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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  
 ATRIUM MEDICAL CENTER

Doing Business As

Number and street (or P.O. box if mail is not delivered to street address) Room/suite  
 110 NORTH MAIN STREET

City or town, state or country, and ZIP + 4  
 DAYTON, OH 45402

**D** Employer identification number  
 31-1079309

**E** Telephone number  
 (937) 499-9942

**G** Gross receipts \$ 254,993,790

**F** Name and address of principal officer  
 CAROL TURNER  
 110 NORTH MAIN STREET STE 500  
 DAYTON, OH 45402

**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.PREMIERHEALTHPARTNERS.ORG

**K** Form of organization  Corporation  Trust  Association  Other ▶

**L** Year of formation 1983 **M** State of legal domicile OH

**Part I Summary**

<b>Activities &amp; Governance</b>	<b>1</b> Briefly describe the organization's mission or most significant activities ATRIUM MEDICAL CENTER WILL BUILD HEALTHIER COMMUNITIES WITH OTHERS WHO SHARE THE COMMITMENT TO PROVIDE HIGH-QUALITY, COST-COMPETITIVE HEALTHCARE SERVICES		
	<b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a)	<b>3</b>	12
	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b)	<b>4</b>	11
	<b>5</b> Total number of individuals employed in calendar year 2011 (Part V, line 2a)	<b>5</b>	2,135
	<b>6</b> Total number of volunteers (estimate if necessary)	<b>6</b>	300
	<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12	<b>7a</b>	1,494,140
<b>b</b> Net unrelated business taxable income from Form 990-T, line 34	<b>7b</b>		
<b>Revenue</b>	<b>8</b> Contributions and grants (Part VIII, line 1h)	412,286	372,417
	<b>9</b> Program service revenue (Part VIII, line 2g)	238,038,850	247,696,515
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-1,786,706	1,075,317
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,040,633	3,315,937
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	238,705,063	252,460,186
<b>Expenses</b>	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3)	88,257	211,004
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	105,982,081	105,448,008
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) ▶ <sup>0</sup>		
	<b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	122,531,959	138,043,873
<b>18</b> Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	228,602,297	243,702,885	
<b>19</b> Revenue less expenses Subtract line 18 from line 12	10,102,766	8,757,301	
<b>Net Assets or Fund Balances</b>	<b>20</b> Total assets (Part X, line 16)	364,487,805	379,158,848
	<b>21</b> Total liabilities (Part X, line 26)	250,436,218	262,264,526
	<b>22</b> Net assets or fund balances Subtract line 21 from line 20	114,051,587	116,894,322

**Part II Signature Block**

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

**Sign Here**

Signature of officer: \_\_\_\_\_ Date: 2012-11-12

Thomas Maloney CFO  
 Type or print name and title

**Paid Preparer's Use Only**

Preparer's signature: \_\_\_\_\_ Date: \_\_\_\_\_ Check if self-employed

Firm's name (or yours if self-employed), address, and ZIP + 4: ERNST & YOUNG US LLP  
 111 MONUMENT CIRCLE SUITE 2600  
 INDIANAPOLIS, IN 46204

Preparer's taxpayer identification number (see instructions): \_\_\_\_\_  
 EIN ▶ \_\_\_\_\_  
 Phone no ▶ (317) 681-7000

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

**Part III Statement of Program Service Accomplishments**

Check if Schedule O contains a response to any question in this Part III  Yes  No

**1** Briefly describe the organization's mission  
**ATRIUM MEDICAL CENTER WILL BUILD HEALTHIER COMMUNITIES WITH OTHERS WHO SHARE THE COMMITMENT TO PROVIDE HIGH-QUALITY, COST-COMPETITIVE HEALTHCARE SERVICES**

**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 \$ 204,092,091 including grants of \$ 211,004 ) (Revenue \$ 246,686,029 )  
PLEASE SEE SCHEDULE H

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

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

**4d** Other program services (Describe in Schedule O )  
(Expenses \$ including grants of \$ ) (Revenue \$ )

**4e Total program service expenses** \$ 204,092,091

**Part IV Checklist of Required Schedules**

	Yes	No
<b>1</b> Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> <input checked="" type="checkbox"/>	Yes	
<b>2</b> Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? <input checked="" type="checkbox"/>	Yes	
<b>3</b> Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i> <input checked="" type="checkbox"/>		No
<b>4 Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i> <input checked="" type="checkbox"/>	Yes	
<b>5</b> Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i> <input checked="" type="checkbox"/>		No
<b>6</b> Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</i> <input checked="" type="checkbox"/>		No
<b>7</b> Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i> <input checked="" type="checkbox"/>		No
<b>8</b> Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> <input checked="" type="checkbox"/>		No
<b>9</b> Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i> <input checked="" type="checkbox"/>		No
<b>10</b> Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> <input checked="" type="checkbox"/>	Yes	
<b>11</b> 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		
<b>a</b> Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> <input checked="" type="checkbox"/>	Yes	
<b>b</b> Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i> <input checked="" type="checkbox"/>		No
<b>c</b> Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i> <input checked="" type="checkbox"/>		No
<b>d</b> Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i> <input checked="" type="checkbox"/>		No
<b>e</b> Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> <input checked="" type="checkbox"/>	Yes	
<b>f</b> Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i> <input checked="" type="checkbox"/>	Yes	
<b>12a</b> Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> <input checked="" type="checkbox"/>		No
<b>b</b> Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> <input checked="" type="checkbox"/>	Yes	
<b>13</b> Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>		No
<b>14a</b> Did the organization maintain an office, employees, or agents outside of the United States?		No
<b>b</b> Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i> <input checked="" type="checkbox"/>	Yes	
<b>15</b> Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S? <i>If "Yes," complete Schedule F, Part II and IV.</i> <input checked="" type="checkbox"/>		No
<b>16</b> Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S? <i>If "Yes," complete Schedule F, Part III and IV.</i> <input checked="" type="checkbox"/>		No
<b>17</b> Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I.</i>		No
<b>18</b> Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>		No
<b>19</b> Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>		No
<b>20a</b> Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> <input checked="" type="checkbox"/>	Yes	
<b>b</b> If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> All Form 990 filers that operated one or more hospitals must attach audited financial statements. <input checked="" type="checkbox"/>	Yes	

**Part IV Checklist of Required Schedules** (continued)

<b>21</b>	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	<b>21</b>	Yes	
<b>22</b>	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	<b>22</b>		No
<b>23</b>	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .	<b>23</b>	Yes	
<b>24a</b>	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b-24d and complete Schedule K. If "No," go to line 25</i> . . . . .	<b>24a</b>	Yes	
<b>b</b>	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . . .	<b>24b</b>		No
<b>c</b>	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	<b>24c</b>		No
<b>d</b>	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . . .	<b>24d</b>		No
<b>25a</b>	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	<b>25a</b>		No
<b>b</b>	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	<b>25b</b>		No
<b>26</b>	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i> . . . . .	<b>26</b>		No
<b>27</b>	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	<b>27</b>		No
<b>28</b>	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)			
<b>a</b>	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	<b>28a</b>		No
<b>b</b>	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	<b>28b</b>		No
<b>c</b>	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	<b>28c</b>		No
<b>29</b>	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . . .	<b>29</b>		No
<b>30</b>	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	<b>30</b>		No
<b>31</b>	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	<b>31</b>		No
<b>32</b>	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	<b>32</b>		No
<b>33</b>	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	<b>33</b>		No
<b>34</b>	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i> . . . . .	<b>34</b>	Yes	
<b>35a</b>	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	<b>35a</b>	Yes	
<b>b</b>	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	<b>35b</b>	Yes	
<b>36</b>	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	<b>36</b>		No
<b>37</b>	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	<b>37</b>		No
<b>38</b>	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	<b>38</b>	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

Table with columns for question number, question text, and Yes/No columns. Includes rows for 1a-1b, 2a-2b, 3a-3b, 4a-4b, 5a-5c, 6a-6b, 7a-7h, 8, 9a-9b, 10a-10b, 11a-11b, 12a-12b, 13a-13c, and 14a-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 . . . . . [X]

Section A. Governing Body and Management

Table with 3 columns: Question, Yes, No. Rows include: 1a (12), 1b (11), 2 (No), 3 (Yes), 4 (No), 5 (No), 6 (Yes), 7a (Yes), 7b (Yes), 8a (Yes), 8b (Yes), 9 (No).

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

Table with 3 columns: Question, Yes, No. Rows include: 10a (No), 10b, 11a (Yes), 11b, 12a (Yes), 12b (Yes), 12c (Yes), 13 (Yes), 14 (Yes), 15a (Yes), 15b (Yes), 16a (Yes), 16b (Yes).

Section C. Disclosure

- 17 List the States with which a copy of this Form 990 is required to be filed OH
18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you made these available. Check all that apply. [ ] Own website [ ] Another's website [X] 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. J MICHAEL SIMS, 110 NORTH MAIN STREET SUITE 500, DAYTON, OH 45402, (937) 499-9942

**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) JEFFREY S ZOLLETT MD CHAIR	5	X		X			0	0	0	
(2) MARJORIE KELLY COWAN PHD TRUSTEE	5	X					0	0	0	
(3) FRANK CHAPMAN TRUSTEE	5	X					0	0	0	
(4) THOMAS E GROSSMANN TRUSTEE	5	X					0	0	0	
(5) JERRY HAMMOND MD TRUSTEE	5	X					0	0	0	
(6) LARRY HOLLINGSHEAD TRUSTEE	5	X					0	0	0	
(7) STEPHEN M JONES TRUSTEE	5	X					0	0	0	
(8) JAMES G KEYS JR VICE CHAIR	5	X		X			0	0	0	
(9) DAVID A PEARCE SECRETARY/TREASURER	5	X		X			0	0	0	
(10) DAVID FLOERING MD TRUSTEE	5	X					0	0	0	
(11) JAMES AKERS CHAIRPERSON, AHS	5	X					0	0	0	
(12) JAMES R PANCOAST PRESIDENT, PHP	5	X					0	0	0	
(13) CAROL TURNER PRESIDENT & ceo	40 0			X			416,891	0	47,546	
(14) THOMAS MALONEY ASSISTANT TREASURER & CFO	40 0			X			211,503	0	32,738	
(15) DALE CREECH JR VP & CHIEF LEGAL OFFICER (PHP)	40 0			X			0	525,911	155,120	
(16) LISA MARTINEZ Director of Legal Services	40 0			X			140,321	0	10,466	
(17) THOMAS ARQUILLA VP - BUSINESS DEV (PHP)	40 0				X		0	203,967	28,003	

**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) MARY CLANCY VP & CIO (PHP)	40 0				X			0	467,688	55,146
(19) RENEE GEORGE VP - REVENUE CYCLE (PHP)	40 0				X			0	269,407	33,415
(20) J NICHOLAS LAIR VP & CHF PURCH OFFICER (PHP)	40 0				X			0	295,289	34,887
(21) WILLIAM LINESCH VP - HR & OE (PHP)	40 0				X			0	424,338	41,137
(22) MARK SHAW VP - MANAGED CARE (PHP)	40 0				X			0	349,386	84,013
(23) LISA GOSSETT VP - CNO	40 0				X			203,283	0	28,670
(24) TED RIPPERGER DIRECTOR - HUMAN RESOURCES	40 0					X		169,047	0	22,955
(25) LENA FOGLE DIR-PACU & PRE/POST PROCEDURE	40 0					X		178,690	0	47,442
(26) DAVID CAFFERTY RADIOLOGY ENGINEER	40 0					X		166,856	0	22,857
(27) DONNA L BANKS VP - OPERATIONS	40 0					X		174,914	0	32,745
(28) MARK E WILLIAMS VP MEDICAL AFFAIRS	40 0					X		270,288	0	27,681
(29) DOUGLAS MCNEILL FORMER PRESIDENT & CEO	0 0						X	1,084,634	0	0
<b>1b Sub-Total</b>										
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>								3,016,427	2,535,986	704,821

**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 **45**

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

**Section B. Independent Contractors**

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

(A) Name and business address	(B) Description of services	(C) Compensation
MIDDLETOWN ANESTHESIA CONSULTANTS 3180 KETTERING BLVD DAYTON, OH 45439	MEDICAL SERVICES	2,346,565
HMP OF BUTLER COUNTY LTD 4535 DRESSLER ROAD NORTHWEST CANTON, OH 44718	MEDICAL SERVICES	1,233,142
EA HEALTH CORP 440 STEVENS AVE 150 SOLANA BEACH, CA 92075	MEDICAL SERVICES	1,823,906
COMMUNITY BLOOD CENTER CORP PO BOX 644634 PITTSBURG, PA 152644634	LAB	1,676,497
ECONOMY LINENTOWEL SVC INC 80 MEAD ST DAYTON BRANCH DAYTON, OH 45402	LAUNDRY	846,250

