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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

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

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011

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

C Name of organization
KETTERING MEDICAL CENTER

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
2110 LEITER ROAD

City or town, state or country, and ZIP + 4
MIAMISBURG, OH 45342

D Employer identification number
31-0621866

E Telephone number
(937) 384-4550

G Gross receipts $ 572,441,621

F Name and address of principal officer
ROY CHEW
2110 LEITER ROAD
MIAMISBURG,OH 45342

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

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

H(c) Group exemption number ▶

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

J Website: ▶ www khnetwork org

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1959 | **M** State of legal domicile OH

Part I Summary

1 Briefly describe the organization's mission or most significant activities
To provide quality healthcare to individuals and the community as a whole in a Judeo-Christian manner

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	12
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	8
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	8,465
6	Total number of volunteers (estimate if necessary)	**6**	850
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	2,233,475
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	9,284,809	1,902,193
	9 Program service revenue (Part VIII, line 2g)	541,014,102	551,432,460
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	12,630,858	18,829,260
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,135,803	-16,155
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	564,065,572	572,147,758
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	121,861	148,077
	14 Benefits paid to or for members (Part IX, column (A), line 4)		0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	235,223,353	253,331,028
	16a Professional fundraising fees (Part IX, column (A), line 11e)		0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	274,088,863	257,458,540
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	509,434,077	510,937,645
	19 Revenue less expenses Subtract line 18 from line 12	54,631,495	61,210,113

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	814,369,374	930,280,349
	21 Total liabilities (Part X, line 26)	415,421,749	529,350,951
	22 Net assets or fund balances Subtract line 21 from line 20	398,947,625	400,929,398

Part II Signature Block

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

Sign Here

****** | 2012-11-12
Signature of officer | Date

CLIFTON PATTEN VP OF FINANCE & DECISION SUPPORT
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶ HERBERT L LEMASTER CPA	Date 2012-11-15	Check if self-employed ▶ ☐	Preparer's taxpayer identification number (see instructions)
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ CLARK SCHAEFER HACKETT & CO 10100 INNOVATION DRIVE SUITE 400 MIAMISBURG, OH 45342			EIN ▶ Phone no ▶ (937) 226-0070

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

To provide quality healthcare to

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 $ 418,941,797 including grants of $ 59,811) (Revenue $ 539,554,660)

KETTERING MEMORIAL HOSPITAL, SYCAMORE HOSPITAL, KETTERING BEHAVIORAL MEDICINE CENTER, AND OTHER PATIENT CARE RELATED SERVICES CARE WAS PROVIDED FOR 27,054 DISCHARGES, ADULT & PED DAYS OF 109,890 AND 409,889 OUTPATIENT VISITS

4b (Code) (Expenses $ 13,761,759 including grants of $ 88,266) (Revenue $ 11,877,800)

KETTERING COLLEGE OF MEDICAL ARTS, PROVIDING RELATED HEALTH EDUCATIONAL PROGRAMS

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** ▶ $ 432,703,556

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a	Yes	
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** 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? *If "Yes," complete Schedule I, Parts I and II*	**21**		No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
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**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
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)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**	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? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V **Statements Regarding Other IRS Filings and Tax Compliance**

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	**1a**	1,015		
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**		
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	8,465		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?		**2b**	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?		**3a**	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*		**3b**	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account 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	1a	12		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	8		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .		5		No
6	Did the organization have members or stockholders?		6		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a		No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

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

Section C. Disclosure

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

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you made these available Check all that apply

☐ Own website ☑ Another's website ☑ Upon request

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 ▶

CLIFTON PATTEN
2110 LEITER ROAD
MIAMISBURG, OH 45342
(937) 384-4550

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

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

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

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) FRED MANCHUR KHN President	1 00	X						0	1,464,243	391,337
(2) ROY CHEW KMC President	40 00	X		X				0	940,776	498,212
(3) JON VELASCO MD Physician	1 00	X						0	32,954	0
(4) FRANKLIN HANDEL MD Physician	1 00	X						0	22,575	0
(5) RAJ ATTIKEN President Ohio Conf of SDA	1 00	X						0	0	0
(6) SEMUE CHAPMAN Principal & CEO, The CA Group	1 00	X						0	0	0
(7) CANDICE CHRISTENSON RN Community Vounteer	1 00	X						0	0	0
(8) JACK FRITZSCHE CEO, Century Propane	1 00	X						0	0	0
(9) SUSAN KETTERING Community Volunteer	1 00	X						0	0	0
(10) STEWART ADAM MD Physician	1 00	X						0	0	0
(11) LEE HIERONYMUS Community Volunteer	1 00	X						0	0	0
(12) DAVID WEIGLEY President Columbia Union Conf of SDA	1 00	X						0	0	0
(13) BRETT SPENST KMC CFO	40 00			X				0	652,706	292,307
(14) BRENDA KUHN VP of Patient Care Services	40 00				X			0	384,289	68,308
(15) WALTER SACKETT Sycamore Hopsital VP	40				X				330,507	34,281
(16) CHARLES SCRIVEN KCMA President	40				X				270,130	201,369
(17) DEANETTE SISSON VP of Clinical Services	40				X				201,369	12,602

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) ROBERT SMITH Director	40					X		296,231		25,832
(19) REBEKAH WANG-CHENG MD Physician	40					X		284,830		13,987
(20) DONNA ARAND Clinical Polysomnographer	40					X		215,355		12,574
(21) CAROL APPLEGEET Director of Nursing	40					X		189,197		12,068
(22) CHRISTINA TURNER VP of Quality	40					X			241,020	6,680
(23) FRANK PEREZ Former Director	0						X		823,860	21,562
(24) RONALD KLEIN MD Physician	0	X							82,578	
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								985,613	5,447,007	1,591,119

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 126

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
DANIS BUILDERS LLC 3233 NEWMARK DR MIAMISBURG, OH 45342	General Contractor	69,982,562
SOUTHVIEW ORTHO CTR MGT LLC 40 N MAIN STREET SUITE 600 DAYTON, OH 45423	Healthcare Services	11,040,810
JR REMICK INC 3864 S KETTERING BLVD STE 200 DAYTON, OH 45439	Property Management	4,025,456
KETTERING CARDIOTHORACIC & VASCULAR SURG 3533 SOUTHERN BLVD SUITE 5650 KETTERING, OH 45429	Physician Services	2,869,478
TAFT STETTINIUS HOLLISTER LLP 40 N MAIN STREET DAYTON, OH 454231029	Legal Services	1,978,222

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 ▶ 158

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d	1,578,946			
	e	Government grants (contributions)	1e	311,173			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	12,074			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		1,902,193			
Program Service Revenue			Business Code				
	2a	Patient care services	900099	537,483,599		162,414	5,872,124
	b	KCMA	900099	11,877,800			
	c	Reference lab	621500	1,779,811		1,779,811	
	d	Interest from affiliate	561000	240,645		240,645	
	e	Real estate activities	531390	31,800		31,800	
	f	All other program service revenue		18,805		18,805	
	g	**Total.** Add lines 2a–2f		551,432,460			
	3	Investment income (including dividends, interest and other similar amounts)		8,329,550			8,329,550
	4	Income from investment of tax-exempt bond proceeds		599,457			599,457
	5	Royalties					
			(i) Real	(ii) Personal			
	6a	Gross rents					
	b	Less rental expenses					
	c	Rental income or (loss)					
	d	Net rental income or (loss)					
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	9,180,431	973,380			
	b	Less cost or other basis and sales expenses		253,558			
	c	Gain or (loss)	9,180,431	719,822			
	d	Net gain or (loss)		9,900,253			9,900,253
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a 23,987				
	b	Less direct expenses	b 40,305				
	c	Net income or (loss) from fundraising events		-16,318			-16,318
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities					
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory					
		Miscellaneous Revenue	Business Code				
	11a	Intercompany investment income allocation	523000	163			163
	b						
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d		163			
	12	**Total revenue.** See Instructions		572,147,758	543,326,861	2,233,475	24,685,229

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				
2	Grants and other assistance to individuals in the United States See Part IV, line 22	148,077	148,077		
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	5,732,884	0	5,732,884	0
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	196,472,663	171,113,548	25,359,115	0
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	8,136,477	7,086,286	1,050,191	0
9	Other employee benefits	26,124,940	22,752,942	3,371,998	0
10	Payroll taxes	16,864,064	14,687,386	2,176,678	0
11	Fees for services (non-employees)				
a	Management	1,640,763	0	1,640,763	0
b	Legal	1,391,070	88,490	1,302,580	0
c	Accounting	29,146	0	29,146	0
d	Lobbying				
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees	1,732,390	0	1,732,390	0
g	Other	46,387,194	32,648,956	13,738,238	0
12	Advertising and promotion	1,545,360	1,103,855	441,505	0
13	Office expenses	111,288,071	110,852,703	435,368	0
14	Information technology	8,260,528	1,099,233	7,161,295	0
15	Royalties . .				
16	Occupancy	7,821,180	6,370,618	1,450,562	0
17	Travel	1,178,907	1,087,669	91,238	0
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	367,914	322,699	45,215	0
20	Interest	13,297,793	10,635,493	2,662,300	0
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	35,162,360	28,640,941	6,521,419	0
23	Insurance	1,468,270	1,461,378	6,892	0
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	Cost of goods sold	4,615,171	4,612,205	2,966	0
b	Hospital assessment	4,253,511	4,253,511	0	0
c	Intercompany allocations	8,582,743	10,681,896	-2,099,153	0
d	Minor equipment	1,946,447	1,858,617	87,830	0
e					
f	All other expenses	6,489,722	1,197,053	5,292,669	0
25	**Total functional expenses.** Add lines 1 through 24f	510,937,645	432,703,556	78,234,089	0
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		-3,754,641	1	51,161,305
	2	Savings and temporary cash investments		12,075,711	2	26,629,796
	3	Pledges and grants receivable, net		-20,425	3	279,358
	4	Accounts receivable, net		72,482,335	4	75,974,012
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net		1,286,959	7	744,806
	8	Inventories for sale or use		8,779,107	8	9,221,632
	9	Prepaid expenses and deferred charges		4,364,950	9	4,516,843
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 810,095,774			
	b	Less accumulated depreciation	10b 425,508,411	346,777,050	10c	384,587,363
	11	Investments—publicly traded securities		350,213,885	11	355,492,932
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets		3,700,000	14	3,700,000
	15	Other assets See Part IV, line 11		18,464,443	15	17,972,302
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		814,369,374	16	930,280,349
Liabilities	17	Accounts payable and accrued expenses		99,835,844	17	86,678,395
	18	Grants payable			18	
	19	Deferred revenue		836,871	19	994,978
	20	Tax-exempt bond liabilities		240,481,126	20	356,999,682
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties		1,529,912	24	1,072,686
	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		72,737,996	25	83,605,210
	26	**Total liabilities.** Add lines 17 through 25		415,421,749	26	529,350,951
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		398,947,625	27	400,929,398
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		398,947,625	33	400,929,398
	34	Total liabilities and net assets/fund balances		814,369,374	34	930,280,349

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	572,147,758
2	Total expenses (must equal Part IX, column (A), line 25)	2	510,937,645
3	Revenue less expenses Subtract line 2 from line 1	3	61,210,113
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	398,947,625
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-59,228,340
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	400,929,398

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
KETTERING MEDICAL CENTER

Employer identification number
31-0621866

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?

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

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

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

Part II **Support Schedule for Organizations Described in 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						0

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						0
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**	0 %
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 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)						0

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	0 %
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	0 %
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

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 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
KETTERING MEDICAL CENTER

Employer identification number
31-0621866

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

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

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

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

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or pleasure) ☐ Preservation of an historically importantly land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b If "Yes," explain the arrangement in Part XIV

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

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

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Term endowment ▶

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

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

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

Part VI 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		33,852,257		33,852,257
b Buildings	421,953	426,215,714	236,954,408	189,683,259
c Leasehold improvements		3,849,446	1,627,486	2,221,960
d Equipment		327,703,178	186,926,517	140,776,661
e Other		18,053,226		18,053,226
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				384,587,363

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶		

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

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

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

(a) Description	(b) Book value
(1) ADVERTISING AGREEMENT	545,810
(2) INVESTMENTS IN AFFILIATES	7,148,495
(3) PHYSICIAN LOC	1,907,727
(4) RETIREMENT PLANS ASSETS	4,835,444
(5) UNAMORTIZED LONG-TERM DEBT ISSUANCE COSTS	3,534,826
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	17,972,302

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
ACCRUED PENSION LIABILITY	4,835,443
ACCRUED RETIREMENT PLANS LIABILITIES	578,741
ESTIMATED AMOUNTS DUE TO THIRD-PARTY PAYORS	5,502,936
PHYSICIAN INCOME GUARANTEE COMMITMENTS	746,947
PROFESSIONAL SELF-INSURANCE LIABILITY	10,856,512
RESERVE FOR PAYROLL TAX LIABILITY	1,941,731
RESERVE FOR SWAP LIABILITY	53,594,012
SYNTHETIC LEASE OBLIGATIONS	5,548,888
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	83,605,210

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	572,147,758
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	510,937,645
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	61,210,113
4	Net unrealized gains (losses) on investments	4	-41,615,885
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-17,612,455
9	Total adjustments (net) Add lines 4 - 8	9	-59,228,340
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	1,981,773

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	554,971,237
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	1,927,030		
e	Add lines **2a** through **2d**			2e	1,927,030
3	Subtract line **2e** from line **1**			3	553,044,207
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	19,103,551		
c	Add lines **4a** and **4b**			4c	19,103,551
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	572,147,758

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

1	Total expenses and losses per audited financial statements			1	552,989,464
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	42,125,967		
e	Add lines **2a** through **2d**			2e	42,125,967
3	Subtract line **2e** from line **1**			3	510,863,497
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	74,148		
c	Add lines **4a** and **4b**			4c	74,148
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	510,937,645

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
Pt X		The Network completed an analysis of its tax positions in accordance with applicable accounting
		guidance at December 31, 2011 and 2010, and determined that no amounts were required to be recognized in the consolidated financial statements at December 31, 2011 or 2010
Pt XI Line 8		Net transfers to affiliate (17,834,977) Other changes, net 222,522
Pt XII Line 2d		Investment management fees (74,148) Net unrealized gains on investments 296,557 Net assets released from restrictions for capital 1,151,954
Pt XII Line 2d		Other changes, net 222,522 Contributions and investment income from restricted investments 330,145
Pt XII Line 4b		Contributions 1,578,946 Loss on sale of assets other than inventory (124,510) Direct expenses of special events (40,305) Swap amortization (271,722) Net transfers to affiliate 17,720,497 Interest income from affiliate 240,645
Pt XIII Line 2d		Contributions (1,578,946) Loss on sales of assets other than inventory 124,510 Direct expense of special events 40,305 Swap amortization 271,722 Investment income (17,720,497) Interest income from affiliate (240,645) Transfers for PP&E 1,151,954 Net unrealized losses on investments 41,912,441 Net transfers to affiliate 17,834,977 Net assets released from restrictions for operations 330,145 Rounding 1
Pt XIII Line 4b		Investment management fees 74,148

Additional Data

Software ID: 11000175
Software Version:
EIN: 31-0621866
Name: KETTERING MEDICAL CENTER

Form 990, Schedule D, Part X, - Other Liabilities

1 (a) Description of Liability	(b) Amount
ACCRUED PENSION LIABILITY	4,835,443
ACCRUED RETIREMENT PLANS LIABILITIES	578,741
ESTIMATED AMOUNTS DUE TO THIRD-PARTY PAYORS	5,502,936
PHYSICIAN INCOME GUARANTEE COMMITMENTS	746,947
PROFESSIONAL SELF-INSURANCE LIABILITY	10,856,512
RESERVE FOR PAYROLL TAX LIABILITY	1,941,731
RESERVE FOR SWAP LIABILITY	53,594,012
SYNTHETIC LEASE OBLIGATIONS	5,548,888

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
KETTERING MEDICAL CENTER

Employer identification number
31-0621866

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 ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
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 *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☑ 100% ☐ 150% ☐ 200% ☐ Other _____ %	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b	Yes	
c	If the organization 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			
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	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit reportduring 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)			16,162,325	3,164,332	12,997,993	2 540 %
b Medicaid (from Worksheet 3, column a)			39,505,303	29,344,844	10,160,459	1 990 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Charity Care and Means-Tested Government Programs			55,667,628	32,509,176	23,158,452	4 530 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			2,045,049		2,045,049	0 400 %
f Health professions education (from Worksheet 5)			25,406,428	10,492,405	14,914,023	2 920 %
g Subsidized health services (from Worksheet 6)			20,055,712	7,106,435	12,949,277	2 530 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			248,311		248,311	0 050 %
j **Total** Other Benefits			47,755,500	17,598,840	30,156,660	5 900 %
k **Total.** Add lines 7d and 7j			103,423,128	50,108,016	53,315,112	10 430 %

