 *Fair Value Measurements and Disclosure* (ASC 820), which 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 and establishes a

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

A. Organization and Significant Accounting Policies (continued)

framework for measuring fair value. ASC 820 defines a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

ASC 820 emphasizes that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing an asset or liability. As a basis for considering market participant assumption in fair value measurements, and as noted above, ASC 820 defines a three-level fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participants. The fair value hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – inputs utilize quoted market prices in active markets for identical assets or liabilities
- Level 2 – inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset and liability (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals
- Level 3 – inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

A. Organization and Significant Accounting Policies (continued)

In order to meet the requirements of ASC 820, PHP utilizes three basic valuation approaches to determine the fair value of its assets and liabilities required to be recorded at fair value. The first approach is the cost approach. The cost approach is generally the value a market participant would expect to pay to replace the respective asset or liability. The second approach is the market approach, which looks at how a market participant would value an exact or similar asset or liability to that of PHP, including those traded on exchanges. The third approach is the income approach. The income approach uses estimation techniques to determine the estimated future cash flows of PHP's respective asset or liability expected by a market participant and discounts those cash flows back to present value (more typically referred to as a discounted cash flow approach).

Property, Plant and Equipment

Property, plant and equipment is stated at historical cost or, if donated, fair value at the date of receipt. Depreciation and amortization is calculated on a straight-line basis over the estimated asset lives. Depreciation taken on assets recorded as capital leases is included as a component of allowances for depreciation and depreciation expense in the combined balance sheets and operations, respectively. Interest on construction in progress is capitalized and amortized over the estimated lives of the related depreciable assets.

The carrying value of long-lived assets is annually reviewed by PHP for indicators of impairment or whenever events or changes in circumstances indicate that a potential impairment has occurred.

For long-lived assets held for sale, an impairment charge is recorded if the carrying amount of the asset exceeds its fair value less costs to sell. Such valuations include estimations of fair values and incremental direct costs to transact a sale. PHP classifies a long-lived asset as held for sale when it ceases to be used and it is probable that a sale will be completed within one year (see Note E).

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

A. Organization and Significant Accounting Policies (continued)

Financial Derivative Instruments

Certain PHP Affiliates have entered into various interest rate swap agreements, which convert a portion of its floating rate debt to fixed rates. The relationships between hedging instruments and hedge items are formally documented, as well as its risk management objectives and strategies for undertaking the transactions. The swap valuation reflects the contractual terms, including the period to maturity, and uses observable market-based inputs (see Note I).

Description of Net Assets

Temporarily restricted net assets are those whose use by PHP has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by PHP in perpetuity. Temporary restricted net assets that have met their restriction and the income from permanently restricted net assets are expendable primarily to support health care services and capital needs.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined statements of operations and changes in net assets.

Functional Expenses

PHP provides general health care services to residents within their geographic location. The total expenses were \$1.716 million during 2011 and \$1.599 million during 2010. General and administrative expenses were \$229.6 million during 2011 and \$215.8 million during 2010.

Medicare and Medicaid Reimbursement Activities

Reimbursement for the majority of Medicare and Medicaid inpatient services is based on a prospectively determined fixed price, which varies based on the illness or diagnostic related group (DRG). PHP receives reimbursement for Medicare outpatient services on a prospective basis and Medicaid on a fixed fee basis. Amounts earned under these contractual arrangements are subject to review and final determination by Medicare and Medicaid intermediaries and other

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

A. Organization and Significant Accounting Policies (continued)

appropriate governmental authorities or their agents and may be adjusted in future periods as settlements are determined. The estimated payable due from (to) third parties includes an amount representing management's best estimate of the ultimate resolution of these matters. During 2011 and 2010, PHP settled prior years' Medicare and Medicaid liabilities for amounts less than previously estimated. The effect of these settlements was recognition of net revenue of \$4.6 million in 2011 and \$3.5 million in 2010. In the opinion of management, adequate provision has been made in the financial statements for any adjustments resulting from the respective intermediary reviews.

Revenue from the Medicare and Medicaid programs accounted for 34.7% and 14.1%, respectively, of PHP's net patient revenue for the year ended December 31, 2011. Revenue from the Medicare and Medicaid programs accounted for 35.6% and 13.5%, respectively, of PHP's net patient revenue for the year ended December 31, 2010.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is a reasonable possibility that recorded estimates may change by a material amount. If they occur, changes in prior years' estimates will be recorded through the current year's net patient revenue.

Medicare and Medicaid Incentive Payment Program

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement or upgrade certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments. PHP accounts for HITECH incentive payments as a gain contingency. Income from Medicare incentive payments is recognized as other operating revenue after PHP has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period and the 12-month cost report period that will be used to determine the final incentive payment has ended.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

A. Organization and Significant Accounting Policies (continued)

PHP recognizes other operating revenue from Medicaid incentive payments after it has demonstrated compliance with the meaningful use criteria. At December 31, 2011, Premier Health Partners had received \$13.6 million in incentive payments and recorded a receivable for \$2.5 million. These amounts are included in other operating revenue in the accompanying combined statements of operations and changes in net assets. Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit.

Additionally, PHP's compliance with the meaningful use criteria is subject to audit by the federal government.

Hospital Franchise Tax

During 2011 and 2010, PHP recorded as expense \$8.4 million and \$8.8 million, respectively, for the hospital franchise tax.

Excess of Revenue Over Expenses

The combined statements of operations and changes in net assets include the line excess of revenue over expenses which represents the operating indicator for PHP. Consistent with industry practice, changes in net assets which are excluded from the excess of revenue over expenses include transfer to affiliates, pension adjustment, and net gains on temporary restricted net assets, permanently restricted net assets and other.

Income Taxes

PHP is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. As such, there is no income tax liability recorded at December 31, 2011 and 2010. In addition, management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the combined financial statements. MAHS, SHP, AHS, and UVMC and their respective subsidiaries are a group of corporations that are tax-exempt corporations under Section 501(c)(3) of the Internal Revenue Code except for the following subsidiaries, which are for-profit corporations subject to federal income taxes:

- MVHE, Inc. and Premier Health Specialists, Inc. (formerly Health Specialists of Dayton, Inc.) (subsidiaries of MAHS)
- Samaritan Family Care (subsidiary of SHP) and Samaritan North Surgery Center Limited (a joint-venture partnership of which SHP is an 80% owner)

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

A. Organization and Significant Accounting Policies (continued)

- Middletown Surgery Center, LLC (a joint-venture partnership of which AHS is an 80.5% owner). (subsidiary of AHS)
- UVMC Management Corporation and After Hours Family Care, Inc. (subsidiaries of UVMC)

Reclassification

Certain financial statement line items have been reclassified to conform to the current year's presentation

B. Assets Limited as to Use

Assets limited as to use consist of the following as of December 31, 2011

	MAHS	SHP	AHS	UVMC	Combined PHP
	<i>(Dollars in Thousands)</i>				
Cash and short-term investments	\$ 94,009	\$ 846	\$ 16,141	\$ 4,905	\$ 115,901
Equity securities	18,715	17	3,342	5,618	27,692
Mutual fund					
Domestic large cap	86,398	—	15,090	33,541	135,029
Domestic small cap	25,240	3,445	5,157	12,012	45,854
International	53,103	—	9,275	16,832	79,210
Fixed income	—	—	—	30,918	30,918
Corporate and other bonds					
Corporate and other bonds	61,136	6,916	12,213	28,082	108,347
Asset-backed securities	40,450	4,849	8,119	3,035	56,453
U.S. government securities					
U.S. government securities	30,696	1,609	4,965	1,987	39,257
U.S. government agencies	41,466	1,157	7,494	18,614	68,731
Alternative investments					
Limited liability companies	8,546	—	1,492	—	10,038
Hedge funds	62,300	—	10,881	23,145	96,326
Interest in net assets of UVMC					
Foundation	—	—	—	11,136	11,136
CHI Investment Program	—	181,351	—	—	181,351
	522,059	200,190	94,169	189,825	1,006,243
Less assets limited as to use – current	—	(5,053)	—	—	(5,053)
Total assets limited as to use	\$ 522,059	\$ 195,137	\$ 94,169	\$ 189,825	\$ 1,001,190

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

B. Assets Limited as to Use (continued)

Assets limited as to use consist of the following as of December 31, 2010

	MAHS	SHP	AHS	UVMC	Combined PHP
	<i>(Dollars in Thousands)</i>				
Cash and short-term investments	\$ 36,802	\$ 1,156	\$ 2,605	\$ 1,744	\$ 42,307
Equity securities	19,001	21	1,837	—	20,859
Mutual fund					
Domestic large cap	70,959	—	5,312	16,938	93,209
Domestic small cap	24,554	2,650	2,748	4,507	34,459
International	40,402	—	3,024	12,684	56,110
Fixed income	—	—	—	26,813	26,813
Corporate and other bonds					
Corporate and other bonds	71,042	7,593	8,090	68,325	155,050
Asset-backed securities	45,830	5,444	5,300	8,568	65,142
U S government securities					
U S government securities	30,975	1,091	2,401	1,719	36,186
U S government agencies	35,160	1,300	3,078	36,582	76,120
Alternative investments					
Limited liability companies	35,022	—	2,622	—	37,644
Hedge funds	68,473	—	5,126	16,677	90,276
Interest in net assets of UVMC					
Foundation	—	—	—	11,219	11,219
CHI Investment Program	—	138,586	—	—	138,586
	478,220	157,841	42,143	205,776	883,980
Less assets limited as to use — current	(208,715)	(7,579)	(28,290)	—	(244,584)
Total assets limited as to use	\$ 269,505	\$ 150,262	\$ 13,853	\$ 205,776	\$ 639,396

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

B. Assets Limited as to Use (continued)

PHP maintains diversification in its investment programs by allocating assets to various asset classes and market segments and retaining multiple professional investment firms with different philosophies, styles and approaches. Accordingly, based on this diversification, management does not believe there are any material concentrations of credit risk at December 31, 2011 and 2010.

Funds restricted by donors for charitable purposes included in cash and cash equivalents, investments and assets whose use is limited was \$36.9 million and \$35.8 million at December 31, 2011 and 2010, respectively.

PHP invests in common trust funds (CTFs), which consist primarily of marketable equity securities, which are stated at fair value, as determined by the administrator of the respective CTF, based on readily determinable fair values of the underlying securities. Equity securities include certain CTFs with a combined fair value of \$135.0 million and \$89.3 million at December 31, 2011 and 2010, respectively.

Samaritan Health Partners

The Program's asset allocation is as follows:

	Year Ended December 31	
	2011	2010
Marketable fixed-income securities	27%	37%
Marketable equity securities	52	43
Alternative investments	21	20
	100%	100%

The CHI Investment Committee of the Board of Stewardship Trustees (CHI Investment Committee) is responsible for determining asset allocations among marketable fixed-income securities, marketable equity securities and alternative investments. Alternative investments consist of hedge funds, private equity funds, and other securities organized as limited liability companies and partnerships. At least annually, the CHI Investment Committee reviews targeted allocations and, if necessary, makes adjustments to targeted asset allocations.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

B. Assets Limited as to Use (continued)

Investments held in the Program are represented by pool units valued monthly under a custodian accounting system. Investment income from the Program, including interest income, realized gains on investments, unrealized gains (losses) on investments, CHI assessment, and other expenses is distributed to participants based on the earnings per pool unit. Gains or losses are realized by participants when pool units are sold, representing the difference between the cost basis and the market value of the pool units sold. The value of the assets held is an allocation of the underlying carrying value of the assets in the Program, based upon pool units held by the participants.

C. Fair Value of Assets and Liabilities

The carrying amount reported in the combined balance sheets for current assets (other than investments which are separately disclosed) and current liabilities are reasonable estimates of fair value due to the short-term nature of these financial instruments. These financial instruments are not required to be marked to fair value on a recurring basis and therefore are not disclosed in the accompanying table. The Program is accounted for under the equity method of accounting. The Program is not required to be marked to fair value on a recurring basis and therefore is not disclosed in the accompanying table. The carrying amount of the Program approximates fair value based on the nature of the underlying assets.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

C. Fair Value of Assets and Liabilities (continued)

The following summary table represents the fair value of the assets and liabilities at December 31, 2011

	MAHS	SHP	AHS	UVMC	Combined PHP
	<i>(Dollars in Thousands)</i>				
Assets					
Cash and short-term investments	\$ 42,459	\$ 23,011	\$ 10,027	\$ 6,666	\$ 82,163
Assets limited as to use					
Cash and short-term investments	94,009	846	16,141	4,905	115,901
Equity securities	18,715	17	3,342	5,618	27,692
Mutual funds					
Domestic large cap	86,398	—	15,090	33,541	135,029
Domestic small cap	25,240	3,445	5,157	12,012	45,854
International	53,103	—	9,275	16,832	79,210
Fixed income	—	—	—	30,918	30,918
Corporate and other bonds					
Corporate and other bonds	61,136	6,916	12,213	28,082	108,347
Asset-backed securities	40,450	4,849	8,119	3,035	56,453
U S government securities					
U S government securities	30,696	1,609	4,965	1,987	39,257
U S government agencies	41,466	1,157	7,494	18,614	68,731
Total assets limited as to use	451,213	18,839	81,796	155,544	707,392
Deferred compensation assets					
Money market and mutual funds	13,988	10,694	555	4,563	29,800
Assets held for sale	2,823	—	—	—	2,823
Total assets	\$ 510,483	\$ 52,544	\$ 92,378	\$ 166,773	\$ 822,178
Liabilities					
Interest rate swap liability	\$ 27,175	\$ 107	\$ 20,578	\$ 891	\$ 48,751
Deferred compensation liabilities	13,988	10,694	555	4,563	29,800
Total liabilities	\$ 41,163	\$ 10,801	\$ 21,133	\$ 5,454	\$ 78,551

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

C. Fair Value of Assets and Liabilities (continued)

The fair value of assets and liabilities as of December 31, 2011, is as follows

	Fair Value as of December 31, 2011	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
		Quoted Prices in Active Market	Other Observable Inputs	Unobservable Inputs
(Dollars in Thousands)				
Assets				
Cash and short-term investments	\$ 82,163	\$ 82,163	\$ —	\$ —
Assets limited as to use				
Cash and short-term investments	115,901	115,901	—	—
Equity securities	27,692	27,692	—	—
Mutual funds				
Domestic large cap	135,029	135,029	—	—
Domestic small cap	45,854	45,854		—
International	79,210	79,210	—	—
Fixed	30,918	30,918	—	—
Corporate and other bonds				
Corporate and other bonds	108,347	—	108,347	—
Asset-backed securities	56,453	—	56,453	—
U S government securities				
U S government securities	39,257	—	39,257	—
U S government agencies	68,731	—	68,731	—
Total assets limited as to use	707,392	434,604	272,788	—
Deferred compensation assets				
Money market and mutual funds	29,800	29,800	—	—
Assets held for sale	2,823	—	2,823	—
Total assets	\$ 822,178	\$ 546,567	\$ 275,611	\$ —
Liabilities				
Interest rate swap liability	\$ 48,751	\$ —	\$ 998	\$ 47,753
Deferred compensation liabilities	29,800	29,800	—	—
Total liabilities	\$ 78,551	\$ 29,800	\$ 998	\$ 47,753

PHP has approximately \$298.9 million (MAHS \$70.8 million, SHP \$181.4 million, AHS \$12.4 million, and UVMC \$34.3 million) and \$277.7 million (MAHS \$103.5 million, SHP \$138.6 million, AHS \$7.7 million, and UVMC \$27.9 million) in alternative investments at December 31, 2011 and 2010, respectively. These assets are accounted for under the equity method of accounting for investments, which is not subject to fair value measurement.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

C. Fair Value of Assets and Liabilities (continued)

The following summary table represents the fair value of the assets and liabilities at December 31, 2010

	MAHS	SHP	AHS	UVMC	Combined PHP
	<i>(Dollars in Thousands)</i>				
Assets					
Cash and short-term investments	\$ 21,589	\$ 20,816	\$ 18,852	\$ 6,264	\$ 67,521
Assets limited as to use					
Cash and short-term investments	36,802	1,156	2,605	1,744	42,307
Equity securities	19,001	21	1,837	—	20,859
Mutual funds					
Domestic large cap	70,959	—	5,312	16,938	93,209
Domestic small cap	24,554	2,650	2,748	4,507	34,459
International	40,402	—	3,024	12,684	56,110
Fixed income	—	—	—	26,813	26,813
Corporate and other bonds					
Corporate and other bonds	71,042	7,593	8,090	68,325	155,050
Asset-backed securities	45,830	5,444	5,300	8,568	65,142
U S government securities					
U S government securities	30,975	1,091	2,401	1,719	36,186
U S government agencies	35,160	1,300	3,078	36,582	76,120
Total assets limited as to use	374,725	19,255	34,395	177,880	606,255
Deferred compensation assets					
Money market and mutual funds	12,210	9,712	1,109	5,603	28,634
Assets held for sale	2,950	16,000	—	—	18,950
Total assets	\$ 411,474	\$ 65,783	\$ 54,356	\$ 189,747	\$ 721,360
Liabilities					
Interest rate swap liability	\$ 6,366	\$ 209	\$ 5,712	\$ 6	\$ 12,293
Deferred compensation liabilities	12,210	9,712	1,109	5,603	28,634
Total liabilities	\$ 18,576	\$ 9,921	\$ 6,821	\$ 5,609	\$ 40,927

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

C. Fair Value of Assets and Liabilities (continued)

The fair value of assets and liabilities as of December 31, 2010, is as follows

	Fair Value as of December 31, 2010	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
		Quoted Prices in Active Market	Other Observable Inputs	Unobservable Inputs
(Dollars in Thousands)				
Assets				
Cash and short-term investments	\$ 67.521	\$ 67.521	\$ —	\$ —
Assets limited as to use				
Cash and short-term investments	42.307	10.692	31.615	—
Equity securities	20.859	20.859	—	—
Mutual funds				
Domestic large cap	93.209	93.209	—	—
Domestic small cap	34.459	34.459	—	—
International	56.110	56.110	—	—
Fixed	26.813	26.813	—	—
Corporate and other bonds				
Corporate and other bonds	155.050	—	155.050	—
Asset-backed securities	65.142	—	65.142	—
U S government securities				
U S government securities	36.186	—	36.186	—
U S government agencies	76.120	—	76.120	—
Total assets limited as to use	606.255	242.142	364.113	—
Deferred compensation assets				
Money market and mutual funds	28.634	28.634	—	—
Assets held for sale	18.950	—	18.950	—
Total assets	\$ 721.360	\$ 338.297	\$ 383.063	\$ —
Liabilities				
Interest rate swap liability	\$ 12.293	\$ —	\$ 215	\$ 12.078
Deferred compensation liabilities	28.634	28.634	—	—
Total liabilities	\$ 40.927	\$ 28.634	\$ 215	\$ 12.078

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

C. Fair Value of Assets and Liabilities (continued)

Cash and short-term investments, assets limited as to use and deferred compensation assets and liabilities

PHP's cash and short-term investments, assets limited as to use, and deferred compensation assets and liabilities are comprised of cash and short-term investments, money market, equity securities, mutual funds (domestic, international and fixed), corporate bonds and other bonds, asset-backed securities, U S government securities and U S government agencies, with the exception of alternative investments, which are accounted for using the equity method of accounting, are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. The types of financial instruments based on quoted market prices in active markets include most cash and short-term investments, equity securities, mutual funds, and money market securities. Such instruments are generally classified within Level 1 of the fair value hierarchy. PHP does not adjust the quoted market price for such financial instruments.