**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 **27**

**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		
<b>Contributions, gifts, grants and other similar amounts</b>	<b>1a</b>	Federated campaigns . . . . . <b>1a</b>						
	<b>b</b>	Membership dues . . . . . <b>1b</b>						
	<b>c</b>	Fundraising events . . . . . <b>1c</b>						
	<b>d</b>	Related organizations . . . . . <b>1d</b>	372,417					
	<b>e</b>	Government grants (contributions) <b>1e</b>						
	<b>f</b>	All other contributions, gifts, grants, and similar amounts not included above <b>1f</b>						
	<b>g</b>	Noncash contributions included in lines 1a-1f \$ _____						
	<b>h</b>	<b>Total.</b> Add lines 1a-1f . . . . .	372,417					
<b>Program Service Revenue</b>	<b>2a</b>	NET PATIENT SERVICE REVENUE	900099	123,320,612	121,901,687	1,418,925		
	<b>b</b>	MEDICARE/MEDICAID PAYMENTS	900099	117,539,958	117,539,958			
	<b>c</b>	JOINT OPERATING AGREEMENT	900099	6,639,000	6,639,000			
	<b>d</b>	MEDICAL RECORDS	900099	118,578	118,578			
	<b>e</b>	HEALTH EDUCATION	900099	45,076	45,076			
	<b>f</b>	All other program service revenue		33,291	33,291			
	<b>g</b>	<b>Total.</b> Add lines 2a-2f . . . . .		247,696,515				
	<b>Other Revenue</b>	<b>3</b>	Investment income (including dividends, interest and other similar amounts) . . . . .		1,305,388		1,305,388	
<b>4</b>		Income from investment of tax-exempt bond proceeds . . . . .		0				
<b>5</b>		Royalties . . . . .		0				
<b>6a</b>		Gross rents	(i) Real	616,547				
			(ii) Personal					
			<b>b</b>	Less rental expenses	730,915			
			<b>c</b>	Rental income or (loss)	-114,368			
<b>d</b>		<b>Net rental income or (loss)</b> . . . . .		-114,368		-114,368		
<b>7a</b>		Gross amount from sales of assets other than inventory	(i) Securities	69,512				
			(ii) Other					
			<b>b</b>	Less cost or other basis and sales expenses	316,329	-16,746		
			<b>c</b>	Gain or (loss)	-246,817	16,746		
<b>d</b>		<b>Net gain or (loss)</b> . . . . .		-230,071		-230,071		
<b>8a</b>		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . . <b>a</b>						
<b>b</b>		Less direct expenses . . . . . <b>b</b>						
<b>c</b>		<b>Net income or (loss) from fundraising events</b> . . . . .		0				
<b>9a</b>		Gross income from gaming activities See Part IV, line 19 . . . . . <b>a</b>						
			<b>b</b>	Less direct expenses . . . . . <b>b</b>				
	<b>c</b>		<b>Net income or (loss) from gaming activities</b> . . . . .		0			
<b>10a</b>	Gross sales of inventory, less returns and allowances . . . . . <b>a</b>		1,911,545					
		<b>b</b>	Less cost of goods sold . . . . . <b>b</b>	1,503,106				
		<b>c</b>	<b>Net income or (loss) from sales of inventory</b> . . . . .	408,439	408,439			
	Miscellaneous Revenue	Business Code						
<b>11a</b>	CAFETERIA SALES	722210	1,285,035		7,980	1,277,055		
<b>b</b>	PHYSICIAN ANSWERING SERVICE	561000	104,655		67,235	37,420		
<b>c</b>	ALL OTHER REVENUE	900099	1,632,176			1,632,176		
<b>d</b>	All other revenue . . . . .							
<b>e</b>	<b>Total.</b> Add lines 11a-11d . . . . .		3,021,866					
<b>12</b>	<b>Total revenue.</b> See Instructions . . . . .		252,460,186	246,686,029	1,494,140	3,907,600		

**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

<b>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</b>		<b>(A)</b> Total expenses	<b>(B)</b> Program service expenses	<b>(C)</b> Management and general expenses	<b>(D)</b> Fundraising expenses
<b>1</b>	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	211,004	211,004		
<b>2</b>	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
<b>3</b>	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
<b>4</b>	Benefits paid to or for members	0			
<b>5</b>	Compensation of current officers, directors, trustees, and key employees	1,033,063	894,840	138,223	
<b>6</b>	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
<b>7</b>	Other salaries and wages	82,867,406	71,779,747	11,087,659	
<b>8</b>	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,815,575	2,438,851	376,724	
<b>9</b>	Other employee benefits	12,787,711	11,076,715	1,710,996	
<b>10</b>	Payroll taxes	5,944,253	5,148,912	795,341	
<b>11</b>	Fees for services (non-employees)				
<b>a</b>	Management	12,373	10,717	1,656	
<b>b</b>	Legal	122,741	106,318	16,423	
<b>c</b>	Accounting	120,749		120,749	
<b>d</b>	Lobbying	7,239	7,239		
<b>e</b>	Professional fundraising See Part IV, line 17	0			
<b>f</b>	Investment management fees	159,422		159,422	
<b>g</b>	Other	9,970,352	9,970,352		
<b>12</b>	Advertising and promotion	1,120,410	1,120,410		
<b>13</b>	Office expenses	1,671,317	1,447,695	223,622	
<b>14</b>	Information technology	5,020,198	4,348,496	671,702	
<b>15</b>	Royalties	0			
<b>16</b>	Occupancy	4,703,349	4,074,041	629,308	
<b>17</b>	Travel	155,381	134,591	20,790	
<b>18</b>	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
<b>19</b>	Conferences, conventions, and meetings	140,889	122,038	18,851	
<b>20</b>	Interest	5,834,237	5,834,237		
<b>21</b>	Payments to affiliates	0			
<b>22</b>	Depreciation, depletion, and amortization	23,539,592	20,389,995	3,149,597	
<b>23</b>	Insurance	119,432	103,452	15,980	
<b>24</b>	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 )				
<b>a</b>	OPERATING SUPPLIES	46,090,373	46,090,373		
<b>b</b>	LOSS ON INTEREST SWAP ADJ	18,539,693		18,539,693	
<b>c</b>	PURCHASED SERVICES	8,034,579	6,959,552	1,075,027	
<b>d</b>	BAD DEBT	6,261,282	6,261,282		
<b>e</b>					
<b>f</b>	All other expenses	6,420,265	5,561,234	859,031	
<b>25</b>	<b>Total functional expenses.</b> Add lines 1 through 24f	243,702,885	204,092,091	39,610,794	0
<b>26</b>	<b>Joint costs.</b> Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

**Part X Balance Sheet**

		(A)		(B)	
		Beginning of year		End of year	
<b>Assets</b>	<b>1</b> Cash—non-interest-bearing . . . . .	9,000	<b>1</b>	9,800	
	<b>2</b> Savings and temporary cash investments . . . . .	17,814,129	<b>2</b>	8,221,954	
	<b>3</b> Pledges and grants receivable, net . . . . .	0	<b>3</b>	613,537	
	<b>4</b> Accounts receivable, net . . . . .	28,550,459	<b>4</b>	31,473,140	
	<b>5</b> Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L . . . . .	0	<b>5</b>	0	
	<b>6</b> Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L . . . . .	0	<b>6</b>	0	
	<b>7</b> Notes and loans receivable, net . . . . .	2,252,831	<b>7</b>	1,229,540	
	<b>8</b> Inventories for sale or use . . . . .	1,239,609	<b>8</b>	1,523,603	
	<b>9</b> Prepaid expenses and deferred charges . . . . .	2,598,587	<b>9</b>	2,494,559	
	<b>10a</b> Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	342,934,680			
	<b>b</b> Less accumulated depreciation . . . . .	102,010,572	254,835,727	<b>10c</b>	240,924,108
	<b>11</b> Investments—publicly traded securities . . . . .	22,373,049	<b>11</b>	71,328,559	
	<b>12</b> Investments—other securities See Part IV, line 11 . . . . .	5,186,310	<b>12</b>	10,676,302	
	<b>13</b> Investments—program-related See Part IV, line 11 . . . . .	0	<b>13</b>	0	
	<b>14</b> Intangible assets . . . . .	1,055,424	<b>14</b>	938,757	
	<b>15</b> Other assets See Part IV, line 11 . . . . .	28,572,680	<b>15</b>	9,724,989	
<b>16</b> <b>Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .	364,487,805	<b>16</b>	379,158,848		
<b>Liabilities</b>	<b>17</b> Accounts payable and accrued expenses . . . . .	16,249,487	<b>17</b>	16,937,979	
	<b>18</b> Grants payable . . . . .	0	<b>18</b>	0	
	<b>19</b> Deferred revenue . . . . .	1,024	<b>19</b>	13,385	
	<b>20</b> Tax-exempt bond liabilities . . . . .	189,400,000	<b>20</b>	186,975,000	
	<b>21</b> Escrow or custodial account liability Complete Part IV of Schedule D . . . . .	0	<b>21</b>	0	
	<b>22</b> Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L . . . . .	0	<b>22</b>	0	
	<b>23</b> Secured mortgages and notes payable to unrelated third parties . . . . .	11,859,399	<b>23</b>	12,269,510	
	<b>24</b> Unsecured notes and loans payable to unrelated third parties . . . . .	0	<b>24</b>	0	
	<b>25</b> 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 . . . . .	32,926,308	<b>25</b>	46,068,652	
	<b>26</b> <b>Total liabilities.</b> Add lines 17 through 25 . . . . .	250,436,218	<b>26</b>	262,264,526	
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>				
	<b>27</b> Unrestricted net assets . . . . .	113,915,085	<b>27</b>	116,761,372	
	<b>28</b> Temporarily restricted net assets . . . . .	136,502	<b>28</b>	132,950	
	<b>29</b> Permanently restricted net assets . . . . .	0	<b>29</b>	0	
	<b>Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.</b>				
	<b>30</b> Capital stock or trust principal, or current funds . . . . .		<b>30</b>		
	<b>31</b> Paid-in or capital surplus, or land, building or equipment fund . . . . .		<b>31</b>		
	<b>32</b> Retained earnings, endowment, accumulated income, or other funds . . . . .		<b>32</b>		
<b>33</b> Total net assets or fund balances . . . . .	114,051,587	<b>33</b>	116,894,322		
<b>34</b> Total liabilities and net assets/fund balances . . . . .	364,487,805	<b>34</b>	379,158,848		

**Part XI Reconciliation of Net Assets**

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

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12)	<b>1</b>	252,460,186
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25)	<b>2</b>	243,702,885
<b>3</b>	Revenue less expenses Subtract line 2 from line 1	<b>3</b>	8,757,301
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	<b>4</b>	114,051,587
<b>5</b>	Other changes in net assets or fund balances (explain in Schedule O)	<b>5</b>	-5,914,566
<b>6</b>	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	<b>6</b>	116,894,322

**Part XII Financial Statements and Reporting**

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

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

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

**Public Charity Status and Public Support**

OMB No 1545-0047

**2011**

**Open to Public Inspection**

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.