Part II Community 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
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 **Total**						

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense	2	5,067,073		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	121,610		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	115,451,044		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	125,677,385		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-10,226,341		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

Part IV Management 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	KETTERING WORKERS CARE LLC	Medical Service Venture	20 000 %	0 %	80 000 %
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 3

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	KETTERING MEMORIAL HOSPITAL 3535 SOUTHERN BLVD KETTERING, OH 45429	X	X		X			X		
2	SYCAMORE HOSPITAL 2110 LEITER ROAD MIAMISBURG, OH 45342	X	X		X			X		
3	KETTERING BEHAVIORAL MEDICINE CTR 5350 LAMME ROAD DAYTON, OH 45439	X								

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)

KETTERING MEMORIAL HOSPITAL

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	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
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?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ 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?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 100%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing discounted care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 300% If "No," explain in Part VI the criteria the hospital facility used			
11 Explained the basis for calculating amounts charged to patients?	**11**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☐ Asset level			
c ☑ Medical indigency			
d ☑ Insurance status			
e ☑ Uninsured discount			
f ☑ Medicaid/Medicare			
g ☑ State regulation			
h ☐ Other (describe in Part VI)			
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?	**13**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted at all times on the hospital facility's web site			
b ☑ The policy was attached to all billing invoices			
c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☑ The policy was posted in the hospital facility's admissions offices			
e ☑ The policy was provided, in writing, to patients upon admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			

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 ☑ Reporting to credit agency			
b ☑ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments or arrests			
e ☐ 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?	**16**	Yes	
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☑ Reporting to credit agency			
b ☑ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
a ☑ Notified patients of the financial assistance policy upon admission			
b ☐ Notified patients of the financial assistance policy prior to discharge			
c ☑ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☑ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
e ☐ 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?	**18**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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 ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
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?	**20**		No
If "Yes," explain in Part VI			
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?	**21**	Yes	
If "Yes," explain in Part VI			

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)

SYCAMORE HOSPITAL

Name of Hospital Facility: _____

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 2

		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	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
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?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ 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?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 100%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing discounted care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 300% If "No," explain in Part VI the criteria the hospital facility used			
11 Explained the basis for calculating amounts charged to patients?	**11**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☐ Asset level			
c ☑ Medical indigency			
d ☑ Insurance status			
e ☑ Uninsured discount			
f ☑ Medicaid/Medicare			
g ☑ State regulation			
h ☐ Other (describe in Part VI)			
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?	**13**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted at all times on the hospital facility's web site			
b ☑ The policy was attached to all billing invoices			
c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☑ The policy was posted in the hospital facility's admissions offices			
e ☑ The policy was provided, in writing, to patients upon admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			

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 ☑ Reporting to credit agency			
b ☑ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments or arrests			
e ☐ 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?	**16**	Yes	
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☑ Reporting to credit agency			
b ☑ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
a ☑ Notified patients of the financial assistance policy upon admission			
b ☐ Notified patients of the financial assistance policy prior to discharge			
c ☑ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☑ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
e ☐ 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?	**18**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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 ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
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?	**20**		No
If "Yes," explain in Part VI			
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?	**21**	Yes	
If "Yes," explain in Part VI			

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)

KETTERING BEHAVIORAL MEDICINE CTR

Name of Hospital Facility: _____

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 3

		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	**1**		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
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?	**5**		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ 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?	**9**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 100%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 300% If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☐ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☑ State regulation			
	h ☐ Other (describe in Part VI)			
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?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☑ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☑ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			

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 ☑ Reporting to credit agency			
	b ☑ Lawsuits			
	c ☑ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ 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?	16	Yes	
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☑ Reporting to credit agency			
	b ☑ Lawsuits			
	c ☑ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☑ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☑ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☑ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ 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?	**18**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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 ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
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?	**20**		No
If "Yes," explain in Part VI			
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?	**21**	Yes	
If "Yes," explain in Part VI			

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? **9**

	Name and address	Type of Facility (Describe)
1	WOUND HEALING & HYBERPARIC MEDICINE 4881 SUGAR MAPLE DR WPAFB FAIRBORN,OH 45433	Diagnostic & Treatment Center
2	KETTERING SPORTS MEDICINE 3490 FAR HILLS AVE KETTERING,OH 45249	Sports Medicine & Traing Facility
3	KETTERING SPORTS MEDICINE 2145 N FAIRFIELD RD SUITE D BEAVERCREEK,OH 45431	Outpatient Clinic & Diagnostic Center
4	KETTERING SPORTS MEDICINE 25 S TIPPECANOE DRIVE TIPP CITY,OH 45371	Outpatient Clinic & Diagnostic Center
5	SUGARCREEK HEALTH CENTER 6438 WILMINGTON PIKE DAYTON,OH 45459	Outpatient Clinic & Diagnostic Center
6	ENGLEWOOD HEALTH CENTER 1250 W NATIONAL ROAD SUITES 200 500 CLAYTON,OH 45315	Urgent Care & Diagnostic Center
7	FRANKLIN PHYSICAL THERAPY & FITNESS 333 CONOVER DRIVE SUITE 1 FRANKLIN,OH 45005	Physical Therapy Facility
8	SYCAMORE PRIMARY CARE CENTER 2115 LEITER ROAD MIAMISBURG,OH 45342	Outpatient Physician Clinic & Diagnostic Center
9	INDIAN RIPPLE FAMILY HEALTH CENTER 4428 INDIAN RIPPLE ROAD DAYTON,OH 45440	Outpatient Physician Clinic
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
Pt I Line 3c		The organization uses FPG to determine eligibility for

Identifier	ReturnReference	Explanation
		providing free or discounted care to individuals

Identifier	ReturnReference	Explanation
Pt I Line 6a		The organization provides an annual community benefit

Identifier	ReturnReference	Explanation
		report that is made available to the public

Identifier	ReturnReference	Explanation
Pt I Line 7		Charity care is calculated using a cost to charge ratio following

Identifier	ReturnReference	Explanation
		the methodology of Worksheet 2 Medical costs are calculated using a cost

Identifier	ReturnReference	Explanation
		accounting system that addresses all patient segments Community

Identifier	ReturnReference	Explanation
		health improvement services are calculated on the basis of

Identifier	ReturnReference	Explanation
		direct expenditures Health professions education is calculated

Identifier	ReturnReference	Explanation
		based on the Medicare cost report Subsidized health services

Identifier	ReturnReference	Explanation
		is calculated based on the non-Medicare, Medicaid and charity

Identifier	ReturnReference	Explanation
		care proportion of departmental losses for the specific programs

Identifier	ReturnReference	Explanation
		Cash and in-kind contributions are calculated on the basis

Identifier	ReturnReference	Explanation
		of direct expenditures

Identifier	ReturnReference	Explanation
Pt I Line 7g		Subsidized health services represent the non-needs based and

Identifier	ReturnReference	Explanation
		non-Medicare program losses of services the hospital offers

Identifier	ReturnReference	Explanation
Pt III Line 4		A cost to charge ratio was used to determine the amount reported in Part III,

Identifier	ReturnReference	Explanation
		line 2 An industry average was used to compute the amount in line 3

Identifier	ReturnReference	Explanation
		Discounts and payments on patient accounts reduce bad debt

Identifier	ReturnReference	Explanation
		expense Text of footnote describing bad debt expense is as follows

Identifier	ReturnReference	Explanation
		"Based on historical experience, a significant portion

Identifier	ReturnReference	Explanation
		of the Network's uninsured patients will be unable

Identifier	ReturnReference	Explanation
		or unwilling to pay for the services provided

Identifier	ReturnReference	Explanation
		Thus, the Network records a significant provision

Identifier	ReturnReference	Explanation
		for bad debts related to uninsured patients

Identifier	ReturnReference	Explanation
		in the period the services are provided

Identifier	ReturnReference	Explanation
Pt III Line 8		The costing methodology used to determine Medicare costs

Identifier	ReturnReference	Explanation
		is the Medicare Cost Report

Identifier	ReturnReference	Explanation
		The Medicare costs have not been included in Community

Identifier	ReturnReference	Explanation
		Benefit in Part I A reconciliation between Medicare

Identifier	ReturnReference	Explanation
		program amounts reportable in Section B and the total

Identifier	ReturnReference	Explanation
		Medicare program is below

Identifier	ReturnReference	Explanation
		Revenues Costs (Shortfall)

Identifier	ReturnReference	Explanation
		Medicare in Section B $115,451,044 $125,677,385 ($10,226,341)

Identifier	ReturnReference	Explanation
		Other Medicare Programs $71,931,206 $77,908,899 ($5,977,693)

Identifier	ReturnReference	Explanation
		Total Medicare Programs $187,382,250 $203,586,284 ($16,204,034)

Identifier	ReturnReference	Explanation
		Other Medicare programs include Medicare

Identifier	ReturnReference	Explanation
		Part C and clinical laboratory and therapy services not

Identifier	ReturnReference	Explanation
		reportable in the Medicare cost report Medical

Identifier	ReturnReference	Explanation
		education costs are excluded

Identifier	ReturnReference	Explanation
Pt III Line 9b		Financial Counselors work out a payment program for any

Identifier	ReturnReference	Explanation
		amount due after the Charity Sliding Scale Discounts are applied

Identifier	ReturnReference	Explanation
		Collection procedures consistent with self-pay accounts

Identifier	ReturnReference	Explanation
		are applied to these balances

Identifier	ReturnReference	Explanation
Pt V		Each facility listed is required to be licensed, registered

Identifier	ReturnReference	Explanation
		or recognized as a healthcare facility under state law

Identifier	ReturnReference	Explanation
Pt V Sec B 19d		The hospital provided a discount on medically

Identifier	ReturnReference	Explanation
		necessary hospital services to uninsured patients

Identifier	ReturnReference	Explanation
		who do not qualify under the charity care policy

Identifier	ReturnReference	Explanation
Pt V Sec B 21		The hospital charged patients an amount equal to gross

Identifier	ReturnReference	Explanation
		charges in select circumstances This includes, for

Identifier	ReturnReference	Explanation
		example, claims with insurance denials for non-cooperation

Identifier	ReturnReference	Explanation
Pt VI Line 2		Kettering Medical Center, as part of Kettering Health Network,

Identifier	ReturnReference	Explanation
		has dedicated an entire department to community outreach

Identifier	ReturnReference	Explanation
		and wellness The Community Wellness Department is comprised

Identifier	ReturnReference	Explanation
		of four program specialists who coordinate and set

Identifier	ReturnReference	Explanation
		up programs, screenings and other events, three exercise

Identifier	ReturnReference	Explanation
		physiologists, 12 nurses, a dietitian, a physician and many

Identifier	ReturnReference	Explanation
		other resource personnel

Identifier	ReturnReference	Explanation
Pt VI Line 3		Kettering Medical Center informs and educates patients

Identifier	ReturnReference	Explanation
		or persons who may be billed for patient care about their

Identifier	ReturnReference	Explanation
		eligibility for assistance under federal, state, or local

Identifier	ReturnReference	Explanation
		government programs or under Kettering Medical Center's

Identifier	ReturnReference	Explanation
		charity care policy as follows

Identifier	ReturnReference	Explanation
		-KMC has a financial assistance brochure that is included

Identifier	ReturnReference	Explanation
		in all of the patient information kits given at the time of

Identifier	ReturnReference	Explanation
		intake or registration into any facility or department

Identifier	ReturnReference	Explanation
		-There is information posted in all of the admitting and registration

Identifier	ReturnReference	Explanation
		areas about charity care and financial assistance

Identifier	ReturnReference	Explanation
		-During the registration process there is specific scripting

Identifier	ReturnReference	Explanation
		to ask patients if they would like to disclose family

Identifier	ReturnReference	Explanation
		size and income to screen them for federal/state/local

Identifier	ReturnReference	Explanation
		and hospital based charity/assistance programs

Identifier	ReturnReference	Explanation
		This data is available for future visits as well

Identifier	ReturnReference	Explanation
		-KMC has the reporting capability to review and screen any

Identifier	ReturnReference	Explanation
		patient who may have been admitted during registration

Identifier	ReturnReference	Explanation
		"off hours" for eligibility and assistance

Identifier	ReturnReference	Explanation
		-KMC contracts with an outside agency for patient assistance in

Identifier	ReturnReference	Explanation
		application process

Identifier	ReturnReference	Explanation
		-The back of the patient statement shows the current and

Identifier	ReturnReference	Explanation
		prior year Federal Poverty Guidelines and has the Financial Assistance Form to

Identifier	ReturnReference	Explanation
		complete and mail in for consideration for KMC's HCAP or

Identifier	ReturnReference	Explanation
		Charity Sliding Scale program

Identifier	ReturnReference	Explanation
		-KMC's patient account representatives in customer service

Identifier	ReturnReference	Explanation
		screen patients that are unable to pay their bill for

Identifier	ReturnReference	Explanation
		the various financial assistance programs

Identifier	ReturnReference	Explanation
Pt VI Line 4		KHN serves a population of 1,631,000 in its primary and

Identifier	ReturnReference	Explanation
		secondary service area The nine county service area includes

Identifier	ReturnReference	Explanation
		Butler, Clark, Clinton, Darke, Greene, Miami, Montgomery,

Identifier	ReturnReference	Explanation
		Preble and Warren counties Out of this service area,

Identifier	ReturnReference	Explanation
		11 2% of area residents have income below $15,000 10 3% have income

Identifier	ReturnReference	Explanation
		between $15,000 and $24,000 and 27 3% have income between $25,000 and $49,999

Identifier	ReturnReference	Explanation
		Portions of Darke and Montgomery counties have been identified

Identifier	ReturnReference	Explanation
		as medically underserved by the Health Resources and Services

Identifier	ReturnReference	Explanation
		Administration This nine county area is served by 15 hospitals,

Identifier	ReturnReference	Explanation
		7 of which are part of Kettering Health Network

Identifier	ReturnReference	Explanation
Pt VI Line 5		Kettering Medical Center furthers its exempt purpose by

Identifier	ReturnReference	Explanation
		promoting the health of the community by

Identifier	ReturnReference	Explanation
		-Retaining a Board of Directors with a majority (excluding employees and

Identifier	ReturnReference	Explanation
		contractors) living in the primary service area,

Identifier	ReturnReference	Explanation
		-Extending medical staff privileges to all qualified

Identifier	ReturnReference	Explanation
		physicians in its community for a majority of its

Identifier	ReturnReference	Explanation
		departments,

Identifier	ReturnReference	Explanation
		-Utilizing surplus funds to help support ongoing improvements

Identifier	ReturnReference	Explanation
		in patient care through equipment upgrades, acquisition

Identifier	ReturnReference	Explanation
		of the most-advanced medical technology, upgrades of existing

Identifier	ReturnReference	Explanation
		hospital structures and construction of new facilities

Identifier	ReturnReference	Explanation
		in order to provide accessible, efficient, quality care

Identifier	ReturnReference	Explanation
		Medical and nursing education programs are also enhanced through

Identifier	ReturnReference	Explanation
		purchase of state-of-the-art educational tools and

Identifier	ReturnReference	Explanation
		dedicated learning centers of excellence Medical research

Identifier	ReturnReference	Explanation
		is supported through the Innovation Center, cultivating

Identifier	ReturnReference	Explanation
		new technologies and fostering best practices among partners from

Identifier	ReturnReference	Explanation
		industry, academia and health care

Identifier	ReturnReference	Explanation
Pt VI Line 6		KMC and its affiliates promote the health of the communities

Identifier	ReturnReference	Explanation
		served by the system as described below

Identifier	ReturnReference	Explanation
		-Kettering Medical Center, a part of the Kettering Health Network, is

Identifier	ReturnReference	Explanation
		dedicated to the creation and maintenance of community

Identifier	ReturnReference	Explanation
		wellness programs, support groups and health education

Identifier	ReturnReference	Explanation
		programs KMC provides numerous screenings, family-focused classes,

Identifier	ReturnReference	Explanation
		health fairs, conferences, donations and education programs

Identifier	ReturnReference	Explanation
		to ensure the long-term well-being of people living in

Identifier	ReturnReference	Explanation
		the community

Identifier	ReturnReference	Explanation
		-The Kettering Medical Center Foundation serves donors by

Identifier	ReturnReference	Explanation
		providing assistance in fulfilling philanthropic wishes and

