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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 10-01-2011 and ending 09-30-2012

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

ASHLAND HOSPITAL CORPORATION

Doing Business As

KING'S DAUGHTERS MEDICAL CENTER

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

2201 LEXINGTON AVENUE

Room/suite

City or town, state or country, and ZIP + 4

ASHLAND, KY 41101

F Name and address of principal officer

FRED L JACKSON

2201 LEXINGTON AVENUE

ASHLAND, KY 41101

H(a) Is this a group return for affiliates?

☐ Yes ☒ No

H(b) Are all affiliates included?

☐ Yes ☐ No

If "No," attach a list (see instructions)

H(c) Group exemption number

I Tax-exempt status

☒ 501(c)(3) ☐ 501(c) () ☐ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website:

WWW KDMC COM

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

1941

M State of legal domicile

KY

Part I

Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities TO PROVIDE COMMUNITY HEALTHCARE SERVICES TO CARE TO SERVE TO HEAL		
Revenue	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3	Number of voting members of the governing body (Part VI, line 1a)	13
	4	Number of independent voting members of the governing body (Part VI, line 1b)	7
	5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	3,941
	6	Total number of volunteers (estimate if necessary)	324
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	176,722
Expenses	7b	Net unrelated business taxable income from Form 990-T, line 34	0
	8	Contributions and grants (Part VIII, line 1h)	
	9	Program service revenue (Part VIII, line 2g)	
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	
Net Assets or Fund Balances	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	
	14	Benefits paid to or for members (Part IX, column (A), line 4)	
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	
	b	Total fundraising expenses (Part IX, column (D), line 25) ☐ 0	
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	
	19	Revenue less expenses Subtract line 18 from line 12	
	Beginning of Current Year		End of Year
	20	Total assets (Part X, line 16)	
	21	Total liabilities (Part X, line 26)	
	22	Net assets or fund balances Subtract line 21 from line 20	

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

JEFFREY TREASURE VICE PRESIDENT/CFO

2013-08-13

Date

Paid Preparer's Use Only

Preparer's signature

JULIUS C GREEN CPA JD

Date

Check if self-employed ☐

Preparer's taxpayer identification number (see instructions)

P00350393

Firm's name (or yours if self-employed), address, and ZIP + 4

PARENTEBEARD LLC

1650 MARKET STREET SUITE 4500

PHILADELPHIA, PA 19103

EIN ☐ 23-2932984

Phone no ☐ (215) 972-2352

May the IRS discuss this return with the preparer shown above? (see instructions)

☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2011)

Part IIISTatement of Program Service Accomplishments

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

☐

☒

1Briefly describe the organization’s mission

TO CARE TO SERVE TO HEAL

2Did 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

3Did 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

4Describe 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 \$ 449,342,447 including grants of \$ 57,393) (Revenue \$ 541,444,768)