Department of the Treasury  
Internal Revenue Service

Name of the organization  
ATRIUM MEDICAL CENTER

Employer identification number

31-1079309

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

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

- 1  A church, convention of churches, or association of churches **section 170(b)(1)(A)(i).**
- 2  A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E )
- 3  A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4  A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state
  
- 5  An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II )
- 6  A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7  An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 8  A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 9  An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III )
- 10  An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11  An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h  
 a  Type I      b  Type II      c  Type III - Functionally integrated      d  Type III - Other
- e  By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f  If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box
- g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?  
 (i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?  
 (ii) a family member of a person described in (i) above?  
 (iii) a 35% controlled entity of a person described in (i) or (ii) above?
- h Provide the following information about the supported organization(s)

	Yes	No
<b>11g(i)</b>		
<b>11g(ii)</b>		
<b>11g(iii)</b>		

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

**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
<b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
<b>2</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
<b>3</b> The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>4 Total.</b> Add lines 1 through 3						
<b>5</b> 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)						
<b>6 Public Support.</b> Subtract line 5 from line 4						

**Section B. Total Support**

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
<b>7</b> Amounts from line 4						
<b>8</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>9</b> Net income from unrelated business activities, whether or not the business is regularly carried on						
<b>10</b> Other income (Explain in Part IV.) Do not include gain or loss from the sale of capital assets						
<b>11 Total support</b> (Add lines 7 through 10)						
<b>12</b> Gross receipts from related activities, etc (See instructions)					<b>12</b>	

**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**

<b>14</b> Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))	<b>14</b>	
<b>15</b> Public Support Percentage for 2010 Schedule A, Part II, line 14	<b>15</b>	
<b>16a 33 1/3% support test—2011.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>b 33 1/3% support test—2010.</b> 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 <b>stop here.</b> The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>17a 10%-facts-and-circumstances test—2011.</b> 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 <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>b 10%-facts-and-circumstances test—2010.</b> 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 <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>18 Private Foundation</b> If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions <input type="checkbox"/>		

**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
<b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
<b>2</b> 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						
<b>3</b> Gross receipts from activities that are not an unrelated trade or business under section 513						
<b>4</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
<b>5</b> The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>6 Total.</b> Add lines 1 through 5						
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons						
<b>b</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						
<b>c</b> Add lines 7a and 7b						
<b>8 Public Support</b> (Subtract line 7c from line 6 )						

**Section B. Total Support**

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
<b>9</b> Amounts from line 6						
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
<b>c</b> Add lines 10a and 10b						
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
<b>12</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
<b>13 Total support</b> (Add lines 9, 10c, 11 and 12.)						
<b>14 First Five Years</b> 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 <b>stop here</b> <input type="checkbox"/>						

**Section C. Computation of Public Support Percentage**

<b>15</b> Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	<b>15</b>	
<b>16</b> Public support percentage from 2010 Schedule A, Part III, line 15	<b>16</b>	

**Section D. Computation of Investment Income Percentage**

<b>17</b> Investment income percentage for <b>2011</b> (line 10c column (f) divided by line 13 column (f))	<b>17</b>	
<b>18</b> Investment income percentage from <b>2010</b> Schedule A, Part III, line 17	<b>18</b>	

- 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).

<b>Facts And Circumstances Test</b>
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<b>Explanation</b>
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**Additional Data**

**Software ID:**  
**Software Version:**  
**EIN:** 31-1079309  
**Name:** ATRIUM MEDICAL CENTER

**Form 990, Special Condition Description:**

**Special Condition Description**

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
JEFFREY S ZOLLETT MD CHAIR	5	X		X				0	0	0
MARJORIE KELLY COWAN PHD TRUSTEE	5	X						0	0	0
FRANK CHAPMAN TRUSTEE	5	X						0	0	0
THOMAS E GROSSMANN TRUSTEE	5	X						0	0	0
JERRY HAMMOND MD TRUSTEE	5	X						0	0	0
LARRY HOLLINGSHEAD TRUSTEE	5	X						0	0	0
STEPHEN M JONES TRUSTEE	5	X						0	0	0
JAMES G KEYS JR VICE CHAIR	5	X		X				0	0	0
DAVID A PEARCE SECRETARY/TREASURER	5	X		X				0	0	0
DAVID FLOORING MD TRUSTEE	5	X						0	0	0
JAMES AKERS CHAIRPERSON, AHS	5	X						0	0	0
JAMES R PANCOAST PRESIDENT, PHP	5	X						0	0	0
CAROL TURNER PRESIDENT & ceo	40 0			X				416,891	0	47,546
THOMAS MALONEY ASSISTANT TREASURER & CFO	40 0			X				211,503	0	32,738
DALE CREECH JR VP & CHIEF LEGAL OFFICER (PHP)	40 0			X				0	525,911	155,120
LISA MARTINEZ Director of Legal Services	40 0			X				140,321	0	10,466
THOMAS ARQUILLA VP - BUSINESS DEV (PHP)	40 0				X			0	203,967	28,003
MARY CLANCY VP & CIO (PHP)	40 0				X			0	467,688	55,146
RENEE GEORGE VP - REVENUE CYCLE (PHP)	40 0				X			0	269,407	33,415
J NICHOLAS LAIR VP & CHF PURCH OFFICER (PHP)	40 0				X			0	295,289	34,887
WILLIAM LINESCH VP - HR & OE (PHP)	40 0				X			0	424,338	41,137
MARK SHAW VP - MANAGED CARE (PHP)	40 0				X			0	349,386	84,013
LISA GOSSETT VP - CNO	40 0				X			203,283	0	28,670
TED RIPPERGER DIRECTOR - HUMAN RESOURCES	40 0					X		169,047	0	22,955
LENA FOGLE DIR-PACU & PRE/POST PROCEDURE	40 0					X		178,690	0	47,442

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

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
DAVID CAFFERTY RADIOLOGY ENGINEER	40 0					X		166,856	0	22,857
DONNA L BANKS VP - OPERATIONS	40 0					X		174,914	0	32,745
MARK E WILLIAMS VP MEDICAL AFFAIRS	40 0					X		270,288	0	27,681
DOUGLAS MCNEILL FORMER PRESIDENT & CEO	0 0						X	1,084,634	0	0

SCHEDULE C (Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No 1545-0047

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

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

2011

Open to Public Inspection

Department of the Treasury Internal Revenue Service

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

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

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

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

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

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

Name of the organization ATRIUM MEDICAL CENTER

Employer identification number

31-1079309

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

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

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

- 1 Enter the amount of any excise tax incurred by the organization under section 4955
2 Enter the amount of any excise tax incurred by organization managers under section 4955
3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year?
4a Was a correction made?
b If "Yes," describe in Part IV

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

- 1 Enter the amount directly expended by the filing organization for section 527 exempt function activities
2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities
3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b
4 Did the filing organization file Form 1120-POL for this year?
5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments

Table with 5 columns: (a) Name, (b) Address, (c) EIN, (d) Amount paid from filing organization's funds, (e) Amount of political contributions received and promptly and directly delivered to a separate political organization.

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

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

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

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

**Lobbying Expenditures During 4-Year Averaging Period**

Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
<b>2a</b> Lobbying non-taxable amount					
<b>b</b> Lobbying ceiling amount (150% of line 2a, column(e))					
<b>c</b> Total lobbying expenditures					
<b>d</b> Grassroots non-taxable amount					
<b>e</b> Grassroots ceiling amount (150% of line 2d, column (e))					
<b>f</b> Grassroots lobbying expenditures					

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

	(a)		(b)
	Yes	No	Amount
<b>1</b> During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
<b>a</b> Volunteers?		No	
<b>b</b> Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
<b>c</b> Media advertisements?		No	
<b>d</b> Mailings to members, legislators, or the public?		No	
<b>e</b> Publications, or published or broadcast statements?		No	
<b>f</b> Grants to other organizations for lobbying purposes?	Yes		3,999
<b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
<b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
<b>i</b> Other activities? If "Yes," describe in Part IV	Yes		3,240
<b>j</b> Total lines 1c through 1i			7,239
<b>2a</b> Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
<b>b</b> If "Yes," enter the amount of any tax incurred under section 4912			
<b>c</b> If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
<b>d</b> If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		No	

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

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

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

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

**Part IV Supplemental Information**

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

Identifier	Return Reference	Explanation
PART II-B, LINE F		PORTION OF DUES PAID TO GREATER DAYTON AREA HOSPITAL ASSOCIATION AND OHIO HOSPITAL ASSOCIATION PART II-B, LINE I WE CONTRACT WITH A LOBBYIST FOR HEALTHCARE RELATED ISSUES

SCHEDULE D (Form 990)

OMB No 1545-0047

Supplemental Financial Statements

2011

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization ATRIUM MEDICAL CENTER

Employer identification number 31-1079309

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.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows 1-4: Total number at end of year, Aggregate contributions to (during year), Aggregate grants from (during year), 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?
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?

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, Protection of natural habitat, Preservation of open space, Preservation of an historically importantly land area, Preservation of a certified historic structure.

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

Table with 2 columns: Description, Held at the End of the Year. Rows 2a-2d: Total number of conservation easements, Total acreage restricted by conservation easements, Number of conservation easements on a certified historic structure included in (a), Number of conservation easements included in (c) acquired after 8/17/06.

- 3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year
4 Number of states where property subject to conservation easement is located
5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?
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)?
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
<b>1c</b> Beginning balance	
<b>1d</b> Additions during the year	
<b>1e</b> Distributions during the year	
<b>1f</b> Ending balance	

**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
<b>1a</b> Beginning of year balance . . . . .	136,502	1,717,698	1,648,947	2,085,415	
<b>b</b> Contributions . . . . .	2,269		0	0	
<b>c</b> Investment earnings or losses . . . . .	5		68,751	-436,468	
<b>d</b> Grants or scholarships . . . . .					
<b>e</b> Other expenditures for facilities and programs . . . . .	5,826	1,581,196			
<b>f</b> Administrative expenses . . . . .					
<b>g</b> End of year balance . . . . .	132,950	136,502	1,717,698	1,648,947	

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

- a** Board designated or quasi-endowment
- b** Permanent endowment
- c** Term endowment  100.000 %

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

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

**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
<b>1a</b> Land . . . . .		16,555,482		16,555,482
<b>b</b> Buildings . . . . .		207,249,255	38,912,228	168,337,027
<b>c</b> Leasehold improvements . . . . .		2,817,694	1,456,371	1,361,323
<b>d</b> Equipment . . . . .		110,913,381	61,641,973	49,271,408
<b>e</b> Other . . . . .		5,398,868		5,398,868
<b>Total.</b> Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . .				240,924,108



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

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

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

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

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

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

**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
Part V - Line 4		The organizations endowment funds are designated to support specific healthcare services or capital needs. Schedule D, Part X - Line 2 Atrium Medical Center (AMC) is a member, under a joint operating agreement, of Premier Health Partners which is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. As such, there is no income tax liability recorded at December 31, 2011 and 2010. In addition, Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the combined financial statements. AMC and its respective subsidiaries are a group of corporations that are tax-exempt corporations under Section 501(c)(3) of the Internal Revenue Code except for the following subsidiaries: Middletown Surgery Center, LLC (a joint-venture partnership of which Atrium Health Systems is an 80.5% owner).

## Additional Data

**Software ID:**  
**Software Version:**  
**EIN:** 31-1079309  
**Name:** ATRIUM MEDICAL CENTER

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

<sup>1</sup> (a) Description of Liability	(b) Amount
SWAP LIABILITY	20,577,522
SELF INSURANCE RESERVE	5,673,296
ACCRUED REIMBURSEMENT	5,640,000
BUILDING & CAPITAL LEASE LIABILITY	5,567,571
PENSION OBLIGATION & DEFERRED	5,033,221
AFFILIATES PAYABLE	1,968,657
WORKERS COMP RESERVE	859,241
LOAN GUARANTEE & OTHER LTL	567,801
ACCRUED AR LIABILITY	136,684
OTHER	44,659







**Part IV Foreign Forms**

- 1 Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926 (see instructions for Form 926)*  Yes  No
- 2 Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520 and/or Form 3520-A. (see instructions for Forms 3520 and 3520-A)*  Yes  No
- 3 Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with respect to Certain Foreign Corporations. (see instructions for Form 5471)*  Yes  No
- 4 Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see instructions for Form 8621)*  Yes  No
- 5 Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with respect to Certain Foreign Partnerships. (see instructions for Form 8865)*  Yes  No
- 6 Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see instructions for Form 5713).*  Yes  No



SCHEDULE H (Form 990)

Hospitals

OMB No 1545-0047

2011

Open to Public Inspection

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

Department of the Treasury Internal Revenue Service

Name of the organization ATRIUM MEDICAL CENTER

Employer identification number 31-1079309

Part I Charity Care and Certain Other Community Benefits at Cost

1a Did the organization have a charity care policy? 1b If "Yes," is it a written policy? 2 If the organization had multiple hospitals... 3 Answer the following based on the charity care eligibility criteria... 4 Did the organization's policy provide free or discounted care to the "medically indigent"? 5a Did the organization budget amounts for free or discounted care... 6a Did the organization prepare a community benefit report during the tax year? 6b If "Yes," did the organization make it available to the public?

7 Charity Care and Certain Other Community Benefits at Cost

Table with 7 columns: (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. Rows include Charity Care and Means-Tested Government Programs and Other Benefits.