Identifier	ReturnReference	Explanation
		maintaining an efficient conduit for gifts to benefit KMC

Identifier	ReturnReference	Explanation
		and its affiliated programs and facilities The Foundation manages

Identifier	ReturnReference	Explanation
		over 140 funds in support of programs, offering donors the

Identifier	ReturnReference	Explanation
		confidence that their donations will meaningfully

Identifier	ReturnReference	Explanation
		influence the program they choose to support

Identifier	ReturnReference	Explanation
		-Kettering College of Medical Arts is a bachelor's and

Identifier	ReturnReference	Explanation
		master's degree-granting college with programs in human

Identifier	ReturnReference	Explanation
		biology, nursing, medical sonography, physician assistant

Identifier	ReturnReference	Explanation
		studies, radiology technology and respiratory therapy

Identifier	ReturnReference	Explanation
		Associate degree options are available for some programs

Identifier	ReturnReference	Explanation
		of study An average of 820 students prepare each

Identifier	ReturnReference	Explanation
		year for service to the wider community The college is owned

Identifier	ReturnReference	Explanation
		by KMC and is chartered by the Seventh-day Adventist

Identifier	ReturnReference	Explanation
		Church, for whom health care has always been a key ministry

Identifier	ReturnReference	Explanation
		to the wider public

Identifier	ReturnReference	Explanation
		-Kettering Affiliated Health Services, Inc includes Sycamore

Identifier	ReturnReference	Explanation
		Glen Health Center, Sycamore Glen Retirement Community,

Identifier	ReturnReference	Explanation
		and Kettering Breast Evaluation Centers These health

Identifier	ReturnReference	Explanation
		care areas provide services to the surrounding communities

Identifier	ReturnReference	Explanation
		which complement those services provided by KMC

Identifier	ReturnReference	Explanation
		as part of the Kettering Health Network

Identifier	ReturnReference	Explanation
		-Medical research is supported through the Innovation Center,

Identifier	ReturnReference	Explanation
		cultivating new technologies and fostering best

Identifier	ReturnReference	Explanation
		practices among partners from industry, academia and

Identifier	ReturnReference	Explanation
		health care

Identifier	ReturnReference	Explanation
Pt VI Line 7		OH

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
KETTERING MEDICAL CENTER

Employer identification number
31-0621866

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

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

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

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
(1) EMPLOYEE HARDSHIP	244	67,366			
(2) SCHOLARSHIPS	134	110,193			

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
Pt I Line 2		KMC employees may apply for up to $300 per qualifying hardship event
Pt I Line 2		The lifetime maximum for an employee is capped at $400
Pt I Line 2		KCMA maintains the criteria used for awarding institutional scholarships
Pt I Line 2		Some of the scholarships awarded by KCMA are based on need, others are awarded
Pt I Line 2		strictly based on merit, and others are awarded based on both need and merit

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
KETTERING MEDICAL CENTER

Employer identification number
31-0621866

Part I Questions Regarding Compensation

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

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) FRED MANCHUR	(i) (ii)	1,100,401	268,335	95,507	373,845	17,492	1,855,580	
(2) ROY CHEW	(i) (ii)	715,143	168,379	57,254	476,103	22,109	1,438,988	
(3) BRETT SPENST	(i) (ii)	525,649	120,338	6,719	264,274	28,033	945,013	
(4) BRENDA KUHN	(i) (ii)	316,781	64,670	2,838	47,226	21,082	452,597	
(5) WALTER SACKETT	(i) (ii)	278,571	44,949	6,987	11,237	23,044	364,788	
(6) CHARLES SCRIVEN	(i) (ii)	195,206	29,631	45,293	48,757	22,781	341,668	
(7) DEANETTE SISSON	(i) (ii)	167,719	29,815	3,835		12,602	213,971	
(8) ROBERT SMITH	(i) (ii)	253,166	34,290	8,775	13,687	1,214	311,132	
(9) REBEKAH WANG-CHENG MD	(i) (ii)	245,331	38,299	1,200	13,687		298,517	
(10) DONNA ARAND	(i) (ii)	102,188	110,816	2,351	11,957	617	227,929	
(11) CAROL APPLEGEET	(i) (ii)	181,795	5,482	1,920	7,445	4,623	201,265	
(12) CHRISTINA TURNER	(i) (ii)	199,720	40,290	1,010		6,680	247,700	
(13) FRANK PEREZ	(i) (ii)	575,282	238,197	10,381	13,687	7,875	845,422	

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
Pt I Line 4b		The Network has a Supplemental Executive Retirement Plan available only to a certain class of management
Part II Col Biii		Column Biii includes compensation reported on the W-2 that may or may not have gone through the current year Statement of Operations and Changes in Net Assets

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
KETTERING MEDICAL CENTER

Employer identification number
31-0621866

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV **Business Transactions Involving Interested Persons.**

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) CHRISTINA KERESOMA	Family of Fred Manchur	31,233	Compensation		No
(2) ANDREA MANCHUR	Family of Fred Manchur	19,516	Compensation		No
(3) RACHEL DRUSEN	Family of Brenda Kuhn	76,801	Compensation		No
(4) REBEKAH WANG	Family of Charles Scriven	284,830	Compensation		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
KETTERING MEDICAL CENTER

Employer identification number
31-0621866

Identifier	Return Reference	Explanation
Pt VI, Line 11a		A tax specialist is engaged to review the 990 The 990 is reviewed
		and accepted by the audit committee which reports this to the
		governing body (board)
Pt VI, Line 12c		The Network regularly and consistently monitors and enforces compliance
		with the conflict of interest policy by making it part of the employees'
		annual reviews Employees must certify that they have read the
		conflict of interest policy and have disclosed any potential conflicts
		and agree to immediately notify Corporate Integrity if one should arise
		Board members are required to annually review the Network's policy,
		sign a conflict of interest statement, and notify the Network if a conflict
		should arise
Pt VI, Line 15		The process of determining compensation of CEO's, executive directors,
		officers, and key employees is to have an independent board approve
		the compensation The compensation is determined to be reasonable
		compared to independent comparability data The approval of the
		amounts is documented in the Board minutes within the appropriate
		time frame At year end the organization reviews executive compensation
		by comparing the amounts approved to the amounts paid
Pt VI, Line 19		The KHN Conflict of Interest policy is available on the KHN intranet The
		organization's governing documents and financial statements

Identifier	Return Reference	Explanation
		are available upon request
Pt XI		Line 5 Net unrealized losses on investments (41,615,885)
Pt XI		Line 5 Net transfers to affiliate (17,834,977)
Pt XI		Line 5 Other changes, net 222,522
Pt XII, Line 2c		KHN has an audit committee that meets regularly throughout the year
		to review issues that are brought to it by the internal auditor This
Form 990, Part IX, Line 24f		MINOR MISCELLANEOUS EXPENSES 6489722 1197053 5292669 0
		committee is also responsible for the financial audit
Part IV, Line 24		Part IV, Line 24a should be "Yes" and b,c,d should be "No"
		The Organiztion does have tax-exempt bonds but the software
		converts Schedule K with an error This will cause the
		return to be rejected by the agency
		Schedule K has been attached as a pdf file as a workaround

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
KETTERING MEDICAL CENTER

Employer identification number
31-0621866

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
See Additional Data Table							

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) PREMIER PURCHASING PARTNERS 1225 EL CAMINO REAL STE 100 SAN DIEGO, CA 92130 33-0387407	PURCHASING CONTRACTS	CA	NA	Related	1,938,862	2,134,437		No	10,795		No	0 650 %

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) KETTCOR 2110 LEITER ROAD MIAMISBURG, OH 45342 31-1078381	HEALTH SERVICES	OH	KETTERING ADVENTIST HEALTHCARE	C			0 %

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

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

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

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) KETTCOR	a	240,645	FMV
(2) KETTERING MEDICAL CENTER FOUNDATION	c	1,578,946	FMV
(3) KETTERING MEDICAL CENTER IS A CONDUIT THROUGH WHICH	klmnp		FMV
(4) KHN-ENTITY REVENUE IS RECEIVED AND EXPENSES ARE PAID			
(5)			
(6)			

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate 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		Yes	No	

Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	

Additional Data

Return to Form

Software ID: 11000175
Software Version:
EIN: 31-0621866
Name: KETTERING 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	
ALLIANCE PHYSICIANS INC 2110 LEITER ROAD MIAMISBURG, OH 45432 31-1175717	PHYSICIAN SERVICES	OH	501(c)(3)	509(a)(3)	KETTERING ADVENTIST HEALTHCARE		No
BEAVERCREEK MEDICAL CENTER 2110 LEITER ROAD MIAMISBURG, OH 45342 27-0712680	HOSPITAL	OH	501(c)(3)	509(a)(1)	KETTERING ADVENTIST HEALTHCARE		No
DAYTON OSTEOPATHIC HOSPITAL 2110 LEITER ROAD MIAMISBURG, OH 45342 35-0564121	HOSPITAL	OH	501(c)(3)	509(a)(1)	KETTERING ADVENTIST HEALTHCARE		No
THE FORT HAMILTON HOSPITAL 2110 LEITER ROAD MIAMISBURG, OH 45342 31-0536662	HOSPITAL	OH	501(c)(3)	509(a)(1)	KETTERING ADVENTIST HEALTHCARE		No
GREENE FOUNDATION 2110 LEITER ROAD MIAMISBURG, OH 45342 31-0886949	FUNDRAISING	OH	501(c)(3)	509(a)(1)	GREENE MEMORIAL HOSPITAL		No
GREENE MEMORIAL HOSPITAL 2110 LEITER ROAD MIAMISBURG, OH 45342 31-0809436	HOSPITAL	OH	501(c)(3)	509(a)(1)	KETTERING ADVENTIST HEALTHCARE		No
GREENE MEMORIAL HOSPITAL SERVICES INC 2110 LEITER ROAD MIAMISBURG, OH 45342 31-1358549	PHYSICIAN SERVICES	OH	501(c)(3)	509(a)(3)	KETTERING ADVENTIST HEALTHCARE		No
GREENE OAKS 2110 LEITER ROAD MIAMISBURG, OH 45342 31-0999724	Senior Healthcare Facilities	OH	501(c)(3)	509(a)(2)	GREENE MEMORIAL HOSPITAL		No
KETTERING ADVENTIST HEALTHCARE 2110 LEITER ROAD MIAMISBURG, OH 45342 31-1051688	MANAGEMENT	OH	501(c)(3)	509(a)(3)	NA		No
KETTERING AFFILIATED HEALTH SERVICES INC 2110 LEITER ROAD MIAMISBURG, OH 45342 31-1127485	HEALTH SERVICES	OH	501(c)(3)	509(a)(3)	KETTERING ADVENTIST HEALTHCARE		No
KETTERING MEDICAL CENTER FOUNDATION 2110 LEITER ROAD MIAMISBURG, OH 45432 23-7419897	FUNDRAISING	OH	501(c)(3)	509(a)(3)	KETTERING MEDICAL CENTER	Yes	
RECOVERY CENTERS INC 2110 LEITER ROAD MIAMISBURG, OH 45342 31-1153763	Outpatient and Residential Healthcare	OH	501(c)(3)	509(a)(1)	GREENE MEMORIAL HOSPITAL		No

SCHEDULE K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

► Complete if the organization answered 'Yes' to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
► Attach to Form 990. ► See separate instructions.

OMB No 1545-0047

2011

Name of the organization

KETTERING MEDICAL CENTER

Employer identification number

31-0621866

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) Pooled financing	
							Yes	No	Yes	No	Yes	No
A	County of Montgomery, Ohio	31-6000172	613520KS3	01/17/08	78,368,598.	Current refund & construction		X		X		X
B	County of Butler, Ohio	31-6000061	123550GJ8	07/13/11	120,548,832.	Construct and equip a hospital		X		X		X
C	County of Montgomery, Ohio	31-6000172	NONE	12/10/11	100,155,421.	Current refund		X		X		X
D												

Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased				
3	Total proceeds of issue	81,166,133.	121,058,385.	100,155,421.	
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds	1,057,952.			
6	Proceeds in refunding escrows				
7	Issuance costs from proceeds	401,072.	764,259.	85,791.	
8	Credit enhancement from proceeds	1,864,783.			
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	59,268,218.	94,358,701.		
11	Other spent proceeds	18,574,108.		100,069,630.	
12	Other unspent proceeds		25,935,425.		
13	Year of substantial completion	2010	2012	2011	

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

Private Business Use

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

Private Business Use *(Continued)*

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3 a Are there any management or service contracts that may result in private business use of bond-financed property?	X		X		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		X		X			
c Are there any research agreements that may result in private business use of bond-financed property?	X		X		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?	X		X		X			
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ►	0.0000 %		0.0000 %		0.0000 %		%	
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 ►	0.0000 %		0.0000 %		0.0000 %		%	
6 Total of lines 4 and 5	0.0000 %		0.0000 %		0.0000 %		%	
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X		X			

Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		
2 Is the bond issue a variable rate issue?	X			X	X			
3 a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X	X			
b Name of provider					Merrill Lynch Capital Services			
c Term of hedge					16.20000			
d Was the hedge superintegrated?						X		
e Was the hedge terminated?						X		
4 a Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X		X		
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5 Were any gross proceeds invested beyond an available temporary period?		X		X		X		
6 Did the bond issue qualify for an exception to rebate?		X	X		X			

Procedures To Undertake Corrective Action

Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations? [X] Yes [ ] No

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

Part II, Line 3, Column A: Includes investment earnings of $2,797,535

Part II, Line 3, Column B: Includes investment earnings of $509,553

See Part VI, Supplemental Information

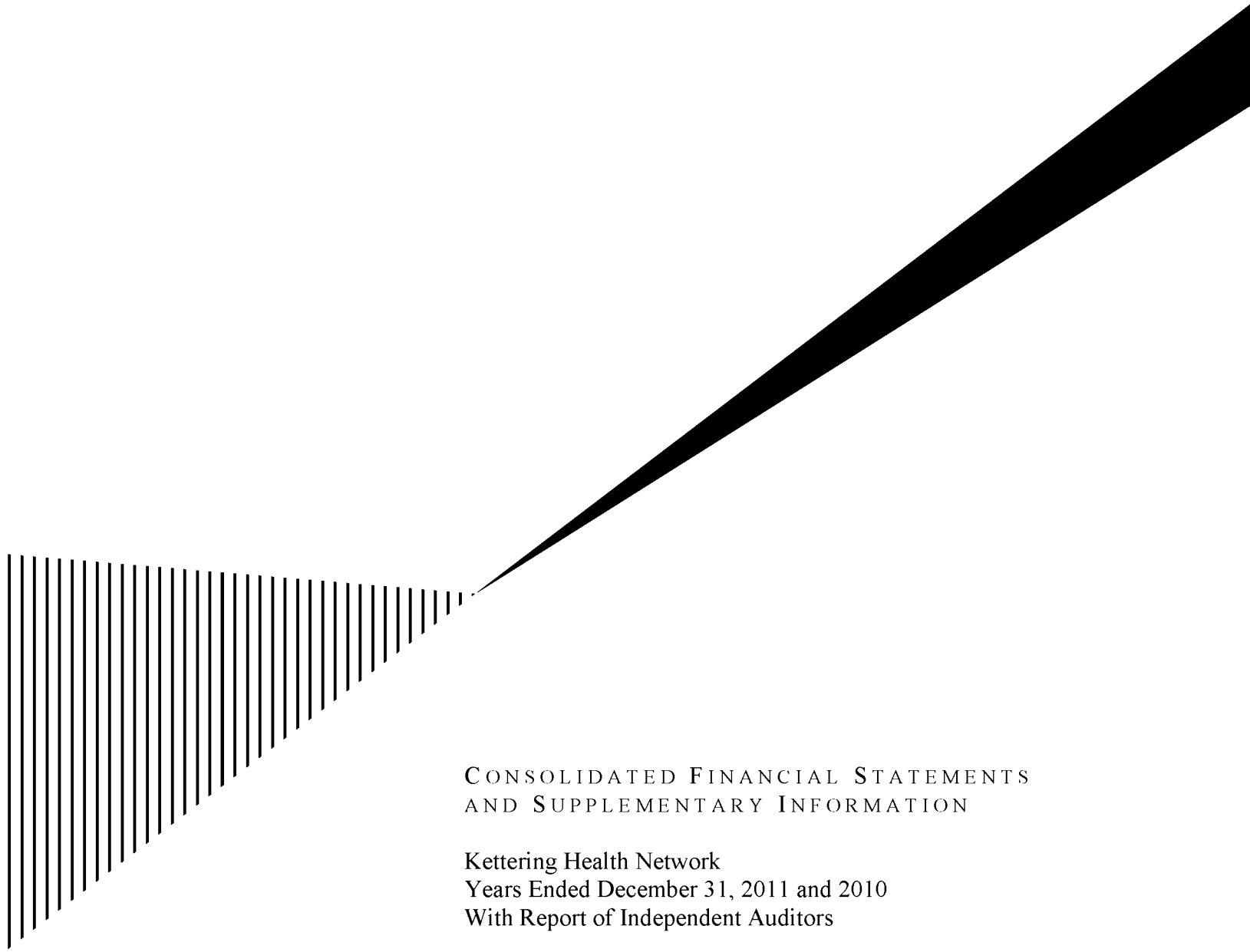
Schedule K
Part VI, Supplemental Information

Part IV, Line 5, Column B: Expiration of temporary period has not occurred.
Part IV, Line 6, Column B: It is expected that the bond issue will qualify for an exception to rebate.