The types of financial instruments valued based on quoted market prices in markets that are not active, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency include short-term investment funds listed in cash, corporate bonds, asset-backed securities, U S government securities and U S governmental agencies. Such financial instruments are generally classified within Level 2 for the fair market value hierarchy. Primarily all of PHP's short-term investment funds listed in cash, corporate bonds and asset-backed securities, U S government securities, and U S government agencies are actively traded and the recorded fair value reflects current market conditions. However, due to the inherent volatility in the investment market there is at least a possibility that recorded investment values may change by a material amount in the near term.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

C. Fair Value of Assets and Liabilities (continued)

Following is the summary of the inputs and valuation techniques as of December 31, 2011 and 2010 used for valuing Level 2 securities in the portfolio

Securities	Input	Valuation Technique
Short-term investment funds listed in cash	Broker/Dealer	Market
Corporate and other bonds	Broker/Dealer	Market
Asset-backed securities	Broker/Dealer	Market
U S government securities	Broker/Dealer	Market
U S government agencies	Broker/Dealer	Market

Assets held for sale

Value based on negotiated prices and appraised values placing these assets at Level 2

Interest rate swap agreements

MAHS, SHP, AHS, and UVMC participate in interest rate swap agreements to manage their exposures to fluctuations in interest rates and the overall long-term debt portfolio. MAHS, SHP, AHS, and UVMC's interest rate swap agreements are not traded on an exchange. The valuation of interest rate swap agreements is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each interest rate swap agreement based on the LIBOR or SIFMA yield curve and respective fixed rates.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

C. Fair Value of Assets and Liabilities (continued)

The following is a summary of key inputs used to determine the fair value for each interest rate swap agreement at December 31

Interest Rate Swap Agreement	Receiving Floating Rate		Paying Fixed/ Floating Rate		Discount Rate	
	2011	2010	2011	2010	2011	2010
MAHS						
July 2005	67% of LIBOR ⁽¹⁾	67% of LIBOR	3.28	3.28	Avg of LIBOR curve	Avg of LIBOR curve
July 2005	67% of LIBOR ⁽¹⁾	67% of LIBOR	3.29	3.29	Avg of LIBOR curve	Avg of LIBOR curve
July 2005	67% of LIBOR ⁽²⁾	67% of LIBOR	3.29	3.29	Avg of LIBOR curve	Avg of LIBOR curve
May 2011	67% of LIBOR	—	3.23	—	Avg of LIBOR curve	—
May 2011	67% of LIBOR ⁽³⁾	—	SIFMA	—	Avg of SIFMA curve	—
May 2011	67% of LIBOR	—	3.23	—	Avg of LIBOR curve	—
May 2011	SIFMA	—	67% of LIBOR ⁽³⁾	—	Avg of LIBOR curve	—
SHP						
February 2007	LIBOR	LIBOR	5.10	5.10	Avg of LIBOR curve	Avg of LIBOR curve
February 2007	LIBOR	LIBOR	5.10	5.10	Avg of LIBOR curve	Avg of LIBOR curve
March 2007	LIBOR	LIBOR	5.31	5.31	Avg of LIBOR curve	Avg of LIBOR curve
June 2007	LIBOR	LIBOR	5.30	5.30	Avg of LIBOR curve	Avg of LIBOR curve
AHS						
April 2007	LIBOR	LIBOR	3.12	3.12	Avg of LIBOR curve	Avg of LIBOR curve
UVMC						
August 2001	85.75% of LIBOR	85.75% of LIBOR	—	—	Avg of LIBOR curve	Avg of LIBOR curve

⁽¹⁾ Receiving rate is 67% of LIBOR less a spread of 0.234%

⁽²⁾ Receiving rate is 67% of LIBOR less a spread of 0.238%

⁽³⁾ Receiving/Paying rate is 67% of LIBOR plus a spread of 0.6395%

The discounted cash flow analysis reflects the contractual terms of the interest rate swap agreement, including the period to maturity, and uses observed market-based inputs, including interest rate curves and implied volatilities. Valuation adjustments are required to be considered in the determination of fair value. This includes amounts to reflect counterparty credit quality and liquidity risk. Although MAHS and AHS have determined that certain inputs used to value their interest rate swap agreements fall within Level 2 of the fair value hierarchy, certain inputs

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

C. Fair Value of Assets and Liabilities (continued)

and the credit valuation adjustment associated with the interest rate swap agreements utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by MAHS, AHS, or the counterparty. As a result, MAHS and AHS have determined that their interest rate swap agreements in their entirety are classified in Level 3 of the fair value hierarchy. UVMC entered into a basis swap agreement in 2001 as part of its risk management strategy. SHP entered into four interest rate swap agreements as part of its risk management strategy. The fair value of these swaps is calculated based on LIBOR rates and is considered a Level 2 measure. These swaps are included in interest rate swap liability on the combined balance sheets.

Level 3 Liabilities

The following table represents the changes in fair value of PHP's Level 3 liabilities for the years ended December 31, 2011 and 2010.

	2011 MAHS Interest Rate Swap Liability	2011 AHS Interest Rate Swap Liability	2010 MAHS Interest Rate Swap Liability	2010 AHS Interest Rate Swap Liability
Balance at January 1 (liability)	\$ (6,366)	\$ (5,712)	\$ (2,454)	\$ (2,670)
Issuances	(6,754)	—	—	—
Settlements	6,754	—	—	—
Collateral requirements	—	1,160	—	—
Total unrealized losses and adjustments included in net income	—	—	—	—
Mark-to-market adjustment	(24,908)	(18,792)	(3,944)	(3,301)
Credit valuation adjustment	4,099	2,766	32	259
Balance at December 31 (liability)	<u>\$ (27,175)</u>	<u>\$ (20,578)</u>	<u>\$ (6,366)</u>	<u>\$ (5,712)</u>

All unrealized losses on interest rate swap agreements are included in the combined statements of operations and changes in net assets as non operating gains, net.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while PHP believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the combined balance sheet date.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

D. Property Plant and Equipment

The composition of property, plant and equipment is as follows

	Average Life	December 31	
		2011	2010
<i>(Dollars in Thousands)</i>			
Land		\$ 62,799	\$ 62,108
Land improvements	10–20 years	31,933	27,187
Buildings	25–40 years	1,186,065	1,007,061
Equipment	3–15 years	836,675	747,337
Construction-in-process		119,813	258,693
		<u>2,237,285</u>	<u>2,102,386</u>
Less allowances for depreciation		1,038,403	950,393
Assets held and used		<u>1,198,882</u>	<u>1,151,993</u>
Assets held for sale		2,823	18,950
Property, plant and equipment, net		<u>\$ 1,201,705</u>	<u>\$ 1,170,943</u>

PHP had construction commitments of approximately \$28.5 million and \$10.6 million outstanding at December 31, 2011 and 2010, respectively.

E. Asset Disposition and Impairment Charges

Long-lived assets held for sale are reviewed for impairment whenever indicators of impairment or events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

MedAmerica Health Systems

During 2011 and 2010, MAHS management made a decision to sell certain property and evaluate the status of other properties, which required appraisals to be performed. As a result of these appraisals, MAHS recorded an impairment charge of \$0.7 million and \$4.9 million to reduce these properties to their estimated fair values for 2011 and 2010, respectively. These properties are classified as held for sale and are no longer being depreciated.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

E. Asset Disposition and Impairment Charges (continued)

Samaritan Health Partners

In 2010, an independent party signed a letter of intent to purchase certain property. SHP recorded an impairment charge of \$1.9 million to reduce the value to the stated purchase price which represents the current fair market value and \$1.2 million charge for other related expenses. SHP has classified this property as held for sale on the consolidated balance sheet and is no longer recording depreciation expense.

On July 28, 2011, GSH completed its sale of the certain property for \$16 million. This sale will not result in a significant gain or loss as the net book value of the building was recorded at \$16 million. As part of the sales agreement, the buyer has restrictions on the use of the building that prevents the buyer from directly competing with the services provided by PHP. In 2011, SHP recorded an impairment charge of \$0.2 million related to leasehold improvements.

F. Liability Insurance

MAHS, SHP, AHS, and UVMC each maintain professional liability coverage through a captive cell insurance company, Premier Health Partners International Insurance Limited (PHPIIL). PHPIIL was formed to provide professional liability insurance coverage to the Affiliates. The reserve for professional liabilities has been established to provide for estimated payments and expenses for related claims, including those incurred but not yet reported. As a result, there is a reasonable possibility that recorded estimates may change by a material amount. Professional actuaries were retained to assist in the development of the reserve for professional liabilities and to determine the appropriate funding levels for the related trust fund, which is included in limited as to use in the combined balance sheets. In the opinion of management, the reserve for professional liabilities and the trust fund are adequate to provide for any liabilities arising from these claims. At December 31, 2011, MAHS, SHP, AHS, and UVMC each owned 25.0% of PHPIIL, respectively.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

G. Long-Term Debt

The details of long-term debt, net of original issue discount or premium, are as follows:

	Year Ended December 31	
	2011	2010
	<i>(Dollars in Thousands)</i>	
MAHS		
County of Montgomery, Ohio, Fixed Rate Revenue Bonds – 2011 Series A, final maturity in 2023, fixed interest rate 5.52%, net of unamortized premium \$5,990	\$ 105,990	\$ –
County of Montgomery, Ohio, Variable Rate Revenue Bonds – 2011 Series B, final maturity in 2045, average interest rate was 0.07% in 2011	42,500	–
County of Montgomery, Ohio, Variable Rate Revenue Bonds – 2011 Series C, final maturity in 2045, average interest rate was 0.07% in 2011	42,500	–
County of Montgomery, Ohio, Fixed Rate Revenue Bonds – 2009 Series A, final maturity in 2039, fixed interest rate 6.03%, net of unamortized discount \$3,112, and \$3,261, respectively	111,888	111,739
County of Montgomery, Ohio, Fixed Rate Revenue Bonds – 2009 Series B, final maturity in 2039, fixed interest rate 5.25%	15,000	15,000
County of Montgomery, Ohio, Fixed Rate Revenue Bonds – 2008 Series A, final maturity in 2022, average interest rate was 5.64% and 5.61% in 2011 and 2010, respectively, net of unamortized discount \$165 and \$168, respectively	44,905	48,447
County of Montgomery, Ohio, Variable Rate Revenue Bonds – 2008 Series B, final maturity in 2039, average interest rate was 0.18% and 0.34% in 2011 and 2010, respectively	28,830	28,830
County of Montgomery, Ohio, Variable Rate Revenue Bonds – 2008 Series C, final maturity in 2039, average interest rate was 0.25% and 0.42% in 2011 and 2010, respectively	27,000	27,000
County of Montgomery, Ohio, Variable Rate Revenue Bonds – 1998 Series B, paid off on April 1 st , 2011, average interest rate was 0.22% and 0.27% in 2011 and 2010, respectively	–	84,300
Note payable, noninterest-bearing, final maturity 2015	149	184
Capitalized leases and other	4,104	2,095
Total MAHS debt, including current portion and short-term	<u>\$ 422,866</u>	<u>\$ 317,595</u>

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

G. Long-Term Debt (continued)

	Year Ended December 31	
	2011	2010
	<i>(Dollars in Thousands)</i>	
SHP		
County of Montgomery, Ohio, Variable Rate Revenue Bonds – 2010 Series A, final maturity in 2014, average interest rate 1.75%	\$ 7,579	\$ 10,105
Note payable to CHI – 2005	86,182	88,870
Note payable to CHI – 2000	31,393	34,524
Note payable to CHI – 1997	–	2,561
Note payable	898	1,171
Capitalized lease obligations	2,208	1,529
Total SHP debt, including current portion	128,260	138,760
AHS		
City of Middletown, Ohio, Variable Rate Revenue Bonds – 2008 Series A, final maturity in 2039, average interest rate was 0.17% and 0.23% for 2011 and 2010, respectively	50,675	51,875
City of Middletown, Ohio, Variable Rate Revenue Bonds – 2008 Series B, final maturity in 2039, average interest rate was 0.17% and 0.23% for 2011 and 2010, respectively	50,300	51,525
City of Middletown, Ohio, Variable Rate Revenue Bonds – 2010 Series A, final maturity in 2045, average interest rate was 3.41% and 6.07% for 2011 and 2010, respectively	86,000	86,000
Note payable, final maturity December 2012, interest rate was 7.50% and 7.50% for 2011 and 2010, respectively	35	63
Capital lease obligations	18,597	18,296
Total AHS debt, including current portion and short term	205,607	207,759
UVMC		
Capital lease obligation associated with Hospital Facilities Revenue Refunding and Improvement Bonds of Miami County, Ohio, Series 2006, average interest rate was 5.25% and 5.25% for 2011 and 2010, respectively (includes unamortized bond premium of \$0.8 million and \$0.9 million, respectively)	51,094	53,190
Capital lease obligations	87	–
Total UVMC debt, including current portion	51,181	53,190
Total PHP debt, including current portion and short term	807,914	717,304

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

G. Long-Term Debt (continued)

	Year Ended December 31	
	2011	2010
	<i>(Dollars in Thousands)</i>	
Less current portion of debt		
MAHS	\$ 6,443	\$ 8,869
SHP	10,271	12,065
AHS	3,377	3,098
UVMC	2,202	2,000
Total current portion of debt	22,293	26,032
Less short-term debt		
MAHS – 2008 Series B and C and 2011 Series B and C obligations (in 2011 and 2010) and 1998 B obligations (in 2010), classified as current	–	136,030
SHP – 2010 Series A obligations, classified as current	5,053	7,579
AHS – 2008 Series A and B obligations, classified as current	–	100,975
Total short-term debt	5,053	244,584
Total PHP long-term debt	\$ 780,568	\$ 446,688

Maturities of long-term debt and capitalized leases for the five years succeeding December 31, 2011 and thereafter are

			AHS		Total AHS	UVMC	Combined PHP
			Capital Lease Obligations	Long-Term Debt			
	MAHS	SHP					
	<i>(Dollars in Thousands)</i>						
2012	\$ 6,443	\$ 10,271	\$ 2,854	\$ 2,475	\$ 5,329	\$ 4,787	\$ 26,830
2013	5,435	9,554	2,553	2,550	5,103	4,695	24,787
2014	5,305	9,704	2,482	2,625	5,107	4,700	24,816
2015	5,063	7,198	2,393	2,650	5,043	4,693	21,997
2016	9,430	7,426	2,426	2,725	5,151	4,700	26,707
Thereafter	391,190	84,107	43,513	173,950	217,463	49,858	742,618
Minimum payments before interest and premiums	422,866	128,260	56,221	186,975	243,196	73,433	867,755
Less interest and premiums	–	–	37,589	–	37,589	22,252	59,841
Total minimum payments	422,866	128,260	18,632	186,975	205,607	51,181	807,914
Less current portion	6,443	10,271	902	2,475	3,377	2,202	22,293
Less short-term debt	–	5,053	–	–	–	–	5,053
	\$ 416,423	\$ 112,936	\$ 17,730	\$ 184,500	\$ 202,230	\$ 48,979	\$ 780,568

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

G. Long-Term Debt (continued)

MedAmerica Health Systems

On April 1st, 2011 MVH defeased all of the outstanding Series 1998B Bonds with existing cash

On April 26, 2011, MVH issued \$100,000,000 of 2011A Hospital Facilities Revenue Bonds by the County of Montgomery, Ohio with a fixed rate of 5.52% with a final maturity of 2023. Interest payments are due on May 15 and November 15 each year.

On April 26, 2011, MVH issued \$42,500,000 of County of Montgomery, Ohio Revenue Bonds, Series 2011B and \$42,500,000 of County of Montgomery, Ohio Revenue Bonds Series 2011C variable rate bonds (the "Bonds"). Each Series of Bonds are issued and secured under the terms of a separate Bond Trust Indenture dated as of April 1, 2011 between MVH and the Bank of New York Mellon Trust Company. The Bonds are payable from and are secured by rental payments to be made by MVH under the Sublease Agreement. The 2011B bonds ("Tendered bonds") are covered by a Standby Bond Purchase agreement (the "Liquidity Facility Agreement" or "Agreement") with Barclays Capital Inc. and the 2011C bonds ("Tendered bonds") are covered by a Standby Bond Purchase Agreement (the "Liquidity Facility Agreement" or "Agreement") with Wells Fargo Bank, National Association. Under the terms of the agreement, in the event that such Tendered Bonds are not remarketed by Barclays or Wells Fargo, the banks will agree to purchase the bonds. Each of the initial Liquidity Facility Agreements will expire on February 4, 2014 unless extended or terminated at an earlier date in accordance with its terms. The bonds were issued initially in daily mode ("Mode") but may be converted in whole or at the option of MVH to other Modes. At any given time, each series of the Bonds may operate in a different interest rate Mode from the other series of Bonds.

MAHS and MVH are the obligated issuers of the 1998, 2008, 2009, and 2011 MAHS bonds, which are secured by a gross revenue pledge.