COMMUNITY INFORMATION KING'S DAUGHTERS IS NESTLED IN THE FOOTHILLS OF THE APPALACHIAN MOUNTAINS, WHERE THE KENTUCKY, OHIO, AND WEST VIRGINIA STATE LINES MEET KDMC'S PRIMARY SERVICE AREA ENCOMPASSES FIVE COUNTIES IN TWO STATES, BOYD, CARTER, AND GREENUP COUNTIES IN KENTUCKY AND LAWRENCE AND SCIOTO COUNTIES IN OHIO MORE THAN 253,000 PEOPLE (U S CENSUS BUREAU) LIVE IN THE FIVE-COUNTY PRIMARY SERVICE AREA WITH THE EXCEPTION OF TWO CITIES WITH POPULATIONS AROUND 20,000 THE AREA IS VERY RURAL, COVERING NEARLY 2,000 SQUARE MILES WITH A POPULATION DENSITY OF 126 PEOPLE PER SQUARE MILE MORE THAN 18% OF THE POPULATION LIVES IN POVERTY, WITH CHILDREN IN POVERTY AT MORE THAN 25% THE POPULATION IS 97% WHITE, 2% BLACK AND ALL OTHER RACES 1% THE AVERAGE MEDIAN INCOME IS \$37,724, WELL BELOW THE LEVELS FOR KENTUCKY, OHIO AND THE NATION AVERAGE UNEMPLOYMENT IS 10 3% COMPARED TO 7 7% NATIONALLY AND 8 0% FOR KENTUCKY THE KENTUCKY BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM SHOWS THAT IN 2008, IN KDMC'S KENTUCKY MARKET AREA, 18 9% OF THOSE AGED 19-64 YEARS LACKED ANY FORM OF HEALTHCARE COVERAGE, COMPARED TO 14 4% FOR THE STATE AND 14 5% FOR THE NATION KDMC'S OHIO MARKET AREA SHOWS 17 4% WITHOUT HEALTHCARE COVERAGE COMPARED TO 12 5% IN THE STATE AND 14 5% IN THE NATION COMMUNITY BUILDING ACTIVITIES TO REACH OUR COMMUNITIES AND TO PROVIDE THE BEST OUTREACH SERVICES POSSIBLE, WE PARTNERED WITH A DIVERSE GROUP OF BOTH PUBLIC AND PRIVATE ENTITIES WE HAVE ESTABLISHED PARTNERSHIPS WITH AREA RETAILERS, HEALTH DEPARTMENTS, FACTORIES AND CHEMICAL PLANTS, CITY OF ASHLAND, LOCAL EMS SERVICES, AMERICAN RED CROSS, SUSAN G KOMEN FOR THE CURE, FOUNDATION FOR A HEALTHY KENTUCKY, CARES (LOCAL REFERRAL AGENCY), COMMUNITY KITCHEN, SAFE HARBOR, 16 SCHOOL DISTRICTS AND NEARBY COLLEGES AND UNIVERSITIES, NAACP, ASHLAND FAIR HOUSING, SHELTER OF HOPE, ASHLAND AREA YMCA, KENTUCKY STATE POLICE, OHIO HIGHWAY PATROL, AREA SENIOR CENTERS AND MORE THAN 150 CHURCHES WE SEND OUR HEALTH TEAMS OUT INTO THE COMMUNITY TO MEET PEOPLE ON THEIR TIME AND IN THE PLACES THAT ARE COMFORTABLE FOR THEM - SCHOOLS, MALLS, LIBRARIES, WORKSITES, GROCERY STORES AND MORE SERVICES PROVIDED INCLUDE MORE THAN 75 SCREENING AND EDUCATIONAL EVENTS PER MONTH, MOBILE HEALTH SERVICES, COORDINATION OF THE CPR TRAINING CENTER, AND A MEALS ON WHEELS PROGRAM PATIENTS WITH ABNORMAL RESULTS FROM OUR HEALTH SCREENINGS RECEIVE A FOLLOW-UP LETTER REMINDING THEM OF THE IMPORTANCE OF SHARING THE RESULTS WITH THEIR HEALTHCARE PROVIDER IDENTIFYING THOSE AT RISK FOR HEART AND VASCULAR DISEASE, EDUCATING THE PUBLIC ABOUT HEART ATTACK AND STROKE SIGNS AND SYMPTOMS, AND REDUCING TOBACCO USE THROUGHOUT THE REGION ARE THREE IMPORTANT AREAS OF FOCUS OUR REGION HAS A HIGH INCIDENCE OF UNDIAGNOSED OR UNTREATED HEART AND VASCULAR DISEASE HEALTH CONNECTIONS CONTINUES TO EXPAND SERVICES BY OFFERING FREE COMPREHENSIVE HEALTHY HEART SCREENINGS TO HIGH RISK POPULATIONS THIS SCREENING INCLUDES TOTAL CHOLESTEROL, BLOOD PRESSURE, BLOOD SUGAR AND AN EKG WE ARE RAISING AWARENESS ABOUT THE CARDIOVASCULAR RISKS AND CATCHING DISEASE THAT HAD NOT BEEN DIAGNOSED SO IT CAN BE TREATED WE ARE MAKING SURE THE PARTICIPANTS KNOW THEIR HEART RISK NUMBERS OUR HEART SCREENINGS PROVIDED 6,769 BLOOD PRESSURE (41% ABNORMAL), 6,304 BLOOD SUGAR (10% ABNORMAL) AND 6,275 