KETTERING MEDICAL CENTER 31-0621866

Schedule K (Copy 1) Supplemental Info on Tax Exempt Bonds

Description of this copy of Schedule K	Copy 1
QuickZoom to another copy of Schedule K	➡



CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Kettering Health Network
Years Ended December 31, 2011 and 2010
With Report of Independent Auditors

Ernst & Young LLP

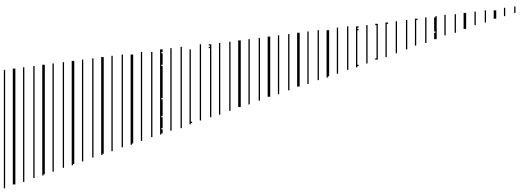
ERNST & YOUNG

Kettering Health Network

Consolidated Financial Statements
and Supplementary Information

Years Ended December 31, 2011 and 2010

Contents



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Report of Independent Auditors

The Board of Directors
Kettering Health Network

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

We conducted our audits in accordance with auditing standards generally accepted in the United States Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement We were not engaged to perform an audit of the Network'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 the Network'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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kettering Health Network at December 31, 2011 and 2010, and the consolidated results of its operations and changes in net assets and its cash flows for the years then ended in conformity with U S generally accepted accounting principles

As discussed in Note 1 to the consolidated financial statements, in 2011 the Network changed its presentation and disclosure of the provision for bad debts as a result of the adoption of Financial Accounting Standards Board Accounting Standards Update 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provisions for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole The unaudited community benefit information in Note 12 is presented for proposes of additional analysis and is not a required part of the basic consolidated financial statements Such information has not been subjected to the audit procedures applied in the audits of the consolidated financial statements, and, accordingly, we do not express any assurances on such information

Ernst + Young LLP

May 10, 2012

A member firm of Ernst & Young Global Limited

Kettering Health Network

Consolidated Balance Sheets

	December 31	
	2011	**2010**
	(In Thousands)	
Assets		
Current assets		
Cash and cash equivalents	**$ 82,484**	$ 18,789
Current portion of assets whose use is limited	**10,727**	8,806
Patient accounts receivable, net of allowance for doubtful receivables (2011 – $49,250, 2010 – $30,652)	**133,929**	116,572
Other receivables	**24,712**	29,274
Inventories	**17,505**	16,750
Prepaid expenses and other current assets	**8,360**	9,534
Total current assets	**277,717**	199,725
Assets whose use is limited		
Board designated	**354,068**	448,309
Donor or agency restricted	**18,320**	17,779
Trustee held assets	**51,286**	25,535
Total assets whose use is limited	**423,674**	491,623
Retirement plans assets	**9,291**	6,695
Unamortized long-term debt issuance costs	**5,778**	8,662
Property and equipment, net	**800,710**	697,020
Other long-term assets	**45,521**	39,397
Total assets	**$ 1,562,691**	$ 1,443,122

	December 31	
	2011	2010
	(In Thousands)	
Liabilities and net assets		
Current liabilities		
Accounts payable	**$ 53,945**	$ 76,713
Payroll-related liabilities	**43,855**	46,624
Other accrued liabilities	**35,124**	37,229
Accrued interest	**5,257**	2,763
Current portion of deferred revenue	**5,563**	5,466
Estimated amounts due to third-party payors	**4,299**	4,622
Current portion of long-term debt	**13,878**	11,818
Total current liabilities	**161,921**	185,235
Deferred revenue	**7,145**	7,577
Accrued pension liability	**26,753**	18,721
Professional self-insurance liability	**31,938**	38,387
Other long-term liabilities	**57,724**	62,558
Interest rate swap agreements liability	**54,979**	31,598
Long-term debt, net of current portion	**602,460**	463,650
Total liabilities	**942,920**	807,726
Net assets		
Unrestricted	**592,940**	603,748
Temporarily restricted	**20,693**	24,640
Permanently restricted	**6,138**	7,008
Total net assets	**619,771**	635,396
Total liabilities and net assets	**$ 1,562,691**	$ 1,443,122

See accompanying notes.

Kettering Health Network

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended December 31	
	2011	**2010**
	(In Thousands)	
Unrestricted revenue		
Patient service revenue (net of contractual provision and discount)	**$ 1,114,431**	982,350
Provision for bad debts	**(55,175)**	(32,377)
Net patient service revenue	**1,059,256**	949,973
Other revenue, net	**74,843**	69,232
Total unrestricted revenue	**1,134,099**	1,019,205
Expenses		
Salaries and wages	**476,866**	413,268
Employee benefits	**119,524**	101,564
Supplies and other	**291,025**	269,861
Purchased services	**143,387**	134,007
Depreciation	**65,313**	53,280
Interest	**22,869**	15,067
Total expenses	**1,118,984**	987,047
Excess of unrestricted revenue over expenses before other (loss) income	**15,115**	32,158
Other (loss) income		
Loss on interest rate swap agreements	**(23,842)**	(11,877)
Other, primarily investment (loss) income	**(4,139)**	24,944
Loss on early extinguishment of debt	**(3,472)**	–
Excess of (expenses over unrestricted revenue) unrestricted revenue over expenses before business combination	**(16,338)**	45,225
Excess of fair value of assets acquired over liabilities assumed in business combination	**3,040**	60,237
Excess of (expenses over unrestricted revenue) unrestricted revenue over expenses	**(13,298)**	105,462

Continued on next page.

Kettering Health Network

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended December 31	
	2011	2010
	(In Thousands)	
Unrestricted net assets		
Excess of (expenses over unrestricted revenue) unrestricted revenue over expenses	**$ (13,298)**	$ 105,462
Net assets released from restrictions for capital	**7,652**	10,797
Change in plan assets and benefit obligation of pension plan	**(5,549)**	(1,717)
Other changes, net	**387**	427
(Decrease) increase in unrestricted net assets	**(10,808)**	114,969
Temporarily restricted net assets		
Contributions and investment (loss) income from restricted investments	**2,524**	16,109
Net assets released from restrictions for capital	**(7,652)**	(10,797)
Net assets released from restrictions for operations	**(1,378)**	(2,238)
Transfer of net assets under business combination	**2,559**	1,646
(Decrease) increase in temporarily restricted net assets	**(3,947)**	4,720
Permanently restricted net assets		
Contributions for endowment funds	**199**	324
Transfer (reclassification) of net assets under business combination	**(1,069)**	1,041
(Decrease) increase in permanently restricted net assets	**(870)**	1,365
(Decrease) increase in net assets	**(15,625)**	121,054
Net assets at beginning of year	**635,396**	514,342
Net assets at end of year	**$ 619,771**	$ 635,396

See accompanying notes.

Kettering Health Network

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2011	2010
	(In Thousands)	
Operating activities		
(Decrease) increase in net assets	$ **(15,625)**	$ 121,054
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities		
Depreciation	**66,836**	60,428
Amortization of long-term debt issuance costs	**545**	538
Loss on early extinguishment of debt	**3,472**	–
Loss on interest rate swap agreements	**23,842**	11,877
Excess of fair value of unrestricted assets over liabilities assumed in business combination, net of cash received	**(2,750)**	(60,234)
Restricted contributions	**(2,432)**	(15,107)
Net change in unrealized losses (gains) on investments	**21,984**	(29,204)
Change in plan assets and benefit obligation of pension plan	**5,549**	1,717
Transfer of net assets under business combination	**(1,490)**	(2,687)
Provision for bad debts	**55,175**	32,377
Change in assets and liabilities		
Accounts receivable, net	**(67,970)**	(56,875)
Inventories	**(755)**	(1,323)
Prepaid expenses and other current assets	**3,014**	2,164
Assets whose use is limited	**45,090**	67,564
Accounts payable	**(6,887)**	12,690
Other current liabilities	**(2,606)**	8,873
Other long-term liabilities	**(12,615)**	11,967
Net cash provided by operating activities	**112,377**	165,819
Investing activities		
Additions to property and equipment	**(184,908)**	(161,222)
Net increase in other long-term assets	**(8,815)**	(5,401)
Net cash used in investing activities	**(193,723)**	(166,623)
Financing activities		
Principal payments of long-term debt	**(13,217)**	(10,714)
Refunding of long-term debt	**(177,975)**	–
Proceeds from issuance of long-term debt	**331,960**	1,242
Draws on line of credit	**196,207**	–
Payments on line of credit	**(196,207)**	–
Cost of long-term debt issuance	**(1,108)**	(4)
Proceeds from restricted contributions	**5,381**	9,594
Net cash provided by financing activities	**145,041**	118
Increase (decrease) in cash and cash equivalents	**63,695**	(686)
Cash and cash equivalents at beginning of year	**18,789**	19,475
Cash and cash equivalents at end of year	$ **82,484**	$ 18,789

See accompanying notes

Kettering Health Network

Notes to Consolidated Financial Statements

December 31, 2011
(In Thousands)

1. Organization and Significant Accounting Policies

Organization

Kettering Adventist Healthcare d b a Kettering Health Network (the Network) is comprised of the obligated group that includes the Kettering Medical Center, which consists of Kettering Memorial Hospital (Kettering Hospital), Kettering Medical Center-Sycamore (Sycamore Hospital), Kettering Behavioral Medical Center and Kettering College of Medical Arts, Grandview Medical Center, which includes Dayton Osteopathic Hospital, d b a Grandview Hospital and Medical Center (Grandview Hospital), Southview Hospital and Huber Health Center, and Beavercreek Medical Center d/b/a Indu and Raj Soin Medical Center (Soin Medical Center) (collectively, the Obligated Group) The Network also includes the parent corporation, Kettering Adventist Healthcare (KAH) which includes the operations of Grandcor, Ltd, a captive insurance company Other entities included in the Network's consolidated financial statements are KettCor, Kettering Medical Center Foundation, Kettering Affiliated Health Services, Inc , Alliance Physicians, Greene Memorial Hospital which consists of Greene Memorial Hospital, Inc , Greene Health Partners, Inc and Green Foundation (collectively, Greene), and effective July 1, 2010, Fort Hamilton Hospital which includes Fort Hamilton Hospital Foundation (collectively, Fort Hamilton) KAH and Kettering Medical Center are together referred to as the Kettering Affiliates Grandview Hospital, Southview Hospital, and Huber Health Center are collectively referred to as the Grandview Affiliates

All entities are controlled by KAH and are consolidated All significant intercompany balances and transactions have been eliminated upon consolidation

The Kettering Medical Center Foundation, a not-for-profit corporation, exists for the purpose of soliciting and receiving contributions for the sole benefit of the Network Kettering Affiliated Health Services, Inc operates Sycamore Glen Health Center, Sycamore Glen Retirement Community and other not-for-profit health care related operations Sycamore Glen Retirement Community is a retirement housing complex consisting of cottage apartments and a mid-rise building with apartment units

(In Thousands)

1. Organization and Significant Accounting Policies (continued)

The Network provides health care services through Kettering Hospital, Sycamore Hospital, Grandview Hospital, Southview Hospital, Sycamore Glen Health Center, Kettering Behavioral Medical Center, Greene Memorial Hospital, and Fort Hamilton Hospital The Network constructed a new acute care hospital, Soin Medical Center, to provide additional health care services to Greene County The new facility opened for business on February 23, 2012

The Network operates the Kettering College of Medical Arts, a division of Kettering Hospital, offering a curriculum primarily in the allied health professions

On July 1, 2010, the Network acquired Fort Hamilton, a not-for-profit hospital that offers interventional cardiology, a state-of-the-art intensive care unit, a full-service oncology program, obstetrical and behavioral health services, and comprehensive wound healing among other services This acquisition allows the Network to further its mission to provide close access to quality care for people in its nine-county service area Fort Hamilton allows the Network to provide care in the southern most area of the Network's service area

The business combination was consummated through a membership substitution making the Network the sole corporate member of Fort Hamilton Based on the nature of the transaction, the Network accounted for the acquisition using the purchase method of accounting The Network did not transfer any cash consideration as part of the acquisition As required under acquisition or purchase accounting, the Network assigned value to the assets acquired and liabilities assumed based on their fair value at July 1, 2010 as determined by valuation specialists The difference between the assets acquired or identified and liabilities assumed resulted in an inherent contribution to the Network, as the Network did not transfer consideration as part of the transaction

Within the 12 months following the Fort Hamilton acquisition, additional information became available that required adjustments to the acquisition fair value of Fort Hamilton Additional property and equipment valued at $2,357 was identified and recorded as the excess of fair value of assets acquired over liabilities assumed in business combination for the year ended December 31, 2011 Additionally, the Fort Hamilton Foundation was acquired in 2011 As a result, the Network recorded certain unrestricted and temporarily restricted investments of $2,173 directly to net assets for the year ended December 31, 2011

(In Thousands)

1. Organization and Significant Accounting Policies (continued)

Fair Value Measurements

The Network follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 820, *Fair Value Measurements and Disclosures* (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 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 assumptions 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 that the Network has the ability to access
- 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 The Network'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

(In Thousands)

1. Organization and Significant Accounting Policies (continued)

In order to meet the requirements of ASC 820, the Network 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 replace the respective asset or liability The second approach is the market approach The market approach looks at what a market participant would consider an exact or similar asset or liability to that of the Network, including those traded on exchanges, to be valued at The third approach is the income approach The income approach uses estimation techniques to determine the estimated future cash flows of the Network'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)

Cash and Cash Equivalents

The Network considers highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents

Net Patient Accounts Receivable

Net patient accounts receivable is reduced by an allowance for doubtful receivables based upon the historical collection experience of each hospital adjusted for current environmental risks and trends for each major payor source The Network's allowance for doubtful receivables is made for self-pay patient accounts receivable in the period of service based on past collection experience Overall, the total of write-offs of uncollectible accounts and reserves on self-pay patient accounts has not changed significantly since December 31, 2010 The Network has not experienced significant changes in write-off trends and has not changed its charity care policy since December 31, 2010

Assets Whose Use Is Limited

Assets whose use is limited include board-designated funds for the acquisition of property and equipment, funds restricted by donors for charitable purposes, funds to cover self-insurance liabilities, trustee-held assets for the retirement of long-term liabilities, and the funding of certain capital projects These funds have been classified as noncurrent assets except for amounts required to meet current liabilities which are classified as the current portion of assets whose use is limited Assets whose use is limited in its entirety are classified as trading securities

(In Thousands)

1. Organization and Significant Accounting Policies (continued)

Investment income (including interest and dividend earnings, net realized gains on investments, and net change in unrealized (losses) gains on investments) is primarily included in the excess of (expenses over unrestricted revenue) unrestricted revenue over expenses as other, primarily investment (loss) income unless the investment (loss) income is restricted by donor or law

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

Inventories

Inventories (primarily supplies and pharmaceuticals) are valued using the lower of cost (first-in, first-out method) or market

Property and Equipment

Property and equipment are stated at historical cost except for donated or impaired items, which are recorded at fair market value at the date of donation or determination Expenditures, which materially increase values, change capacities or extend useful lives, are capitalized Depreciation, which includes amortization related to capital leases, is computed utilizing the straight-line method over the expected useful lives of the assets which range from 3 to 40 years Total depreciation expense was $65,850 and $60,428 for the years ended December 31, 2011 and 2010, respectively, and is primarily included in depreciation expense

The cost and related accumulated depreciation of property and equipment that are sold or retired are removed from the respective accounts and the resulting gain or loss is recorded in supplies and other, when the property is used in operations Gains or losses on sales of property and equipment held for investment purposes are recorded in other, primarily investment (loss) income