The 1998, 2008, 2009, and 2011 bond agreements included certain restrictive covenants, which include among other things, minimum requirements for leverage ratio, cash, and revenues available for debt service. At December 31, 2011 and 2010, MAHS was in compliance with its financial debt covenants.

During 2011 and 2010, MAHS interest paid was \$15.1 million and \$13.6 million, respectively.

During 2011 and 2010, MAHS capitalized interest costs of approximately \$0.8 million and \$4.8 million, respectively.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

G. Long-Term Debt (continued)

At December 31, 2011 and 2010, the carrying amount of the MAHS variable rate debt reported in the combined balance sheets approximates the fair value. At December 31, 2011 and 2010, the fair value of the 2008 Series A Fixed Rate Revenue bonds was \$50.2 million and \$53.8 million, respectively. At December 31, 2011 and 2010, the fair value of the 2009 Series A and B Fixed Rate Revenue bonds was \$137.7 million and \$134.6 million, respectively. At December 31, 2011, the fair value of the 2011 A Fixed Rate Revenue bonds was \$121.3 million.

MAHS provides guarantees for the \$86 million AHS 2010 Series Bonds and \$101 million 2008 Series A and B bonds. This guarantee is discussed in further detail in the Atrium section of this note.

Samaritan Health Partners

SHP participates in a unified CHI credit governed under a Capital Obligation Document (COD). Under the COD, CHI is the sole obligor on all debt. Bondholder security resides both in the unsecured promise by CHI to pay its obligations and in its control of direct affiliates. Covenants include a minimum CHI debt coverage ratio and certain limitations on secured debt. SHP, as a direct affiliate of CHI, is defined as a Participant under the COD and has agreed to certain covenants related to corporate existence, maintenance of insurance, and exempt use of bond-financed facilities. Debt under the COD is evidenced by promissory notes between SHP and CHI, which include monthly installments at a variable rate of interest and may be repaid in advance without penalty.

Under the credit structure, all CHI facilities are to share equally in a blended cost of capital interest rate to be calculated quarterly and adjusted annually at June 30 by the CHI national treasury staff. The same blended rate of interest applied to all CHI notes was 4.7% and 5.0% for calendar years 2011 and 2010, respectively.

Long-term debt substantially consists of notes payable to CHI for which a market value cannot be reasonably estimated for SHP. The interest rate on such debt is dependent on the bond ratings and borrowing capacity of CHI.

In January 2010, SHP elected to pay down \$20 million of debt on their 1997 note payable to CHI. During 2011, the 1997 note payable was paid in full.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

G. Long-Term Debt (continued)

In December 2010, the County of Montgomery, Ohio (the "County") issued \$10.1 million of Hospital Facilities Revenue Bonds, Series 2010 for the benefit of GSH. The variable interest rate will adjust each month and will be equal to the tax-exempt rate of 0.25% plus 65% of the sum of one month's London Interbank Offered Rate (LIBOR) plus 2.0%. Interest payments are due each month and principal payments are due in equal quarterly installments beginning on January 1, 2011, and continuing to the maturity date of October 1, 2014.

The bond proceeds were used to refinance certain outstanding taxable loans and equipment leases that were owned and operated by a PHP joint venture that ended in June 2010 and assigned to GSH (see Note L) and to pay certain expenses incurred in connection with the issuance of the bonds.

As security for the Series 2010 Bonds, GSH has entered into a lease with the County, for the machinery, equipment and fixtures owned or hereafter acquired by GSH. The County has subleased the equipment and fixtures back to GSH under a separate sublease agreement. The lease agreement lasts as long as the bonds remain outstanding. Under this sublease, GSH will make payments of rent in amounts which, in the aggregate, will be sufficient to pay the principal of and interest of the Series 2010 Bonds. The sublease requires GSH to pay all maintenance and insurance costs. In addition, the sublease requires GSH maintain a minimum debt service coverage ratio, which was met at December 31, 2010. The total amount outstanding on the Series 2010 Bonds at year-end was \$10.1 million. The Series 2010 Bonds are not secured by a credit facility and the bond holders can put the bonds back to SHP resulting in SHP utilizing its existing liquidity to purchase these bonds. As a result of these circumstances, these bonds are classified as short-term debt in the current liabilities section of the combined balance sheets. The carrying amount of the Series 2010 Bonds approximates fair value.

During 2011 and 2010, interest paid was \$6.0 million and \$7.0 million, respectively. SHP capitalized interest costs of approximately \$0.1 million and \$0.1 million in 2011 and 2010, respectively.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

G. Long-Term Debt (continued)

Atrium Health System

AHS and AMC are the obligated issuers of the 2008 and 2010 bonds, which are secured by a gross revenue pledge. Under the terms of the Master Indenture, substantially all of the Atrium Medical Center Obligated Group's property, buildings, and equipment are leased from the City of Middletown, Ohio, the governmental issuer of all outstanding bonds. Members of the Atrium Medical Center Obligated Group are jointly and severally liable on outstanding tax-exempt bonds. The total amount outstanding under the Master Indenture was \$187 million and \$189 million at December 31, 2011 and 2010, respectively.

In November 2010, Atrium Medical Center Obligated Group issued its City of Middletown, Ohio, Hospital Facilities Revenue Bonds, Series 2010, in the amount of \$86 million. The 2010 Bonds were used to call and extinguish the City of Middletown, Ohio, Hospital Facilities Revenue Bonds, Series 2006A, in the amount of \$85 million (2006 Series A Bonds).

The 2010 Series Bonds are guaranteed by MAHS through an agreement with Wells Fargo Bank, N.A. (WFB). This agreement was initiated during 2010, and irrevocably and unconditionally guarantees to WFB by MAHS: 1) the full payment of the principal and premium, if any; 2) the full payment of interest; and 3) the full payment of the purchase price of the 2010 Bonds that are tendered for purchase in accordance with the mandatory purchase provisions of the 2010 Bonds. As part of this agreement, AHS will pay 70% of LIBOR plus 3.25% to WFB. In turn, WFB will pay MAHS as guarantor a fee of 2.35% each month on the interest payment date. MAHS will receive an annual fee of \$2 million from WFB for the guarantee, which is effective through November 1, 2015. The 2010 Series Bonds are subject to optional redemption. The final maturity date of the 2010 Bonds is November 15, 2045. The maximum potential of future payments under the guarantee is \$214 million through 2045.

In November 2008, Atrium Medical Center Obligated Group issued its City of Middletown, Ohio, Hospital Facilities Revenue Bonds, Series 2008A and 2008B, in the amount of \$111 million (2008 Bonds). The 2008 Bonds were used to call and extinguish the Middletown Regional Hospital Obligated Group issued City of Middletown, Ohio, Hospital Facilities Revenue Bonds, Series 2007A and 2007B bonds.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

G. Long-Term Debt (continued)

The 2008 Bonds are secured by and payable from a Letter of Credit for each series (Letters of Credit) issued by JP Morgan Chase Bank, N A (Bank) pursuant to a Reimbursement Agreement dated November 1, 2008, with Atrium Medical Center Obligated Group. On October 26, 2011, AHS extended its irrevocable letters of credit for its Series 2008A and 2008B Hospital Facilities Revenue Bonds until November 10, 2016. The debt is guaranteed by MAHS and MVH (Guarantors) under a Guaranty Agreement dated November 1, 2008. The Guarantors have agreed to make payment, upon demand, of principal and interest on the 2008 Bonds and to reimburse the Bank for all amounts the Bank is required to pay under the Letters of Credit. The maximum potential for future payments under the guarantee is \$170 million through 2039. If the 2008 Series A and B cannot be remarketed, the bond holders can put the bonds back to AMC resulting in AMC utilizing its existing credit line or its liquidity to purchase these bonds.

At December 31, 2011 and 2010, the carrying amount of the AHS variable rate debt reported in the combined balance sheets approximates the fair value.

During 2011 and 2010, AHS interest paid was \$6.4 million and \$11.3 million, respectively.

UVMC

Upper Valley Medical Center (the Medical Center) is obligated with respect to the Series 2006 bonds described below. The revenue bonds are equally and ratably secured under their master trust indenture and sublease to evidence the liability to the issuer under the financing agreements.

In June 2006, the County of Miami, Ohio issued \$56.1 million of Hospital Facilities Revenue Refunding and Improvement Bonds for the benefit of the Medical Center. These bonds consist of \$23.3 million in serial bonds and \$32.9 million in term bonds. The serial bonds mature between 2007 and 2018. The stated interest rate on the serial bonds starts at 4.75% and escalates annually to 5.25%. The effective interest rate starts at 3.98% and escalates annually to 4.90%. The term bonds mature between 2021 and 2026 and pay interest at the rate of 5.25%.

A portion of the proceeds from the issuance of the Series 2006 bonds was used to finance the acquisition, construction, renovation, and installation of Hospital Facilities. The remaining proceeds were used to advance refund the Series 1996 A, B, and C bonds.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

G. Long-Term Debt (continued)

As security for the Series 2006 bonds, the Medical Center has entered into a lease with the County, for the real property owned by the Medical Center. The County has subleased the facility back to the Medical Center under a separate sublease agreement. The lease agreement lasts as long as the bonds remain outstanding. Under this sublease, the Medical Center will make payments of rent in amounts which, in the aggregate, will be sufficient to pay the principal, interest, and redemption premium, if any, on the bonds and amounts necessary to make up deficiencies in the debt service reserve fund. The Medical Center has granted the County a security interest in the Medical Center's gross revenues. The sublease requires the Medical Center to pay all maintenance and insurance costs. In addition, as a condition of the sublease, the Medical Center has agreed to certain restrictions on future borrowings and leasing activities.

The Master Trust Indenture specifies various financial requirements and limitations with which the Medical Center must comply. These requirements place limitations on additions and disposals of assets and future indebtedness and specify a minimum relationship between revenues and debt service funding in any year. At December 31, 2011 and 2010, UVMC was in compliance with its financial debt covenants.

The fair value of the bonds is estimated using discounted cash flow analysis based on incremental borrowing rates for similar types of borrowing arrangements. The fair value of the 2006 Bonds at December 31, 2011 and 2010, was \$52.8 million and \$52.5 million, respectively.

Total interest paid was \$2.7 million and \$2.8 million in 2011 and 2010, respectively. At December 31, 2011 and 2010, the unamortized balance of capitalized interest was \$1.8 million and \$1.9 million, respectively.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

H. Pension Plan

The following table sets forth the funded status of PHP's pension plans and the amounts recognized in the combined balance sheets for the year ended December 31, 2011

	MAHS	SHP	AHS	UVMC	Combined PHP
	<i>(Dollars in Thousands)</i>				
Accumulated benefit obligation	\$ 330,038	\$ 109,579	\$ 31,924	\$ 82,932	\$ 554,473
Change in projected benefit obligation					
Projected benefit obligation at beginning of year	\$ 319,282	\$ 106,327	\$ 32,548	\$ 74,859	\$ 533,016
Service cost, plan amendments, and other postretirement plans	14,213	5,711	1,970	1,096	22,990
Administrative fees	—	(236)	(444)	—	(680)
Interest cost	18,252	5,338	1,432	3,869	28,891
Actuarial losses (gains)	37,380	8,236	(1,107)	11,407	55,916
Benefits paid	(8,137)	(5,301)	(1,792)	(2,489)	(17,719)
Projected benefit obligation at end of year	380,990	120,075	32,607	88,742	622,414
Change in plan assets					
Fair value of plan assets at beginning of year	224,591	120,165	26,553	53,271	424,580
Actual (loss) return on plan assets	(2,196)	1,783	78	617	282
Contributions	20,108	—	3,734	4,152	27,994
Benefits paid	(8,137)	(5,301)	(1,792)	(2,489)	(17,719)
Administrative expenses	—	(236)	(444)	—	(680)
Fair value of plan assets at end of year	234,366	116,411	28,129	55,551	434,457
Funded status and net pension liability	\$ 146,624	\$ 3,664	\$ 4,478	\$ 33,191	\$ 187,957

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

H. Pension Plan (continued)

The following table sets forth the funded status of PHP's pension plans and the amounts recognized in the combined balance sheets for the year ended December 31, 2010

	MAHS	SHP	AHS	UVMC	Combined PHP
	<i>(Dollars in Thousands)</i>				
Accumulated benefit obligation	\$ 271,505	\$ 97,502	\$ 31,900	\$ 70,367	\$ 471,274
Change in projected benefit obligation					
Projected benefit obligation at beginning of year	\$ 292,144	\$ 105,617	\$ 31,552	\$ 69,467	\$ 498,780
Service cost, plan amendments, and other postretirement plans	12,672	5,932	2,155	1,107	21,866
Administrative fees	—	(424)	(408)	—	(832)
Interest cost	17,297	5,586	1,613	3,905	28,401
Actuarial losses (gains)	10,790	(4,531)	(771)	2,964	8,452
Benefits paid	(13,621)	(5,853)	(1,593)	(2,584)	(23,651)
Projected benefit obligation at end of year	319,282	106,327	32,548	74,859	533,016
Change in plan assets					
Fair value of plan assets at beginning of year	201,238	110,343	22,178	47,075	380,834
Actual return on plan assets	19,643	16,099	2,537	5,500	43,779
Contributions	17,331	—	3,840	3,279	24,450
Benefits paid	(13,621)	(5,853)	(1,594)	(2,584)	(23,652)
Administrative expenses	—	(424)	(408)	—	(832)
Fair value of plan assets at end of year	224,591	120,165	26,553	53,270	424,579
Funded status and net pension asset	\$ —	\$ 13,838	\$ —	\$ —	\$ 13,838
Funded status and net pension liability	\$ 94,691	\$ —	\$ 5,995	\$ 21,589	\$ 122,275

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

H. Pension Plan (continued)

Net pension expense for the year ended December 31, 2011, included the following components

	MAHS	SHP	AHS	UVMC	Combined PHP
	<i>(Dollars in Thousands)</i>				
Service cost	\$ 14,213	\$ 5,711	\$ 1,970	\$ 1,096	\$ 22,990
Interest cost	18,252	5,338	1,432	3,869	28,891
Expected return on assets	(18,425)	(9,696)	(2,048)	(3,744)	(33,913)
Amortization of unrecognized prior service cost	564	17	167	—	748
Amortization of unrecognized net (gain) loss	2,332	1,472	1,278	1,656	6,738
Net pension expense	<u>\$ 16,936</u>	<u>\$ 2,842</u>	<u>\$ 2,799</u>	<u>\$ 2,877</u>	<u>\$ 25,454</u>

Net pension expense for the year ended December 31, 2010, included the following components

	MAHS	SHP	AHS	UVMC	Combined PHP
	<i>(Dollars in Thousands)</i>				
Service cost	\$ 12,672	\$ 5,932	\$ 2,155	\$ 1,107	\$ 21,866
Interest cost	17,297	5,586	1,613	3,905	28,401
Expected return on assets	(18,077)	(10,242)	(1,844)	(3,753)	(33,916)
Amortization of unrecognized prior service cost	824	17	168	—	1,009
Amortization of unrecognized net (gain) loss	1,081	1,198	1,411	1,747	5,437
Net pension expense	<u>\$ 13,797</u>	<u>\$ 2,491</u>	<u>\$ 3,503</u>	<u>\$ 3,006</u>	<u>\$ 22,797</u>

MedAmerica Health Systems

MAHS has a noncontributory defined benefit pension plan (the MAHS Plan) covering substantially all employees. The benefits are based on the total of retirement income credits calculated using various percentages of annual earnings depending on the year of employment. MAHS' funding policy is to contribute amounts to the MAHS Plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974 (ERISA).

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

H. Pension Plan (continued)

Effective January 1, 2008, the MAHS Plan was amended. The principle changes to the MAHS Plan were as follows:

- The amended MAHS Plan has two benefit formulas with the principle difference being range of service credits.
- The participants obtain full vesting in their account balances after completion of three years of service instead of the previous requirements of five years of service.

Weighted-average assumptions used to determine benefit obligation are as follows:

	Year Ended December 31	
	2011	2010
Discount rate	5.18%	5.82%
Long-term rate of return	7.25%	7.50%
Average salary increase rate		
Employees Retirement Plan – through 2011	3.00%	2.50%
Employees Retirement Plan – thereafter	3.00%	3.00%

Weighted-average assumptions used to determine expense are as follows:

	Year Ended December 31	
	2011	2010
Discount rate	5.82%	6.12%
Long-term rate of return	7.50%	7.75%
Average salary increase rate		
Employees Retirement Plan – through 2011	2.50%	2.00%
Employees Retirement Plan – thereafter	3.00%	4.00%

In selecting the expected long-term return on plan assets, MAHS considered the average rate of earnings on the funds invested or to be invested to provide for the benefits of these plans. This includes the asset allocation and the expected returns likely to be earned over the life of the MAHS Plan.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

H. Pension Plan (continued)

The fair values of the MAHS Plan's assets at December 31, 2011, by asset category, are as follows

		Fair Value Measurements		
		(Level 1)	(Level 2)	(Level 3)
		Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs	Significant Unobservable Inputs
	Total			
<i>(Dollars in Thousands)</i>				
Cash and short-term investments	\$ 2,587	\$ 2,587	\$ —	\$ —
Equity securities	11,339	11,339	—	—
Mutual fund				
Domestic Large Cap	54,756	45,186	9,570	—
Domestic Small Cap	9,176	9,176	—	—
International	38,745	28,959	9,786	—
Fixed income	58,732	58,732	—	—
Alternative investments				
Limited liability	7,003	—	7,003	—
Hedge funds	52,028	—	52,028	—
Total MAHS Plan assets	\$ 234,366	\$ 155,979	\$ 78,387	\$ —

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

H. Pension Plan (continued)

The fair values of the MAHS Plan's assets at December 31, 2010, by asset category, are as follows

		Fair Value Measurements		
		(Level 1)	(Level 2)	(Level 3)
		Quoted Prices in Active Markets for Identical Assets		
	Total		Significant Observable Inputs	Significant Unobservable Inputs
<i>(Dollars in Thousands)</i>				
Cash and short-term investments	\$ 9,541	\$ —	\$ 9,541	\$ —
Equity securities	11,848	11,848	—	—
Mutual fund				
Domestic Large Cap	36,211	3,663	32,548	—
Domestic Small Cap	9,426	9,426	—	—
International	20,807	20,807	—	—
Fixed income	51,472	51,472	—	—
Alternative investments				
Limited liability	19,026	—	19,026	—
Hedge funds	66,260	—	66,260	—
Total MAHS Plan assets	\$ 224,591	\$ 97,216	\$ 127,375	\$ —

The MAHS Plan assets are invested in a portfolio that provides for asset allocation strategies across equity markets domestically and internationally and debt markets in the United States. The portfolio's objective is to maximize total return, consisting of current income and capital appreciation, without assuming undue risk. Strategies are followed, which increase or decrease investments in the equity and debt markets based upon the value of the stock and bond markets and the relative value of a wide variety of securities within these markets. Consideration is given to several variables, including productivity, inflation, global competitiveness, and risk. MAHS' objective is to have 50% to 90% invested in equity securities, 15% to 35% invested in debt securities, and 0% to 10% invested in cash. Fair value methodologies for cash and short-term investments, mutual funds, and equity securities sections included in Level 1 and Level 2 are consistent with the inputs described in Note C.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

H. Pension Plan (continued)

Following is the summary of the inputs and valuation techniques as of December 31, 2011 and 2010 used for valuing Level 2 securities in the portfolio

Securities	Input	Valuation Technique
Mutual funds	NAV	Market
Limited liability companies	NAV	Market/Income
Hedge funds	NAV	Market/Income

Alternative investments, which consist of hedge funds and limited liability companies are not necessarily readily marketable and may include short sales on securities and trading in future contracts, options, foreign currency contracts, other derivative instruments, and private equity investments. However, management has determined that the net asset value (NAV) is an appropriate estimate of the fair value of these investments at December 31, 2011, based on the fact that the alternative investments are audited and accounted for at fair value by the administrators of the respective alternative investments. As MAHS has the ability to redeem its investment in the respective alternative investment at the NAV with no significant restrictions on the redemption at the combined balance, MAHS has categorized the alternative investment as a Level 2 measurement in the fair value hierarchy. If MAHS does not have the ability to redeem the alternative investment at NAV due to significant restrictions, MAHS will categorize the alternative as a Level 3 measurement in the fair value hierarchy.