TOTAL CHOLESTEROL (44% ABNORMAL) SCREENINGS IN 2012 THESE SCREENINGS HAD MORE THAN 3,500 PARTICIPANTS OTHER INFORMATION WITH THE EXCEPTION OF TWO CITIES WITH A POPULATION AROUND 20,000, KDMC'S MARKET AREA IS VERY RURAL COVERING NEARLY 2,000 SQUARE MILES WITH A POPULATION DENSITY OF 126 PEOPLE PER SQUARE MILE BARRIERS TO HEALTHCARE INCLUDE LACK OF TRANSPORTATION, LOW HEALTH LITERACY AND GEOGRAPHIC ISOLATION IN ADDITION THERE ARE CULTURAL BARRIERS INCLUDING A DISTRUST OF HEALTHCARE PROVIDERS WHICH IMPACTS HEALTH AND HEALTH-RELATED COMMUNICATION KING'S DAUGHTERS TAKES AN ACTIVE ROLE IN RECRUITING AND RETAINING PHYSICIANS IN THESE RURAL, UNDERSERVED AREAS EFFORTS ARE MADE TO INTEGRATE THE PHYSICIAN INTO THE NETWORK OF THE COMMUNITY THROUGH FREE SCREENINGS, SPEAKING PRESENTATIONS AND ATTENDANCE AT COMMUNITY EVENTS THUS BUILDING TRUST AND POSITIVE RELATIONSHIPS FAMILIES THAT LIVE OUTSIDE OUR COMMUNITY WITH LIMITED RESOURCES (FINANCIAL, TRANSPORTATION, FAMILY SUPPORT) WHO HAVE A LOVED ONE IN CRITICAL CARE ARE REFERRED BY KDMC SOCIAL WORKERS TO THE KDMC HOSPITALITY HOUSE GUESTS OF THE HOSPITALITY HOUSE INCLUDE ADULT FAMILY MEMBERS OR CAREGIVERS OF EITHER CRITICALLY ILL PATIENTS RECEIVING CARE AT KDMC, OR QUALIFYING OUTPATIENTS RECEIVING EXTENDED THERAPEUTIC CARE IN NEARLY ALL CASES, GUESTS LIVE OUTSIDE A 30-MILE RADIUS OF ASHLAND THE HOUSE DOES NOT CHARGE FAMILIES TO STAY, HOWEVER A NUMBER OF THE GUESTS MAKE A VOLUNTARY CONTRIBUTION FAMILY CARE CENTERS PROVIDE SAMPLE MEDICATIONS TO INDIGENT PATIENTS THIS PROGRAM IS PROVIDED AT NO COST TO THE PATIENT FAMILY CARE CENTER STAFF RECORDS THE MEDICATIONS, LABEL FOR USE AND DOCUMENT THE DISTRIBUTION THE TOBACCO CESSATION PROGRAM AND LUNG HEALTH PROGRAM OFFER SUPPORT THROUGH TOBACCO CESSATION CLASSES AND ASSISTANCE TO PATIENTS DIAGNOSED WITH LUNG CANCER AT KDMC THE LUNG HEALTH PROGRAM INCLUDES A CLINICAL NURSE SPECIALIST WHO PROVIDES PATIENT NAVIGATION FOR NEWLY DIAGNOSED LUNG CANCER PATIENTS THE PROGRAM INCLUDES TWO LUNG HEALTH ADVOCATES THAT PROVIDE TOBACCO CESSATION COUNSELING AND CLASSES DURING THE FISCAL YEAR, KDMC PROVIDED 2,000 FREE FLU SHOTS THROUGHOUT THE COMMUNITY WITH THE FLU SHOT PROGRAM, WE STRIVE TO REACH POPULATIONS THAT ARE AT HIGHER RISK OF CONTRACTING THE FLU TARGETED POPULATIONS INCLUDE THOSE DESIGNATED HIGH RISK BY THE CENTER FOR DISEASE CONTROL, CAREGIVERS OF VULNERABLE POPULATIONS INCLUDING HOMELESS, INDIGENT, SCHOOL TEACHERS, DAY CARE WORKERS, AND CAREGIVERS FOR THE ELDERLY FLU SHOTS ARE DELIVERED THROUGH A VARIETY OF SETTINGS AND IN MULTIPLE COUNTIES SERVED BY THE MEDICAL CENTER THE PASTORAL CARE SERVICE DEPARTMENT EMPLOYS ONE PART-TIME AND TWO FULL-TIME CHAPLAINS TO PROVIDE SPIRITUAL AND EMOTIONAL SUPPORT FOR OUR PATIENTS, THEIR FAMILIES AND FRIENDS AND FOR THE STAFF OF KING'S DAUGHTERS MEDICAL CENTER ONE-ON-ONE COUNSELING AS WELL AS GROUP COUNSELING, WHICH INCLUDES GRIEF SUPPORT AND PALLIATIVE CARE FOR END-OF-LIFE PATIENTS AND THEIR FAMILIES, IS OFFERED BY THE DEPARTMENT AFFILIATED HEALTH CARE SYSTEM ROLES KING'S DAUGHTERS MEDICAL CENTER IS PART OF AN AFFILIATED HEALTH CARE DELIVERY SYSTEM THE SYSTEM PROVIDES PHYSICIAN SERVICES THROUGH TWO AFFILIATES, KENTUCKY HEART INSTITUTE AND KING'S DAUGHTERS MEDICAL SPECIALTIES BOTH AFFILIATES PROVIDE CHARITY CARE AND PARTICIPATE IN GOVERNMENT PROGRAMS