Select property and equipment purchased prior to year-end is excluded from the additions to property and equipment in the consolidated statements of cash flows as cash payment was not made at the end of the year These excluded additions at December 31, 2011 and 2010, were $8,734 and $24,705, respectively

(In Thousands)

1. Organization and Significant Accounting Policies (continued)

The Network evaluates the carrying value of long-lived assets and the related estimated remaining lives when events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed Any resulting impairment losses or additional required depreciation due to shortened useful lives are reflected as other, primarily investment (loss) income in the consolidated statements of operations Based on a review of certain assets acquired by the Network in the Fort Hamilton acquisition, additional required depreciation due to shortened useful lives of $5,579 was recorded for the year ended December 31, 2010 ($0 for year ended December 31, 2011)

Unamortized Long-Term Debt Issuance Costs

Unamortized long-term debt issuance costs, represents costs associated with the issuance of hospital facilities revenue bonds or other long-term debt transactions and are amortized using the effective interest method over the term of the related long-term debt

Investments in Unconsolidated Organizations

The Network maintains an ownership percentage of 50% or less in various joint ventures and other companies that do not require consolidation Certain of these investments are accounted for using the equity method of accounting The aggregate value of investments in unconsolidated organizations accounted for under the equity method of accounting is $12,329 and $11,067 at December 31, 2011 and 2010, respectively, and is included in other long-term assets

Goodwill and Identifiable Intangible Assets

Other long-term assets include goodwill and identifiable intangible assets The carrying value of identifiable intangible assets is $5,100 and $1,968 at December 31, 2011 and 2010, respectively Identifiable intangible assets are amortized over their estimated expected life which ranges from six months to ten years Amortization expense related to identifiable intangibles assets was $1,131 and $101 for the years ended December 31, 2011 and 2010, respectively, and is included in other long-term assets The carrying value of goodwill is $11,358 and $7,345 at December 31, 2011 and 2010, respectively The Network annually performs an evaluation of goodwill for impairment considering qualitative and quantitative factors There was no impairment loss recognized in 2011 or 2010

1. Organization and Significant Accounting Policies (continued)

Deferred Revenue

The Network's independent living community, Sycamore Glen Retirement Community, offers four types of resident agreements with regard to the one-time entrance fee paid in addition to the monthly service fees The portion of the entrance fee that is refundable under these resident agreements varies from 25% to 100% Additionally, some of the resident agreements include entrance fees that are not refundable

Beginning in 2004, new resident agreements for residents were changed to stipulate that all or a portion of the entrance fees become refundable when the contract holder's unit is reoccupied by another person The portion of the fees that will be paid to current residents or their designees, only to the extent of the proceeds of reoccupancy of a contract holder's unit, are accounted for as deferred revenue and considered a long-term liability Prior to the change in resident agreements, the entrance fee was refundable within five months of termination of the resident agreement The entrance fees associated with these resident agreements are recorded as current liability These resident agreements are amortized over the useful life of the unit

Description of Net Asset Classes

Net assets are classified into three categories Temporarily restricted net assets are those whose use by the Network has been limited by donors to a specific time period or purpose, and are restricted primarily for education services, clinical research programs, and capital expenditures Permanently restricted net assets have been restricted by donors to be maintained by the Network in perpetuity and are primarily restricted in support of the Network's mission All other net assets are considered unrestricted

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Network are reported at fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or the condition is met 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 the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the consolidated statements of changes in net assets as net assets released from restrictions for capital or operations

(In Thousands)

1. Organization and Significant Accounting Policies (continued)

Net assets released from restriction for operations are shown as a reduction to supplies and other expense in the consolidated statements of operations The amount of net assets released from restriction for operations was $1,378 and $2,238 for the years ended December 31, 2011 and 2010, respectively

Net Patient Service Revenue

Net patient service revenue for services provided to patients who have third-party payor coverage is recognized based on contractual rates for the services rendered The Network recognizes a significant amount of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay As a result, the provision for bad debts is presented as a deduction from patient service revenue (net of contractual provisions and discounts) Amounts recognized are subject to adjustment upon review by third-party payors For uninsured patients that do not qualify for charity care, the Network recognizes revenue when services are provided Based on historical experience, a significant portion of the Network's uninsured patients will be unable or unwilling to pay for the services provided Thus, the Network records a significant provision for bad debts related to uninsured patients in the period the services are provided Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized for the year ended December 31, 2011 by major payor source, is as follows

Medicare	$ 506,722
Medicaid	114,453
Commercial/other	425,896
Self-pay	72,767
Total	$ 1,119,838

(In Thousands)

1. Organization and Significant Accounting Policies (continued)

Third-Party Reimbursement Activities

The amounts reported in the consolidated financial statements represent estimated settlements outstanding at December 31, 2011 and 2010, which the Network's management believes will approximate the final settlements after audit by the governmental agencies or other third-party payors Amounts reported in the consolidated financial statements consist of the following at December 31

	2011	2010
Other current receivables	**$ –**	$ 11,931
Estimated amounts due to third-party payors	**(4,299)**	(4,622)
Other long-term liabilities	**(3,800)**	(7,948)
	$ (8,099)	$ (639)

Reimbursement for the majority of Medicare and Medicaid inpatient services and for Medicare capital costs is based on a prospectively determined fixed price, which varies, based on the illness or medical severity diagnostic related group (MS-DRG) The Network receives reimbursement for services provided under the Medicare and Medicaid programs for outpatients at amounts which approximate either the cost of providing the services or at fees based upon established rates Reimbursement for the majority of Medicare outpatient services is based on a prospectively determined fixed price, which varies based on the ambulatory payment classification (APC) The Network recognizes contractual adjustments for the Medicare and Medicaid programs when the related patient service revenue is reported in the consolidated financial statements These contractual adjustments represent the difference between established rates and the MS-DRG and APC payments and established reimbursement on a cost or fee schedule basis

Laws and regulations governing the Medicare and Medicaid programs are 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 at least a reasonable possibility that recorded estimates will change by a material amount in the near term The Network believes that it is in compliance with all applicable laws and regulations

(In Thousands)

1. Organization and Significant Accounting Policies (continued)

During the normal course of business, the Network settles prior years' third-party receivables and liabilities for amounts different than previously estimated The effect of these settlements and other changes in estimates resulted in an increase in net patient service revenue of $3,274 in 2011 ($3,635 in 2010)

Charity Care

The Network provides medically necessary services without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy In assessing a patient's ability to pay, the Network not only utilizes generally recognized poverty income levels of the communities it serves, but also includes certain cases where incurred charges are significant when compared to the patient's financial resources

The estimated direct and indirect costs of charity care, quantified as the cost of free or discounted health services provided to persons who cannot afford to pay, was $33,180 and $29,737 for the years ended December 31, 2011 and 2010, respectively Charity care costs are estimated based on multiplying the ratio of costs to gross charges for all payments not attributable to other community benefits programs by the revenue recognized and written off for health services provided to persons who cannot afford to pay The Ohio Hospital Care Assurance Program (HCAP) provides some reimbursement to the Network for services provided to qualified persons who cannot afford to pay The amount of HCAP reimbursements was $12,262 and $11,010 for the years ended December 31, 2011 and 2010, respectively, and is included in net patient service revenue Charity care amounts are not included in net patient service revenue

Other Revenue, Net

Other revenue, net includes Kettering College of Medical Arts tuition revenue, certain investment (loss) income, retail pharmacy revenue, cafeteria and other food service revenue, rental income, electronic health records incentive reimbursement, and other miscellaneous revenue

(In Thousands)

1. Organization and Significant Accounting Policies (continued)

The American Recovery and Reimbursement Act of 2009 established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that meaningfully use certified electronic health record technology Payments under the program are calculated based upon estimated discharges, charity care and other input data and are predicated upon the Network's attainment of program and attestation criteria and are subject to regulatory audit The Network has opted to follow a gain contingency method, under ASC 450, *Contingencies*, which provides for recognition once attainment of program and attestation criteria has been achieved and amounts can be reasonably estimated As a result, management estimated and recognized revenue of $2,169 and $0 within other revenue, net for the years ended December 31, 2011 and 2010, respectively Amounts recognized are subject to change, with such changes impacting operations in the period in which they occur

Other, Primarily Investment (Loss) Income

Other, primarily investment (loss) income is made up of the following components at December 31

	2011	2010
Investment (loss) income	**$ (644)**	$ 37,592
Interest expense	**(2,164)**	(2,170)
Accelerated depreciation and amortization	**–**	(8,579)
Other	**(1,331)**	(1,899)
	$ (4,139)	$ 24,944

The components of other, primarily investment (loss) income are more fully described in the following notes

(In Thousands)

1. Organization and Significant Accounting Policies (continued)

Excess of (Expenses Over Unrestricted Revenue) Unrestricted Revenue Over Expenses

The consolidated statements of operations and changes in net assets include the excess of (expenses over unrestricted revenue) unrestricted revenue over expenses, which represents the operating indicator for the Network Consistent with industry practice, changes in net assets which are excluded from the excess of (expenses over unrestricted revenue) unrestricted revenue over expenses include investment income on donor-restricted funds, restricted contributions, transfer of net assets under applicable business combination, and certain pension adjustments

Federal Income Tax

Primarily all Network entities are recognized as exempt from federal income tax under Section 501(a) of the Internal Revenue Code as a charitable organization qualifying under Internal Revenue Code Section 501(c)(3) with the exception of KettCor, which is a for-profit corporation The provision for income taxes for KettCor is not significant to the Network

The Network completed an analysis of its tax positions in accordance with applicable accounting guidance and determined that no amounts were required to be recognized in the consolidated financial statements at December 31, 2011 or 2010

Use of Estimates

The preparation of the consolidated financial statements in conformity with U S generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements Estimates also affect the reported amounts of revenue and expenses during the reporting period Actual results could differ from those estimates

Reclassification

Certain reclassifications were made to the 2010 consolidated financial statement presentation to conform to the 2011 presentation

(In Thousands)

1. Organization and Significant Accounting Policies (continued)

New Accounting Pronouncements

The FASB has issued Accounting Standards Update (ASU) No 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure* ASU 2010-23 is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care ASU 2010-23 requires that cost, identified as the direct and indirect costs of providing the charity care, be used as the measurement basis for disclosure purposes ASU 2010-23 also requires disclosure of the method used to identify such costs ASU 2010-23 is effective for fiscal 2011 and has been adopted by the Network in the consolidated financial statements

The FASB has issued ASU No 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries* The amendments in ASU 2010-24 clarify that a health care entity may not net insurance recoveries against related claim liabilities In addition, the amount of the claim liability must be determined without consideration of insurance recoveries The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2010 The Network adopted the provisions of the ASU in fiscal 2011 The adoption did not have a material impact on the Network's consolidated statements of operations and changes in net assets, cash flows, or financial position

The FASB has issued ASU No 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* ASU 2011-07 is intended to provide financial statement users with greater transparency about a health care entity's net patient service revenue and the related allowance for doubtful receivables

ASU 2011-07 requires health care entities that recognize significant amounts of patient service revenue at the time services are rendered even though they do not assess the patient's ability to pay to change the presentation of their statement of operations and changes in net assets by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011, with early adoption permitted The Network elected to early adopt ASU 2011-07 in fiscal 2011, and as such, has reflected the provision for bad debts as a deduction from revenue rather than an operating expense for all periods presented and made all required consolidated financial statement disclosures

(In Thousands)

1. Organization and Significant Accounting Policies (continued)

The FASB has issued ASU No 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosures Requirements in U.S. GAAP and IFRS* The amendments in ASU 2011-04 change the wording used to describe many of the requirements in U S GAAP for measuring fair value and for disclosing information about fair value measurements The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011 The Network is currently evaluating the impact of adoption and will make all required disclosures upon adoption

2. Concentration of Credit Risk

The Network's primary purpose is to provide health care services The Network grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements The following schedule summarizes the mix of patient accounts receivables at December 31

	2011	2010
Medicare	**37%**	38%
Major commercial/managed care	**24**	23
Other	**19**	19
Medicaid	**12**	11
Self-pay	**8**	9
	100%	100%

(In Thousands)

3. Assets Whose Use Is Limited

The following schedule summarizes assets whose use is limited at December 31

	2011	2010
Cash and cash equivalents	**$ 21,655**	$ 24,911
Municipal debt securities	**45,866**	19,422
U S government debt securities	**26,213**	80,154
U S government agency debt securities	**58,948**	49,796
Corporate debt securities	**49,338**	77,278
Corporate equity securities	**174,377**	191,331
Mutual funds	**55,744**	46,444
Other	**2,260**	11,093
	434,401	500,429
Less current portion of assets whose use is limited	**10,727**	8,806
	$ 423,674	$ 491,623

The Network maintains diversification in its assets whose use is limited by allocating the assets to various asset classes and market segments and retains multiple professional investment firms with differing investment approaches Accordingly, based on this diversification, management does not believe there are any material concentrations of credit at December 31, 2011 or 2010

Interest and dividend earnings, net realized gains on investments and the net change in unrealized (losses) gains on investments are considered investment income The following schedule summarizes investment income, excluding investment income restricted by donors, for the years ended December 31

	2011	2010
Interest and dividend earnings	**$ 12,420**	$ 12,154
Net realized gains on investments	**12,198**	1,915
Net change in unrealized (losses) gains on investments	**(23,024)**	26,791
	$ 1,594	$ 40,860

(In Thousands)

3. Assets Whose Use Is Limited (continued)

Investment income is recorded in different consolidated financial statement lines on the consolidated statements of operations and changes in net assets based on the nature of the activities that the investment income supports or impacts The following is the details of where investment income is recorded for the years ended December 31

	2011	2010
Other revenue, net	**$ 2,238**	$ 3,267
Other, primarily investment (loss) income	**(644)**	37,592
	$ 1,594	$ 40,859

Investment management expenses, which are paid to professional investment managers and custodial organizations, were $2,082 and $2,162 for the years ended December 31, 2011 and 2010, respectively, and are primarily recorded as a reduction in other, primarily investment (loss) income

Assets whose use is limited (trustee held assets) include the unexpended proceeds of tax-exempt bond obligations of $25,922 and $0 for the years ended December 31, 2011 and 2010, respectively, which was primarily invested in cash equivalents

4. Property and Equipment, Net

The following schedule summarizes property and equipment, net at December 31

	2011	2010
Land improvements	**$ 38,793**	$ 38,718
Buildings and fixed equipment	**715,552**	678,333
Movable equipment	**457,803**	366,464
	1,212,148	1,083,515
Less accumulated depreciation	**(639,029)**	(588,274)
	573,119	495,241
Construction in progress	**153,948**	139,647
Land	**73,643**	62,132
	$ 800,710	$ 697,020

4. Property and Equipment, Net (continued)

Capitalized computer software development costs of $14,632 and $42,974 at December 31, 2011 and 2010, respectively, are included in construction in process related to a clinical information technology system implementation Unamortized computer software development costs, in addition to the amounts included in construction in process, are $73,575 and $8,432 at December 31, 2011 and 2010, respectively, and are included in movable equipment The amount amortized for the years ended December 31, 2011 and 2010 related to computer software development costs is $4,467 and $176, respectively, and is included in depreciation expense

The Network periodically evaluates property and equipment to determine whether assets may have been impaired. Management has determined there were no impairment issues related to property and equipment as of December 31, 2011 or 2010

The Network has entered into certain transactions with developers to construct medical office buildings or other structures on land which is owned by the Network The Network is currently, or will in the future, lease portions of these buildings from the developers Under applicable accounting guidance, the Network has determined that it maintains risk related to certain of these transactions and as a result has recorded the medical office buildings or other structures in property and equipment net, and a related liability, which is included in other long-term liabilities, of $43,317 and $43,874 at December 31, 2011 and 2010, respectively, related to these transactions

The depreciation expense of $1,523 and $1,569 for the years ended December 31, 2011 and 2010, respectively, recorded on these medical office buildings or other structures is excluded from depreciation expense on the statements of operations and is included in other, primarily investment (loss) income Under the applicable accounting guidance, the rents related to these medical office buildings and other structures are recorded as a reduction in the recorded liability or as an increase to interest expense

As of December 31, 2011, the Network is contractually obligated for construction projects and software implementation totaling approximately $17,000 at current construction cost or vendor levels It is expected that the full balance of these costs will be incurred in fiscal 2012 The Network will finance these construction projects through assets whose use is limited or cash generated from operations

(In Thousands)