MAHS maintains diversification in its plan assets by allocating assets to various asset classes and market segments and retaining multiple professional investment firms with different philosophies, styles and approaches. Accordingly, based on this diversification, management does not believe there are any concentrations of credit at the measurement date. The mutual fund, limited liability companies, and hedge fund securities within plan assets are actively traded and the fair value reflects current market conditions.

MAHS expects to make a contribution of \$35.6 million to its pension plan in 2012.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

H. Pension Plan (continued)

Projected benefit payments for the ten years succeeding December 31, 2011, are as follows (dollars in thousands)

2012	\$ 11.908
2013	12.351
2014	13.727
2015	14.738
2016	14.337
2017–2021	103,542
	<u>\$ 170.603</u>

Included in unrestricted net assets at December 31, 2011 and 2010 are unrecognized prior service costs of \$4.6 million and \$5.2 million and unrecognized actuarial losses of \$135.5 million and \$80.0 million, respectively, which have not yet been recognized in net periodic pension costs.

Samaritan Health Partners

SHP maintains a defined benefit pension plan (the SHP Plan) covering substantially all employees. While the SHP Plan is exempt from the ERISA, the funding policy is to annually contribute amounts sufficient to meet the minimum funding requirements of ERISA. Effective January 1, 2008, the SHP Plan was amended.

The two principle changes to the SHP Plan were as follows:

- The amended SHP Plan has two benefit formulas with the principle difference being range of service credits.
- The participants obtain full vesting in their account balances after the completion of three years of service instead of the previous requirement of five years of service.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

H. Pension Plan (continued)

All of SHP's plan assets are invested in a CHI Plan Assets Investment Program (the Plan Asset Program) that provides for asset allocation in strategies across equity and debt markets, both domestic and international, and alternative investments. Alternative investments consist of hedge funds, private equity funds, and real estate fund. The portfolio's objectives are preservation of principal, investment growth of assets consistent with reasonable actuarial assumptions, competitive returns, minimization of unnecessary risk, and consistency with CHI social responsibility investment guidelines. Strategies are followed which increase or decrease investments in the equity and debt markets based upon the value of the stock and bond markets and the relative value of a wide variety of securities within these markets. Consideration is given to several variables, including productivity, inflation, global competitiveness, and risk.

SHP's plan assets are represented by pool units rather than specific securities. The Plan Asset Program is not necessarily readily marketable and may include short sales on securities and trading in future contracts, options, foreign currency contracts, other derivative instruments and private equity investments. However, management has determined that the net asset value (NAV) is an appropriate estimate of the fair value of these pooled units at December 31, 2011 and 2010 based on the underlying investment being recorded at fair value within the Plan Asset Program. As SHP has the ability to redeem its pooled units with no adjustment at the measurement date and there are no significant restrictions on liquidating these investments, the investment is categorized as a Level 2 measurement in the fair value hierarchy considerations. The inputs and valuation techniques as of December 31, 2011 and 2010 used for valuing the pooled units is primarily NAV, which represent a market valuation approach.

The inputs and valuation techniques as of December 31, 2011 and 2010 used for valuing the pooled units is primarily NAV, which represent a market valuation approach.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

H. Pension Plan (continued)

The fair values of the SHP Plan's assets at December 31, 2011, by asset category, are as follows

	Fair Value Measurements at Reporting Date Using			
	(Level 1)	(Level 2)	(Level 3)	
	Quoted Prices in Active Market	Other Observable Inputs	Unobservable Inputs	
Total				
<i>(Dollars in Thousands)</i>				
CHI Investment Program	\$ 116,411	\$ —	\$ 116,411	\$ —
Total SHP Plan's assets	\$ 116,411	\$ —	\$ 116,411	\$ —

The fair values of the SHP Plan's assets at December 31, 2010, by asset category, are as follows

	Fair Value Measurements at Reporting Date Using			
	(Level 1)	(Level 2)	(Level 3)	
	Quoted Prices in Active Market	Other Observable Inputs	Unobservable Inputs	
Total				
<i>(Dollars in Thousands)</i>				
CHI Investment Program	\$ 120,165	\$ —	\$ 120,165	\$ —
Total SHP Plan's assets	\$ 120,165	\$ —	\$ 120,165	\$ —

Weighted-average assumptions used to determine benefit obligation, are as follows

	Year Ended December 31	
	2011	2010
Discount rate	4.46%	5.10%
Long-term rate of return	7.75%	8.00%
Average salary increase rate ⁽¹⁾	2.50%	0.00%

⁽¹⁾ Weighted average is approximately 2.50% in 2011 and 2012, then 3.0% in 2013 and thereafter

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

H. Pension Plan (continued)

Weighted-average assumptions used to determine pension expense, are as follows

	Year Ended December 31			
	2011		2010	
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec
Discount rate	5.10%	5.13%	5.73%	5.16%
Long-term rate of return	7.75%	7.75%	8.00%	8.00%
Average salary increase rate ⁽²⁾	2.50%	2.50%	0.00%	0.00%

⁽²⁾ Weighted average is approximately 2.50% for 2011 and 2012, then 3.00% in 2013 and thereafter

In selecting the expected long-term return on the SHP Plan's assets, SHP considered the average rate of earnings on the funds invested or to be invested to provide for the benefits of the SHP Plan. This includes the asset allocation and the expected returns likely to be earned over the life of the Plan.

SHP's pension plan weighted-average asset allocations by asset category, are as follows

Asset category	December 31	
	2011	2010
Equity securities	52%	61%
Debt securities	27	19
Hedge funds	7	7
Private equity	9	9
Real estate	5	4
	100%	100%

As of December 31, 2011, SHP believes that there is not a specific concentration of risk in the underlying pool. SHP does recognize that all investments are subject to market risks and that changes in the market may have a material effect on the plan assets.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

H. Pension Plan (continued)

Consideration is given to several variables, including productivity, inflation, global competitiveness, and risk. CHI's objective is to have 53% to 60% invested in equity securities, 28% to 40% invested in debt securities, and 19% to 20% invested in alternative investments.

SHP management does recognize that all investments are subject to market risks and that changes in the market may have a material effect on the plan assets.

SHP expects to make no contribution to its pension plan in 2012.

Projected benefit payments for the ten years succeeding December 31, 2011, are as follows (dollars in thousands):

2012	\$ 6,385
2013	6,526
2014	6,568
2015	6,766
2016	6,934
2017-2021	38,727
	<u>\$ 71,906</u>

Included in unrestricted net assets at December 31, 2011 and 2010, are unrecognized prior service costs of \$0.1 million and \$0.1 million and unrecognized actuarial losses of \$51.0 million and \$36.3 million, respectively, which have not yet been recognized in net periodic pension costs. Net periodic benefit costs at December 31, 2011 and 2010, are \$2.8 million and \$2.5 million, respectively.

Atrium Health System

AHS has a defined benefit pension plan (the AHS Plan) covering substantially all of its employees. All eligible participants' hypothetical cash balance accounts are credited with 3% of their compensation for each plan year. Contributions to the AHS Plan are intended to provide not only for benefits attributed to services-to-date, but also for those expected to be earned in the future. The AHS funding policy is to contribute amounts to the AHS Plan sufficient to meet the minimum funding requirements set forth in ERISA. The pension liability and expense are recorded by AMC.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

H. Pension Plan (continued)

Effective January 1, 2008, the AHS Plan was amended. The principle changes to the AHS Plan were as follows:

- The amended AHS Plan has two benefit formulas with the principle difference being range of service credits
- The participants obtain full vesting in their account balances after completion of three years of service instead of the previous requirements of five years of service

Weighted-average assumptions used to determine benefit obligation, are as follows:

	Year Ended December 31	
	2011	2010
Discount rate	4.36%	4.64%
Long-term rate of return	7.25%	7.75%
Average salary increase rate ⁽³⁾	2.50%	0.00%

⁽³⁾ Weighted average is approximately 2.50% in 2011 and 2012, then 3.00% in 2013 and thereafter

Weighted-average assumptions used to determine net periodic benefit cost, are as follows:

	Year Ended December 31	
	2011	2010
Discount rate	4.64%	5.35%
Long-term rate of return	7.25%	7.75%
Average salary increase rate ⁽⁴⁾	2.50%	0.00%

⁽⁴⁾ Weighted average is approximately 2.50% in 2011 and 2012, then 3.0% in 2013 and thereafter

In selecting the expected long-term return on plan assets, AHS considered the average rate of earnings on the funds invested or to be invested to provide for the benefits of the AHS Plan. This included considering the AHS Plan's asset allocation and the expected returns likely to be earned over the life of the AHS Plan.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

H. Pension Plan (continued)

The fair values of the AHS Plan's assets at December 31, 2011, by asset category, are as follows

Asset Category	Total	Fair Value Measurements		
		(Level 1)	(Level 2)	(Level 3)
		Quoted Prices in Active Market	Observable Inputs	Unobservable Inputs
<i>(Dollars in Thousands)</i>				
Cash and short-term investments	\$ 15	\$ 15	\$ —	\$ —
Mutual fund				
Domestic Large Cap	7,522	7,522	—	—
Domestic Small Cap	2,722	2,722	—	—
International	4,309	4,309	—	—
Fixed income	7,777	—	7,777	—
Hedge funds	5,784	—	5,784	—
Total AHS Plan's assets	<u>\$ 28,129</u>	<u>\$ 14,568</u>	<u>\$ 13,561</u>	<u>\$ —</u>

The fair values of the AHS Plan's assets at December 31, 2010, by asset category, are as follows

Asset Category	Total	Fair Value Measurements		
		(Level 1)	(Level 2)	(Level 3)
		Quoted Prices in Active Market	Observable Inputs	Unobservable Inputs
<i>(Dollars in Thousands)</i>				
Cash and short-term investments	\$ 17	\$ 17	\$ —	\$ —
Mutual fund				
Domestic Large Cap	7,368	7,368	—	—
Domestic Small Cap	2,632	2,632	—	—
International	3,375	3,375	—	—
Fixed income	9,146	—	9,146	—
Hedge funds	4,015	—	4,015	—
Total AHS Plan's assets	<u>\$ 26,553</u>	<u>\$ 13,392</u>	<u>\$ 13,161</u>	<u>\$ —</u>

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

H. Pension Plan (continued)

The AHS Plan's assets are invested in a portfolio that provides for asset allocation strategies across equity and debt markets. The asset allocation strategy allows for 11% of the total portfolio to be invested internationally with 89% invested domestically. The portfolio's objective is to maximize total return, consisting of current income and capital appreciation, without assuming undue risk. Asset allocation is set by corporate policy with rebalancing undertaken when preset limits are exceeded. The limits allow for a 5% variation from the equity and fixed income allocation targets. The overall asset allocation strategy, consisting of 75% equity and 25% fixed income, is reset if the AHS Plan's design and/or objectives change. Fair value methodologies for cash and short-term investments, and mutual funds sections included in Level 1 and Level 2 are consistent with the inputs described in Note C.

Following is the summary of the inputs and valuation techniques as of December 31, 2011 and 2010 used for valuing Level 2 securities in the portfolio:

Securities	Input	Valuation Technique
Mutual funds	NAV	Market
Hedge funds	NAV	Market/Income

Alternative investments, which consist of hedge funds, are not necessarily readily marketable and may include short sales on securities and trading in future contracts, options, foreign currency contracts, other derivative instruments, and private equity investments. However, management has determined that the NAV is an appropriate estimate of the fair value of these investments at December 31, 2011, based on the fact that the alternative investments are audited and accounted for at fair value by the administrators of the respective alternative investments. As AHS has the ability to redeem its investment in the respective alternative investment at the NAV with no significant restrictions on the redemption at the combined balance, AHS has categorized the alternative investment as a Level 2 measurement in the fair value hierarchy. If AHS does not have the ability to redeem the alternative investment at NAV due to significant restrictions, AHS will categorize the alternative as a Level 3 measurement in the fair value hierarchy.

AHS maintains diversification in its plan assets by allocating assets to various asset classes and market segments and retaining multiple professional investment firms with different philosophies, styles and approaches. Accordingly, based on this diversification, management

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

H. Pension Plan (continued)

does not believe there are any concentrations of credit at the measurement date. The mutual fund and hedge fund securities within plan assets are actively traded and the fair value reflects current market conditions.

AHS expects to make a contribution of \$2.8 million to the AHS pension plan in 2012.

Projected benefit payments for the ten years succeeding December 31, 2011 are as follows (dollars in thousands):

2012	\$ 2,542
2013	2,658
2014	2,885
2015	2,570
2016	2,668
2017–2021	12,106
	<u>\$ 25,429</u>

Included in net assets at December 31, 2011 and 2010 are unrecognized prior service cost of \$0.6 million and \$0.7 million and unrecognized actuarial losses of \$13.8 million and \$14.1 million, respectively, which have not yet been recognized in net periodic pension costs.

UVMC

UVMC maintains a noncontributory, defined benefit pension plan (the UVMC Plan). Pension benefits are based primarily on years of service and compensation. Effective March 1, 2001, the UVMC Plan was amended to freeze the accrual of benefits for certain participants under the UVMC Plan. As such, the UVMC Plan covers a continually decreasing portion of all employees.

Weighted-average assumptions used to determine benefit obligation are as follows:

	Year Ended December 31	
	2011	2010
Discount rate	4.19%	5.32%
Long-term rate of return	7.00%	8.00%
Average salary increase rate	4.00%	4.00%

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

H. Pension Plan (continued)

Weighted-average assumptions used to determine net periodic benefit cost, are as follows

	Year Ended December 31	
	2011	2010
Discount rate	5.32%	5.85%
Long-term rate of return	7.00%	8.00%
Average salary increase rate	4.00%	4.50%

In selecting the expected long-term return on the UVMC Plan's assets, UVMC considered the average rate of earnings on the funds invested or to be invested to provide for the benefits of these plans. This included considering the trust's asset allocation and the expected returns likely to be earned over the life of the plans.

The fair values of the UVMC Plan's assets at December 31, 2011, by asset category, are as follows:

Asset Category	Total	Fair Value Measurements			
		(Level 1)	(Level 2)	(Level 3)	
		Quoted Prices			
		in Active Market	Observable Inputs	Unobservable Inputs	
(Dollars in Thousands)					
Cash and short-term investments	\$ 720	\$ 720	\$ —	\$ —	—
Mutual fund					
Domestic Large Cap	16,771	16,771	—	—	—
Domestic Small Cap	5,127	5,127	—	—	—
International	6,088	6,088	—	—	—
Fixed income	24,800	—	24,800	—	—
Emerging markets	2,045	2,045	—	—	—
Total UVMC Plan's assets	\$ 55,551	\$ 30,751	\$ 24,800	\$ —	—

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

H. Pension Plan (continued)

The fair values of the UVMC Plan's assets at December 31, 2010, by asset category, are as follows

Asset Category	Total	Fair Value Measurements		
		(Level 1)	(Level 2)	(Level 3)
		Quoted Prices in Active Market	Observable Inputs	Unobservable Inputs
<i>(Dollars in Thousands)</i>				
Cash and short-term investments	\$ 733	\$ 733	\$ —	\$ —
Mutual fund				
Domestic Large Cap	21,168	21,168	—	—
Domestic Small Cap	4,732	4,732	—	—
International	7,012	7,012	—	—
Fixed income	19,625	—	19,625	—
Total UVMC Plan's assets	\$ 53,270	\$ 33,645	\$ 19,625	\$ —

The UVMC Plan's assets are invested in a portfolio that provides for asset allocation strategies among equity and debt securities in the United States and in international and emerging markets. The portfolio's objective is to maximize total return, consisting of current income and capital appreciation, without assuming undue risk. Strategies are followed, which increase or decrease investments in the equity and debt markets based upon ongoing analysis. The active management process combines judgments about the value of the stock and bond markets and the relative value of a wide variety of securities within these markets. Consideration is given to various variables, including productivity, inflation, global competitiveness, and risk. UVMC's objective is to have 50% to 60% invested in equity securities and 40% to 50% invested in debt securities and cash. Fair value methodologies for cash and short-term investments, and mutual funds sections included in Level 1 and Level 2 are consistent with the inputs described in Note C.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

H. Pension Plan (continued)

Following is the summary of the inputs and valuation techniques as of December 31, 2011 and 2010 used for valuing Level 2 securities in the portfolio

Securities	Input	Valuation Technique
Mutual funds	NAV	Market

UVMC maintains diversification in its plan assets by allocating assets to various asset classes and market segments and retaining multiple professional investment firms with different philosophies, styles and approaches. Accordingly, based on this diversification, management does not believe there are any concentrations of credit at the measurement date. The mutual fund securities within plan assets are actively traded and the fair value reflects current market conditions.