4b

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

4c

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

4d

Other program services (Describe in Schedule O)

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

4e

Total program service expenses\$ 449,342,447

Part IV Checklist of Required Schedules

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

Part IV

Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance					
Check if Schedule O contains a response to any question in this Part V ☐					
		Yes	No		
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a	423		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes		
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	3,941		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes		
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes		
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	4a			No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	Organizations that may receive deductible contributions under section 170(c).				
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	Sponsoring organizations maintaining donor advised funds.				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	Section 501(c)(7) organizations. Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b			
11	Section 501(c)(12) organizations. Enter				
a	Gross income from members or shareholders.	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b			
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b			
13	Section 501(c)(29) qualified nonprofit health insurance issuers.				
a	Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	13a			
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b			
c	Enter the aggregate amount of reserves on hand.	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b			

Part VI

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a13		
b	Enter the number of voting members included in line 1a, above, who are independent	1b7		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	Yes	
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6	Did the organization have members or stockholders?	6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a		No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed ☒ KY
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. ☐ Own website ☐ Another's website ☒ Upon request
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization. ☒ AUTUMN MCFANN CONTROLLER 2201 LEXINGTON AVENUE ASHLAND, KY 41101 (606) 408-4000

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) ADDINGTON STEPHEN DIRECTOR	30	X						0	0	0
(2) BLAIR JACK DIRECTOR	30	X						0	0	0
(3) BORDERS CHARLIE DIRECTOR	30	X						0	0	0
(4) BURNETTE TOM DIRECTOR	30	X						0	0	0
(5) CANTRELL JIM DIRECTOR	30	X						0	0	0
(6) CASSIDY DAN DIRECTOR	30	X						0	0	0
(7) HAMMONDS DONALD DO DIRECTOR	30	X						0	88,763	2,779
(8) HILLMAN TRACY DIRECTOR	30	X						0	0	0
(9) KRIVCHENIA ALEXANDER MD DIRECTOR	1 30	X						11,000	0	0
(10) MECCA RAYMOND MD DIRECTOR, COMMITTEE CHAIRMAN	50	X						1,000	0	0
(11) STEWART JOHN DIRECTOR	30	X						0	0	0
(12) JONES DAVID CHAIRMAN	1 00	X		X				0	0	0
(13) JACKSON FRED PRESIDENT/CEO	40 00	X		X				1,015,643	0	514,275
(14) MCDOWELL PAUL TREASURER, VP/CFO	40 00			X				509,198	0	30,654
(15) MAHANEY SHERYL SECRETARY, VP/CHIEF LEGAL/REG OFFICER	40 00			X				388,920	0	126,640
(16) FIORET PHILIP MD VP/CMO	40 00				X			765,008	0	210,477
(17) HIGGINS LARRY VP/CHIEF HR OFFICER	40 00				X			447,689	0	172,435

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) WHITLATCH KRISTIE VP/COO	40 00				X			483,240	0	170,743
(19) BELL JULIE MD PHYSICIAN	40 00					X		467,320	0	30,007
(20) GOUZD VALERIE MD PHYSICIAN	40 00					X		480,176	0	27,624
(21) GUTAB ROBIN MD PHYSICIAN	40 00					X		500,215	0	37,409
(22) SHARP WENDY MD PHYSICIAN	40 00					X		493,583	0	20,349
(23) WOODRUFF ALEXIS M PHYSICIAN	40 00					X		505,723	0	638
(24) CORBITT PATRICIA FORMER VP/MARKETING & COMM RELATIONS	0 00						X	161,011	0	10,508
(25) BAILIFF ROBERT FORMER PHYSICIAN	0 00						X	334,183	0	14,527
(26) SMITH PAUL FORMER PHYSICIAN	0 00						X	346,630	0	5,007
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								6,910,539	88,763	1,374,072

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▶150

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

Section B. Independent Contractors

1

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

(A) Name and business address	(B) Description of services	(C) Compensation
DELOITTE CONSULTING LLP POBOX 7247-6447 PHILADELPHIA, PA 191706447	CONSULTANTS	3,026,357
STITES & HARBISON PLLC 250 W MAIN ST 2300 LEXINGTON FINAN LEXINGTON, KY 405071758	LAWYERS	1,758,412
TRI-STATE RADIOLOGY ASSOCIATES POBOX 2617 ASHLAND, KY 411052617	RADIOLOGISTS	1,239,646
SPECIALTYCARE CARDIOVASCULAR RESOURCES DEPT 1614 PO BOX 11407 BIRMINGHAM, AL 352461614	PERFUSIONISTS	1,088,916
TOPPING'S COMMERCIAL SERVICES 1605 BELLEFONTE ROAD FLATWOODS, KY 41139	JANITORIAL, REMODELING, & MOVING SERVICE	893,133
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 ▶57	