**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			105,000		105,000	0.040 %
10 Total			105,000		105,000	0.040 %

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

**Section A. Bad Debt Expense**

	Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1 Yes	
2 Enter the amount of the organization's bad debt expense	2 6,261,282	
3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3 0	
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 57,275,000
6 Enter Medicare allowable costs of care relating to payments on line 5	6 60,276,000
7 Subtract line 6 from line 5. This is the surplus or (shortfall)	7 -3,001,000
8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input checked="" type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other	

**Section C. Collection Practices**

9a Did the organization have a written debt collection policy during the tax year?	9a Yes
9b If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	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 MIDDLETOWN SURG CTR	OUTPATIENT SURGERY CENTER	80.500 %	0 %	19.500 %
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? 1

Name and address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	ATRIUM MEDICAL CENTER ONE MEDICAL CENTER DRIVE MIDDLETOWN, OH 45044	X	X					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)

ATRIUM MEDICAL CENTER

Name of Hospital Facility: \_\_\_\_\_

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

	Yes	No
<b>Community Health Needs Assessment</b> (Lines 1 through 7 are optional for 2011)		
<b>1</b> During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 . . . . . If "Yes," indicate what the Needs Assessment describes (check all that apply)	<b>1</b>	
<ul style="list-style-type: none"> <li><b>a</b> <input type="checkbox"/> A definition of the community served by the hospital facility</li> <li><b>b</b> <input type="checkbox"/> Demographics of the community</li> <li><b>c</b> <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community</li> <li><b>d</b> <input type="checkbox"/> How data was obtained</li> <li><b>e</b> <input type="checkbox"/> The health needs of the community</li> <li><b>f</b> <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups</li> <li><b>g</b> <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs</li> <li><b>h</b> <input type="checkbox"/> The process for consulting with persons representing the community's interests</li> <li><b>i</b> <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs</li> <li><b>j</b> <input type="checkbox"/> Other (describe in Part VI)</li> </ul>		
<b>2</b> Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
<b>3</b> 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	<b>3</b>	
<b>4</b> 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 . . . . .	<b>4</b>	
<b>5</b> Did the hospital facility make its Needs Assessment widely available to the public? . . . . . If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)	<b>5</b>	
<ul style="list-style-type: none"> <li><b>a</b> <input type="checkbox"/> Hospital facility's website</li> <li><b>b</b> <input type="checkbox"/> Available upon request from the hospital facility</li> <li><b>c</b> <input type="checkbox"/> Other (describe in Part VI)</li> </ul>		
<b>6</b> If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)		
<ul style="list-style-type: none"> <li><b>a</b> <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community</li> <li><b>b</b> <input type="checkbox"/> Execution of the implementation strategy</li> <li><b>c</b> <input type="checkbox"/> Development of a community-wide community benefit plan for the facility</li> <li><b>d</b> <input type="checkbox"/> Participation in community-wide community benefit plan</li> <li><b>e</b> <input type="checkbox"/> Inclusion of a community benefit section in operational plans</li> <li><b>f</b> <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA</li> <li><b>g</b> <input type="checkbox"/> Prioritization of health needs in the community</li> <li><b>h</b> <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community</li> <li><b>i</b> <input type="checkbox"/> Other (describe in Part VI)</li> </ul>		
<b>7</b> 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	<b>7</b>	
<b>Financial Assistance Policy</b>		
<b>8</b> Did the hospital facility have in place during the tax year a written financial assistance policy that explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	<b>8</b>	Yes
<b>9</b> Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>200</u> % If "No," explain in Part VI the criteria the hospital facility used	<b>9</b>	Yes

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

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

**Billing and Collections**

<b>14</b> 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? . . . . .	<b>14</b>	Yes	
<b>15</b> 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			
<b>a</b> <input type="checkbox"/> Reporting to credit agency			
<b>b</b> <input type="checkbox"/> Lawsuits			
<b>c</b> <input type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments or arrests			
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)			
<b>16</b> 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? . . . . .	<b>16</b>		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
<b>a</b> <input type="checkbox"/> Reporting to credit agency			
<b>b</b> <input type="checkbox"/> Lawsuits			
<b>c</b> <input type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)			
<b>17</b> Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
<b>a</b> <input checked="" type="checkbox"/> Notified patients of the financial assistance policy upon admission			
<b>b</b> <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge			
<b>c</b> <input checked="" type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
<b>d</b> <input checked="" type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
<b>e</b> <input checked="" type="checkbox"/> Other (describe in Part VI)			

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

**Policy Relating to Emergency Medical Care**

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

If "No," indicate why

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

	Yes	No
<b>18</b>	Yes	

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

**20** Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . .

If "Yes," explain in Part VI

**21** Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient?

. . . . .

If "Yes," explain in Part VI

<b>19</b>		
<b>20</b>		No
<b>21</b>		No

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

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

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

Name and address	Type of Facility (Describe)
<b>1</b> MIDDLETOWN SURGERY CENTER LLC 5950 INNOVATION DRIVE FRANKLIN, OH 45005	GENERAL MEDICAL & SURGICAL
<b>2</b>	
<b>3</b>	
<b>4</b>	
<b>5</b>	
<b>6</b>	
<b>7</b>	
<b>8</b>	
<b>9</b>	
<b>10</b>	

**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, 6l, 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
Part I, Line 6a		<p>The community benefit report for Atrium Medical Center is part of the Premier Health Partners report Part I, Line 7, column (f) \$6,261,282 of bad debt was excluded from the denominator Part I, Line 7g Atrium Medical Center provides the following subsidized services Maternal Child Health Center offers comprehensive care for women and children including services for pediatric care, immunizations, prenatal care, gynecological services and routine health exams The Center accepts medical cards, Medicaid HMOS and offers income-based discounts to patients without insurance Nutritional support is available In addition, the Center has an on-site Social Worker that assists with discharge planning, applying for medical cards and government resources and obtaining additional family support For 2011, the amount of support provided was \$1,500,000 Emergency Services Atrium Medical Center operates a 24-hour emergency room 365 days per year This emergency room is open to all individuals regardless of their ability to pay The hospital incurs expenses related to call time and physician subsidies due to the large number of indigent patients coming through the emergency room For 2011, the amount paid for call and subsidies was \$5,858,000 Part I, Line 7 Charity Care at Cost A cost to charge ratio was used to calculate this figure This calculation takes total operating expenses less other operating revenues and bad debt expenses divided by total gross revenues Unreimbursed Medicaid and other means-tested governmental programs are calculated using a cost accounting system This system addresses all patient segments and includes fully loaded costs For the remaining items the organization used specific numbers for expense paid directly for these services Part II Atrium Medical Center participates in the following community benefit activities Board Charitable Credit Fund As part of Atrium Medical Center's community partnership activity, board members of the Hospital are granted charitable credits to be donated in the name of the board member to not-for-profit, tax-exempt 501(c)(3) health and human services organizations in the area In addition, the recipient organization must use the funds to improve the general health status of the community and the funds must be used for purposes consistent with the spirit of the Hospital's mission The amount of support provided in 2011 was \$67,000 In addition, Atrium Medical Center offers a wide variety of free health clinics to the general public Part III, Line 4 The organization used the same cost to charge ratio defined in Part I, Line 7 to determine bad debt expense at cost The organization does not have a footnote in the audited financial statements which discusses this calculation Bad debt expense is incurred when an account is taken out of Accounts Receivable and turned over to a collection agency This action may occur if a patient refuses payment arrangements, refuses to apply for charitable assistance and there is not an insurance balance being contended An account is written off to bad debt after 120 days if an attempt to collect from the patient is made within our collection policy and the patient has not returned phone calls, set up a payment plan, applied for charitable assistance and there is not an insurance balance being contended The collection agency attempts to collect the account in accordance with established guidelines Collection attempts are ceased and the account returned back to the organization if the patient applies for charitable assistance Any amounts collected from these accounts are credited back against bad debt expense The organization recognizes that there are accounts written off to bad debt that may have qualified for charity care if the patient provided the necessary financial information In order to resolve this, the organization has engaged a third party vendor to analyze data based on credit scores to reallocate some of this expense to charity care These accounts are then sent to our third party vendor who gathers external credit data that presents the account as less than 200% Federal Poverty Level or not enough information (typically indicative of indigent) These accounts are reclassified from bad debt expense to charity expense on our income statement Any credit score that presents the account as greater than 200% Federal Poverty Level remains in bad debt expense Due to this process, the organization does not feel it has reported bad debt expense for patients eligible under the organization's charity care policy Part III, Section B, Lines 5, 6, and 7 The amounts reported on Lines 5, 6, and 7 do not include certain Medicare program revenues and costs, and thus do not reflect all of the organization's revenues and costs associated with its participation in Medicare programs In addition to the amounts reported on Line 5, 6, and 7, the organization received revenue of \$3,344,000 and incurred cost of \$41,654,000, for an</p>

Identifier	ReturnReference	Explanation
Part I, Line 6a		<p>additional net shortfall of \$8,210,000 associated with these programs Below is a reconciliation of the amounts associated with Medicare programs Allowable Medicare revenue per Medicare Cost Report (Part III, Section B) 57,275,000 Medicare revenue not reported in Part III, Section B 33,444,000 Total Medicare associated revenue 90,719,000 Allowable Medicare cost per Medicare Cost Report (Part III, Section B) 60,276,000 Medicare cost not reported in Part III, Section B 41,654,000 Total Medicare associated cost 101,930,000 Medicare shortfall per Part III, Section B 3,001,000 Additional shortfall not included in Part III, Section B 8,210,000 Total Medicare shortfall 11,211,000 Part III, Line 8 The organization's shortfall should be considered charity care because it is providing high-quality care in excess of the cost to our community residents that need care The Medicare population at the organization is in excess of 47% of net patient revenue The organization used a cost accounting system to calculate the Medicare allowable costs Part III, Line 9b Atrium Medical Center makes reasonable efforts to determine whether or not an individual is eligible for assistance under the state or hospital financial assistance policy before engaging in extraordinary collections actions against that individual Patients who are known to qualify for financial assistance are not subjected to extraordinary collections actions Any third party collecting self pay receivables on our behalf is required to make reasonable efforts to determine if the individual meets the qualifications of the state or of our hospital financial assistance programs Reasonable efforts include a Validating that the patient owes the unpaid bills and that all sources of third party payment have been identified and billed by the hospital b Documenting that Atrium Medical Center has or has attempted to offer the patient the opportunity to apply for charity care under its financial assistance policy c Documented that the patient does not qualify for financial assistance d Document that the patient has been offered a payment plan, but has not honored the terms of that plan Atrium Medical Center's Financial Counselors meet with both inpatient and out patient self-pay, and other patients upon request, who may need financial assistance In addition to assisting patients who want to apply for assistance through the Medicaid program, the Financial Counselor will provide the patient with a financial assistance application Part V, Section B, Line 11 If the patient's family's income falls within 400% of the federal poverty guidelines, the patient qualifies for assistance under the hospital financial assistance policy All or part of the account will be written off to charity care, based on a Sliding Fee Schedule The amounts charged to patients who are eligible for financial assistance are not more than the amounts generally billed to individuals who have insurance covering such care Patients who qualify for financial assistance are not charged gross charges for emergency or medically necessary care We offer reasonable payment plans to those who have qualified for charity care Patients may also qualify for charity care discounts due to a medically-based catastrophic event which has occurred in their life If a patient qualifies for this discount, he/she would only be held responsible for payment of his/her family's medical expenses up to 25% of their annual income Part V, Section B, Line 13 Atrium Medical Center widely distributes information about its financial assistance policy within the Warren County area and surrounding communities that it serves This information includes the method of applying for and accessing financial assistance Notices are publicized in patient's bills and are posted in the emergency room, admitting and registration areas, hospital business offices, patient financial services offices, as well as other public areas A summary of the financ</p>



**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.

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

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

<b>Identifier</b>	<b>Return Reference</b>	<b>Explanation</b>
SCHEDULE I, SUPPLEMENTAL INFORMATION		1) COMMUNITY BENEFITS BUDGETED ALLOCATIONS ARE APPROVED BY THE ATRIUM HEALTH SYSTEM BOARD ANNUALLY 2) INVOICES ARE RECEIVED IN ACCOUNTS PAYABLE UPON APPROVAL BY THE APPROPRIATE INDIVIDUAL 3) DISBURSEMENTS OCCUR ACCORDING TO STANDARD ACCOUNTS PAYABLE GUIDELINES

**Schedule J**  
(Form 990)

**Compensation Information**

OMB No 1545-0047

**2011**

**Open to Public Inspection**

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

Department of the Treasury  
Internal Revenue Service

Name of the organization  
ATRIUM MEDICAL CENTER

Employer identification number

31-1079309

**Part I Questions Regarding Compensation**

- 1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.
- |  |  |
|--|--|
| <input type="checkbox"/> First-class or charter travel             | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions                     | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees   |
| <input type="checkbox"/> Discretionary spending account            | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef) |