UVMC expects to make contributions of approximately \$4.1 million to the UVMC Plan in 2012.

Projected benefit payments for the ten years succeeding December 31, 2011, are as follows (dollars in thousands):

2012	\$ 2.772
2013	3.067
2014	3.406
2015	3.736
2016	4.091
2017–2021	26.533
	<u>\$ 43.605</u>

Unrecognized actuarial losses of \$35.8 million and \$22.8 million have not yet been recognized in net periodic pension cost and are included in unrestricted net assets for the years ended December 31, 2011 and 2010, respectively. Actuarial losses of approximately \$3.0 million, included in unrestricted net assets at December 31, 2011, are expected to be recognized in net periodic pension costs for the year ending December 31, 2012.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

I. Interest Rate Swaps

The following table summarizes the net liability positions of the interest rate swaps at December 31, 2011 and 2010

	MAHS	SHP	AHS	UVMC	PHP Combined
	<i>(Dollars in Thousands)</i>				
December 31, 2011					
Interest rate swap liability	\$ 27,175	\$ 107	\$ 20,578	\$ 891	\$ 48,751
December 31, 2010					
Interest rate swap liability	\$ 6,366	\$ 209	\$ 5,712	\$ 6	\$ 12,293

MedAmerica Health Systems

In May 2011, MAHS cancelled and settled its interest rate swap agreements for \$6.8 million and entered into two new interest rate swap agreements for \$6.8 million, with notional amounts totaling \$85.0 million. The notional amount of these swaps decline annually beginning in November 2042 and expire in November 2045. The interest rate swaps are designated as cash flow hedges wherein MAHS receives variable rate payments and pays fixed rate payments and are intended to hedge the exposure of variability in expected future cash flows attributable to changes in short-term rates. MAHS receives 67% of the one-month LIBOR and pays a fixed rate of 3.225%.

In addition, MAHS entered into two new basis swap agreements in 2011 ("swap A" and "swap B"), with notional amounts totaling \$100.0 million. The notional amount of these swaps decline annually and expire in May 2037. The basis swaps are intended to reduce the net cost of the fixed rate bond issue by taking on some of the basis/tax risk of the issuance. The terms on swap A are such that MAHS receives 67% of the one-month LIBOR, plus a spread of 0.6395% and pays at the SIFMA Municipal Bond Index rate, on swap B MAHS receives at the SIFMA Municipal Bond Index rate and pays 67% of LIBOR, plus a spread of 0.6395%.

MAHS management has determined both the interest rate and basis rate swaps to be an ineffective hedge. The cash flow impact of the interest rate swap agreements appears in the non-operating (losses) gain line of the combined statement of operations and changes in net assets, and was \$2.7 million and \$2.8 million, net expense as of December 31, 2011 and 2010, respectively. Nonoperating losses related to the valuation of the agreements of \$20.6 million and \$3.7 million were recorded in 2011 and 2010, respectively.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

I. Interest Rate Swaps (continued)

Samaritan Health Partners

In conjunction with the 2010 Revenue Bond issuance (see Note G), SHP entered into four interest rate swap agreements. These agreements allow SHP to swap a variable interest rate to a fixed rate ranging from 5.10% to 5.31%.

The notional amounts of these swap agreements as of December 31, 2011 and 2010 totaled \$2.0 million and \$2.8 million, respectively. The notional amounts decline annually and expire through May 2014.

SHP management has determined the interest rate swap to be an ineffective hedge, and changes to the fair value of the interest rate swap have been recorded in the combined statements of operations and changes in net assets as nonoperating (losses) gains. SHP recorded nonoperating gains of \$0.1 million in both 2011 and 2010.

Atrium Health System

AHS entered into an interest rate swap agreement in 2005 as part of its risk management strategy. The swap utilized effectively modifies a portion of the exposure to interest rate risk.

The transaction allows AHS to swap a variable interest rate on up to \$80 million to a fixed rate of 3.12%. The cash flow impact of the interest rate swap agreement appears in the other income/expense line of the combined statement of operations and changes in net assets and was \$2.5 million and \$2.2 million, net expense as of December 31, 2011 and 2010, respectively. In April 2007, pursuant to Supplemental Indenture Four of the Amended and Restated Master Trust Indenture dated October 1, 2006, the interest rate swap agreement was amended to increase the notional amount to \$110 million and classify the obligation as Superior Indebtedness.

AHS management has determined that the interest rate swap is an ineffective hedge, and changes to the fair value of the interest rate swap have been recorded in the combined statements of operations and changes in net assets as nonoperating (losses) gains. AHS recorded nonoperating losses of \$16.0 and \$3.1 million in 2011 and 2010, respectively.

AHS is subject to collateral posting requirements, at December 31, 2011, \$1.2 million collateral was required to be posted and at December 31, 2010 no collateral was required to be posted. At maturity, this floating rate basis swap agreement will have a market value of zero.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

I. Interest Rate Swaps (continued)

UVMC

In August 2001, Upper Valley Medical Center entered into a 15-year floating rate basis swap agreement. The original notional amount of this swap agreement was \$30.0 million. In August 2010, the agreement was amended to increase the notional amount to \$60.0 million.

UVMC management has determined that the basis swap is an ineffective hedge, and changes to the fair value of the basis swap have been recorded in the combined statements of operations and changes in net assets as nonoperating (losses) gains. UVMC recorded nonoperating losses of \$0.9 million and nonoperating gains of \$0.1 million in 2011 and 2010, respectively.

J. Nonoperating (Losses) Gains

Nonoperating (losses) gains are as follows:

	Year Ended December 31	
	2011	2010
	<i>(Dollars in Thousands)</i>	
Interest income	\$ 18,629	\$ 17,629
Realized gains on investments	4,533	27,120
Unrealized (losses) gains on investments	(21,403)	26,500
Unrealized losses on interest rate swaps	(42,806)	(11,716)
CHI assessment	(3,754)	(3,723)
Other expenses	(11,582)	(4,526)
Nonoperating (losses) gains	<u>\$ (56,383)</u>	<u>\$ 51,284</u>

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

K. Concentration of Credit Risk

In most cases, PHP grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors was as follows:

	MAHS		SHP		AHS		UVMC	
	December 31		December 31		December 31		December 31	
	2011	2010	2011	2010	2011	2010	2011	2010
Medicare	27%	27%	38%	43%	36%	41%	37%	32%
Medicaid	14	15	11	12	13	12	15	10
Anthem	8	8	7	6	7	7	9	11
United HealthCare	5	5	4	4	3	4	6	7
Other third-party payors	17	17	11	10	15	13	16	19
Patient's responsibility	29	28	29	25	26	23	17	21
Total	100%	100%	100%	100%	100%	100%	100%	100%

L. Acquisitions and Intangible Assets

During 2010, a joint venture partnership ended and a noncash distribution of assets and liabilities was recognized by each entity in accordance with the partnership agreement. As a result of this distribution, each organization recorded \$0.8 million of goodwill. Subsequent to the partnership ending, PHP management transferred and assigned assets and liabilities, including goodwill of \$2.6 million to GSH. All intercompany balances associated with this transaction were appropriately settled. During 2010, the joint venture partnership debt was legally assigned to GSH and in November 2010 was refinanced through a financing arrangement with the County of Montgomery, Ohio, which issued \$10.1 million of Hospital Facilities Revenue Bonds, Series 2010, to refinance certain outstanding taxable loans and equipment leases owned and operated by the joint venture (see Note G).

MedAmerica Health Systems

In June 2011, MVH purchased a health care business for approximately \$7.1 million. As a result of the purchase, goodwill of approximately \$2.2 million was recorded. In addition to goodwill, non-compete agreements of approximately \$2.2 million were recorded and are being amortized over two years in accordance with the agreements.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

L. Acquisitions and Intangible Assets (continued)

In December 2011, MVH entered into non-compete agreements of approximately \$0.9 million and are being amortized over five years in accordance with the agreement.

During 2009, MAHS purchased health care businesses resulting in other intangible assets of \$2.9 million. These intangible assets are being amortized over a three to five year period in accordance with the agreements.

MVH purchased 100% of a health care business during 2006. As a result of the purchase, goodwill of approximately \$22 million was recorded.

Samaritan Health Partners

During May 2008, GSH acquired the assets of a health care facility for approximately \$55 million. As a result of the acquisition, non-compete agreements of approximately \$7.5 million were recorded and are being amortized over five years in accordance with the agreements.

The following table sets forth the related carrying values of goodwill and other intangibles, as of December 31, 2011.

	MAHS	SHP	AHS	Combined PHP
	<i>(Dollars in Thousands)</i>			
Goodwill	\$ 23,809	\$ 3,377	\$ 822	\$ 28,008
Other intangible assets	4,557	2,179	117	6,853
Total	<u>\$ 28,366</u>	<u>\$ 5,556</u>	<u>\$ 939</u>	<u>\$ 34,861</u>

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

L. Acquisitions and Intangible Assets (continued)

The following table sets forth the related carrying values of goodwill and other intangibles, as of December 31, 2010

	MAHS	SHP	AHS	Combined PHP
	<i>(Dollars in Thousands)</i>			
Goodwill	\$ 21,590	\$ 3,377	\$ 822	\$ 25,789
Other intangible assets	2,289	3,820	233	6,342
Total	<u>\$ 23,879</u>	<u>\$ 7,197</u>	<u>\$ 1,055</u>	<u>\$ 32,131</u>

The following table sets forth the related amortization for the other intangible assets for the five years succeeding December 31, 2011

	MAHS	SHP	AHS	Combined PHP
	<i>(Dollars in Thousands)</i>			
2012	\$ 2,079	\$ 1,617	\$ 117	\$ 3,813
2013	1,294	562	—	1,856
2014	612	—	—	612
2015	304	—	—	304
2016	261	—	—	261
Thereafter	7	—	—	7
Total	<u>\$ 4,557</u>	<u>\$ 2,179</u>	<u>\$ 117</u>	<u>\$ 6,853</u>

Amortization expense for the years ended December 31, 2011 and 2010 was \$4.2 million and \$3.5 million, respectively.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

M. Cost of Community Benefits (Unaudited)

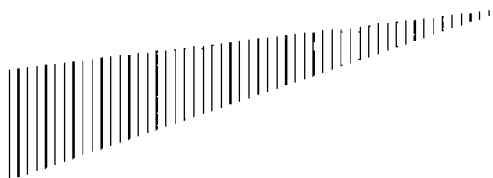
	2011 PHP	PHP %	2010 PHP	PHP %
Cost of community benefit				
Charity care and means-tested government programs				
Charity care at cost	\$ 66,707		\$ 57,252	
Unreimbursed Medicaid	24,434		34,799	
Unreimbursed costs – other means-tested government programs	1,837		2,260	
Total charity care and means-tested government programs	92,978	5.4%	94,311	5.9%
Other benefits				
Community health improvement and community benefit operations	12,156		3,076	
Health professions education	5,562		6,539	
Subsidized health services	43,416		46,719	
Research	—		—	
Cash and in-kind contributions to community groups	61		61	
Total other benefits	61,195	3.6%	56,395	3.5%
Total quantifiable benefits	154,173	9.0%	150,706	9.4%
Community building activities				
Physical improvements	503		375	
Other	1,866		2,678	
Total community building activities	2,369	0.1%	3,053	0.2%
Total Medicare	83,613	4.7%	69,693	4.3%
Total community benefits	\$ 240,155	13.8%	\$ 223,452	13.9%

Medicaid and Medicare includes total costs

N. Subsequent Events

PHP has evaluated and disclosed any subsequent events through March 20, 2012, which is the date the combined financial statements were issued and made publicly available. No recognized or non-recognized subsequent events were identified for recognition or disclosure in the combined financial statements.

Supplementary Information



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Report of Independent Auditors on Supplementary Information

The Board of Trustees
Premier Health Partners

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying combining balance sheets, and statements of operations, and the consolidating balance sheets and statements of operations, along with the consolidated statements of cash flows and changes in net assets are presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Ernst & Young LLP

March 20, 2012

Premier Health Partners and Affiliates

Combining Balance Sheet (Dollars in Thousands)

December 31, 2011

	MedAmerica Health Systems and Subsidiaries	Samaritan Health Partners and Subsidiaries	Atrium Health System and Subsidiaries	UVMC and Controlled Affiliates	Combining Adjustments	Combined Total
Assets						
Current assets						
Cash and short-term investments	\$ 42,459	\$ 23,011	\$ 10,027	\$ 6,666	\$ —	\$ 82,163
Accounts receivable, net of allowances for doubtful accounts and charity care of \$208,845	130,488	49,099	31,703	19,578	—	230,868
Inventories	6,423	6,735	1,631	634	—	15,423
Prepaid expenses	10,446	3,370	2,130	2,146	—	18,092
Assets limited as to use	—	5,053	—	—	—	5,053
Estimated receivable from third parties	—	1,896	—	—	—	1,896
Amounts receivable under JOA	13,223	—	6,639	—	(19,862)	—
Due from affiliates-other	9,142	—	—	—	(9,142)	—
Other current assets	19,110	10,692	3,507	1,006	2	34,317
Total current assets	231,291	99,856	55,637	30,030	(29,002)	387,812
Assets limited as to use						
Board-designated investments	464,352	170,451	79,331	165,651	—	879,785
Other investments	57,707	24,686	14,838	24,174	—	121,405
Assets limited as to use	522,059	195,137	94,169	189,825	—	1,001,190
Property, plant and equipment, net	654,134	215,044	249,450	83,077	—	1,201,705
Intangible assets, net	28,366	5,556	939	—	—	34,861
Other assets	36,926	13,020	2,495	5,567	—	58,008
Total assets	\$ 1,472,776	\$ 528,613	\$ 402,690	\$ 308,499	\$ (29,002)	\$ 2,683,576

Premier Health Partners and Affiliates

Combining Balance Sheet (continued) (Dollars in Thousands)

December 31, 2011

	MedAmerica Health Systems and Subsidiaries	Samaritan Health Partners and Subsidiaries	Atrium Health System and Subsidiaries	UVMC and Controlled Affiliates	Combining Adjustments	Combined Total
Liabilities and net assets						
Current liabilities						
Accounts payable	\$ 41,033	\$ 13,679	\$ 8,257	\$ 3,552	\$ —	\$ 66,521
Accrued expenses	50,482	17,327	8,182	6,879	—	82,870
Current portion of long-term debt	6,443	10,271	3,377	2,202	—	22,293
Short term debt	—	5,053	—	—	—	5,053
Estimated payable to third parties	881	902	5,777	3,908	—	11,468
Amount due under JOA	—	12,639	—	7,223	(19,862)	—
Due to affiliates -other	—	4,258	4,093	789	(9,140)	—
Other current liabilities	21,507	9,387	2,606	4,412	—	37,912
Total current liabilities	120,346	73,516	32,292	28,965	(29,002)	226,117
Long-term debt, less current portion	416,423	112,936	202,230	48,979	—	780,568
Reserve for professional liability	26,375	11,585	5,673	6,035	—	49,668
Pension obligation	146,624	3,664	4,478	33,191	—	187,957
Interest rate swap liability	27,175	107	20,578	891	—	48,751
Other liabilities	28,502	14,595	6,740	10,381	—	60,218
Total liabilities	765,445	216,403	271,991	128,442	(29,002)	1,353,279
Net assets						
Unrestricted	678,106	304,719	124,782	177,376	—	1,284,983
Temporarily restricted	12,011	4,191	3,450	1,592	—	21,244
Permanently restricted	17,214	3,300	2,467	1,089	—	24,070
Total net assets	707,331	312,210	130,699	180,057	—	1,330,297
Total liabilities and net assets	\$ 1,472,776	\$ 528,613	\$ 402,690	\$ 308,499	\$ (29,002)	\$ 2,683,576

Premier Health Partners and Affiliates

Combining Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2011

	MedAmerica Health Systems and Subsidiaries	Samaritan Health Partners and Subsidiaries	Atrium Health System and Subsidiaries	UVMC and Controlled Affiliates	Combining Adjustments	Combined Total
Operating revenue						
Net patient revenue	\$ 881,879	\$ 431,239	\$ 245,818	\$ 179,827	\$ -	\$ 1,738,763
Other operating revenue income	30,467	24,996	9,946	5,195	(311)	70,293
Joint venture profits	6,891	1,374	-	-	-	8,265
Total operating revenue	919,237	457,609	255,764	185,022	(311)	1,817,321
Operating expenses						
Salaries and wages	371,560	180,273	90,996	83,982	-	726,811
Employee benefits	89,460	39,617	22,875	22,788	-	174,740
Supplies	142,134	88,005	49,448	20,507	-	300,094
Purchased services, insurance and other	164,912	65,846	38,897	32,444	(311)	301,788
Hospital franchise tax	3,563	2,204	1,700	963	-	8,430
Depreciation and amortization	68,659	29,980	23,324	8,886	-	130,849
Interest	14,309	5,946	6,390	2,679	-	29,324
Bad debt	20,890	11,634	6,747	4,313	-	43,584
Total operating expenses	875,487	423,505	240,377	176,562	(311)	1,715,620
Income from operations before asset impairment	43,750	34,104	15,387	8,460	-	101,701
Asset impairment	(651)	(161)	-	-	-	(812)
Income from operations	43,099	33,943	15,387	8,460	-	100,889
Income (expense) allocation related to joint operating agreement	13,223	(12,639)	6,639	(7,223)	-	-
Nonoperating (losses) gains, net	(31,352)	(7,239)	(19,742)	1,950	-	(56,383)
Excess of revenue over expenses	\$ 24,970	\$ 14,065	\$ 2,284	\$ 3,187	\$ -	\$ 44,506

Premier Health Partners and Affiliates

Combining Balance Sheet (Dollars in Thousands)