Part VIII

Statement of Revenue

				(A)	(B)	(C)	(D)		
				Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514		
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a						
	b	Membership dues	1b						
	c	Fundraising events	1c						
	d	Related organizations	1d	8,942					
	e	Government grants (contributions)	1e						
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	282,190					
	g	Noncash contributions included in lines 1a-1f \$ 10,942							
	h	Total. Add lines 1a-1f		291,132					
Program Service Revenue			Business Code						
	2a	NET PATIENT SERVICE RE	621110	530,894,361	530,894,361				
	b	PHARMACY	446110	6,430,924	6,353,012	77,912			
	c	MEANINGFUL USE REVENUE	621110	4,197,395	4,197,395				
	d								
	e								
	f	All other program service revenue							
	g	Total. Add lines 2a-2f		541,522,680					
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		8,141,630		15,265	8,126,365		
	4	Income from investment of tax-exempt bond proceeds . . .							
	5	Royalties							
	6a	Gross rents	(i) Real	(ii) Personal					
			1,992,724	3,150					
			b	Less rental expenses	964,835	5,040			
			c	Rental income or (loss)	1,027,889	-1,890			
	d	Net rental income or (loss)		1,025,999		-1,890	1,027,889		
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other					
			2,165,720	93,160					
			b	Less cost or other basis and sales expenses	2,196,761	48,830			
			c	Gain or (loss)	-31,041	44,330			
	d	Net gain or (loss)		13,289			13,289		
	8a	Gross income from fundraising events (not including \$ of contributions reported on line 1c) See Part IV, line 18	a						
	b	Less direct expenses	b						
	c	Net income or (loss) from fundraising events . . .							
	9a	Gross income from gaming activities See Part IV, line 19	a						
	b	Less direct expenses	b						
	c	Net income or (loss) from gaming activities . . .							
	10a	Gross sales of inventory, less returns and allowances . .	a						
	b	Less cost of goods sold	b						
	c	Net income or (loss) from sales of inventory . . .							
	Miscellaneous Revenue		Business Code						
	11a	CAFETERIA	722210	2,116,189		0	2,116,189		
	b	MEDICAL RECORDS	561499	108,948			108,948		
	c	DME SALES	446199	85,435		85,435			
d	All other revenue		144,296			144,296			
e	Total. Add lines 11a-11d		2,454,868						
12	Total revenue. See Instructions		553,449,598	541,444,768	176,722	11,536,976			

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)
Check if Schedule O contains a response to any question in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	57,393	57,393		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	9,424,482		9,424,482	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	176,649,883	163,354,277	13,295,606	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	7,506,267	6,941,045	565,222	
9	Other employee benefits	32,238,005	29,810,483	2,427,522	
10	Payroll taxes	12,656,903	11,206,422	1,450,481	
11	Fees for services (non-employees)				
a	Management				
b	Legal	4,155,225	455,848	3,699,377	
c	Accounting	120,000		120,000	
d	Lobbying	37,174	37,174		
e	Professional fundraising See Part IV, line 17				
f	Investment management fees	756,886		756,886	
g	Other	33,708,816	26,319,096	7,389,720	
12	Advertising and promotion	3,069,612	300	3,069,312	
13	Office expenses	3,209,149	1,975,093	1,234,056	
14	Information technology	1,303,588	1,303,588		
15	Royalties				
16	Occupancy	6,724,024	2,389,054	4,334,970	
17	Travel	752,228	593,623	158,605	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	58,583	58,583		
20	Interest	9,554,590	2,775	9,551,815	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	35,110,208	33,024,031	2,086,177	
23	Insurance	4,345,712	208,313	4,137,399	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	MEDICAL SUPPLIES	94,002,038	92,083,619	1,918,419	
b	BAD DEBT EXPENSE	51,385,166	51,385,166		
c	REPAIRS & MAINTENANCE	14,780,847	13,548,643	1,232,204	
d	TAX (INC PROVIDER TAX)	7,529,671	7,638,902	-109,231	
e					
f	All other expenses	8,053,610	6,949,019	1,104,591	
25	Total functional expenses. Add lines 1 through 24f	517,190,060	449,342,447	67,847,613	0
26	Joint costs. Check here ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			49,154,674	1	40,423,793
	2	Savings and temporary cash investments			27,329,088	2	37,241,519
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			72,959,350	4	70,145,614
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L				5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L				6	
	7	Notes and loans receivable, net			1,872,493	7	1,102,280
	8	Inventories for sale or use			10,389,576	8	10,105,924
	9	Prepaid expenses and deferred charges			9,769,950	9	9,157,432
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D	10a	679,052,355			
	b	Less: accumulated depreciation	10b	357,080,105	318,410,799	10c	321,972,250
	11	Investments—publicly traded securities			182,075,735	11	210,416,254
	12	Investments—other securities. See Part IV, line 11				12	
	13	Investments—program-related. See Part IV, line 11			8,722,251	13	7,528,398
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			108,429,110	15	127,695,824
	16	Total assets. Add lines 1 through 15 (must equal line 34)			789,113,026	16	835,789,288
Liabilities	17	Accounts payable and accrued expenses			65,168,270	17	55,338,396
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities			248,738,461	20	244,054,896
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties			8,212,718	23	4,328,274
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D			72,802,672	25	91,931,157
	26	Total liabilities. Add lines 17 through 25			394,922,121	26	395,652,723
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here ☒ and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			394,190,905	27	440,136,565
	28	Temporarily restricted net assets				28	
	29	Permanently restricted net assets				29	
	Organizations that do not follow SFAS 117, check here ☐ and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds				30	
	31	Paid-in or capital surplus, or land, building or equipment fund				31	
	32	Retained earnings, endowment, accumulated income, or other funds				32	
	33	Total net assets or fund balances			394,190,905	33	440,136,565
	34	Total liabilities and net assets/fund balances			789,113,026	34	835,789,288