**b** If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain

**2** Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

**3** Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply.

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

**4** During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization:

- a** Receive a severance payment or change-of-control payment?
- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?
- c** Participate in, or receive payment from, an equity-based compensation arrangement?  
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

**Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.**

**5** For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:

- a** The organization?
- b** Any related organization?  
If "Yes," to line 5a or 5b, describe in Part III

**6** For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:

- a** The organization?
- b** Any related organization?  
If "Yes," to line 6a or 6b, describe in Part III

**7** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III

**8** Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs. section 53.4958-4(a)(3)? If "Yes," describe in Part III

**9** If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
<b>1b</b>		
<b>2</b>		
<b>4a</b>	Yes	
<b>4b</b>	Yes	
<b>4c</b>		No
<b>5a</b>		No
<b>5b</b>		No
<b>6a</b>	Yes	
<b>6b</b>	Yes	
<b>7</b>		No
<b>8</b>		No
<b>9</b>		



**Part III Supplemental Information**

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

Identifier	Return Reference	Explanation
Part I, Line 4a		<p>See amounts reported in Part II for Douglass McNeill. Part I, Line 4b. Due to restrictions imposed by the Internal Revenue Code, certain persons are limited in the amount of benefit that can be earned under a qualified retirement plan. Like many employers, Atrium Medical Center (AMC), compensates for this limitation and supplements the affected executives' qualified pension through certain nonqualified plans. AMC supplements through a Pension Restoration Plan and a Supplemental Executive Retirement Plan (SERP). The benefits under these supplemental nonqualified plans are subject to multi-year vesting and a participant can forfeit benefits earned if vesting requirements are not satisfied. Under the terms of the supplemental plans, and because of tax rules pertaining to taxation of the earned benefits upon vesting, certain individuals received a payout of the cumulative vested benefits under their supplemental plan during 2011. The individuals listed below have met the multi-year vesting requirement under the Pension Restoration Plan and received the associated payment in 2011, William Linesch \$14,366, Thomas Arquilla \$7,610, Mary Clancy \$24,421, Dale Creech \$35,186. Douglas McNeill met the multi-year vesting requirement under the SERP and received \$425,946. All or parts of these payments were also properly reported on prior years' filed IRS Form 990 returns disclosing compensation earned by these individuals under the plans for each such year. However, based on the guidance provided in the instructions to the Form 990, any payments to the participants related to these plans that were made within 2-1/2 months after the end of the organization's tax year are not treated as deferred compensation for purposes of Schedule J. Such amounts are properly reported as compensation for Form 990 purposes when included in the participants' Form W-2 wages, which in this situation is 2012. PART I, QUESTIONS 6A AND 6B. PREMIER HEALTH PARTNERS, OF WHICH ATRIUM MEDICAL CENTER IS A MEMBER, has an incentive component for all executive and director level employees that ties a portion of their total compensation to organizational and individual objectives and outcomes. The organizational criterion is weighted according to balanced scorecard categories: Positive Work Environment (15%), Quality (30%), Patient Satisfaction (15%), Physician Partnership, (15%), Financial (20%), and Major Projects (5%). The financial category of the scorecard is based on net earnings of the individual hospital and the net earnings of the system as a whole. This financial target is set based on the operating and cash flow margins required to maintain the system Aa credit ratings. Directors, Vice Presidents and above incentive objectives are weighted 45% on organizational criteria and 45% on individual criteria, and 10% on Organizational Effectiveness. The 2011 incentive plan amounts were paid to the participants in 2012. These are not reported as deferred compensation on the 2011 Form 990 based on the definition of deferred compensation contained in the Form 990 instructions. Per the instructions, "deferred compensation is generally treated as earned or accrued in the year that services are rendered, except when entitlement to payment is contingent on satisfaction of organizational goals or specified performance criteria (other than mere longevity of service) under the deferred compensation plan." Based on the incentive program's criteria outlined above, we believe the incentive payments meet the exception noted in the instructions. Such amounts are properly reported as compensation for Form 990 purposes when included in the participants' Form W-2 wages, which in this situation is 2012.</p>

**Software ID:**  
**Software Version:**  
**EIN:** 31-1079309  
**Name:** ATRIUM MEDICAL CENTER

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
CAROL TURNER	(i)	343,067	68,299	5,525	25,929	21,617	464,437	68,299
	(ii)	0	0	0	0	0	0	0
THOMAS MALONEY	(i)	170,375	39,786	1,342	9,851	22,887	244,241	39,786
	(ii)	0	0	0	0	0	0	0
DALE CREECH JR	(i)	0	0	0	0	0	0	0
	(ii)	332,896	150,791	42,224	130,039	25,081	681,031	185,978
THOMAS ARQUILLA	(i)	0	0	0	0	0	0	0
	(ii)	126,756	67,633	9,578	6,832	21,171	231,970	75,243
MARY CLANCY	(i)	0	0	0	0	0	0	0
	(ii)	313,530	126,634	27,524	41,787	13,359	522,834	151,055
RENEE GEORGE	(i)	0	0	0	0	0	0	0
	(ii)	202,151	66,675	581	9,394	24,021	302,822	66,675
J NICHOLAS LAIR	(i)	0	0	0	0	0	0	0
	(ii)	199,671	94,873	745	14,638	20,249	330,176	94,873
WILLIAM LINESCH	(i)	0	0	0	0	0	0	0
	(ii)	300,256	103,880	20,202	33,815	7,322	465,475	118,246
MARK SHAW	(i)	0	0	0	0	0	0	0
	(ii)	255,244	86,405	7,737	62,595	21,418	433,399	86,405
TED RIPPERGER	(i)	141,456	27,234	357	8,120	14,835	192,002	26,734
	(ii)	0	0	0	0	0	0	0
LISA GOSSETT	(i)	153,996	48,348	939	13,170	15,500	231,953	48,348
	(ii)	0	0	0	0	0	0	0
LENA FOGLE	(i)	127,305	18,108	33,277	26,266	21,176	226,132	17,608
	(ii)	0	0	0	0	0	0	0
DAVID CAFFERTY	(i)	164,700	1,000	1,156	13,494	9,363	189,713	0
	(ii)	0	0	0	0	0	0	0
DONNA L BANKS	(i)	132,108	41,867	939	14,357	18,388	207,659	41,867
	(ii)	0	0	0	0	0	0	0
MARK E WILLIAMS	(i)	226,140	43,180	968	6,926	20,755	297,969	43,180
	(ii)	0	0	0	0	0	0	0
LISA MARTINEZ	(i)	126,611	12,565	1,145	9,405	1,061	150,787	12,065
	(ii)	0	0	0	0	0	0	0
DOUGLAS MCNEILL	(i)	565,125	93,235	426,274	0	0	1,084,634	519,181
	(ii)	0	0	0	0	0	0	0

**Schedule K  
(Form 990)**

OMB No 1545-0047

**Supplemental Information on Tax Exempt Bonds**

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

▶ **Attach to Form 990. ▶ See separate instructions.**

**2011**

**Open to Public  
Inspection**

Department of the Treasury  
Internal Revenue Service

Name of the organization  
ATRIUM MEDICAL CENTER

Employer identification number

31-1079309

**Part I Bond Issues**

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
<b>A</b>	CITY OF MIDDLETOWN OH	31-6000139	597146AH2	11-21-2008	111,000,000	REFUND SERIES 2007 A & B		X		X		X
<b>B</b>	CITY OF MIDDLETOWN OH	31-6000139	597146AJ8	11-15-2010	86,000,000	REFUND SERIES 2006 A		X		X		X

**Part II Proceeds**

		A	B	C	D
<b>1</b>	Amount of bonds retired	10,025,000	0		
<b>2</b>	Amount of bonds defeased	0	0		
<b>3</b>	Total proceeds of issue	111,000,000	86,000,000		
<b>4</b>	Gross proceeds in reserve funds	0	0		
<b>5</b>	Capitalized interest from proceeds	0	0		
<b>6</b>	Proceeds in refunding escrow	0	0		
<b>7</b>	Issuance costs from proceeds	1,513,169	560,000		
<b>8</b>	Credit enhancement from proceeds	0	0		
<b>9</b>	Working capital expenditures from proceeds	0	0		
<b>10</b>	Capital expenditures from proceeds	0	0		
<b>11</b>	Other spent proceeds	0	0		
<b>12</b>	Other unspent proceeds	0	0		
<b>13</b>	Year of substantial completion	2007	2007		
		Yes	No	Yes	No
<b>14</b>	Were the bonds issued as part of a current refunding issue?	X		X	
<b>15</b>	Were the bonds issued as part of an advance refunding issue?		X		X
<b>16</b>	Has the final allocation of proceeds been made?	X		X	
<b>17</b>	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X	

**Part III Private Business Use**

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

**Part III Private Business Use (Continued)**

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>3a</b> Are there any management or service contracts that may result in private business use?	X		X					
<b>b</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					
<b>c</b> Are there any research agreements that may result in private business use of bond-financed property?	X		X					
<b>d</b> 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					
<b>4</b> 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	0.050 %		0.050 %					
<b>5</b> 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	1.230 %		1.230 %					
<b>6</b> Total of lines 4 and 5	1.280 %		1.280 %					
<b>7</b> Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X					

**Part IV Arbitrage**

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>1</b> 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				
<b>2</b> Is the bond issue a variable rate issue?	X		X					
<b>3a</b> Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X			X				
<b>b</b> Name of provider	MERRIL LYNCH		0					
<b>c</b> Term of hedge	279							
<b>d</b> Was the hedge superintegrated?	X							
<b>e</b> Was a hedge terminated?		X						
<b>4a</b> Were gross proceeds invested in a GIC?		X		X				
<b>b</b> Name of provider	0		0					
<b>c</b> Term of GIC								
<b>d</b> Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
<b>5</b> Were any gross proceeds invested beyond an available temporary period?		X		X				
<b>6</b> Did the bond issue qualify for an exception to rebate?	X							

**Part V Procedures To Undertake Corrective Action**

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

**Part VI Supplemental Information**

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

Identifier	Return Reference	Explanation
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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  
ATRIUM MEDICAL CENTER

**Employer identification number**

31-1079309

Identifier	Return Reference	Explanation
Form 990, Part I, Question 10		<p>Atrium Medical Center has designated its Investments as Trading In accordance with the AI CPA, Guide for Healthcare, all unrealized gains and losses are recognized through the Profit and Loss Statement For 990 reporting, this activity is excluded per the instructions by the Internal Revenue Service In 2011, Atrium Medical Center recognized unrealized loss of \$1,647,376 Form 990, Part VI, Section A, Question 3 Premier Health Partners (PHP) develops and oversees the implementation of the strategic plan for Atrium Medical Center (AMC), which addresses such matters as location of clinical and administrative expenses and the consolidation of such services AMC shall comply with and implement this plan and shall not take any action that materially departs from this plan without PHP approval AMC develops and submits an annual capital and operating budget to PHP for approval AMC shall adopt and implement the capital and operating budget so approved and/or revised for it by PHP AMC periodically develops and submits a business plan to PHP for approval AMC shall implement the business plan approved by PHP PHP is the sole agent to negotiate all relationships with payors on behalf of AMC with all third party payors and alternative delivery systems including, but not limited to insurers AMC must have approval from PHP to borrow in any fiscal year, guarantee in any year, or incur any lien or other encumbrance on any property in an amount equal to or greater than \$500,000 AMC must seek PHP approval for any acquisitions, sale or transfer of any material asset used in PHP activities Form 990, Part VI, Section A, Question 6 Atrium Medical Center has two members One member is Atrium Health System, the parent company of the hospital The second member is Premier Health Partners, an Ohio non-profit corporation formed pursuant to the joint operating agreement Atrium Health System has the sole authority to elect the Board of Trustees of the corporation Premier Health Partners has the general authority to operate and manage the operational activities of the organization Form 990, Part VI, Section A, Question 7a Atrium Health System (AHS) has the sole authority to elect the Board of Trustees for Atrium Medical Center (AMC) AHS has the authority to remove trustees at any regular or special meeting or by written consent In addition to removal by AHS, a trustee may be removed from office with approval by AHS, by the affirmative vote of not less than two-thirds of the entire Board of Trustees Premier Health Partners (PHP) has the right to request that AHS remove a trustee of the corporation if PHP has determined that such trustee is frustrating the goals and purposes of Premier Health Partners' network Such removal shall not be unreasonably refused by AHS Form 990, Part VI, Section A, Question 7b See the response above for Form 990, Part VI, Section A, Question 3 Form 990, Part VI, Section B, Question 11A This 990 tax return and attached schedules (the return) are prepared by a staff member in the Tax Department of Premier Health Partners (PHP), of which Atrium Medical Center is a member The return is reviewed by the Tax Manager and a Director of the Financial Accounting Department of PHP The return is concurrently sent to Ernst &amp; Young US LLP for their review After all changes from the above group are made, the return is reviewed by the Vice President/Controller of PHP and the Chief Financial Officer of this entity A final version of the return is sent to Ernst &amp; Young US LLP for a final review and then provided to the Board of Directors for review At the meeting, the Vice President / Controller of PHP shares detailed information on compensation and community benefits, as well as address any other questions from the Board of Directors, pending their review The 990 tax return is also shared with the Audit Committee of PHP At the meeting, the Vice President / Controller of PHP shares detailed information on compensation and community benefits, as well as addresses any other questions from the committee Form 990, Part VI, Section B, Question 12c Premier Health Partners (PHP), of which Atrium Medical Center is a member, requires all board members, officers, executives and management personnel to annually review the PHP Comprehensive Conflict of Interest Statement, an explanatory memorandum, the Antitrust Compliance Policy and complete an individual questionnaire disclosing any potential conflicts as defined in the Conflicts of Interest Policy This is accomplished with a memo sent out annually from the Chairman of the Board and Chief Executive Officer of PHP to all board members, executive directors, vice presidents, directors, purchasing department staff and authorized purchasers It includes an explanatory memorandum of specific activities that might give cause to a conflict and an individual questionnaire to disclose all such activities This questionnaire must be completed and signed by the individual</p>