5. Long-Term Debt

The following is a summary of the Network's long-term debt at December 31

	2011	2010
Hospital Facilities Revenue Bonds, Series 1996, with fixed rates ranging from 5 50% to 6 25%, due in installments from 2009 through 2026, net of unamortized bond discount of $969 ($1,070 in 2010)	$ **56,338**	$ 58,747
Hospital Facilities Revenue Bonds, Series 1999, with fixed rates ranging from 5 75% to 6 75%, due in installments from 2006 through 2012, net of unamortized bond discount of $2 ($9 in 2010)	**5,702**	11,070
Hospital Facilities Revenue Bonds Greene County Bonds, Series 1999, with a variable rate of 0 18% (0 30% at December 31, 2010), due in installments from 1999 through 2024	**11,755**	12,445
Hospital Facilities Revenue Bonds, Series 2006A, with a variable rate of 0 40% at December 31, 2010, originally due in installments from 2008 through 2022	–	85,300
Hospital Facilities Revenue Bonds, Series 2008A, with a variable rate of 0 33% at December 31, 2010, originally due in installments from 2027 through 2047	–	93,575
Hospital Facilities Revenue Bonds, Series 2008B, with a variable rate of 2 50% at December 31, 2011 (0 33% at December 31, 2010), due in installments from 2023 through 2047	**94,240**	94,240
Hospital Facilities Revenue Bonds, Series 2009, with fixed rates ranging from 5 00% to 5 50%, due in installments from 2023 through 2039, net of unamortized bond discount of $1,872 ($1,964 in 2010)	**98,128**	98,036
Hospital Facilities Revenue Bonds, Series 2011, with fixed rates ranging from 4 50% to 6 38%, due in installments from 2023 through 2041, net of unamortized bond discount of $4,648	**150,782**	–
Hospital Facilities Revenue Bonds, Series 2011A, with a variable rate of 0 27% at December 31, 2011, due in installments from 2012 through 2022	**84,400**	–
Hospital Facilities Revenue Bonds, Series 2011B, with a variable rate of 0 27% at December 31, 2011, due in installments from 2027 through 2047	**93,575**	–
Total Hospital Facilities Revenue Bonds	**594,920**	453,413
Other notes payable	**7,431**	7,522
Capital lease obligations	**13,987**	14,533
	616,338	475,468
Less current portion of long-term debt	**(13,878)**	(11,818)
	$ **602,460**	$ 463,650

(In Thousands)

5. Long-Term Debt (continued)

The following schedule of aggregate future minimum payments for principal repayment (net of discount or premium amortization) for all long-term debt based on scheduled maturities

2012	$ 13,878
2013	11,939
2014	12,705
2015	12,204
2016	11,356
Thereafter through 2047	554,256
	$ 616,338

The fair value of fixed-rate long-term debt is estimated using a discounted cash flow analysis based on the current incremental borrowing rate at the consolidated balance sheet date and in accordance with ASC 820 At December 31, 2011 and 2010, the fair value of the fixed rate long-term debt is $310,951 and $162,983, respectively Management has determined the carrying amount of the Network's variable rate long-term debt is representative of fair value as the interest rates associated with long-term debt is set by market participants The determination is consistent with a Level 2 measurement in the fair value hierarchy

Interest payments made were $25,658 and $20,949 for the years ended December 31, 2011 and 2010, respectively Interest capitalized was $3,657 and $4,529 for the years ended December 31, 2011 and 2010, respectively

The Network issued its Series 2009 Hospital Facilities Revenue fixed rate bonds (Series 2009 Bonds) to finance the building of the Soin Medical Center and to pay the related costs of issuance Interest expense of $2,162 for both years ended December 31, 2011 and 2010, respectively, of this Series 2009 Bonds is excluded from interest expense and is included in other, primarily investment (loss) income This presentation on the statements of operations will occur until the Soin Medical Center is placed into service in 2012

The Series 2008A and 2008B Hospital Facilities Revenues Bonds are insured under municipal insurance policies and are secured by a standby bond purchase agreement by Dexia Credit Local that expires on January 17, 2015 The Series 2006A Hospital Facilities Revenues Bonds are also secured by a standby bond purchase agreement by Dexia Credit Local that expires on January 17, 2015

5. Long-Term Debt (continued)

The Series 1999 Greene County Bonds are secured by a letter of credit by JP Morgan Chase which expires on July 22, 2017 Accordingly, the Series 1999 Greene County Bonds have been classified as long-term debt

Outstanding long-term debt insured under municipal bond insurance policies is $150,578 at December 31, 2011 ($331,862 at December 31, 2010) Under the terms of these policies, the insurer guarantees the Network's payment of principal and interest The Obligated Group is liable for all long-term debt issued under an Obligated Group Master Trust Indenture, except for the Series 1999 Greene County Bonds, and has pledged gross unrestricted revenue as security to the bondholders The Series 1999 Greene County Bonds are an obligation of Greene under a separate Greene Master Trust Indenture The Obligated Group has entered into a guaranty agreement with the letter of credit bank to guarantee the payment of principal and interest of the Series 1999 Green County Bonds The Obligated Group is subject to certain covenants under its current long-term debt agreements, Master Trust Indenture, guarantee agreement, municipal bond insurance policies and the standby bond purchase agreements Greene, on a stand-alone basis, is subject to certain covenants under its separate Greene Master Trust Indenture Management is not aware of any violations of these covenants at December 31, 2011 or 2010

In June 2011, the Network issued its Series 2011 Hospital Facilities Revenue fixed rate bonds (Series 2011 Bonds) in the amount of $155,430 The borrowings are being used to fund future Network capital projects, reimburse the Network for past capital improvements, and pay the related costs of issuance The Series 2011 Bonds have a final maturity of 2047 and are insured under municipal bond insurance policies

In November 2011, the Network advance refunded the Series 2006A and 2008A Hospital Facilities Revenue Bonds with proceeds from the Series 2011A and 2011B Hospital Facilities Revenue Bonds (Series 2011A and 2011B Bonds) Both the Series 2011A and 2011B Bonds are subject to mandatory and optional redemption clauses and were sold through a private placement with JP Morgan Chase Bank effective December 1, 2011 The Series 2011A Bonds have a final maturity in 2022 and the Series 2011B Bonds have a final maturity in 2047 As a result of the advanced refunding, the Network recorded a $3,472 loss on early extinguishment of debt for the year ended December 31, 2011

5. Long-Term Debt (continued)

KettCor is a 25% partner in the Greater Dayton Surgery Center, LLC and the Dayton Surgical Properties, LLC KettCor guaranteed 25% of both entities' outstanding long-term debt Greater Dayton Surgical Center, LLC's and Dayton Surgical Properties, LLC's outstanding long-term debt was $1,512 and $1,465, respectively, at December 31, 2011 ($1,611 and $1,560, respectively, at December 31, 2010) KettCor is a 30% partner of Englewood Wenger Road Medical Properties, LLC KettCor guaranteed 30% of Englewood Wenger Road Medical Properties, LLC's outstanding long-term debt which is being used to fund the construction of a medical office building Englewood Wenger Road Medical Properties, LLC's outstanding long-term debt was $1,212 at December 31, 2011 ($1,252 at December 31, 2010) In 2009 KettCor became a 50% partner of Medical Center at Elizabeth Place (MCEP) KettCor guaranteed 50% of MCEP's outstanding debt for lease improvements and equipment MCEP's outstanding long-term debt was $4,625 at December 31, 2011 ($6,421 at December 31, 2010) The guarantee agreements are recorded as liabilities based on probability of payment and amount in the consolidated financial statements as required by ASC 460, *Guarantees*

6. Interest Rate Swap Agreements

The Network has entered into derivative transactions in the form of interest rate swap agreements which it uses to manage the relative amounts of its fixed and variable rate long-term debt exposure and lower its overall borrowing costs The interest rate swap agreements are contracts between the Network and a third-party (counterparty) that provide for economic payments between parties based on changes in notional amounts and defined interest rates The risk of interest swap agreements is estimated and managed on an ongoing basis by the Network The interest rate swap agreements provide counterparty credit risk This is the risk that contractual obligations of the counterparty will not be fulfilled Certain collateralization requirements mitigate credit risk associated with the Network's interest rate swap agreements

(In Thousands)

6. Interest Rate Swap Agreements (continued)

The following schedule includes the notional and valuation amounts (parenthetical amounts represent liabilities) of the Network's interest rate swap agreements at December 31

Interest Rate Swap Agreement	Transaction Type	Interest Rate	Termination Date	Notional Amount 2011	Notional Amount 2010	Valuation Amount 2011	Valuation Amount 2010
June 2005	Pay fixed	LIBOR	2024	**$ 10,557**	$ 11,061	**$ (1,386)**	$ (854)
October 2005	Pay fixed	3 99%	2022	**84,400**	85,300	**(11,930)**	(8,498)
March 2006	Pay variable	SIFMA	2014	**12,490**	16,540	**(169)**	(450)
March 2006	Pay variable	SIFMA	2022	**31,507**	31,507	**(441)**	(933)
March 2006	Pay fixed	LIBOR	2026	**49,595**	52,105	**(11,493)**	(8,703)
October 2007	Pay fixed	LIBOR	2047	**94,240**	94,240	**(29,742)**	(12,801)
December 2008	Pay variable	SIFMA	2022	**84,400**	85,300	**182**	641
						$ (54,979)	$ (31,598)

All changes in the fair value of the Network's interest rate swap agreements are recognized in other (loss) income in the consolidated statements of operations The following is the detail of loss on interest rate swap agreements at December 31

	2011	2010
Unrealized losses, net	**$ (23,407)**	$ (11,425)
Hedge de-designation impact	**(386)**	(452)
Settlements/realized losses, net	**(49)**	–
	$ (23,842)	$ (11,877)

Net payments to/from counterparty of $6,577 and $6,215 (expense) for the years ended December 31, 2011 and 2010, respectively, are excluded from loss on interest rate swap agreements and included as an increase in interest expense

All of the Network's interest rate swap agreements, except the October 2005 and October 2007 interest rate swap agreements, which are insured, include provisions that require collateralization of the market value of the interest rate swap agreements that exceed certain thresholds No collateral was required as of December 31, 2011 or 2010

(In Thousands)

7. Line of Credit

KAH has a line of credit with a limit of $25,000 at both December 31, 2011 and 2010 which expires on August 31, 2012 to provide working capital for various operations Interest is payable monthly at LIBOR plus 75% at December 31, 2011 (1 0% at December 31, 2010) on any outstanding balance There was no outstanding balance at December 31, 2011 or 2010

8. Retirement Plans

Kettering Medical Center Retirement Plan

On January 1, 1992, KAH initiated a defined contribution plan known as Kettering Medical Center Retirement Plan (the Kettering Plan) On January 1, 2001, the Kettering Plan, a church plan, was expanded to include the Grandview Affiliates (now referred to as the Network Plan) The Network provides a discretionary matching employer contribution for eligible employee contributions up to 25% of the first 4% of an employee's total pay Employees must have completed 1,000 worked hours in an eligible year to qualify for the Network's contributions In 2011, the Network recognized $12,824 ($10,318 in 2010) of expense related to the Network Plan

Kettering Defined Benefit Retirement and Health Care Benefit Plans

The Kettering Affiliates participated in noncontributory, defined benefit retirement and health care benefit plans (the Plans) through December 31, 1991 The Plans are multi-employer plans administered by the General Conference of Seventh-day Adventists and cover substantially all full-time employees who are at least 20 years of age The Plans are exempt from compliance with the Employee Retirement Income Security Act of 1974 (ERISA) The Plans were frozen effective December 31, 1991 Contributions to the Plans are determined by the Plans' administrators and generally approximate funding levels recommended by consulting actuaries Although there is no liability to the Kettering Affiliates upon withdrawal from the Plans, withdrawal by other participating entities would likely increase amounts assessed to the Kettering Affiliates and other remaining participants in future years Management believes that any withdrawal liability will not have a material impact on the consolidated financial statements

Contributions are allocated to participating organizations based upon total employee hours paid in 1991 There were no contributions in 2011 or 2010

(In Thousands)

8. Retirement Plans (continued)

The Network sponsors certain retirement plans, as defined in the following paragraphs, for the benefit of select employees These retirement plans require the Network to record long-term assets and/or long-term liabilities for the future benefit of these employees Amounts recorded in the consolidated balance sheets related to these retirement plans are as follows at December 31

Retirement Plan	Retirement Plan Assets 2011	Retirement Plan Assets 2010	Accrued Retirement Plan Liabilities 2011	Accrued Retirement Plan Liabilities 2010
Supplemental Retirement Allowance Plan	**$ 335**	$ 484	**$ 335**	$ 480
457(b) Eligible Deferred Compensation Plans	**8,956**	6,211	**8,956**	6,211
Grandview Defined Benefit Pension Plan	–	–	**17,462**	12,030
	$ 9,291	$ 6,695	**$ 26,753**	$ 18,721

Supplemental Retirement Allowance Plan Summary

The Supplemental Retirement Allowance Plan (the SRA Plan) is a nonqualified deferred compensation plan maintained for certain employees of the Network and its affiliates Covered employees are those (i) who were employed on January 1, 2004, (ii) who had become vested under the Seventh-day Adventist Retirement Plan of the North American Division (the SDA Retirement Plan) on or prior to December 31, 1991, (iii) who were not eligible to receive a "retirement allowance" under the SDA Retirement Plan, and (iv) who maintained continuous employment with the Kettering Affiliates from December 31, 1991 through age 65

The benefit under the Plan is based on a special benefit that was provided to certain eligible long-term employees under the SDA Retirement Plan when such plan was frozen on December 31, 1991 Generally, the SRA Plan provides eligible employees with five and one-half months of base pay (at the employee's wage level as of December 31, 1991) following attainment of age 65, prorated downward if the employee had less than 40 years of service prior to the attainment of age 65 under the SDA Retirement Plan

8. Retirement Plans (continued)

The SRA Plan provides that benefits are paid in a single lump-sum payment on or as soon as practicable following a participant's attainment of age 65 The SRA Plan also provides benefits to certain employees who were granted disability retirement benefits under the SDA Retirement Plan or benefits from the Employee Disability Income Plan, if, after discontinuing disability benefits, the employee returns to denominational employment and earns at least ten years of service credit

457(b) Eligible Deferred Compensation Plans

The purpose of the 457(b) Eligible Deferred Compensation Plans (the 457(b) Plan) is to enable eligible employees, as defined by the 457(b) Plan documents, to enhance their retirement security by permitting them to enter into agreements with the Network to defer a portion of their compensation and receive benefits generally at retirement, death or in the event of financial hardship due to unforeseeable emergencies The 457(b) Plans meet the requirements of Section 457(b) of the Internal Revenue Code, as amended In addition, the Kettering 457(b) Plan meets the definition of "church plan" and as a result, is exempt from ERISA and from certain requirements of the Internal Revenue Code

Grandview Defined Benefit Pension Plan

The Grandview Affiliates have a defined benefit pension plan (the Grandview Plan) covering substantially all of its employees on record as of December 31, 2000 The benefits are based on years of service and the employee's compensation during employment, subject to maximum limitations Grandview Affiliates' funding policy is to contribute amounts to the Grandview Plan at least equal to the minimum ERISA funding requirements Effective January 1, 2001, the Grandview Plan was frozen The Board of Trustees adopted an amendment to cease all benefit accruals under the Grandview Plan and discontinue adding participants to the Grandview Plan At the time of adoption, all Grandview Affiliates' employees were made eligible to participate in the Network Plan

(In Thousands)

8. Retirement Plans (continued)

The Network recognizes in their consolidated balance sheets the overfunded or underfunded status of their defined benefit pension and other postemployment plans, measured as the difference between the fair value of plan assets and the benefit obligation The Network recognizes the change in the funded status of the plan in the year in which the change occurs through unrestricted net assets

A summary of the components of the change in benefit obligation and plan assets for the Grandview Plan and the amounts recognized in the Network's consolidated financial statements as of December 31 is as follows

	2011	2010
Change in benefit obligation		
Benefit obligation at beginning of period	**$ 47,827**	$ 42,897
Service cost	**119**	99
Interest cost	**2,534**	2,513
Actuarial loss	**4,229**	4,370
Benefits paid	**(1,953)**	(1,934)
Expenses paid	**(122)**	(118)
Benefit obligation at end of period	**52,634**	47,827
Change in plan assets		
Fair value of plan assets at beginning of period	**35,797**	34,004
Actual (loss) return on plan assets	**(146)**	3,845
Employer contributions	**1,596**	–
Benefits paid	**(1,953)**	(1,934)
Expenses paid	**(122)**	(118)
Fair value of plan assets at end of period	**35,172**	35,797
Underfunded status	**$ (17,462)**	$ (12,030)