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	553,449,598
2	Total expenses (must equal Part IX, column (A), line 25)	2	517,190,060
3	Revenue less expenses Subtract line 2 from line 1	3	36,259,538
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	394,190,905
5	Other changes in net assets or fund balances (explain in Schedule O)	5	9,686,122
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	440,136,565

Part XII Financial Statements and Reporting

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

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

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

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

Part I

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

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

- 1

☐

A church, convention of churches, or association of churches **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See**section 509(a)(4).**
- 11

☐

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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

f

☐

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

g

☐

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

(i)

a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions)					12	
13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

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

Part IIIPart III

Support Schedule for Organizations Described in IRC 509(a)(2)
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6.)						

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

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

Section D. Computation of Investment Income Percentage			
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17		
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18		
19a 33 1/3% support tests—2011. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization			
b 33 1/3% support tests—2010. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here . The organization qualifies as a publicly supported organization			
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions			

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ Complete if the organization is described below.

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

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

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

1	Provide a description of the organization's direct and indirect political campaign activities 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?	☐ Yes ☐ No
4a	Was a correction made?	☐ Yes ☐ No
b	If "Yes," describe in Part IV	

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt funtion activities	▶ \$
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$
4	Did the filing organization file Form 1120-POL for this year?	☐ Yes ☐ No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

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

Part II-A

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities? If "Yes," describe in Part IV	Yes		37,174
	j Total lines 1c through 1i			37,174
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation
EXPLANATION OF LOBBYING ACTIVITIES	PART II-B, LINE 1	\$30,450 A PORTION OF THE DUES PAID TO THE KENTUCKY HOSPITAL ASSOCIATION ATTRIBUTABLE TO LOBBYING EXPENSES \$3,193 A PORTION OF THE DUES PAID TO THE AMERICAN MEDICAL REHABILITATION PROVIDERS ATTRIBUTABLE TO LOBBYING EXPENSES \$3,531 A PORTION OF THE DUES PAID TO THE AMERICAN HOSPITAL ASSOCIATION ATTRIBUTABLE TO LOBBYING EXPENSES

SCHEDULE D

(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ **Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b**
▶ **Attach to Form 990. ▶ See separate instructions.**

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization
ASHLAND HOSPITAL CORPORATION

Employer identification number

61-0444716

Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes☐ No	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes☐ No	

Part II

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

1

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

☐ Preservation of land for public use (e g , recreation or pleasure)

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

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

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes☐ No

6

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

7

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

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

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

Part III

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

1a

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

b

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

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

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

2

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

a

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

b

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

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

Cat No 52283D

Schedule D (Form 990) 2011

Part III

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

3

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

a

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

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

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

Part IV

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

1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No

b

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

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

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

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

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i)

unrelated organizations

(ii)

related organizations

b

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

	Yes	No
3a(i)		
3a(ii)		
3b		

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		28,391,667		28,391,667
b Buildings		367,321,193	168,316,402	199,004,791
c Leasehold improvements				
d Equipment		260,827,110	183,546,341	77,280,769
e Other		22,512,385	5,217,362	17,295,023
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				321,972,250

Part XIReconciliation of Change in Net Assets from Form 990 to Financial Statements			
1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	553,449,598
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	517,190,060
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	36,259,538
4	Net unrealized gains (losses) on investments	4	14,801,692
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-5,115,570
9	Total adjustments (net) Add lines 4 - 8	9	9,686,122
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	45,945,660

Part XIIReconciliation of Revenue per Audited Financial Statements With Revenue per Return			
1	Total revenue, gains, and other support per audited financial statements	1	512,390,199
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	14,801,692
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	-56,539,834
e	Add lines 2a through 2d	2e	-41,738,142
3	Subtract line 2e from line 1	3	554,128,341
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	-678,743
c	Add lines 4a and 4b	4c	-678,743
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	553,449,598

Part XIIIReconciliation of Expenses per Audited Financial Statements With Expenses per Return			
1	Total expenses and losses per audited financial statements	1	466,444,539
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIV)	2d	969,875
e	Add lines 2a through 2d	2e	969,875
3	Subtract line 2e from line 1	3	465,474,664
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	51,715,396
c	Add lines 4a and 4b	4c	51,715,396
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	517,190,060