December 31, 2010

	MedAmerica Health Systems and Subsidiaries	Samaritan Health Partners and Subsidiaries	Atrium Health System and Subsidiaries	UVMC and Controlled Affiliates	Combining Adjustments	Combined Total
Assets						
Current assets						
Cash and short-term investments	\$ 21,589	\$ 20,816	\$ 18,852	\$ 6,264	\$ -	\$ 67,521
Accounts receivable, net of allowances for doubtful accounts and charity care of \$163,245	123,120	49,369	28,815	13,772	-	215,076
Inventories	6,166	4,436	1,331	534	-	12,467
Prepaid expenses	8,525	3,196	2,122	1,519	-	15,362
Assets limited as to use	208,715	7,579	28,290	-	-	244,584
Estimated receivable from third parties	-	1,000	-	-	-	1,000
Amounts receivable under JOA	-	10,933	18,967	-	(29,900)	-
Due from affiliates-other	8,685	-	-	370	(9,055)	-
Other current assets	27,840	16,862	5,736	766	1	51,205
Total current assets	404,640	114,191	104,113	23,225	(38,954)	607,215
Assets limited as to use						
Board-designated investments	209,105	125,094	-	184,705	-	518,904
Other investments	60,400	25,168	13,853	21,071	-	120,492
Assets limited as to use	269,505	150,262	13,853	205,776	-	639,396
Property, plant and equipment, net	597,195	234,822	264,061	74,865	-	1,170,943
Prepaid pension asset	-	13,838	-	-	-	13,838
Intangible assets, net	23,879	7,197	1,055	-	-	32,131
Other assets	33,310	12,541	4,166	6,640	-	56,657
Total assets	\$ 1,328,529	\$ 532,851	\$ 387,248	\$ 310,506	\$ (38,954)	\$ 2,520,180

Premier Health Partners and Affiliates

Combining Balance Sheet (continued) (Dollars in Thousands)

December 31, 2010

	MedAmerica Health Systems and Subsidiaries	Samaritan Health Partners and Subsidiaries	Atruim Health System and Subsidiaries	UVMC and Controlled Affiliates	Combining Adjustments	Combined Total
Liabilities and net assets						
Current liabilities						
Accounts payable	\$ 36,316	\$ 17,178	\$ 8,168	\$ 2,954	\$ -	\$ 64,616
Accrued expenses	46,937	17,345	7,499	7,115	-	78,896
Current portion of long-term debt	8,869	12,065	3,098	2,000	-	26,032
Short term debt	136,030	7,579	100,975	-	-	244,584
Estimated payable to third parties	3,130	926	6,597	2,480	-	13,133
Amount due under JOA	22,478	-	-	7,422	(29,900)	-
Due to affiliates -other	16	3,874	1,970	3,138	(8,998)	-
Other current liabilities	21,386	12,164	3,000	5,238	(56)	41,732
Total current liabilities	275,162	71,131	131,307	30,347	(38,954)	468,993
Long-term debt, less current portion	172,696	119,116	103,686	51,190	-	446,688
Reserve for professional liability	19,542	13,884	5,614	5,205	-	44,245
Pension obligation	94,691	-	5,995	21,589	-	122,275
Interest rate swap liability	6,366	209	5,712	6	-	12,293
Other liabilities	25,446	13,004	8,013	11,644	-	58,107
Total liabilities	593,903	217,344	260,327	119,981	(38,954)	1,152,601
Net assets						
Unrestricted	707,306	309,391	122,401	187,944	-	1,327,042
Temporarily restricted	10,169	2,808	3,136	1,508	-	17,621
Permanently restricted	17,151	3,308	1,384	1,073	-	22,916
Total net assets	734,626	315,507	126,921	190,525	-	1,367,579
Total liabilities and net assets	\$ 1,328,529	\$ 532,851	\$ 387,248	\$ 310,506	\$ (38,954)	\$ 2,520,180

Premier Health Partners and Affiliates

Combining Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2010

	Med-America Health Systems and Subsidiaries	Samaritan Health Partners and Subsidiaries	Atrium Health System and Subsidiaries	UVMC and Controlled Affiliates	Combining Adjustments	Combined Total
Operating revenue						
Net patient revenue	\$ 813,912	\$ 404,437	\$ 227,101	\$ 172,186	\$ -	\$ 1,617,636
Other operating revenue income	25,037	17,286	7,739	4,401	327	54,790
Joint venture profits	4,335	1,253	9	-	-	5,597
Total operating revenue	843,284	422,976	234,849	176,587	327	1,678,023
Operating expenses						
Salaries and wages	342,949	171,423	90,256	77,315	(30)	681,913
Employee benefits	77,061	35,022	23,422	21,699	414	157,618
Supplies	134,918	83,906	45,603	21,085	69	285,581
Purchased services, insurance, and other	152,932	68,674	41,230	30,736	(126)	293,446
Hospital franchise tax	3,791	2,441	1,574	1,036	-	8,842
Depreciation and amortization	49,838	29,701	23,343	8,601	-	111,483
Interest	5,972	6,674	8,573	2,766	39	24,024
Bad debt	16,726	8,798	7,388	3,047	-	35,959
Total operating expenses	784,187	406,639	241,389	166,285	366	1,598,866
Income (loss) from operations before asset impairment	59,097	16,337	(6,540)	10,302	(39)	79,157
Asset impairment	(4,875)	(3,091)	-	-	-	(7,966)
Income (loss) from operations	54,222	13,246	(6,540)	10,302	(39)	71,191
(Expense) income allocation related to joint operating agreement	(22,478)	10,933	18,967	(7,422)	-	-
Nonoperating gains (losses), net	36,167	7,986	(4,058)	11,150	39	51,284
Excess of revenue over expenses	\$ 67,911	\$ 32,165	\$ 8,369	\$ 14,030	\$ -	\$ 122,475

MedAmerica Health Systems and Subsidiaries

Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2011

	Miami Valley Hospital	MVHE, Inc.	Fidelity Health Care	Miami Valley Hospital Foundation	Dialysis Centers of Dayton, LLC	Eliminations	Consolidated Total
Assets							
Current assets							
Cash and short-term investments	\$ 31,760	\$ 3,491	\$ 2,551	\$ 167	\$ 4,790	\$ —	\$ 42,459
Accounts receivable, net of allowances for doubtful accounts and charity care of \$114,386	118,316	3,713	5,212	—	3,247	—	130,488
Inventories	6,176	—	247	—	—	—	6,423
Prepaid expenses	7,031	795	219	3	2,398	—	10,446
Amounts receivable under JOA	13,223	—	—	—	—	—	13,223
Due from affiliates-other	363	223	4	—	—	8,552	9,142
Other current assets	17,028	1,019	—	1,054	—	9	19,110
Total current assets	193,897	8,941	8,233	1,224	10,435	8,561	231,291
Assets limited as to use							
Board designated investments	443,262	—	—	21,090	—	—	464,352
Other investments	30,839	—	—	26,868	—	—	57,707
Assets limited as to use	474,101	—	—	47,958	—	—	522,059
Property, plant and equipment, net	641,954	3,612	1,463	722	6,383	—	654,134
Intangible assets, net	7,209	60	—	—	21,097	—	28,366
Other assets	20,141	16,782	3	—	—	—	36,926
Total assets	\$ 1,337,302	\$ 29,395	\$ 9,699	\$ 49,904	\$ 37,915	\$ 8,561	\$ 1,472,776

MedAmerica Health Systems and Subsidiaries

Consolidating Balance Sheet (continued) (Dollars in Thousands)

December 31, 2011

	Miami Valley Hospital	MVHE, Inc.	Fidelity Health Care	Miami Valley Hospital Foundation	Dialysis Centers of Dayton, LLC	Eliminations	Consolidated Total
Liabilities and net assets							
Current liabilities							
Accounts payable	\$ 39,164	\$ 1,162	\$ 177	\$ 120	\$ 410	\$ —	\$ 41,033
Accrued expenses	44,286	3,951	1,383	126	736	—	50,482
Current portion of long term debt	6,443	—	—	—	—	—	6,443
Estimated payable to third party payor	881	—	—	—	—	—	881
Due to affiliates -other	(9,485)	317	689	(268)	186	8,561	—
Other current liabilities	20,005	397	464	—	641	—	21,507
Total current liabilities	101,294	5,827	2,713	(22)	1,973	8,561	120,346
Long-term debt, less current portion	416,399	24	—	—	—	—	416,423
Reserve for professional liability	26,375	—	—	—	—	—	26,375
Pension obligation	146,624	—	—	—	—	—	146,624
Interest rate swap liability	27,175	—	—	—	—	—	27,175
Other liabilities	15,323	11,361	2	1,816	—	—	28,502
Total liabilities	733,190	17,212	2,715	1,794	1,973	8,561	765,445
Net assets							
Unrestricted	603,112	12,183	6,984	19,885	35,942	—	678,106
Temporarily restricted	—	—	—	12,011	—	—	12,011
Permanently restricted	1,000	—	—	16,214	—	—	17,214
Total net assets	604,112	12,183	6,984	48,110	35,942	—	707,331
Total liabilities and net assets	\$ 1,337,302	\$ 29,395	\$ 9,699	\$ 49,904	\$ 37,915	\$ 8,561	\$ 1,472,776

MedAmerica Health Systems and Subsidiaries

Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2011

	Miami Valley Hospital	MVHE, Inc.	Fidelity Health Care	Miami Valley Hospital Foundation	Dialysis Centers of Dayton, LLC	Eliminations	Consolidated Total
Operating revenue							
Net patient revenue	\$ 786,600	\$ 39,545	\$ 30,383	\$ —	\$ 25,351	\$ —	\$ 881,879
Other operating revenue income	30,823	2,062	5	492	101	(3,016)	30,467
Joint venture profits	122	6,769	—	—	—	—	6,891
Total operating revenue	817,545	48,376	30,388	492	25,452	(3,016)	919,237
Operating expenses							
Salaries and wages	310,138	34,927	18,032	646	7,817	—	371,560
Employee benefits	78,524	5,798	3,371	139	1,628	—	89,460
Supplies	127,015	3,996	3,789	80	7,254	—	142,134
Purchased services, insurance, and other	154,960	6,466	2,781	806	2,915	(3,016)	164,912
Hospital franchise tax	3,563	—	—	—	—	—	3,563
Depreciation and amortization	67,104	370	636	—	549	—	68,659
Interest	14,308	1	—	—	—	—	14,309
Bad debt	18,700	867	499	—	824	—	20,890
Total operating expenses	774,312	52,425	29,108	1,671	20,987	(3,016)	875,487
Income (loss) from operations before asset impairment	43,233	(4,049)	1,280	(1,179)	4,465	—	43,750
Asset impairment	(201)	(450)	—	—	—	—	(651)
Income (loss) from operations	43,032	(4,499)	1,280	(1,179)	4,465	—	43,099
Income allocation related to joint operating agreement	13,223	—	—	—	—	—	13,223
Nonoperating (losses) gains, net	(31,703)	6	2	343	—	—	(31,352)
Excess (deficiency) of revenue over expenses	\$ 24,552	\$ (4,493)	\$ 1,282	\$ (836)	\$ 4,465	\$ —	\$ 24,970

MedAmerica Health Systems and Subsidiaries

Consolidated Statements of Changes in Net Assets
(Dollars in Thousands)

	Year Ended December 31	
	2011	2010
Net assets		
Excess of revenue over expenses	\$ 24,970	\$ 67,911
Pension adjustment	(54,895)	(7,666)
Net gains on temporarily restricted and permanently restricted net assets and other	2,630	3,345
Inventory adjustment	(27,295)	63,590
Net assets at beginning of year	734,626	671,036
Net assets at end of year	<u>\$ 707,331</u>	<u>\$ 734,626</u>

MedAmerica Health Systems and Subsidiaries

Consolidated Statements of Cash Flows (Dollars in Thousands)

	Year Ended December 31	
	2011	2010
Operating activities		
(Decrease) increase in net assets	\$ (27,295)	\$ 63,590
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	68,659	49,838
Bad debt expense	20,890	16,726
Asset impairment	651	4,875
Change in the valuation of swap agreement liability	20,621	3,723
Pension adjustment	54,895	7,666
Unrealized losses (gains) on assets limited as to use	10,279	(17,860)
Net change in assets and liabilities		
Accounts receivable	(27,628)	(15,042)
Assets limited as to use	(54,118)	32,727
Other assets	(12,597)	(13,891)
Accounts payable and other accruals	(1,172)	(9,634)
Estimated payable to third parties	(2,249)	(475)
Other liabilities	(11,384)	410
Net cash provided by operating activities	39,552	122,653
Investing activities		
Purchase of healthcare business	(3,264)	—
Purchases of property, plant, and equipment	(116,815)	(122,252)
Net cash used for investing activities	(120,079)	(122,252)
Financing activities		
Proceeds from issuance of debt	190,120	—
Repayment of long-term debt and capital leases	(88,723)	(7,797)
Net cash provided by (used for) financing activities	101,397	(7,797)
Increase (decrease) in cash and short-term investments	20,870	(7,396)
Cash and short-term investments at beginning of year	21,589	28,985
Cash and short-term investments at end of year	\$ 42,459	\$ 21,589

MedAmerica Health Systems and Subsidiaries

Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2010

	Miami Valley Hospital	MVHE, Inc.	Fidelity Health Care	Miami Valley Hospital Foundation	Dialysis Centers of Dayton, LLC	Eliminations	Consolidated Total
Assets							
Current assets							
Cash and short-term investments	\$ 13,165	\$ 2,475	\$ 2,404	\$ 103	\$ 3,442	\$ -	\$ 21,589
Accounts receivable, net of allowances for doubtful accounts and charity care of \$89,459	111,639	3,505	5,225	-	2,751	-	123,120
Inventories	5,933	-	233	-	-	-	6,166
Prepaid expenses	6,339	558	192	3	1,433	-	8,525
Assets limited as to use	208,715	-	-	-	-	-	208,715
Due from affiliates-other	13,152	536	63	1,458	2	(6,526)	8,685
Other current assets	26,468	45	-	1,299	-	28	27,840
Total current assets	385,411	7,119	8,117	2,863	7,628	(6,498)	404,640
Assets limited as to use							
Board designated investments	188,763	-	-	20,342	-	-	209,105
Other investments	32,615	-	-	27,785	-	-	60,400
Assets limited as to use	221,378	-	-	48,127	-	-	269,505
Property, plant and equipment, net	584,179	4,307	1,348	998	6,363	-	597,195
Intangible assets, net	2,668	42	-	-	21,169	-	23,879
Other assets	16,223	17,062	25	-	-	-	33,310
Total assets	\$ 1,209,859	\$ 28,530	\$ 9,490	\$ 51,988	\$ 35,160	\$ (6,498)	\$ 1,328,529

MedAmerica Health Systems and Subsidiaries

Consolidating Balance Sheet (continued) (Dollars in Thousands)

December 31, 2010

	Miami Valley Hospital	MVHE, Inc.	Fidelity Health Care	Miami Valley Hospital Foundation	Dialysis Centers of Dayton, LLC	Eliminations	Consolidated Total
Liabilities and net assets							
Current liabilities							
Accounts payable	\$ 34,912	\$ 560	\$ 211	\$ 320	\$ 313	\$ -	\$ 36,316
Accrued expenses	41,557	3,026	1,460	65	829	-	46,937
Current portion of long-term debt	8,869	-	-	-	-	-	8,869
Short term debt	136,030	-	-	-	-	-	136,030
Estimated payable to third parties	3,130	-	-	-	-	-	3,130
Amount due under JOA	22,478	-	-	-	-	-	22,478
Due to affiliates -other	3,321	58	761	2,202	172	(6,498)	16
Other current liabilities	19,388	346	1,081	2	569	-	21,386
Total current liabilities	269,685	3,990	3,513	2,589	1,883	(6,498)	275,162
Long term debt, less current portion	172,667	29	-	-	-	-	172,696
Reserve for professional liability	19,542	-	-	-	-	-	19,542
Pension obligation	94,691	-	-	-	-	-	94,691
Interest rate swap liability	6,366	-	-	-	-	-	6,366
Other liabilities	13,039	10,478	26	1,903	-	-	25,446
Total liabilities	575,990	14,497	3,539	4,492	1,883	(6,498)	593,903
Net assets							
Unrestricted	632,869	14,033	5,951	21,176	33,277	-	707,306
Temporarily restricted	-	-	-	10,169	-	-	10,169
Permanently restricted	1,000	-	-	16,151	-	-	17,151
Total net assets	633,869	14,033	5,951	47,496	33,277	-	734,626
Total liabilities and net assets	\$ 1,209,859	\$ 28,530	\$ 9,490	\$ 51,988	\$ 35,160	\$ (6,498)	\$ 1,328,529

MedAmerica Health Systems and Subsidiaries

Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2010

	Miami Valley Hospital	MVHE, Inc.	Fidelity Health Care	Miami Valley Hospital Foundation	Dialysis Centers of Dayton, LLC	Eliminations	Consolidated Total
Operating revenue							
Net patient revenue	\$ 727,419	\$ 36,841	\$ 27,398	\$ —	\$ 22,268	\$ (14)	\$ 813,912
Other operating revenue income	25,878	765	23	727	116	(2,472)	25,037
Joint venture profits	80	4,255	—	—	—	—	4,335
Total operating revenue	753,377	41,861	27,421	727	22,384	(2,486)	843,284
Operating expenses							
Salaries and wages	286,823	31,010	16,773	677	7,680	(14)	342,949
Employee benefits	66,752	5,420	3,060	142	1,687	—	77,061
Supplies	120,281	3,785	3,444	119	7,289	—	134,918
Purchased services, insurance, and other	143,245	6,344	2,513	1,181	2,121	(2,472)	152,932
Hospital franchise tax	3,791	—	—	—	—	—	3,791
Depreciation and amortization	48,331	395	625	—	487	—	49,838
Interest	5,969	2	1	—	—	—	5,972
Bad debt	14,888	878	435	—	525	—	16,726
Total operating expenses	690,080	47,834	26,851	2,119	19,789	(2,486)	784,187
Income (loss) from operations before asset impairment	63,297	(5,973)	570	(1,392)	2,595	—	59,097
Asset impairment	—	(4,875)	—	—	—	—	(4,875)
Income (loss) from operations	63,297	(10,848)	570	(1,392)	2,595	—	54,222
Expense allocation related to joint operating agreement	(22,478)	—	—	—	—	—	(22,478)
Nonoperating gains, net	34,025	6	3	2,125	8	—	36,167
Excess (deficiency) of revenue over expenses	\$ 74,844	\$ (10,842)	\$ 573	\$ 733	\$ 2,603	\$ —	\$ 67,911