The accumulated benefit obligation of the Grandview Plan was $52,634 and $47,827 at December 31, 2011 and 2010, respectively

(In Thousands)

8. Retirement Plans (continued)

Included in unrestricted net assets are the following amounts that have not yet been recognized in net periodic pension expense for the Grandview Plan as of December 31

	2011	2010
Net actuarial loss	**$ 22,958**	$ 17,409
Accumulated shortfall of employer contributions over net periodic pension expense	**(5,496)**	(5,379)
	$ 17,462	$ 12,030

The net actual loss is amortized as a component of net period pension expense, only if losses exceed 10% of the greater of the projected benefit obligation or the fair value of plan assets The net actuarial loss included in unrestricted net assets which is expected to be recognized in net periodic pension expense during the year ending December 31, 2012 is $1,650

The following amounts related to Grandview Plan activity have been recognized as a decrease in unrestricted net assets for the years ended December 31

	2011	2010
Net actuarial loss	**$ 7,200**	$ 3,157
Amortization of net actuarial loss	**(1,651)**	(1,440)
	$ 5,549	$ 1,717

(In Thousands)

8. Retirement Plans (continued)

The following table summarizes the components of net periodic pension expense, which is included in employee benefits on the consolidated statements of operations and changes in net assets, for the Grandview Plan for the years ended December 31

	2011	2010
Service cost	**$ 119**	$ 99
Interest cost	**2,534**	2,513
Expected loss on plan assets	**(2,824)**	(2,632)
Amortization of net actuarial loss	**1,650**	1,440
	$ 1,479	$ 1,420

The following table summarizes the weighted average assumptions used to determine the projected benefit obligation for the Grandview Plan as of December 31

	2011	2010
Discount rate	**4.60%**	5 42%
Expected return on plan assets	**8.00%**	8 00%

The following table summarizes the weighted average assumptions used to determine net periodic pension expense for the years ended December 31

	2011	2010
Discount rate	**5.42%**	6 00%
Expected return on plan assets	**8.00%**	8 00%

In selecting the expected long-term return on plan assets, the Network considered the average rate of earnings on the funds invested or to be invested to provide for the benefit obligation of the Grandview Plan This included considering the Grandview Plan's asset allocation and the expected returns likely to be earned over the life of the Grandview Plan This basis is consistent with the prior year

(In Thousands)

8. Retirement Plans (continued)

The following is a summary of the fair value of the Grandview Plan's plan assets by category at December 31

	2011	2010
Cash and cash equivalents	**$ 1,483**	$ 1,164
U S government debt securities	**3,441**	3,499
U S government agency debt securities	**6,546**	6,108
Municipal debt securities	**1,295**	1,197
Corporate debt securities	**5,256**	5,450
Corporate equity securities	**17,151**	18,379
	$ 35,172	$ 35,797

The Grandview Plan's plan assets are invested in a portfolio that provides for asset allocation strategies across equity 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 ongoing analysis The active management process combines judgments about the value of the equity and debt 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 The Network's objective is to have 50% invested in corporate equity securities, 45% invested in U S government, U S government agency, municipal and corporate debt securities, and 5% invested in cash and cash equivalents

The Network maintains diversification in its plan assets by allocating assets to various asset classes and market segments Accordingly, based on this diversification, management does not believe there are any concentrations of credit at the measurement dates

(In Thousands)

8. Retirement Plans (continued)

The following is a summary of the Grandview Plan's plan assets measured at fair value on a recurring basis based on the fair value hierarchy at

	December 31, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**$ 1,498**	**$ –**	**$ –**	**$ 1,498**
U S government debt securities	**–**	**1,355**	**–**	**1,355**
U S government agency debt securities	**–**	**2,198**	**–**	**2,198**
Municipal debt securities	**–**	**6,680**	**–**	**6,680**
Corporate debt securities				
Consumer	**–**	**773**	**–**	**773**
Financial	**–**	**1,529**	**–**	**1,529**
Other	**–**	**3,339**	**–**	**3,339**
Total corporate debt securities	**–**	**5,641**	**–**	**5,641**
Corporate equity securities				
Basic materials	**1,457**	**–**	**–**	**1,457**
Communications	**2,102**	**–**	**–**	**2,102**
Consumer	**5,077**	**–**	**–**	**5,077**
Energy	**1,423**	**–**	**–**	**1,423**
Financial	**2,814**	**–**	**–**	**2,814**
Industrial	**2,352**	**–**	**–**	**2,352**
Technology	**1,897**	**–**	**–**	**1,897**
Other	**678**	**–**	**–**	**678**
Total corporate equity securities	**17,800**	**–**	**–**	**17,800**
	$ 19,298	**$ 15,874**	**$ –**	**$ 35,172**

(In Thousands)

8. Retirement Plans (continued)

	December 31, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 1,164	$ –	$ –	$ 1,164
U S government debt securities	900	2,599	–	3,499
U S government agency debt securities	–	6,108	–	6,108
Municipal debt securities	–	1,197	–	1,197
Corporate debt securities				
Consumer	–	841	–	841
Financial	–	1,704	–	1,704
Other	–	2,905	–	2,905
Total corporate debt securities	–	5,450	–	5,450
Corporate equity securities				
Basic materials	1,831	–	–	1,831
Communications	2,307	–	–	2,307
Consumer	4,563	–	–	4,563
Energy	1,871	–	–	1,871
Financial	2,929	–	–	2,929
Industrial	2,487	–	–	2,487
Technology	1,836	–	–	1,836
Other	555	–	–	555
Total corporate equity securities	18,379	–	–	18,379
	$ 20,443	$ 15,354	$ –	$ 35,797

The fair value methodologies for cash and cash equivalents and the other asset classes included in Level 1 and Level 2 of the fair value hierarchy above are consistent with the inputs described in Note 11

Because of the change in funding requirements resulting from the Pension Protection Act (PPA), the Network cannot say with certainty whether there will be any required contribution for 2011, or whether there will be any required quarterly contributions The Network does not anticipate that any funding will be required The Network may choose to continue contributions, though, to achieve their goal of fully funding the Grandview Plan

(In Thousands)

8. Retirement Plans (continued)

The projected benefit payments for the Grandview Plan are as follows

2012	$	2,085
2013		2,226
2014		2,361
2015		2,503
2016		2,649
2017–2021		15,509

9. Commitments and Contingencies

Litigation

The Network is involved in litigation arising in the ordinary course of business It is not possible to determine the eventual outcome of any presently unresolved litigation However, in the opinion of management, after consultation with legal counsel, these matters will be resolved without material adverse effect to the Network's consolidated financial position or results of operations

General and Professional Liability

The Network is self-insured for professional and general liability losses through an irrevocable trust Losses from asserted claims and unasserted claims identified under the Network's incident reporting system are accrued based on estimates that incorporate the Network's past experience as well as other considerations, including the nature of each claim or incident An accrual has been made for possible losses attributable to incidents that may have occurred but that have not been identified under the incident reporting system An actuary has been engaged to determine the appropriate liability to be recorded The liability for all identified and unidentified claims was estimated as the present value of the future claim payments using a discount rate of 2 75% in both 2011 and 2010 In the opinion of management, the reserve for professional and general liability losses is adequate to provide for any liabilities arising from these claims within the self-insurance retention levels

(In Thousands)

9. Commitments and Contingencies (continued)

Operating Leases

The Network leases certain buildings and equipment from third parties, including those discussed in Note 4, in the form of noncancelable operating leases Rental expense for certain buildings and equipment was $16,255 and $13,902 for the years ended December 31, 2011 and 2010, respectively The following is a schedule of aggregate future minimum payments under noncancelable operating leases as of December 31, 2011

2012	$ 7,092
2013	3,302
2014	2,890
2015	2,379
2016	1,872
Thereafter	8,035
	$ 25,570

10. Functional Expenses

The Network provides health care, general and administrative, and educational services to residents within its geographical location Expenses related to providing these services are as follows for the years ended December 31

	2011	2010
Education	**$ 13,667**	$ 13,408
Health care services	**974,593**	830,726
General and administrative	**130,724**	142,913
	$ 1,118,984	$ 987,047

11. Fair Value Measurements

The carrying amount reported in the consolidated balance sheets for current assets 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 recorded at fair value on a recurring basis and therefore are not disclosed in the accompanying table under ASC 820

(In Thousands)

11. Fair Value Measurements (continued)

Recurring Fair Value Measurements

The following tables represent the financial instruments measured at fair value, by asset class on the consolidated balance sheet, under the fair value hierarchy at

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 82,484	$ –	$ –	$ 82,484
Assets whose use is limited				
Cash and cash equivalents	21,655	–	–	21,655
Municipal debt securities	–	45,866	–	45,866
U S government debt securities	24,749	1,464	–	26,213
U S government agency debt securities	–	58,948	–	58,948
Corporate debt securities				
Asset-backed securities	–	6,649	–	6,649
Communications	–	1,665	–	1,665
Consumer	210	4,948	–	5,158
Energy	–	1,121	–	1,121
Financial	–	16,953	–	16,953
Other	–	17,792	–	17,792
Total corporate debt securities	210	49,128	–	49,338
Corporate equity securities				
Basic materials	24,727	627	–	25,354
Communications	5,988	47	–	6,035
Consumer	46,621	1,604	–	48,225
Energy	2,580	112	–	2,692
Financial	26,340	1,913	–	28,253
Industrial	10,122	920	–	11,042
Technology	29,151	283	–	29,434
Other	21,924	1,418	–	23,342
Total corporate equity securities	167,453	6,924	–	174,377
Mutual funds				
Equity	11,016	19	–	11,035
Debt	30,803	3,995	–	34,798
Other	9,911	–	–	9,911
Total mutual funds	51,730	4,014	–	55,744
Other	2,260	–	–	2,260
Total assets whose use is limited	268,057	166,344	–	434,401
Retirement plan assets	9,291	–	–	9,291
Total assets at fair value	$ 367,250	$ 158,926	$ –	$ 526,176
Liabilities				
Interest rate swap agreements liability	$ –	$ –	$ 54,979	$ 54,979
Total liabilities at fair value	$ –	$ –	$ 54,979	$ 54,979

(In Thousands)

11. Fair Value Measurements (continued)

	December 31, 2010			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 18,789	$ –	$ –	$ 18,789
Assets whose use is limited				
Cash and cash equivalents	24,911	–	–	24,911
Municipal debt securities	–	19,422	–	19,422
U S government debt securities	66,784	13,370	–	80,154
U S government agency debt securities	–	49,796	–	49,796
Corporate debt securities				
Asset-backed securities	–	4,724	–	4,724
Communications	–	7,536	–	7,536
Consumer	162	12,797	–	12,959
Energy	–	5,398	–	5,398
Financial	–	30,086	–	30,086
Other	–	16,575	–	16,575
Total corporate debt securities	162	77,116	–	77,278
Corporate equity securities				
Basic materials	17,696	–	–	17,696
Communications	21,559	–	–	21,559
Consumer	42,457	463	–	42,920
Energy	20,671	–	–	20,671
Financial	36,241	1,188	–	37,429
Industrial	24,309	156	–	24,465
Technology	19,801	–	–	19,801
Other	5,118	1,672	–	6,790
Total corporate equity securities	187,852	3,479	–	191,331
Mutual funds				
Equity	9,090	–	–	9,090
Debt	23,244	5,951	–	29,195
Other	8,134	25	–	8,159
Total mutual funds	40,468	5,976	–	46,444
Other	8,058	3,035	–	11,093
Total assets whose use is limited	328,235	172,194	–	500,429
Retirement plan assets	6,695	–	–	6,695
Total assets at fair value	$ 353,719	$ 172,194	$ –	$ 525,913
Liabilities				
Interest rate swap agreements liability	$ –	$ –	$ 31,598	$ 31,598
Total liabilities at fair value	$ –	$ –	$ 31,598	$ 31,598

11. Fair Value Measurements (continued)

Cash and Cash Equivalents and Assets Whose Use Is Limited

The Network's cash and cash equivalents and assets whose use is limited 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, primarily matrix pricing, with reasonable levels of price transparency Matrix pricing, primarily used for marketable fixed income securities, is based on quoting prices for securities with similar coupons, ratings and maturities, rather than on specific bids and offers for the specific security The types of financial instruments based on quoted market prices in active markets include most U S government debt securities, corporate marketable equity securities, mutual funds, and money market securities (cash equivalents) Such instruments are generally classified within Level 1 of the fair value hierarchy The Network 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 U S government agency debt securities, municipal debt securities, certain U S government debt securities, corporate debt securities, as well as certain thinly traded marketable equity securities Such financial instruments are generally classified within Level 2 for the fair market value hierarchy Primarily all of the Company's marketable debt securities, including corporate asset-backed obligations, 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

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

Securities	Input	Technique
Municipal debt securities	Broker/Dealer	Market
U S government debt securities	Broker/Dealer	Market
U S government agency debt securities	Broker/Dealer	Market
Corporate equity securities	Broker/Dealer	Market/Income
Mutual funds	NAV	Market
Other	NAV	Market

(In Thousands)

11. Fair Value Measurements (continued)

Interest Rate Swap Agreements

The Network participates in interest rate swap agreements to manage its exposures to fluctuations in interest rates and overall long-term debt portfolio The Network'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 yield curve and respective fixed rates

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	Variable Rate Curve 2011	Variable Rate Curve 2010	Fixed Rate 2011	Fixed Rate 2010	Discount Rate 2011	Discount Rate 2010
June 2005	**LIBOR**	LIBOR	**3.29%**	3 29%	**Avg of LIBOR curve**	Avg of LIBOR curve
October 2005	**3.99%**	3 99%	**3.99%**	3 99%	**3.99%**	3 99%
March 2006	**SIFMA**	SIFMA	**5.28%**	5 28%	**Avg of SIFMA curve**	Avg of SIFMA curve
March 2006	**SIFMA**	SIFMA	**5.15%**	5 15%	**Avg of SIFMA curve**	Avg of SIFMA curve
March 2006	**LIBOR**	SIFMA	**4.48%**	4 48%	**Avg of LIBOR curve**	Avg of SIFMA curve
October 2007	**LIBOR**	LIBOR	**3.57%**	3 57%	**Avg of LIBOR curve**	Avg of LIBOR curve
December 2008	**SIFMA**	SIFMA	**N/A**	N A	**Avg of SIFMA curve**	Avg of SIFMA curve

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 the Network has determined that certain of the inputs used to value its interest rate swap agreements fall within Level 2 of the fair value hierarchy, certain inputs 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 the Network or the counterparty As a result, the Network has determined that its interest rate swap agreements in their entirety are classified in Level 3 of the fair value hierarchy

(In Thousands)

11. Fair Value Measurements (continued)

The following table summarizes the activity related to interest rate swap agreements having fair value measurements based on significant unobservable inputs (Level 3)

	Interest Rate Swap Agreements
Fair value at January 1, 2010	$ 20,173
Unrealized losses	12,066
Unrealized gains	(641)
Settlements	–
Fair value at December 31, 2010	$ 31,598
Fair value at December 31, 2010	**$ 31,598**
Unrealized losses	**23,468**
Unrealized gains	**(80)**
Settlements	**(7)**
Fair value at December 31, 2011	**$ 54,979**

All realized and unrealized (losses) gains on interest rate swap agreements are included in the consolidated statement of operations as other (loss) income

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 the Network 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 consolidated balance sheet date

11. Fair Value Measurements (continued)

Nonrecurring Fair Value Measurements

The Network's nonfinancial assets and liabilities not permitted or required to be measured at fair value on a recurring basis typically relate to assets and liabilities acquired in a business combination, long-lived assets held and used, long-lived assets held for sale, and intangible assets The Network is required to provide additional disclosures about fair value measurements as part of the consolidated financial statements for each major category of assets and liabilities measured at fair value on a nonrecurring basis In general, nonrecurring fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities, which generally are not applicable to nonfinancial assets and liabilities Fair values determined by Level 2 inputs utilize data points that are observable, such as definitive sales agreements, appraisals or established market values of comparable assets Fair values determined by Level 3 inputs are unobservable data points for the asset or liability and include situations where there is little, if any, market activity for the asset or liability, such as internal estimates of future cash flows

(In Thousands)

11. Fair Value Measurements (continued)

On July 1, 2010, the Network acquired Fort Hamilton (Note 1) in a business combination using the purchase method of accounting which requires the acquired assets and liabilities to be initially recorded at fair value (nonrecurring) The following table presents the acquired assets and liabilities of Fort Hamilton as of when the nonrecurring fair value measurement was initially required (July 2010) and indicates the fair value hierarchy of the valuation techniques the Network utilized to determine such estimated fair values