Part XIVSupplemental Information

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

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE MEDICAL CENTER, KHf, KBNH, CDC, KHI, KDMT, KDMS, AND THE FOUNDATION HAVE BEEN RECOGNIZED BY THE IRS AS SECTION 501(C)(3) CHARITABLE ORGANIZATIONS. SECTION 501(C)(3) ORGANIZATIONS ARE EXEMPT FROM FEDERAL AND STATE INCOME TAXES ON RELATED INCOME. THESE ORGANIZATIONS DO NOT ENGAGE IN SIGNIFICANT UNRELATED ACTIVITIES AND THEREFORE NO TAX IS RECORDED.
PART XI, LINE 8 - OTHER ADJUSTMENTS		PENSION LIABILITY ADJUSTMENT -4,128,466. CHANGE IN MARKET VALUE INTEREST RATE SWAP -1,951,438. CHANGE IN MARKET VALUE SELF INSURANCE FUNDS 895,720. OTHER ADJUSTMENTS 79,556. CONTRIBUTIONS OF EQUIPMENT NOT REPORTED ON F/S -10,942. TOTAL TO SCHEDULE D, PART XI, LINE 8 -5,115,570.
PART XII, LINE 2D - OTHER ADJUSTMENTS		CHANGE IN MARKET VALUE INTEREST RATE SWAP -1,951,438. CHANGE IN MARKET VALUE SELF INSURANCE FUNDS 895,720. PENSION LIABILITY ADJUSTMENT -4,128,466. OTHER ADJUSTMENTS 79,556. BAD DEBT EXPENSES (NETTED AGAINST NET PATIENT SERVICE REVENUE ON F/S) -51,385,166. GRANT EXPENSES (NETTED AGAINST OTHER INCOME ON F/S) -50,040.
PART XII, LINE 4B - OTHER ADJUSTMENTS		RENTAL EXPENSES -969,875. CONTRIBUTIONS NETTED AGAINST EXPENSES ON F/S 280,190. DONATED EQUIPMENT NOT REPORTED ON F/S 10,942.
PART XIII, LINE 2D - OTHER ADJUSTMENTS		RENTAL EXPENSES 969,875.
PART XIII, LINE 4B - OTHER ADJUSTMENTS		BAD DEBT EXPENSES (NETTED AGAINST NET PATIENT SERVICE REVENUE ON F/S) 51,385,166. GRANT EXPENSES (NETTED AGAINST OTHER INCOME ON F/S) 50,040. CONTRIBUTIONS NETTED AGAINST EXPENSES ON F/S 280,190.

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☐ Applied uniformly to all hospitals ☐ Generally tailored to individual hospitals ☐ Applied uniformly to most hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100%☐ 150%☒ 200%☐ Other _____% b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200%☐ 250%☒ 300%☐ 350%☐ 400%☐ Other _____% c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care	3a	Yes	
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			20,301,743		20,301,743	4 360 %
b Medicaid (from Worksheet 3, column a)			74,221,631	55,973,914	18,247,717	3 920 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			94,523,374	55,973,914	38,549,460	8 280 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			3,711,590		3,711,590	0 800 %
f Health professions education (from Worksheet 5)			324,019		324,019	0 070 %
g Subsidized health services (from Worksheet 6)			1,710,391	1,651,954	58,437	0 010 %
h Research (from Worksheet 7)			165,694		165,694	0 040 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			57,393		57,393	0 010 %
j Total Other Benefits			5,969,087	1,651,954	4,317,133	0 930 %
k Total. Add lines 7d and 7j			100,492,461	57,625,868	42,866,593	9 210 %

Part IICommunity Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development			219,985		219,985	0.050 %
9Other						
10Total			219,985		219,985	0.050 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1	Yes	
2Enter the amount of the organization's bad debt expense	2	16,455,429	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	3,588,727	
4Provide 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

5Enter total revenue received from Medicare (including DSH and IME)	5	137,603,405	
6Enter Medicare allowable costs of care relating to payments on line 5	6	158,181,436	
7Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-20,578,031	
8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: ☐ Cost accounting system ☐ Cost to charge ratio ☒ Other			

Section C. Collection Practices

9aDid the organization have a written debt collection policy during the tax year?	9a	Yes	
9bIf "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 IVManagement Companies and Joint Ventures (see instructions)

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

Section A. Hospital Facilities

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

Name and address

Schedule H (Form 990) 2011

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)

ASHLAND HOSPITAL CORPORATION

Name of Hospital Facility:

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a ☐ A definition of the community served by the hospital facility b ☐ Demographics of the community c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community d ☐ How data was obtained e ☐ The health needs of the community f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g ☐ The process for identifying and prioritizing community health needs and services to meet those needs h ☐ The process for consulting with persons representing the community's interests i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs j ☐ Other (describe in Part VI)	1	No
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a ☐ Hospital facility's website b ☐ Available upon request from the hospital facility c ☐ Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community b ☐ Execution of the implementation strategy c ☐ Development of a community-wide community benefit plan for the facility d ☐ Participation in community-wide community benefit plan e ☐ Inclusion of a community benefit section in operational plans f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA g ☐ Prioritization of health needs in the community h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community i ☐ Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000% If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a ☒ Income level b ☐ Asset level c ☐ Medical indigency d ☐ Insurance status e ☒ Uninsured discount f ☐ Medicaid/Medicare g ☐ State regulation h ☐ Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a ☒ The policy was posted at all times on the hospital facility's web site b ☐ The policy was attached to all billing invoices c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms d ☐ The policy was posted in the hospital facility's admissions offices e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility f ☐ The policy was available upon request g ☐ Other (describe in Part VI)	13	Yes	