Samaritan Health Partners and Subsidiaries

Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2011

	Samaritan Health Partners	Good Samaritan Hospital	Good Samaritan Hospital Foundation	Samaritan Family Care	Samaritan Behavioral Health	Eliminations	Consolidated Total
Assets							
Current assets							
Cash and short-term investments	\$ 15	\$ 15,636	\$ 2,355	\$ 2,958	\$ 2,047	\$ -	\$ 23,011
Accounts receivable, net of allowances for doubtful accounts and charity care of \$53,579	-	45,875	-	2,144	1,080	-	49,099
Inventories	-	6,735	-	-	-	-	6,735
Prepaid expenses	-	2,904	-	335	131	-	3,370
Assets limited as to use	-	5,053	-	-	-	-	5,053
Estimated receivable from third parties	-	1,896	-	-	-	-	1,896
Due from affiliates - other	-	-	1,028	710	-	(1,738)	-
Other current assets	-	9,634	341	590	125	2	10,692
Total current assets	15	87,733	3,724	6,737	3,383	(1,736)	99,856
Assets limited as to use							
Board-designated investments	-	169,556	895	-	-	-	170,451
Other investments	-	18,758	5,928	-	-	-	24,686
Assets limited as to use	-	188,314	6,823	-	-	-	195,137
Property, plant and equipment, net	-	213,787	62	1,044	151	-	215,044
Intangible assets, net	-	5,556	-	-	-	-	5,556
Other assets	-	1,199	-	11,821	-	-	13,020
Total assets	\$ 15	\$ 496,589	\$ 10,609	\$ 19,602	\$ 3,534	\$ (1,736)	\$ 528,613

Samaritan Health Partners and Subsidiaries

Consolidating Balance Sheet (continued) (Dollars in Thousands)

December 31, 2011

	Samaritan Health Partners	Good Samaritan Hospital	Good Samaritan Hospital Foundation	Samaritan Family Care	Samaritan Behavioral Health	Eliminations	Consolidated Total
Liabilities and net assets							
Current liabilities							
Accounts payable	\$ 18	\$ 13,230	\$ -	\$ 325	\$ 106	\$ -	\$ 13,679
Accrued expenses	-	13,834	39	2,908	546	-	17,327
Current portion of long-term debt	-	10,271	-	-	-	-	10,271
Short-term debt	-	5,053	-	-	-	-	5,053
Estimated payable to third parties	-	-	-	-	902	-	902
Amount due under joint operating agreement	-	12,639	-	-	-	-	12,639
Due to affiliates - other	172	4,975	37	729	81	(1,736)	4,258
Other current liabilities	-	8,699	107	503	78	-	9,387
Total current liabilities	190	68,701	183	4,465	1,713	(1,736)	73,516
Long-term debt, less current portion	-	112,919	-	17	-	-	112,936
Reserve for professional liability	-	11,585	-	-	-	-	11,585
Pension obligation	-	3,664	-	-	-	-	3,664
Interest rate swap liability	-	107	-	-	-	-	107
Other liabilities	-	4,104	-	10,491	-	-	14,595
Total liabilities	190	201,080	183	14,973	1,713	(1,736)	216,403
Net (deficit) assets							
Unrestricted	(175)	295,509	2,935	4,629	1,821	-	304,719
Temporarily restricted	-	-	4,191	-	-	-	4,191
Permanently restricted	-	-	3,300	-	-	-	3,300
Total net (deficit) assets	(175)	295,509	10,426	4,629	1,821	-	312,210
Total liabilities and net assets	\$ 15	\$ 496,589	\$ 10,609	\$ 19,602	\$ 3,534	\$ (1,736)	\$ 528,613

Samaritan Health Partners and Subsidiaries

Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2011

	Samaritan Health Partners	Good Samaritan Hospital	Good Samaritan Hospital Foundation	Samaritan Family Care	Samaritan Behavioral Health	Eliminations	Consolidated Total
Operating revenue							
Net patient revenue	\$ —	399,417	\$ —	\$ 24,394	\$ 7,428	\$ —	\$ 431,239
Other operating revenue income	84	18,484	2,205	946	4,143	(866)	24,996
Joint venture (loss) profits	(267)	—	—	1,641	—	—	1,374
Total operating revenue	(183)	417,901	2,205	26,981	11,571	(866)	457,609
Operating expenses							
Salaries and wages	—	152,529	261	19,955	7,528	—	180,273
Employee benefits	—	34,181	38	3,604	1,794	—	39,617
Supplies	—	85,568	15	2,382	40	—	88,005
Purchased services, insurance and other	304	60,700	102	3,734	1,872	(866)	65,846
Hospital franchise tax	—	2,204	—	—	—	—	2,204
Depreciation and amortization	—	29,652	—	265	63	—	29,980
Interest	—	5,946	—	—	—	—	5,946
Bad debt	—	10,921	—	635	78	—	11,634
Total operating expenses	304	381,701	416	30,575	11,375	(866)	423,505
(Loss) income from operations before asset impairment	(487)	36,200	1,789	(3,594)	196	—	34,104
Asset impairment	—	(161)	—	—	—	—	(161)
(Loss) income from operations	(487)	36,039	1,789	(3,594)	196	—	33,943
Expense allocation related to joint operating agreement	—	(12,639)	—	—	—	—	(12,639)
Nonoperating losses, net	—	(6,810)	(54)	(278)	(97)	—	(7,239)
(Deficiency) excess of revenue over expenses	\$ (487)	\$ 16,590	\$ 1,735	\$ (3,872)	\$ 99	\$ —	\$ 14,065

Samaritan Health Partners and Subsidiaries

Consolidated Statement of Changes in Net Assets
(Dollars in Thousands)

	Year Ended December 31	
	2011	2010
Change in net assets		
Excess of revenue over expenses	\$ 14,065	\$ 32,165
Transfer to affiliates	(4,825)	(4,089)
Pension adjustment	(14,659)	11,488
Net gains (losses) on temporarily restricted and permanently restricted net assets and other	2,122	(125)
(Decrease) increase in net assets	(3,297)	39,439
Net assets at beginning of year	315,507	276,068
Net assets at end of year	<u>\$ 312,210</u>	<u>\$ 315,507</u>

See accompanying notes

Samaritan Health Partners and Subsidiaries

Consolidated Statement of Cash Flows (Dollars in Thousands)

	Year Ended December 31	
	2011	2010
Operating activities		
(Decrease) increase in net assets	\$ (3,297)	\$ 39,439
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	29,980	29,701
Bad debt	11,634	8,798
Asset impairment	161	3,091
Change in the valuation of swap agreement liability	(102)	(68)
Pension adjustment	14,659	(11,488)
Unrealized losses (gains) on assets limited as to use	6,370	(5,333)
Net change in assets and liabilities		
Accounts receivable	(11,364)	(8,546)
Assets limited as to use	(48,719)	(38,372)
Other assets	14,971	24,483
Accounts payable and other accruals	(3,517)	4,602
Estimated payable to third parties	(920)	(1,315)
Other liabilities	14,547	16,600
Net cash provided by operating activities	<u>24,403</u>	<u>61,392</u>
Investing activities		
Proceeds from the sale of assets, net of closing costs	16,000	—
Purchases of property, plant, and equipment	(26,363)	(29,985)
Net cash used for investing activities	<u>(10,363)</u>	<u>(29,985)</u>
Financing activities		
Proceeds from issuance of debt	—	10,105
Repayment of long-term debt and capital leases	(11,845)	(37,159)
Net cash used for financing activities	<u>(11,845)</u>	<u>(27,054)</u>
Increase in cash and short-term investments	2,195	4,353
Cash and short-term investments at beginning of year	20,816	16,463
Cash and short-term investments at end of year	<u>\$ 23,011</u>	<u>\$ 20,816</u>

Samaritan Health Partners and Subsidiaries

Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2010

	Samaritan Health Partners	Good Samaritan Hospital	Good Samaritan Hospital Foundation	Samaritan Family Care	Samaritan Behavioral Health	Eliminations	Consolidated Total
Assets							
Current assets							
Cash and short-term investments	\$ 96	\$ 14,383	\$ 722	\$ 2,791	\$ 2,824	\$ -	\$ 20,816
Accounts receivable, net of allowances for doubtful and charity care of \$42,339	-	46,707	-	1,864	798	-	49,369
Inventories	-	4,436	-	-	-	-	4,436
Prepaid expenses	-	2,803	-	245	148	-	3,196
Assets limited as to use	-	7,579	-	-	-	-	7,579
Estimated receivable from third parties	-	1,000	-	-	-	-	1,000
Amounts receivable under joint operating agreement	-	10,933	-	-	-	-	10,933
Due from affiliates -- other	-	1,003	-	42	-	(1,045)	-
Other current assets	-	16,442	196	122	102	-	16,862
Total current assets	96	105,286	918	5,064	3,872	(1,045)	114,191
Assets limited as to use							
Board-designated investments	-	124,199	895	-	-	-	125,094
Other investments	-	19,177	5,991	-	-	-	25,168
Assets limited as to use	-	143,376	6,886	-	-	-	150,262
Property, plant and equipment, net	-	233,355	62	1,241	164	-	234,822
Prepaid pension asset	-	13,838	-	-	-	-	13,838
Intangible assets, net	-	7,172	-	25	-	-	7,197
Other assets	269	1,340	-	10,932	-	-	12,541
Total assets	\$ 365	\$ 504,367	\$ 7,866	\$ 17,262	\$ 4,036	\$ (1,045)	\$ 532,851

Samaritan Health Partners and Subsidiaries

Consolidating Balance Sheet (continued) (Dollars in Thousands)

December 31, 2010

	Samaritan Health Partners	Good Samaritan Hospital	Good Samaritan Hospital Foundation	Samaritan Family Care	Samaritan Behavioral Health	Eliminations	Consolidated Total
Liabilities and net assets							
Current liabilities							
Accounts payable	\$ 19	\$ 16,765	\$ -	\$ 301	\$ 93	\$ -	\$ 17,178
Accrued expenses	-	14,848	-	1,911	586	-	17,345
Current portion of long-term debt	-	12,055	-	10	-	-	12,065
Short-term debt	-	7,579	-	-	-	-	7,579
Estimated payable to third parties	-	-	-	-	926	-	926
Due to affiliates - other	34	4,351	412	74	49	(1,046)	3,874
Other current liabilities	-	10,966	99	437	661	1	12,164
Total current liabilities	53	66,564	511	2,733	2,315	(1,045)	71,131
Long-term debt, less current portion	-	119,099	-	17	-	-	119,116
Reserve for professional liability	-	13,884	-	-	-	-	13,884
Interest rate swap liability	-	209	-	-	-	-	209
Other liabilities	-	3,492	-	9,512	-	-	13,004
Total liabilities	53	203,248	511	12,262	2,315	(1,045)	217,344
Net assets							
Unrestricted	312	301,119	1,239	5,000	1,721	-	309,391
Temporarily restricted	-	-	2,808	-	-	-	2,808
Permanently restricted	-	-	3,308	-	-	-	3,308
Total net assets	312	301,119	7,355	5,000	1,721	-	315,507
Total liabilities and net assets	\$ 365	\$ 504,367	\$ 7,866	\$ 17,262	\$ 4,036	\$ (1,045)	\$ 532,851

Samaritan Health Partners and Subsidiaries

Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2010

	Samaritan Health Partners	Good Samaritan Hospital	Good Samaritan Hospital Foundation	Samaritan Family Care	Samaritan Behavioral Health	Eliminations	Consolidated Total
Operating revenue							
Net patient revenue	\$ -	\$ 376,987	\$ -	\$ 21,120	\$ 6,330	\$ -	\$ 404,437
Other operating revenue income	82	13,637	146	135	4,102	(816)	17,286
Joint venture (loss) profits	(88)	-	-	1,341	-	-	1,253
Total operating revenue	(6)	390,624	146	22,596	10,432	(816)	422,976
Operating expenses							
Salaries and wages	-	147,541	333	16,402	7,147	-	171,423
Employee benefits	-	30,130	12	3,205	1,675	-	35,022
Supplies	-	81,723	14	2,120	49	-	83,906
Purchased services, insurance and other	397	63,546	84	3,668	1,795	(816)	68,674
Hospital franchise tax	-	2,441	-	-	-	-	2,441
Depreciation and amortization	-	29,294	-	334	73	-	29,701
Interest	-	6,673	-	1	-	-	6,674
Bad debt	-	8,167	-	588	43	-	8,798
Total operating expenses	397	369,515	443	26,318	10,782	(816)	406,639
(Loss) income from operations before asset impairment	(403)	21,109	(297)	(3,722)	(350)	-	16,337
Asset impairment	-	(3,091)	-	-	-	-	(3,091)
(Loss) income from operations	(403)	18,018	(297)	(3,722)	(350)	-	13,246
Income allocation related to joint operating agreement	-	10,933	-	-	-	-	10,933
Nonoperating gains (losses), net	-	7,769	593	(274)	(102)	-	7,986
(Deficiency) excess of revenue over expenses	\$ (403)	\$ 36,720	\$ 296	\$ (3,996)	\$ (452)	\$ -	\$ 32,165

Atrium Health System and Subsidiaries

Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2011

	Atrium Medical Center	Atrium Medical Center Foundation	Middletown Surgery Center	Eliminations	Consolidated Total
Assets					
Current assets					
Cash and short-term investments	\$ 8,330	\$ 1,328	\$ 369	\$ —	\$ 10,027
Accounts receivable, net of allowances for doubtful accounts and charity care of \$30,200	31,362	—	341	—	31,703
Inventories	1,524	—	107	—	1,631
Prepaid expenses	2,061	3	66	—	2,130
Amounts receivable under IOA	6,639	—	—	—	6,639
Other current assets	2,990	509	8	—	3,507
Total current assets	52,906	1,840	891	—	55,637
Assets limited as to use					
Board designated investments	72,909	6,422	—	—	79,331
Other investments	8,997	5,841	—	—	14,838
Assets limited as to use	81,906	12,263	—	—	94,169
Property, plant and equipment, net	240,924	2,123	6,403	—	249,450
Intangible assets, net	939	—	—	—	939
Other assets	6,986	—	9	(4,500)	2,495
Total assets	\$ 383,661	\$ 16,226	\$ 7,303	\$ (4,500)	\$ 402,690

Atrium Health System and Subsidiaries

Consolidating Balance Sheet (continued) (Dollars in Thousands)

December 31, 2011

	Atrium Medical Center	Atrium Medical Center Foundation	Middletown Surgery Center	Eliminations	Consolidated Total
Current liabilities					
Accounts payable	\$ 7,998	\$ 147	\$ 112	\$ —	\$ 8,257
Accrued expenses	8,147	31	4	—	8,182
Current portion of long-term debt	3,235	—	142	—	3,377
Estimated payable to third party payor	5,777	—	—	—	5,777
Due to affiliates -other	1,969	2,124	—	—	4,093
Other current liabilities	2,479	—	127	—	2,606
Total current liabilities	29,605	2,302	385	—	32,292
Long-term debt, less current portion	195,813	253	6,164	—	202,230
Reserve for professional liability	5,673	—	—	—	5,673
Pension obligation	4,478	—	—	—	4,478
Interest rate swap liability	20,578	—	—	—	20,578
Other liabilities	6,120	620	—	—	6,740
Total liabilities	262,267	3,175	6,549	—	271,991
Net assets					
Unrestricted	121,261	7,267	754	(4,500)	124,782
Temporarily restricted	133	3,317	—	—	3,450
Permanently restricted	—	2,467	—	—	2,467
Total net assets	121,394	13,051	754	(4,500)	130,699
Total liabilities and net assets	\$ 383,661	\$ 16,226	\$ 7,303	\$ (4,500)	\$ 402,690

Atrium Health System and Subsidiaries

Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2011

	Atrium Medical Center	Atrium Medical Center Foundation	Middletown Surgery Center	Eliminations	Consolidated Total
Operating revenue					
Net patient revenue	\$ 242,709	\$ —	\$ 3,109	\$ —	\$ 245,818
Other operating revenue	9,953	8	—	(15)	9,946
Total operating revenue	252,662	8	3,109	(15)	255,764
Operating expenses					
Salaries and wages	90,139	238	619	—	90,996
Employee benefits	22,648	62	165	—	22,875
Supplies	49,089	16	343	—	49,448
Purchased services, insurance, and other	37,701	432	779	(15)	38,897
Hospital franchise tax	1,700	—	—	—	1,700
Depreciation and amortization	22,597	32	695	—	23,324
Interest	5,834	33	523	—	6,390
Bad debt	6,588	—	159	—	6,747
Total operating expenses	236,296	813	3,283	(15)	240,377
Income (loss) from operations	16,366	(805)	(174)	—	15,387
Income allocation related to joint operating agreement	6,639	—	—	—	6,639
Nonoperating (losses) gains, net	(19,872)	127	3	—	(19,742)
Excess (deficiency) of revenue over expenses	\$ 3,133	\$ (678)	\$ (171)	\$ —	\$ 2,284

Atrium Health System and Subsidiaries

Consolidated Statements of Changes in Net Assets
(Dollars in Thousands)

	Year Ended December 31	
	2011	2010
Net assets		
Excess of revenue over expenses	\$ 2,284	\$ 8,369
Pension adjustment	575	3,249
Net gains (losses) on temporarily restricted and permanently restricted net assets and other	919	(824)
Increase in net assets	3,778	10,794
Net assets at beginning of year	126,921	116,127
Net assets at end of year	<u>\$ 130,699</u>	<u>\$ 126,921</u>

Atrium Health Systems and Subsidiaries

Consolidated Statements of Cash Flows (Dollars in Thousands)