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Patient accounts receivable, net	$ –	$ 10,856	$ –	$ 10,856
Other current assets	–	2,604	–	2,604
Donor-restricted investments	–	2,687	–	2,687
Property and equipment, net	–	59,432	–	59,432
Identifiable intangible assets	–	–	4,200	4,200
Total assets	$ –	$ 75,579	$ 4,200	$ 79,779
Current liabilities	$ –	$ 9,607	$ –	$ 9,607
Retirement plan and other long-term liabilities	–	4,548	–	4,548
Unfavorable transition service agreement	–	–	2,700	2,700
Total liabilities	$ –	$ 14,155	$ 2,700	$ 16,855

(In Thousands)

11. Fair Value Measurements (continued)

Additionally, based on subsequent agreements related to the purchase of Fort Hamilton, certain additional assets were acquired in 2011 The following table presents the acquired assets of Fort Hamilton in 2011 and indicates the fair value hierarchy of the valuation techniques the Network utilized to determine such estimated values

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Other current assets	$ –	$ 683	$ –	$ 683
Donor-restricted investments	1,490	–	–	1,490
Property and equipment, net	–	2,357	–	2,357
Total assets	$ 1,490	$ 3,040	$ –	$ 4,530

Following is the summary of the inputs and valuation methodology used for valuing Level 2 and Level 3 nonfinancial assets and liabilities

Nonfinancial assets and liabilities	Input	Valuation Methodology
Patient accounts receivable, net	Estimate of replacement cost	Cost
Other current assets	Estimate of replacement cost	Cost
Donor-restricted investments	Estimate of replacement cost	Cost
Property and equipment, net	Estimate of replacement cost	Cost
Identifiable intangible assets	Discounted cash flows	Income
Current liabilities	Estimate of replacement cost	Cost
Retirement plan and other long-term liabilities	Estimate of replacement cost	Cost
Unfavorable transition service agreement	Discounted cash flows	Income

(In Thousands)

12. Community Benefit – Unaudited

The following represents community benefit expense at cost, net of revenue from all sources, for the years ended December 31

	2011	2010
Traditional charity care net of government subsidies	**$ 29,892**	$ 25,479
Unpaid costs of public programs	**17,376**	13,869
Unpaid costs of additional public programs	**22,963**	17,108
Other community health services, education, research and community building activities	**7,924**	11,552
Health professional education and research	**16,592**	15,442
Subsidized health services	**21,183**	24,715
Financial contributions	**1,036**	1,856
Total quantifiable benefits	**$ 116,966**	$ 110,021
Percent of total expenses	10 45%	11 14%

13. Subsequent Event

Subsequent to December 31, 2011, the Network refinanced the remaining principal outstanding ($94,240) at December 31, 2011 related to the Hospital Facilities Revenue Bonds, Series 2008B (Series 2008B Bonds) with the proceeds of the issuance of the Hospital Facilities Revenue Bonds, Series 2012 (Series 2012 Bonds) The Series 2012 Bonds are made up of four separate term bonds, have fixed rates ranging from 4 75% to 5 25%, due in installments from 2023 to 2047, with term bond maturity dates beginning in 2032 going through 2047 After the issuance of the Series 2012 Bonds, there is no affect on the schedule of aggregate future minimum payments (net of discount or premium amortization) of all long-term debt based on the scheduled maturities as of May 10, 2012

The Network has evaluated and disclosed any subsequent events through May 10, 2012, which is the date the consolidated financial statements were issued and made publicly available

Supplementary Information

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Report of Independent Auditors on Supplementary Information

The Board of Directors
Kettering Health Network

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

Ernst & Young LLP

May 10, 2012

A member firm of Ernst & Young Global Limited

Kettering Health Network

Consolidating Balance Sheet – Assets

December 31, 2011
(In Thousands)

	Kettering Medical Center	Grandview Medical Center	Indu and Raj Soin Medical Center	Total Obligated Group	Greene Memorial Hospital	Fort Hamilton Hospital	Kettering Adventist Healthcare	Kettering Affiliated Health Services, Inc	KettCor	Kettering Medical Center Foundation	Grandcor	Kettering Physician Network	Eliminations	Consolidated
Assets														
Current assets														
Cash and cash equivalents	$ 77,791	$ 2,118	$ –	$ 79,909	$ 1,765	$ –	$ –	$ 411	$ –	$ –	$ –	$ 399	$ –	$ 82,484
Current portion of assets whose use is limited	9,399	–	1,328	10,727	–	–	–	–	–	–	–	–	–	10,727
Patient accounts receivable, net of allowance for doubtful receivable	65,832	34,373	–	100,205	7,735	13,480	–	1,780	–	–	–	13,187	(2,458)	133,929
Other receivables	7,601	4,161	4,501	16,263	1,231	1,345	835	–	557	1,200	–	3,281	–	24,712
Inventories	9,222	4,564	1	13,787	1,604	1,306	–	–	315	–	–	493	–	17,505
Prepaid expenses and other current assets	4,939	2,492	3	7,434	52	145	425	1	–	–	–	303	–	8,360
Total current assets	174,784	47,708	5,833	228,325	12,387	16,276	1,260	2,192	872	1,200	–	17,663	(2,458)	277,717
Assets whose use is limited														
Board designated	319,966	8,644	(575)	328,035	2,833	21,882	–	671	–	647	–	–	–	354,068
Donor or agency restricted	206	–	575	781	2,609	3,187	–	–	–	11,743	–	–	–	18,320
Trustee held assets	25,922	6,692	10,177	42,791	–	–	8,495	–	–	–	–	–	–	51,286
Total assets whose use is limited	346,094	15,336	10,177	371,607	5,442	25,069	8,495	671	–	12,390	–	–	–	423,674
Retirement plans assets	4,835	–	–	4,835	335	–	3,525	–	–	–	–	596	–	9,291
Unamortized long-term debt issuance cost	3,535	473	1,459	5,467	124	187	–	–	–	–	–	–	–	5,778
Property and equipment, net	384,165	172,525	117,639	674,329	27,916	50,874	20,646	24,223	19	–	–	2,703	–	800,710
Other long-term assets	16,867	11,962	–	28,829	692	1,320	686	558	5,051	2,152	–	6,233	–	45,521
Total assets	$ 930,280	$ 248,004	$ 135,108	$ 1,313,392	$ 46,896	$ 93,726	$ 34,612	$ 27,644	$ 5,942	$ 15,742	$ –	$ 27,195	$ (2,458)	$ 1,562,691

Kettering Health Network

Consolidating Balance Sheet – Liabilities and Net Assets

December 31, 2011
(In Thousands)

	Kettering Medical Center	Grandview Medical Center	Indu and Raj Soin Medical Center	Total Obligated Group	Greene Memorial Hospital	Fort Hamilton Hospital	Kettering Adventist Healthcare	Kettering Affiliated Health Services, Inc	KettCor	Kettering Medical Center Foundation	Kettering Physicians Network	Eliminations	Consolidated
Liabilities and net assets													
Current liabilities													
Accounts payable	$ 38 862	$ 7 357	$ 808	$ 47 027	$ 2 935	$ 1 351	$ 48	$ 125	$ –	$ –	$ 2 450	$ –	$ 53 945
Payroll-related liabilities	21 248	7 029	–	28 277	2 165	3 195	6 283	–	–	–	3 935	–	43 855
Other accrued liabilities	23 528	5 963	312	29 803	486	1 710	3 436	238	–	–	1 900	(2 458)	35 124
Accrued interest	3 040	370	1 328	4 747	48	437	–	–	–	–	25	–	5 257
Current portion of deferred revenue	450	–	–	450	127	–	–	4 977	–	–	–	–	5 563
Estimated amounts due to third-party payors	2 432	1 694	–	4 126	10	93	–	61	–	–	–	–	4 290
Current portion of long-term debt	4 628	6 104	–	10 732	1 596	–	–	–	–	–	1 550	–	13 878
Total current liabilities	94 197	28 526	2 448	125 171	5 376	6 786	9 767	5 401	–	–	9 878	(2 458)	161 921
Deferred revenue	536	225	–	761	–	–	–	6 384	–	–	–	–	7 145
Accrued pension liability	4 834	17 463	–	22 297	335	–	3 525	–	–	–	596	–	26 753
Professional self-insurance liability	10 857	11 409	–	22 266	–	3 849	5 823	–	–	–	–	–	31 938
Other long-term liabilities	11 888	41 787	–	53 675	161	1 518	–	700	1 108	463	–	–	57 724
Interest rate swap agreements liability	53 594	–	–	53 594	1 385	–	–	–	–	–	–	–	54 979
Long-term debt, net of current portion	353 444	107 851	98 128	559 423	12 581	30 156	–	–	–	–	300	–	602 460
Total liabilities	529 350	207 261	100 576	837 187	21 838	42 309	19 115	12 584	1 108	463	10 774	(2 458)	942 920
Net assets													
Unrestricted	400 930	40 673	29 457	471 060	22 449	47 033	15 497	15 060	4 834	586	16 421	–	592 040
Temporarily restricted	–	70	5 075	5 145	1 627	4 343	–	–	–	9 578	–	–	20 693
Permanently restricted	–	–	–	–	982	41	–	–	–	5 115	–	–	6 138
Total net assets	400 930	40 743	34 532	476 205	25 058	51 417	15 497	15 060	4 834	15 279	16 421	–	619 771
Total liabilities and net assets	$ 930 280	$ 248 004	$ 135 108	$ 1 313 392	$ 46 896	$ 93 726	$ 34 612	$ 27 644	$ 5 942	$ 15 742	$ 27 195	$ (2 458)	$ 1 562 691

Kettering Health Network

Consolidating Statement of Operations and Changes in Net Assets

Year Ended December 31, 2011
(In Thousands)

	Kettering Medical Center	Grandview Medical Center	Indu and Raj Soin Medical Center	Total Obligated Group	Greene Memorial Hospital	Fort Hamilton Hospital	Kettering Adventist Healthcare	Kettering Affiliated Health Services, Inc	KettCor	Kettering Medical Center Foundation	Kettering Physicians Network	Eliminations	Consolidated
Unrestricted revenue													
Patient service revenue (net of contractual provision and discount)	$ 541,762	$ 285,283	$ –	$ 827,045	$ 76,202	$ 105,358	$ –	$ 15,635	$ –	$ –	$ 98,238	$ (8,047)	$ 1,114,431
Provision for bad debts	(24,867)	(14,959)	–	(39,826)	(7,337)	(7,766)	–	(320)	–	–	74	–	(55,175)
Net patient service revenue	516,895	270,324	–	787,219	68,865	97,592	–	15,315	–	–	98,312	(8,047)	1,059,256
Other revenue, net	36,374	13,456	–	49,830	6,913	3,106	21,995	6,263	5,777	9	3,356	(22,406)	74,843
Total unrestricted revenue	553,269	283,780	–	837,049	75,778	100,698	21,995	21,578	5,777	9	101,668	(30,453)	1,134,099
Expenses													
Salaries and wages	197,894	99,626	194	297,714	30,893	42,643	14,891	9,916	1,067	300	79,482	(40)	476,866
Employee benefits	51,126	28,059	44	79,229	7,889	11,744	2,040	2,682	326	92	15,522	–	119,524
Supplies and other	131,344	74,846	91	206,281	15,596	19,660	5,065	5,304	4,459	(1)	30,788	3,873	291,025
Purchased services	72,648	51,652	176	124,476	19,683	16,718	–	1,802	385	478	14,131	(34,286)	143,387
Depreciation	35,116	17,133	–	52,249	4,529	5,561	–	2,074	6	–	894	–	65,313
Interest	13,057	7,565	–	20,622	614	834	–	548	242	–	9	–	22,869
Total expenses	501,185	278,881	505	780,571	79,204	97,160	21,996	22,326	6,485	869	140,826	(30,453)	1,118,984
Excess of unrestricted revenue over expenses (expenses over unrestricted revenue) before support allocation and other (loss) income	52,084	4,899	(505)	56,478	(3,426)	3,538	(1)	(748)	(708)	(860)	(39,158)	–	15,115
Support allocation	(5,189)	665	–	(4,524)	(715)	–	–	–	–	951	4,288	–	–
Excess of unrestricted revenue over expenses (expenses over unrestricted revenue) before other (loss) income	46,895	5,564	(505)	51,954	(4,141)	3,538	(1)	(748)	(708)	91	(34,870)	–	15,115
Other (loss) income													
Loss on interest rate swap agreements	(23,172)	–	–	(23,172)	(670)	–	–	–	–	–	–	–	(23,842)
Other, primarily investment (loss) income	(2,996)	(1,086)	(1,332)	(5,414)	(151)	(263)	(51)	12	1,728	–	–	–	(4,139)
Loss on early extinguishment of debt	(2,284)	(1,188)	–	(3,472)	–	–	–	–	–	–	–	–	(3,472)
Excess of unrestricted revenue over expenses (expenses over unrestricted revenue) before business combination	18,443	3,290	(1,837)	19,896	(4,962)	3,275	(52)	(736)	1,020	91	(34,870)	–	(16,338)
Excess of fair value of assets acquired over liabilities assumed in business combination	–	–	–	–	–	3,040	–	–	–	–	–	–	3,040
Excess of unrestricted revenue over expenses (expenses over unrestricted revenue)	18,443	3,290	(1,837)	19,896	(4,962)	6,315	(52)	(736)	1,020	91	(34,870)	–	(13,298)

Continued on next page

Kettering Health Network

Consolidating Statement of Operations and Changes in Net Assets

Year Ended December 31, 2011
(In Thousands)

	Kettering Medical Center	Grandview Medical Center	Indu and Raj Soin Medical Center	Total Obligated Group	Greene Memorial Hospital	Fort Hamilton Hospital	Kettering Adventist Healthcare	Kettering Affiliated Health Services, Inc	KettCor	Kettering Medical Center Foundation	Kettering Physicians Network	Eliminations	Consolidated
Unrestricted net assets													
Excess of unrestricted revenue over expenses (expenses over unrestricted revenue)	$ 18,443	$ 3,290	$ (1,837)	$ 19,896	$ (4,962)	$ 6,315	$ (52)	$ (736)	$ 1,020	$ 91	$ (34,870)	$ –	$ (13,298)
Net assets released from restrictions for capital	1,152	–	6,461	7,613	39	–	–	–	–	–	–	–	7,652
Transfer from (to) affiliate	(17,835)	(3,233)	(26,999)	(48,067)	(3,459)	(8,307)	14,509	(66)	164	–	45,226	–	–
Change in plan assets and benefit obligation of pension plan	–	(5,549)	–	(5,549)	–	–	–	–	–	–	–	–	(5,549)
Other changes, net	223	–	–	223	691	–	–	(527)	–	–	–	–	387
(Decrease) increase in unrestricted net assets	1,983	(5,492)	(22,375)	(25,884)	(7,691)	(1,992)	14,457	(1,329)	1,184	91	10,356	–	(10,808)
Temporarily restricted net assets													
Contributions and investment (loss) income from restricted investments	330	–	576	906	34	(30)	–	–	–	1,614	–	–	2,524
Net assets released from restrictions for capital	–	–	(6,461)	(6,461)	(39)	–	–	–	–	(1,152)	–	–	(7,652)
Net assets released from restrictions for operations	(330)	(141)	–	(471)	(47)	(28)	–	–	–	(832)	–	–	(1,378)
Transfer (reclassification) of net assets under business combination	–	–	–	–	–	2,559	–	–	–	–	–	–	2,559
(Decrease) increase in temporarily restricted net assets	–	(141)	(5,885)	(6,026)	(52)	2,501	–	–	–	(370)	–	–	(3,947)
Permanently restricted net assets													
Contributions for endowment funds	–	–	–	–	–	–	–	–	–	199	–	–	199
Transfer (reclassification) of net assets under business combination	–	–	–	–	–	(1,069)	–	–	–	–	–	–	(1,069)
(Decrease) increase in permanently restricted net assets	–	–	–	–	–	(1,069)	–	–	–	199	–	–	(870)
(Decrease) increase in net assets	1,983	(5,633)	(28,260)	(31,910)	(7,743)	(560)	14,457	(1,329)	1,184	(80)	10,356	–	(15,625)
Net assets at beginning of year	398,947	46,376	62,792	508,115	32,801	51,975	1,040	16,389	3,650	15,359	6,065	–	635,396
Net assets at end of year	$ 400,930	$ 40,743	$ 34,532	$ 476,205	$ 25,058	$ 51,415	$ 15,497	$ 15,060	$ 4,834	$ 15,279	$ 16,421	$ –	$ 619,771

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