Identifier	Return Reference	Explanation
Form 990, Part I, Question 10		<p>dual Last, this memo includes a copy of the Antitrust Compliance Policy that must be signed by the individual All of these documents are sent to the Corporate Compliance Officer The Corporate Compliance Department ensures all forms are returned and retains the documents for five years In addition, at each meeting of the Board or any Board Committee, following approval of the minutes, the Board Committee Chair shall request any board member who perceives a potential conflict of interest on any of the meeting's agenda items to disclose the potential conflict Additionally, any Board or Board Committee meeting where the subject of conflicts of interest is discussed, the normally taken minutes shall contain the name of the party discussing a potential conflict of interest, the nature of the potential conflict of interest and whether a conflict of interest was found to exist If a conflict of interest does exist, the member will be excused from participating in any discussion or voting on the particular agenda item The Corporate Compliance Officer reports the results of the PHP Conflicts of Interest questionnaires no less than annually to the Board of Trustees by way of the Compliance and Audit Committee This review is documented in the minutes of the meeting Periodically, the Internal Audit department will review a sample of completed Conflict of Interest questionnaires and report the results to the Compliance and Audit Committee The annual conflicts of interest questionnaires are individually summarized in a Word document and sent electronically to the Finance department for any necessary disclosures required on the 990 tax return</p>

Identifier	Return Reference	Explanation
Form 990, Part VI, Section B, Q 15A, 15B		<p>Form 990, Part VI, Section B, Question 15A and 15B Premier Health Partners, of which Atrium Medical Center is a member, follows a market-based compensation philosophy designed to attract and retain the executive talent required to meet the high performance standards of our board and our community. PHP annually reviews executive compensation survey data for a regional peer group of systems and hospitals that are similar in size and complexity to PHP and its subsidiaries. The data for the survey is provided by a third party consultant group that is independent of PHP. This report includes comparability for key executives, vice presidents and director level positions. The independent comparability data is reviewed by the executive compensation committee on an annual basis. This committee is comprised of three members, all of which are independent. This committee reviews in detail the compensation for the PHP CEO, COO, CFO, Chief Strategy Officer, and the hospital CEOs. Other positions are reviewed at a high level for reasonableness. All the meeting minutes are documented and kept on file along with any comparability data and the consultant report. After the compensation committee reviews and approves the compensation actions, the process is audited by the internal audit department. The executive compensation committee presents the compensation actions to the PHP board annually.</p>

Identifier	Return Reference	Explanation
Form 990, Part VI, Section C, Q 19		<p>Form 990, Part VI, Section C, Question 19 The governing documents, conflicts of interest policy and financial statements are made available to the public when required by law or for accreditation purposes Form 990, Part VII, Column B Officers work an average of 40 hours over the entities listed in Schedule R Form 990, Part X, 2011 Beginning Balance Certain Balance Sheet line items have been reclassified to conform to the current year's presentation Form 990, Part XI, Question 5 Prior year adjustment to beginning balance (282,425) Unrealized Gain / (Loss) (1,647,376) Equity Transfers (626,001) Pension Adjustment 575,381 Funding from Foundation (225,107) PHS / Primary Care (3,752,941) Other 43,903 Total (5,914,566) Statement pertaining to 2011 Form 5471 UNDER THE CONSTRUCTIVE OWNERSHIP RULES OF IRC SECTIONS 958(a) AND (b), THE TAXPAYER IS REQUIRED TO FILE FORMS 5471, INFORMATION RETURN OF U S PERSONS WITH RESPECT TO CERTAIN FOREIGN CORPORATIONS, AS A CATEGORY 5 FILER WITH RESPECT TO CERTAIN CONTROLLED FOREIGN CORPORATIONS (CFCs) THESE FILING REQUIREMENTS ARE OR WILL BE SATISFIED THROUGH THE FILING OF FORMS 5471 FOR THESE CFCs BY OTHER U S TAXPAYERS IDENTIFIED BELOW WHO HAVE THE SAME FILING REQUIREMENT Samaritan Health Partners 110 North Main St, Suite 500 Dayton, OH 45402 EIN 31-1107411 THE FILING ORGANIZATION, ATRIUM MEDICAL CENTER, IS NOT FILING A SEPARATE FORM 5471 - SCHEDULE I BECAUSE IT HAS NO INCOME FROM THE FOREIGN CORPORATION</p>

**SCHEDULE R  
(Form 990)**

**Related Organizations and Unrelated Partnerships**

OMB No 1545-0047

**2011**

**Open to Public Inspection**

▶ **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.**

Department of the Treasury  
Internal Revenue Service

**Name of the organization**  
ATRIUM MEDICAL CENTER

**Employer identification number**

31-1079309

**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
<b>(1) PREMIER HEALTH PARTNERS</b> 110 North Main St Suite 500 DAYTON, OH 45402 31-1446699	SUPPORT ORG	OH	501(C)(3)	11-I	NA		No
<b>(2) ATRIUM HEALTH SYSTEM (AHS)</b> 110 North Main St Suite 500 DAYTON, OH 45402 31-0537492	PARENT	OH	501(C)(3)	11-I	NA		No
<b>(3) ATRIUM MEDICAL CENTER FOUNDATION</b> 1 MEDICAL CENTER DR MIDDLETOWN, OH 45044 31-1079213	Foundation	OH	501(C)(3)	11-II	AHS	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) MIDDLETOWN SURGERY CENTER LLC  5950 INNOVATION DR FRANKLIN, OH 45005 20-5160579	O/P Surgery	OH	AHS	Related	0	0		No	0		No	0 %

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

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

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

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

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

- a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)

- f** Sale of assets to related organization(s)
- g** Purchase of assets from related organization(s)
- h** Exchange of assets with related organization(s)
- i** Lease of facilities, equipment, or other assets to related organization(s)
- j** Lease of facilities, equipment, or other assets from related organization(s)
- k** Performance of services or membership or fundraising solicitations for related organization(s)
- l** Performance of services or membership or fundraising solicitations by related organization(s)
- m** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- n** Sharing of paid employees with related organization(s)

- o** Reimbursement paid to related organization(s) for expenses
- p** Reimbursement paid by related organization(s) for expenses

- q** Other transfer of cash or property to related organization(s)
- r** Other transfer of cash or property from related organization(s)

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

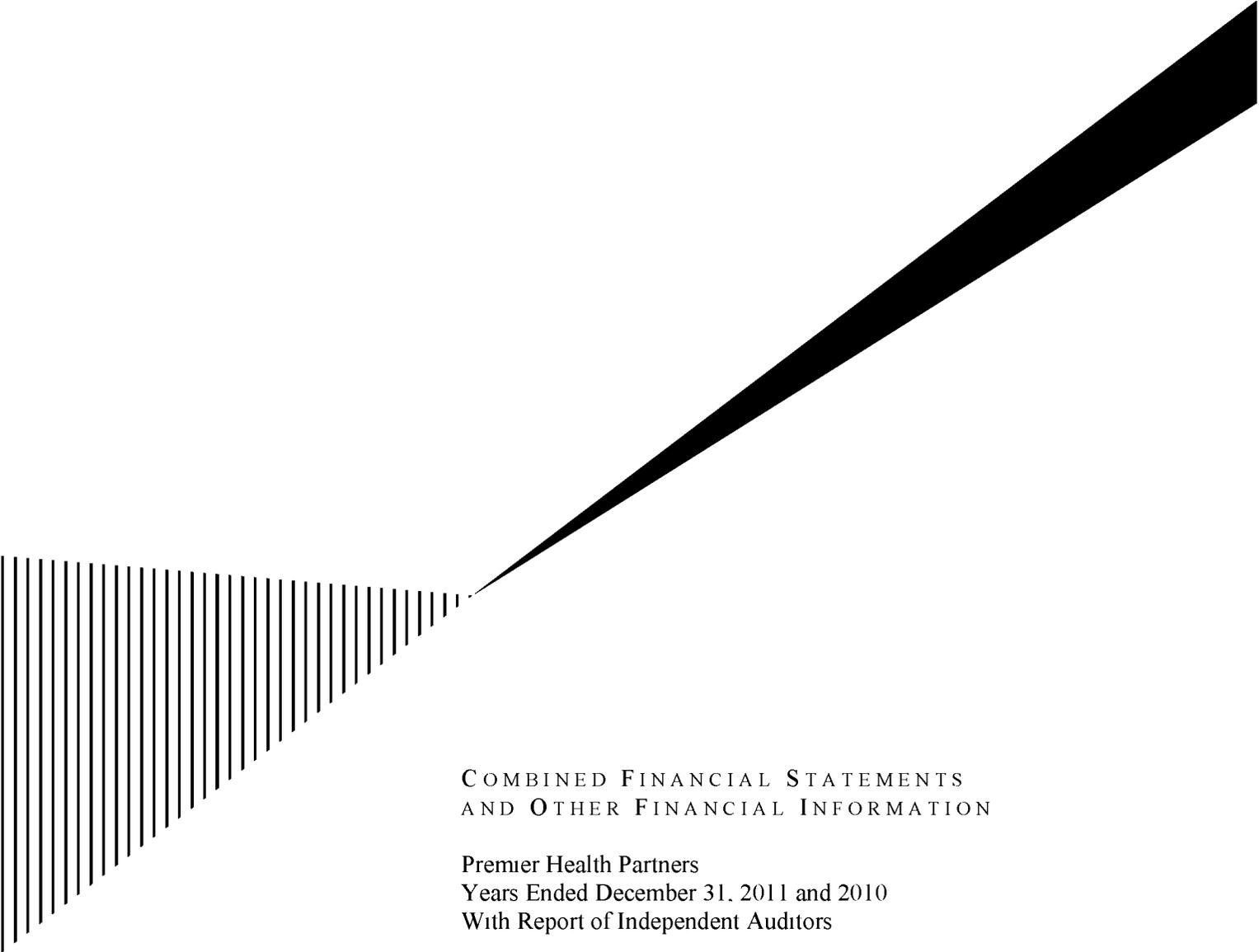
(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
<b>(1)</b> ATRIUM MEDICAL CENTER FOUNDATION	C	372,417	Cash
<b>(2)</b> ATRIUM MEDICAL CENTER FOUNDATION	P	300,168	FMV
<b>(3)</b> ATRIUM MEDICAL CENTER FOUNDATION	Q	626,001	Cash
<b>(4)</b>			
<b>(5)</b>			
<b>(6)</b>			