	Year Ended December 31	
	2011	2010
Operating activities		
Increase in net assets	\$ 3,778	\$ 10,794
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	23,324	23,343
Bad debt expense	6,747	7,388
Change in the valuation of swap agreement liability	16,025	3,042
Pension adjustment	(575)	(3,249)
Unrealized losses (gains) on assets limited as to use	1,871	(934)
Net change in assets and liabilities		
Accounts receivable	(9,635)	(2,407)
Assets limited as to use	(53,897)	(13,094)
Other assets	16,036	(19,316)
Accounts payable and other accruals	772	2,698
Estimated payable to third parties	(820)	6,334
Other liabilities	(936)	(19,732)
Net cash provided by (used for) operating activities	2,690	(5,133)
Investing activities		
Purchases of property, plant, and equipment	(8,713)	(5,384)
Net cash used for investing activities	(8,713)	(5,384)
Financing activities		
Proceeds from issuance of debt	—	86,000
Repayment of long-term debt	(2,802)	(89,783)
Net cash used for financing activities	(2,802)	(3,783)
Decrease in cash and short-term investments	(8,825)	(14,300)
Cash and short-term investments at beginning of year	18,852	33,152
Cash and short-term investments at end of year	\$ 10,027	\$ 18,852

Atrium Health System and Subsidiaries

Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2010

	Atrium Medical Center	Atrium Medical Center Foundation	Middletown Surgery Center	Eliminations	Consolidated Total
Assets					
Current assets					
Cash and short-term investments	\$ 17,881	\$ 736	\$ 235	\$ -	\$ 18,852
Accounts receivable, net of allowances for doubtful accounts and charity care of \$23,704	28,450	-	365	-	28,815
Inventories	1,240	-	91	-	1,331
Prepaid expenses	2,053	-	69	-	2,122
Assets limited as to use investments	21,874	6,416	-	-	28,290
Amounts receivable under IOA	18,967	-	-	-	18,967
Due from affiliates-other	1,748	-	-	(1,748)	-
Other current assets	5,242	490	4	-	5,736
Total current assets	97,455	7,642	764	(1,748)	104,113
Assets limited as to use					
Other investments	8,731	5,122	-	-	13,853
Assets limited as to use	8,731	5,122	-	-	13,853
Property, plant and equipment, net	254,836	2,154	7,071	-	264,061
Intangible assets, net	1,055	-	-	-	1,055
Other assets	8,659	-	7	(4,500)	4,166
Total assets	\$ 370,736	\$ 14,918	\$ 7,842	\$ (6,248)	\$ 387,248

Atrium Health System and Subsidiaries

Consolidating Balance Sheet (continued) (Dollars in Thousands)

December 31, 2010

	Atrium Medical Center	Atrium Medical Center Foundation	Middletown Surgery Center	Eliminations	Consolidated Total
Current liabilities					
Accounts payable	\$ 7,800	\$ 151	\$ 217	\$ -	\$ 8,168
Accrued expenses	7,481	15	3	-	7,499
Current portion of long-term debt	2,956	-	142	-	3,098
Short term debt	100,975	-	-	-	100,975
Estimated payable to third-party payor	6,597	-	-	-	6,597
Due to affiliates -other	2,131	1,587	-	(1,748)	1,970
Other current liabilities	2,753	-	247	-	3,000
Total current liabilities	130,693	1,753	609	(1,748)	131,307
Long-term debt, less current portion	97,131	248	6,307	-	103,686
Reserve for professional liability	5,614	-	-	-	5,614
Pension obligation	5,995	-	-	-	5,995
Interest rate swap liability	5,712	-	-	-	5,712
Other liabilities	7,321	692	-	-	8,013
Total liabilities	252,466	2,693	6,916	(1,748)	260,327
Net assets					
Unrestricted	118,133	7,842	926	(4,500)	122,401
Temporarily restricted	137	2,999	-	-	3,136
Permanently restricted	-	1,384	-	-	1,384
Total net assets	118,270	12,225	926	(4,500)	126,921
Total liabilities and net assets	\$ 370,736	\$ 14,918	\$ 7,842	\$ (6,248)	\$ 387,248

Atrium Health System and Subsidiaries

Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2010

	Atrium Medical Center	Atrium Medical Center Foundation	Middletown Surgery Center	Eliminations	Consolidated Total
Operating revenue					
Net patient revenue	\$ 223,855	\$ -	\$ 3,246	\$ -	\$ 227,101
Other operating revenue	5,339	2,430	-	(30)	7,739
Joint venture profits	9	-	-	-	9
Total operating revenue	229,203	2,430	3,246	(30)	234,849
Operating expenses					
Salaries and wages	89,343	213	700	-	90,256
Employee benefits	23,188	47	187	-	23,422
Supplies	45,127	29	447	-	45,603
Purchased services, insurance, and other	39,936	491	833	(30)	41,230
Hospital franchise tax	1,574	-	-	-	1,574
Depreciation and amortization	22,552	24	767	-	23,343
Interest	7,944	32	597	-	8,573
Bad debt	7,225	-	163	-	7,388
Total operating expenses	236,889	836	3,694	(30)	241,389
(Loss) income from operations	(7,686)	1,594	(448)	-	(6,540)
Income allocation related to joint operating agreement	18,967	-	-	-	18,967
Nonoperating (losses) gains, net	(4,670)	611	1	-	(4,058)
Excess (deficiency) of revenue over expenses	\$ 6,611	\$ 2,205	\$ (447)	\$ -	\$ 8,369

UVMC and Controlled Affiliates

Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2011

	Upper Valley Medical Center	UVMC Nursing Care, Inc.	Med-Terra, Inc.	UVMC (Parent Co.)	UVMC Management Corporation	Upper Valley Professional Corporation	Eliminations	Consolidated Total
Assets								
Current assets								
Cash and short-term investments	\$ 1,205	\$ 576	\$ 1,186	\$ 325	\$ 283	\$ 3,091	\$ -	\$ 6,666
Accounts receivable, net of allowances for doubtful accounts and charity care of \$10,680	16,363	1,966	-	-	-	1,249	-	19,578
Inventories	634	-	-	-	-	-	-	634
Prepaid expenses	1,892	50	5	-	7	192	-	2,146
Due from affiliates-other	-	-	-	-	-	1,900	(1,900)	-
Other current assets	851	6	2	-	36	111	-	1,006
Total current assets	20,945	2,598	1,193	325	326	6,543	(1,900)	30,030
Assets limited as to use								
Board designated investments	42,972	8,257	-	114,422	-	-	-	165,651
Other investments	24,174	-	-	-	-	-	-	24,174
Assets limited as to use	67,146	8,257	-	114,422	-	-	-	189,825
Property, plant and equipment, net	63,411	8,225	10,849	-	-	592	-	83,077
Other assets	2,814	-	-	30	1,245	1,478	-	5,567
Total assets	\$ 154,316	\$ 19,080	\$ 12,042	\$ 114,777	\$ 1,571	\$ 8,613	\$ (1,900)	\$ 308,499

UVMC and Controlled Affiliates

Consolidating Balance Sheet (continued) (Dollars in Thousands)

December 31, 2011

	Upper Valley Medical Center	UVMC Nursing Care, Inc.	Med-Terra, Inc.	UVMC (Parent Co.)	UVMC Management Corporation	Upper Valley Professional Corporation	Eliminations	Consolidated Total
Liabilities and net assets								
Current liabilities								
Accounts payable	\$ 2,845	\$ 474	\$ 116	\$ -	\$ -	\$ 117	\$ -	\$ 3,552
Accrued expenses	5,409	730	-	-	56	684	-	6,879
Current portion of long-term debt	2,202	-	-	-	-	-	-	2,202
Estimated payable to third-party payor	3,873	35	-	-	-	-	-	3,908
Amount due under JOA	7,223	-	-	-	-	-	-	7,223
Due to affiliates -other	2,630	-	-	-	-	59	(1,900)	789
Other current liabilities	2,758	673	311	54	110	506	-	4,412
Total current liabilities	26,940	1,912	427	54	166	1,366	(1,900)	28,965
Long-term debt, less current portion	48,979	-	-	-	-	-	-	48,979
Reserve for professional liability	6,035	-	-	-	-	-	-	6,035
Pension obligation	32,620	-	-	-	571	-	-	33,191
Interest rate swap liability	891	-	-	-	-	-	-	891
Other liabilities	1,840	5,818	-	-	1,245	1,478	-	10,381
Total liabilities	117,305	7,730	427	54	1,982	2,844	(1,900)	128,442
Net assets (deficit)								
Unrestricted	34,330	11,350	11,615	114,723	(411)	5,769	-	177,376
Temporarily restricted	1,592	-	-	-	-	-	-	1,592
Permanently restricted	1,089	-	-	-	-	-	-	1,089
Total net assets (deficit)	37,011	11,350	11,615	114,723	(411)	5,769	-	180,057
Total liabilities and net assets	\$ 154,316	\$ 19,080	\$ 12,042	\$ 114,777	\$ 1,571	\$ 8,613	\$ (1,900)	\$ 308,499

UVMC and Controlled Affiliates

Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2011

	Upper Valley Medical Center	Miami County Mental Health Center	UVMC Nursing Care, Inc.	Med-Terra, Inc.	UVMC (Parent Co.)	UVMC Management Corporation	Upper Valley Professional Corporation	Eliminations	Consolidated Total
Operating revenues									
Net patient revenue	\$ 145,634	\$ 183	\$ 19,396	\$ —	\$ —	\$ —	\$ 14,614	\$ —	\$ 179,827
Other operating revenue	3,773	167	1,177	1,838	—	684	432	(2,876)	5,195
Total operating revenues	149,407	350	20,573	1,838	—	684	15,046	(2,876)	185,022
Operating expenses									
Salaries and wages	61,898	249	9,190	—	—	581	12,645	(581)	83,982
Employee benefits	18,533	80	2,316	—	—	126	1,859	(126)	22,788
Supplies	17,419	4	2,066	3	—	—	1,015	—	20,507
Purchased services, insurance and other	25,634	17	4,788	1,496	9	(23)	2,692	(2,169)	32,444
Hospital franchise fee	963	—	—	—	—	—	—	—	963
Depreciation and amortization	7,282	—	845	674	—	—	85	—	8,886
Interest	2,679	—	—	—	—	—	—	—	2,679
Bad debt	3,648	—	73	—	—	—	592	—	4,313
Total operating expenses	138,056	350	19,278	2,173	9	684	18,888	(2,876)	176,562
Income (loss) from operations	11,351	—	1,295	(335)	(9)	—	(3,842)	—	8,460
Expense allocation related to joint operating agreement	(7,223)	—	—	—	—	—	—	—	(7,223)
Nonoperating gains, net	1,372	—	208	—	370	—	—	—	1,950
Excess (deficiency) of revenue over expenses	\$ 5,500	\$ —	\$ 1,503	\$ (335)	\$ 361	\$ —	\$ (3,842)	\$ —	\$ 3,187

UVMC and Controlled Affiliates

Consolidated Statements of Changes in Net Assets
(Dollars in Thousands)

	Year Ended December 31	
	2011	2010
Net assets		
Excess of revenue over expenses	\$ 3,187	\$ 14,030
Pension adjustment	(12,878)	530
Net (losses) gains on temporarily restricted and permanently restricted net assets and other	(777)	860
(Decrease) increase in net assets	(10,468)	15,420
Net assets at beginning of year	190,525	175,105
Net assets at end of year	<u>\$ 180,057</u>	<u>\$ 190,525</u>

UVMC and Controlled Affiliates

Consolidated Statements of Cash Flows (Dollars in Thousands)

	Year Ended December 31	
	2011	2010
Operating activities		
(Decrease) increase in net assets	\$ (10,468)	\$ 15,420
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	8,886	8,601
Bad debt expense	4,313	3,047
Change in the valuation of swap agreement liability	886	(158)
Pension adjustment	12,878	(530)
Unrealized losses (gains) on assets limited as to use	4,003	(4,198)
(Loss) gain on sale of assets	(68)	196
Net change in assets and liabilities	(10,119)	(2,324)
Accounts receivable	11,948	(21,431)
Assets limited as to use	429	5,684
Other assets	362	(938)
Accounts payable and other accruals	1,428	(1,114)
Estimated payable to third parties	(5,541)	2,157
Other liabilities	18,937	4,412
Net cash provided by operating activities		
Investing activities		
Proceeds from sale of assets, net of closing costs	129	553
Purchases of property, plant and equipment	(16,664)	(8,448)
Net cash used for investing activities	(16,535)	(7,895)
Financing activities		
Repayment of long-term debt	(2,000)	(1,875)
Net cash used for financing activities	(2,000)	(1,875)
Increase (decrease) in cash and short-term investments	402	(5,358)
Cash and short-term investments at beginning of year	6,264	11,622
Cash and short-term investments at end of year	\$ 6,666	\$ 6,264

UVMC and Controlled Affiliates

Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2010

	Upper Valley Medical Center	Miami County Mental Health Center	UVMC Nursing Care, Inc	Med-Terra, Inc	UVMC (Parent Co.)	UVMC Management Corporation	Upper Valley Professional Corporation	Eliminations	Consolidated Total
Assets									
Current assets									
Cash and short-term investments	\$ 2,447	\$ 21	\$ 93	\$ 880	\$ 44	\$ 313	\$ 2,466	\$ -	\$ 6,264
Accounts receivable, net of allowances for doubtful accounts and charity care of \$7743	11,001	153	1,684	-	-	-	934	-	13,772
Inventories	534	-	-	-	-	-	-	-	534
Prepaid expenses	1,338	-	44	6	-	-	131	-	1,519
Due from affiliates--other	370	-	-	-	-	-	250	(250)	370
Other current assets	733	-	29	3	-	-	1	-	766
Total current assets	16,423	174	1,850	889	44	313	3,782	(250)	23,225
Assets limited as to use									
Board designated investments	62,799	-	7,275	-	114,631	-	-	-	184,705
Other investments	21,071	-	-	-	-	-	-	-	21,071
Assets limited as to use	83,870	-	7,275	-	114,631	-	-	-	205,776
Property, plant and equipment, net	56,243	-	8,645	9,648	-	-	329	-	74,865
Other assets	4,006	-	-	-	30	1,255	1,349	-	6,640
Total assets	\$ 160,542	\$ 174	\$ 17,770	\$ 10,537	\$ 114,705	\$ 1,568	\$ 5,460	\$ (250)	\$ 310,506

UVMC and Controlled Affiliates

Consolidating Balance Sheet (continued) (Dollars in Thousands)

December 31, 2010

	Upper Valley Medical Center	Miami County Mental Health Center	UVMC Nursing Care, Inc	Med-Terra, Inc	UVMC (Parent Co.)	UVMC Management Corporation	Upper Valley Professional Corporation	Eliminations	Consolidated Total
Liabilities and net assets									
Current liabilities									
Accounts payable	\$ 2,412	\$ 2	\$ 325	\$ 70	\$ -	\$ 1	\$ 144	\$ -	\$ 2,954
Accrued expenses	5,665	39	675	-	-	58	678	-	7,115
Current portion of long-term debt	2,000	-	-	-	-	-	-	-	2,000
Estimated payable to third parties	2,446	12	22	-	-	-	-	-	2,480
Amount due under JOA	7,422	-	-	-	-	-	-	-	7,422
Due to affiliates -other	3,138	-	250	-	-	-	-	(250)	3,138
Other current liabilities	3,253	70	648	317	63	109	778	-	5,238
Total current liabilities	26,336	123	1,920	387	63	168	1,600	(250)	30,317
Long-term debt less current portion	51,190	-	-	-	-	-	-	-	51,190
Reserve for professional liability	5,205	-	-	-	-	-	-	-	5,205
Pension obligation	21,221	-	-	-	-	368	-	-	21,589
Interest rate swap liability	6	-	-	-	-	-	-	-	6
Other liabilities	2,999	-	6,041	-	-	1,255	1,349	-	11,644
Total liabilities	106,957	123	7,961	387	63	1,791	2,949	(250)	119,981
Net assets (deficit)									
Unrestricted	51,004	51	9,809	10,150	114,642	(223)	2,511	-	187,944
Temporarily restricted	1,508	-	-	-	-	-	-	-	1,508
Permanently restricted	1,073	-	-	-	-	-	-	-	1,073
Total net assets (deficit)	53,585	51	9,809	10,150	114,642	(223)	2,511	-	190,525
Total liabilities and net assets	\$ 160,542	\$ 174	\$ 17,770	\$ 10,537	\$ 114,705	\$ 1,568	\$ 5,460	\$ (250)	\$ 310,506

UVMC and Controlled Affiliates

Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2010

	Upper Valley Medical Center	Miami County Mental Health Center	UVMC Nursing Care, Inc	Med-Terra, Inc	UVMC (Parent Co.)	UVMC Management Corporation	Upper Valley Professional Corporation	Eliminations	Consolidated Total
Operating revenue									
Net patient revenue	\$ 138,679	\$ 1,148	\$ 19,101	\$ -	\$ -	\$ -	\$ 13,258	\$ -	\$ 172,186
Other operating revenue	3,334	142	1,133	1,853	-	-54	131	(2,946)	440
Total operating revenue	142,013	1,290	20,234	1,853	-	-54	13,389	(2,946)	176,587
Operating expenses									
Salaries and wages	55,500	1,144	9,380	-	-	552	10,739	-	77,315
Employee benefits	17,344	346	2,199	-	-	123	1,687	-	21,699
Supplies	17,866	43	2,085	5	-	2	1,084	-	21,085
Purchased services, insurance and other	24,443	239	4,700	1,460	8	-	2,755	(2,946)	30,736
Hospital franchise tax	1,036	-	-	-	-	-	-	-	1,036
Depreciation and amortization	6,983	-	874	678	-	-	66	-	8,601
Interest	2,766	-	-	3	-	-	-	(3)	2,766
Bad debt	2,556	-	26	-	-	-	465	-	3,047
Total operating expenses	128,494	1,772	19,264	2,146	8	-54	16,796	(2,949)	166,285
Income (loss) from operations	13,519	(482)	970	(293)	(8)	-	(3,407)	3	10,302
Expense allocation related to joint operating agreement	(7,422)	-	-	-	-	-	-	-	(7,422)
Nonoperating gains (losses) net	3,256	-	165	-	-732	-	-	(3)	11,150
Excess (deficiency) of revenue over expenses	\$ 9,353	\$ (482)	\$ 1,135	\$ (293)	\$ -724	\$ -	\$ (3,407)	\$ -	\$ 14,030

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