**Part VII Supplemental Information**

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

**Identifier****Return Reference****Explanation****Schedule R (Form 990) 2011**



COMBINED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

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

Ernst & Young LLP

 **ERNST & YOUNG**

# Premier Health Partners

## Combined Financial Statements and Other Financial Information

Years Ended December 31, 2011 and 2010

### Contents

Statement of Management's Responsibility	1
Report of Independent Auditors	1
Combined Financial Statements	
Combined Balance Sheets	2
Combined Statements of Operations and Changes in Net Assets	4
Combined Statements of Cash Flows	6
Notes to Combined Financial Statements	7
Supplementary Information	
Report of Independent Auditors on Supplementary Information	72
Combining PHP Balance Sheet – 2011	73
Combining PHP Statement of Operations – 2011	75
Combining PHP Balance Sheet – 2010	76
Combining PHP Statement of Operations – 2010	78
Consolidating MAHS Balance Sheet – 2011	79
Consolidating MAHS Statement of Operations – 2011	81
Consolidated MAHS Statements of Changes in Net Assets	82
Consolidated MAHS Statements of Cash Flows	83
Consolidating MAHS Balance Sheet – 2010	84
Consolidating MAHS Statement of Operations – 2010	86
Consolidating SHP Balance Sheet – 2011	87
Consolidating SHP Statement of Operations – 2011	89
Consolidated SHP Statements of Changes in Net Assets	90
Consolidated SHP Statements of Cash Flows	91
Consolidating SHP Balance Sheet – 2010	92
Consolidating SHP Statement of Operations – 2010	94
Consolidating AHS Balance Sheet – 2011	95
Consolidating AHS Statement of Operations – 2011	97
Consolidated AHS Statements of Changes in Net Assets	98
Consolidated AHS Statements of Cash Flows	99
Consolidating AHS Balance Sheet – 2010	100
Consolidating AHS Statement of Operations – 2010	102
Consolidating UVMC Balance Sheet – 2011	103
Consolidating UVMC Statement of Operations – 2011	105
Consolidated UVMC Statements of Changes in Net Assets	106
Consolidated UVMC Statements of Cash Flows	107
Consolidating UVMC Balance Sheet – 2010	108
Consolidating UVMC Statement of Operations – 2010	110



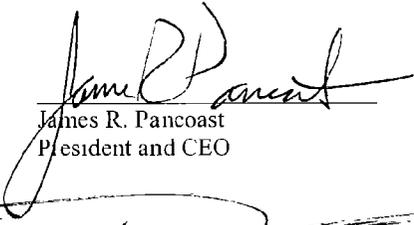
### Statement of Management Responsibility

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

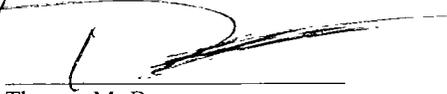
Management of PHP is responsible for the integrity and objectivity of the financial statements, which are presented using the accrual basis of accounting and accordingly, include some amounts based on judgments and estimates. The accounting procedures and related system of internal control are designed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

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

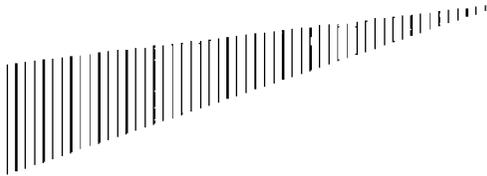
Ernst & Young, LLP, independent auditors, have audited the financial statements of PHP for the years ended December 31, 2011 and 2010, and their report thereon is included herein. The independent auditors meet with members of the Compliance and Audit Committee of the Board of Trustees of PHP, in the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



James R. Pancoast  
President and CEO



Thomas M. Duncan  
Vice President and CFO



Ernst & Young LLP  
1900 Scripps Center  
312 Walnut Street  
Cincinnati, OH 45202  
Tel +1 513 612 1400  
Fax +1 513 612 1730  
www.ey.com

## Report of Independent Auditors

The Board of Trustees  
Premier Health Partners

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

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

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

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

March 20, 2012

Premier Health Partners and Affiliates

Combined Balance Sheets  
(Dollars in Thousands)

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

Premier Health Partners and Affiliates

Combined Balance Sheets (Continued)

(Dollars in Thousands)

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

See accompanying notes

Premier Health Partners and Affiliates

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

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

Continued on next page

Premier Health Partners and Affiliates

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

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

*See accompanying notes*

## Premier Health Partners and Affiliates

### Combined Statements of Cash Flows (Dollars in Thousands)

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

See accompanying notes

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements

December 31, 2011 and 2010

#### **A. Organization and Significant Accounting Policies**

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

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

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

#### **PHP Affiliates**

##### *MedAmerica Health Systems*

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **A. Organization and Significant Accounting Policies (continued)**

##### *Samaritan Health Partners*

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

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

##### *Atrium Health System*

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

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

##### *UVMC and Controlled Affiliates*

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

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

#### **Principles of Combination**

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **A. Organization and Significant Accounting Policies (continued)**

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

#### **Estimates and Judgments**

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

#### **Claims and Contingencies**

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **A. Organization and Significant Accounting Policies (continued)**

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

#### **Recently Adopted Accounting Pronouncements**

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **A. Organization and Significant Accounting Policies (continued)**

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

#### **Pending Accounting Pronouncements**

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

#### **Cash and Short-Term Investments**

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

#### **Net Patient Accounts Receivable and Net Patient Revenues**

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **A. Organization and Significant Accounting Policies (continued)**

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

#### **Charity Care**

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

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

#### **Inventories**

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **A. Organization and Significant Accounting Policies (continued)**

##### **Intangible Assets**

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

##### **Assets Limited as to Use**

*MedAmerica Health Systems and Atrium Health System*

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **A. Organization and Significant Accounting Policies (continued)**

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

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

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **A. Organization and Significant Accounting Policies (continued)**

##### *Samaritan Health Partners*

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

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **A. Organization and Significant Accounting Policies (continued)**

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

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

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

#### *UVMC*

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **A. Organization and Significant Accounting Policies (continued)**

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

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

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

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

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

#### **Fair Value Measurements**

PHP follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC), 820 *Fair Value Measurements and Disclosure* (ASC 820), which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **A. Organization and Significant Accounting Policies (continued)**

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

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **A. Organization and Significant Accounting Policies (continued)**

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

#### **Property, Plant and Equipment**

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **A. Organization and Significant Accounting Policies (continued)**

##### **Financial Derivative Instruments**

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

##### **Description of Net Assets**

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

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

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

##### **Functional Expenses**

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

##### **Medicare and Medicaid Reimbursement Activities**

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **A. Organization and Significant Accounting Policies (continued)**

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

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

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

#### **Medicare and Medicaid Incentive Payment Program**

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **A. Organization and Significant Accounting Policies (continued)**

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

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

#### **Hospital Franchise Tax**

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

#### **Excess of Revenue Over Expenses**

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

#### **Income Taxes**

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### A. Organization and Significant Accounting Policies (continued)

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

#### Reclassification

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

#### B. Assets Limited as to Use

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

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**B. Assets Limited as to Use (continued)**

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

	MAHS	SHP	AHS	UVMC	Combined PHP
	<i>(Dollars in Thousands)</i>				
Cash and short-term investments	\$ 36.802	\$ 1.156	\$ 2.605	\$ 1.744	\$ 42.307
Equity securities	19.001	21	1.837	-	20.859
Mutual fund					
Domestic large cap	70.959	-	5.312	16.938	93.209
Domestic small cap	24.554	2.650	2.748	4.507	34.459
International	40.402	-	3.024	12.684	56.110
Fixed income	-	-	-	26.813	26.813
Corporate and other bonds					
Corporate and other bonds	71.042	7.593	8.090	68.325	155.050
Asset-backed securities	45.830	5.444	5.300	8.568	65.142
U S government securities					
U S government securities	30.975	1.091	2.401	1.719	36.186
U S government agencies	35.160	1.300	3.078	36.582	76.120
Alternative investments					
Limited liability companies	35.022	-	2.622	-	37.644
Hedge funds	68.473	-	5.126	16.677	90.276
Interest in net assets of UVMC					
Foundation	-	-	-	11.219	11.219
CHI Investment Program	-	138.586	-	-	138.586
	478.220	157.841	42.143	205.776	883.980
Less assets limited as to use – current	(208.715)	(7.579)	(28.290)	-	(244.584)
Total assets limited as to use	<u>\$ 269.505</u>	<u>\$ 150.262</u>	<u>\$ 13.853</u>	<u>\$ 205.776</u>	<u>\$ 639.396</u>

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **B. Assets Limited as to Use (continued)**

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

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

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

#### *Samaritan Health Partners*

The Program's asset allocation is as follows:

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **B. Assets Limited as to Use (continued)**

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

#### **C. Fair Value of Assets and Liabilities**

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**C. Fair Value of Assets and Liabilities (continued)**

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

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**C. Fair Value of Assets and Liabilities (continued)**

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### C. Fair Value of Assets and Liabilities (continued)

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

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**C. Fair Value of Assets and Liabilities (continued)**

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

	Fair Value as of December 31, 2010	Fair Value Measurements at Reporting Date Using		
		(Level 1) Quoted Prices in Active Market	(Level 2) Other Observable Inputs	(Level 3) Unobservable Inputs
<i>(Dollars in Thousands)</i>				
<b>Assets</b>				
Cash and short-term investments	\$ 67,521	\$ 67,521	\$ —	\$ —
Assets limited as to use				
Cash and short-term investments	42,307	10,692	31,615	—
Equity securities	20,859	20,859	—	—
Mutual funds				
Domestic large cap	93,209	93,209	—	—
Domestic small cap	34,459	34,459	—	—
International	56,110	56,110	—	—
Fixed	26,813	26,813	—	—
Corporate and other bonds				
Corporate and other bonds	155,050	—	155,050	—
Asset-backed securities	65,142	—	65,142	—
U S government securities				
U S government securities	36,186	—	36,186	—
U S government agencies	76,120	—	76,120	—
Total assets limited as to use	606,255	242,142	364,113	—
Deferred compensation assets				
Money market and mutual funds	28,634	28,634	—	—
Assets held for sale	18,950	—	18,950	—
Total assets	\$ 721,360	\$ 338,297	\$ 383,063	\$ —
<b>Liabilities</b>				
Interest rate swap liability	\$ 12,293	\$ —	\$ 215	\$ 12,078
Deferred compensation liabilities	28,634	28,634	—	—
Total liabilities	\$ 40,927	\$ 28,634	\$ 215	\$ 12,078

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **C. Fair Value of Assets and Liabilities (continued)**

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### C. Fair Value of Assets and Liabilities (continued)

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

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

#### *Assets held for sale*

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

#### *Interest rate swap agreements*

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**C. Fair Value of Assets and Liabilities (continued)**

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

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

<sup>(1)</sup> Receiving rate is 67% of LIBOR less a spread of 0.234%

<sup>(2)</sup> Receiving rate is 67% of LIBOR less a spread of 0.238%

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### C. Fair Value of Assets and Liabilities (continued)

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

#### Level 3 Liabilities

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

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

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

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**D. Property Plant and Equipment**

The composition of property, plant and equipment is as follows

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

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

**E. Asset Disposition and Impairment Charges**

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

**MedAmerica Health Systems**

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **E. Asset Disposition and Impairment Charges (continued)**

##### **Samaritan Health Partners**

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

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

#### **F. Liability Insurance**

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### G. Long-Term Debt

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

	Year Ended December 31	
	2011	2010
	<i>(Dollars in Thousands)</i>	
<b>MAHS</b>		
County of Montgomery, Ohio, Fixed Rate Revenue Bonds – 2011 Series A, final maturity in 2023, fixed interest rate 5.52%, net of unamortized premium \$5.990	\$ 105,990	\$ –
County of Montgomery, Ohio, Variable Rate Revenue Bonds – 2011 Series B, final maturity in 2045, average interest rate was 0.07% in 2011	42,500	–
County of Montgomery, Ohio, Variable Rate Revenue Bonds – 2011 Series C, final maturity in 2045, average interest rate was 0.07% in 2011	42,500	–
County of Montgomery, Ohio, Fixed Rate Revenue Bonds – 2009 Series A, final maturity in 2039, fixed interest rate 6.03%, net of unamortized discount \$3,112, and \$3,261, respectively	111,888	111,739
County of Montgomery, Ohio, Fixed Rate Revenue Bonds – 2009 Series B, final maturity in 2039, fixed interest rate 5.25%	15,000	15,000
County of Montgomery, Ohio, Fixed Rate Revenue Bonds – 2008 Series A, final maturity in 2022, average interest rate was 5.64% and 5.61% in 2011 and 2010, respectively, net of unamortized discount \$165 and \$168, respectively	44,905	48,447
County of Montgomery, Ohio, Variable Rate Revenue Bonds – 2008 Series B, final maturity in 2039, average interest rate was 0.18% and 0.34% in 2011 and 2010, respectively	28,830	28,830
County of Montgomery, Ohio, Variable Rate Revenue Bonds – 2008 Series C, final maturity in 2039, average interest rate was 0.25% and 0.42% in 2011 and 2010, respectively	27,000	27,000
County of Montgomery, Ohio, Variable Rate Revenue Bonds – 1998 Series B, paid off on April 1 <sup>st</sup> , 2011, average interest rate was 0.22% and 0.27% in 2011 and 2010, respectively	–	84,300
Note payable, noninterest-bearing, final maturity 2015	149	184
Capitalized leases and other	4,104	2,095
Total MAHS debt, including current portion and short-term	<u>\$ 422,866</u>	<u>\$ 317,595</u>

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### G. Long-Term Debt (continued)

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**G. Long-Term Debt (continued)**

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **G. Long-Term Debt (continued)**

##### **MedAmerica Health Systems**

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

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

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

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

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **G. Long-Term Debt (continued)**

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

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

#### **Samaritan Health Partners**

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

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **G. Long-Term Debt (continued)**

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

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **G. Long-Term Debt (continued)**

##### **Atrium Health System**

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

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **G. Long-Term Debt (continued)**

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

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

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

#### **UVMC**

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **G. Long-Term Debt (continued)**

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

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

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

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**H. Pension Plan**

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### H. Pension Plan (continued)

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### H. Pension Plan (continued)

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

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

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

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

#### MedAmerica Health Systems

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**H. Pension Plan (continued)**

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

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

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

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

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

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

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**H. Pension Plan (continued)**

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

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**H. Pension Plan (continued)**

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### H. Pension Plan (continued)

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

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

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### H. Pension Plan (continued)

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

2012	\$ 11.908
2013	12.351
2014	13.727
2015	14.738
2016	14.337
2017–2021	103.542
	<u>\$ 170.603</u>

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

#### Samaritan Health Partners

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **H. Pension Plan (continued)**

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

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

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**H. Pension Plan (continued)**

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

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

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

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

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

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

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**H. Pension Plan (continued)**

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

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

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

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

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### H. Pension Plan (continued)

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

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

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

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

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

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

#### Atrium Health System

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**H. Pension Plan (continued)**

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

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

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

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

<sup>(3)</sup> Weighted average is approximately 2.50% in 2011 and 2012, then 3.00% in 2013 and thereafter.

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

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

<sup>(4)</sup> Weighted average is approximately 2.50% in 2011 and 2012, then 3.0% in 2013 and thereafter.

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**H. Pension Plan (continued)**

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

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### H. Pension Plan (continued)

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

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

<u>Securities</u>	<u>Input</u>	<u>Valuation Technique</u>
Mutual funds	NAV	Market
Hedge funds	NAV	Market/Income

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

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**H. Pension Plan (continued)**

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

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

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

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

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

**UVMC**

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

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

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**H. Pension Plan (continued)**

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

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

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

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

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**H. Pension Plan (continued)**

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

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

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**H. Pension Plan (continued)**

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

<u>Securities</u>	<u>Input</u>	<u>Valuation Technique</u>
Mutual funds	NAV	Market

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

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

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### I. Interest Rate Swaps

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

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

#### MedAmerica Health Systems

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

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **I. Interest Rate Swaps (continued)**

##### **Samaritan Health Partners**

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

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

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

##### **Atrium Health System**

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

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

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

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**I. Interest Rate Swaps (continued)**

**UVMC**

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

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

**J. Nonoperating (Losses) Gains**

Nonoperating (losses) gains are as follows:

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### K. Concentration of Credit Risk

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

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

#### L. Acquisitions and Intangible Assets

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

#### MedAmerica Health Systems

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### L. Acquisitions and Intangible Assets (continued)

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

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

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

#### Samaritan Health Partners

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

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

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**L. Acquisitions and Intangible Assets (continued)**

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

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

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

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

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

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**M. Cost of Community Benefits (Unaudited)**

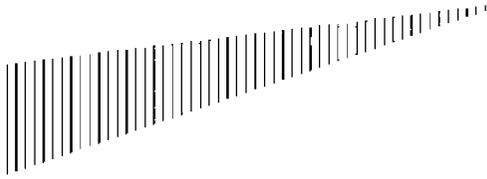
	<u>2011 PHP</u>	<u>PHP %</u>	<u>2010 PHP</u>	<u>PHP %</u>
Cost of community benefit				
<b>Charity care and means-tested government programs</b>				
Charity care at cost	\$ 66,707		\$ 57,252	
Unreimbursed Medicaid	24,434		34,799	
Unreimbursed costs – other means-tested government programs	1,837		2,260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

Medicaid and Medicare includes total costs

**N. Subsequent Events**

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

## Supplementary Information



Ernst & Young LLP  
1900 Scripps Center  
312 Walnut Street  
Cincinnati, OH 45202  
Tel +1 513 612 1400  
Fax +1 513 612 1730  
www.ey.com

## Report of Independent Auditors on Supplementary Information

The Board of Trustees  
Premier Health Partners

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

*Ernst & Young LLP*

March 20, 2012

Premier Health Partners and Affiliates

Combining Balance Sheet  
(Dollars in Thousands)

December 31, 2011

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

Premier Health Partners and Affiliates

Combining Balance Sheet (continued)  
(Dollars in Thousands)

December 31, 2011

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

Premier Health Partners and Affiliates

Combining Statement of Operations  
(Dollars in Thousands)

Year Ended December 31, 2011

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

# Premier Health Partners and Affiliates

## Combining Balance Sheet (Dollars in Thousands)

December 31, 2010

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

Premier Health Partners and Affiliates

Combining Balance Sheet (continued)  
(Dollars in Thousands)

December 31, 2010

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

Premier Health Partners and Affiliates

Combining Statement of Operations  
(Dollars in Thousands)

Year Ended December 31, 2010

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

MedAmerica Health Systems and Subsidiaries

Consolidating Balance Sheet  
(Dollars in Thousands)

December 31, 2011

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

MedAmerica Health Systems and Subsidiaries

Consolidating Balance Sheet (continued)  
(Dollars in Thousands)

December 31, 2011

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

# MedAmerica Health Systems and Subsidiaries

## Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2011

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

MedAmerica Health Systems and Subsidiaries

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

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

## MedAmerica Health Systems and Subsidiaries

### Consolidated Statements of Cash Flows (Dollars in Thousands)

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

MedAmerica Health Systems and Subsidiaries

Consolidating Balance Sheet  
(Dollars in Thousands)

December 31, 2010

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

MedAmerica Health Systems and Subsidiaries

Consolidating Balance Sheet (continued)  
(Dollars in Thousands)

December 31, 2010

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

# MedAmerica Health Systems and Subsidiaries

## Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2010

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

## Samaritan Health Partners and Subsidiaries

### Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2011

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

Samaritan Health Partners and Subsidiaries

Consolidating Balance Sheet (continued)  
(Dollars in Thousands)

December 31, 2011

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

# Samaritan Health Partners and Subsidiaries

## Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2011

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

Samaritan Health Partners and Subsidiaries

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

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

See accompanying notes

## Samaritan Health Partners and Subsidiaries

### Consolidated Statement of Cash Flows (Dollars in Thousands)

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

## Samaritan Health Partners and Subsidiaries

### Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2010

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

## Samaritan Health Partners and Subsidiaries

### Consolidating Balance Sheet (continued) (Dollars in Thousands)

December 31, 2010

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

## Samaritan Health Partners and Subsidiaries

### Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2010

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

## Atrium Health System and Subsidiaries

### Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2011

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

## Atrium Health System and Subsidiaries

### Consolidating Balance Sheet (continued) (Dollars in Thousands)

December 31, 2011

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

## Atrium Health System and Subsidiaries

### Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2011

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

Atrium Health System and Subsidiaries

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

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

## Atrium Health Systems and Subsidiaries

### Consolidated Statements of Cash Flows (Dollars in Thousands)

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

Atrium Health System and Subsidiaries

Consolidating Balance Sheet  
(Dollars in Thousands)

December 31, 2010

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

## Atrium Health System and Subsidiaries

### Consolidating Balance Sheet (continued) (Dollars in Thousands)

December 31, 2010

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

## Atrium Health System and Subsidiaries

### Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2010

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

UVMC and Controlled Affiliates

Consolidating Balance Sheet  
(Dollars in Thousands)

December 31, 2011

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

UVMC and Controlled Affiliates

Consolidating Balance Sheet (continued)  
(Dollars in Thousands)

December 31, 2011

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

## UVMC and Controlled Affiliates

### Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2011

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

UVMC and Controlled Affiliates

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

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

## UVMC and Controlled Affiliates

### Consolidated Statements of Cash Flows (Dollars in Thousands)

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

# UVMC and Controlled Affiliates

## Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2010

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

## UVMC and Controlled Affiliates

### Consolidating Balance Sheet (continued) (Dollars in Thousands)

December 31, 2010

	Upper Valley Medical Center	Miami County Mental Health Center	UVMC Nursing Care, Inc	Med-Terra, Inc	UVMC (Parent Co.)	UVMC Management Corporation	Upper Valley Professional Corporation	Eliminations	Consolidated Total
<b>Liabilities and net assets</b>									
Current liabilities									
Accounts payable	2,412	2	325	70	-	1	144	-	2,954
Accrued expenses	5,665	39	675	-	-	58	678	-	7,115
Current portion of long-term debt	2,000	-	-	-	-	-	-	-	2,000
Estimated payable to third parties	2,446	12	22	-	-	-	-	-	2,480
Amount due under JOA	7,422	-	-	-	-	-	-	-	7,422
Due to affiliates - other	3,138	-	250	-	-	-	-	(250)	3,138
Other current liabilities	3,253	70	648	317	63	109	778	-	5,238
Total current liabilities	26,336	123	1,920	387	63	168	1,600	(250)	30,347
Long-term debt less current portion	51,190	-	-	-	-	-	-	-	51,190
Reserve for professional liability	5,205	-	-	-	-	-	-	-	5,205
Pension obligation	21,221	-	-	-	-	368	-	-	21,589
Interest rate swap liability	6	-	-	-	-	-	-	-	6
Other liabilities	2,999	-	6,041	-	-	1,255	1,349	-	11,644
Total liabilities	106,957	123	7,961	387	63	1,791	2,949	(250)	119,981
Net assets (deficit)									
Unrestricted	51,004	51	9,809	10,150	114,642	(223)	2,511	-	187,944
Temporarily restricted	1,508	-	-	-	-	-	-	-	1,508
Permanently restricted	1,073	-	-	-	-	-	-	-	1,073
Total net assets (deficit)	53,585	51	9,809	10,150	114,642	(223)	2,511	-	190,525
Total liabilities and net assets	\$ 160,542	\$ 174	\$ 17,770	\$ 10,537	\$ 114,705	\$ 1,568	\$ 5,460	\$ (250)	\$ 310,506

## UVMC and Controlled Affiliates

### Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2010

	Upper Valley Medical Center	Miami County Mental Health Center	UVMC Nursing Care, Inc	Med-Terra, Inc	UVMC (Parent Co)	UVMC Management Corporation	Upper Valley Professional Corporation	Eliminations	Consolidated Total
<b>Operating revenue</b>									
Net patient revenue	\$ 138,679	\$ 1,148	\$ 19,101	\$ -	\$ -	\$ -	\$ 13,258	\$ -	\$ 172,186
Other operating revenue	3,334	142	1,133	1,853	-	54	131	(2,946)	4,401
Total operating revenue	142,013	1,290	20,234	1,853	-	54	13,389	(2,946)	176,587
<b>Operating expenses</b>									
Salaries and wages	55,500	1,144	9,380	-	-	552	10,739	-	77,315
Employee benefits	17,344	346	2,199	-	-	123	1,687	-	21,699
Supplies	17,866	43	2,085	5	-	2	1,084	-	21,085
Purchased services, insurance and other	24,443	239	4,700	1,460	8	-	2,755	(2,946)	30,736
Hospital franchise tax	1,036	-	-	-	-	-	-	-	1,036
Depreciation and amortization	6,983	-	874	678	-	-	66	-	8,601
Interest	2,766	-	-	3	-	-	-	(3)	2,766
Bad debt	2,556	-	26	-	-	-	465	-	3,047
Total operating expenses	128,494	1,772	19,264	2,146	8	54	16,796	(2,949)	166,285
Income (loss) from operations	13,519	(482)	970	(293)	(8)	-	(3,407)	3	10,302
Expense allocation related to joint operating agreement	(7,422)	-	-	-	-	-	-	-	(7,422)
Nonoperating gains (losses) net	3,256	-	165	-	(732)	-	-	(3)	11,150
Excess (deficiency) of revenue over expenses	\$ 9,353	\$ (482)	\$ 1,135	\$ (293)	\$ (724)	\$ -	\$ (3,407)	\$ -	\$ 14,030

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