Billing and Collections

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

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V

Facility Information (continued)

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

(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 23

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

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the 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 7 KDMC USED WORKSHEET 2 PROVIDED IN THE 2011 SCHEDULE H INSTRUCTIONS (FORM 990) TO CALCULATE A COST OF CHARGE RATIO THIS RATIO WAS USED TO CALCULATE CHARITY CARE AT COST ALL OTHER ITEMS WERE REPORTED AT NET EXPENSE

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

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) BAD DEBT EXPENSE INCLUDED ON FORM 990 PART IX, LINE 25, BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$51,385,166

Identifier	ReturnReference	Explanation
		PART II TO REACH OUR COMMUNITIES AND TO PROVIDE THE BEST OUTREACH SERVICES POSSIBLE, WE PARTNER WITH A DIVERSE GROUP OF BOTH PUBLIC AND PRIVATE ENTITIES. WE HAVE ESTABLISHED PARTNERSHIPS WITH AREA RETAILERS, HEALTH DEPARTMENTS, FACTORIES, CITY OF ASHLAND, LOCAL EMS SERVICES, AMERICAN RED CROSS, SUSAN G. KOMEN FOR THE CURE, CARES, COMMUNITY KITCHEN, SAFE HARBOR, 16 SCHOOL DISTRICTS AND NEARBY COLLEGES AND UNIVERSITIES, SHELTER OF HOPE, ASHLAND AREA YMCA, AREA SENIOR CITIZENS CENTERS, AND MORE THAN 150 CHURCHES. WE SEND OUR OUTREACH TEAMS OUT INTO THE COMMUNITY TO MEET PEOPLE ON THEIR TIME AND IN THE PLACES THAT ARE COMFORTABLE FOR THEM - SCHOOLS, MALLS, CHURCHES, LIBRARIES, WORKSITES, GROCERY STORES AND MORE. SERVICES PROVIDED INCLUDE MORE THAN 75 SCREENING AND EDUCATIONAL EVENTS EACH MONTH, MOBILE HEALTH SERVICES, COORDINATION OF A REGIONAL CPR TRAINING CENTER AND A MEALS ON WHEELS PROGRAM. PATIENTS WITH ABNORMAL RESULTS FROM OUR HEALTH SCREENINGS RECEIVE A FOLLOW-UP LETTER REMINDING THEM OF THE IMPORTANCE OF SHARING THE RESULTS WITH THEIR HEALTHCARE PROVIDER, IDENTIFYING THOSE AT RISK FOR HEART AND VASCULAR DISEASE, EDUCATING THE PUBLIC ABOUT HEART ATTACK AND STROKE SIGNS AND SYMPTOMS, AND REDUCING TOBACCO USE THROUGHOUT THE REGION. ARE THREE IMPORTANT AREAS OF FOCUS. OUR REGION HAS A HIGH INCIDENCE OF UNDIAGNOSED OR UNTREATED HEART AND VASCULAR DISEASE. OUR "HEALTH CONNECTIONS" PROGRAM CONTINUES TO EXPAND SERVICES BY OFFERING FREE COMPREHENSIVE HEALTHY HEART AND VASCULAR SCREENINGS TO HIGH RISK POPULATIONS. THIS SCREENING MAY INCLUDE A FASTING LIPID PANEL, TOTAL CHOLESTEROL, AN ANKLE BRACHIAL INDEX, BLOOD PRESSURE, BLOOD SUGAR, OR AN EKG. WE ARE RAISING AWARENESS ABOUT THE CARDIOVASCULAR RISKS AND CATCHING DISEASE THAT HAD NOT BEEN DIAGNOSED SO IT CAN BE TREATED. WE ARE MAKING SURE THE PARTICIPANTS KNOW THEIR HEART RISK NUMBERS. OUR HEART SCREENINGS PROVIDED 6,769 BLOOD PRESSURE (41% ABNORMAL), 6,304 BLOOD SUGAR (10% ABNORMAL) AND 6,275 TOTAL CHOLESTEROL (44% ABNORMAL) SCREENINGS IN 2012. THESE SCREENINGS HAD MORE THAN 3,500 PARTICIPANTS.

Identifier	ReturnReference	Explanation
		PART III, LINE 4 MANAGEMENT MAINTAINS AN ALLOWANCE FOR DOUBTFUL ACCOUNTS TO RESERVE FOR ESTIMATED LOSSES BASED ON THE LENGTH OF TIME THE ACCOUNT HAS BEEN PAST DUE, THIRD PARTY PAYER CLASSIFICATION, AND HISTORICAL EXPERIENCE BAD DEBT IS CLASSIFIED AS A DEDUCTION FROM REVENUE WHICH IS CONSISTENT WITH THE HFMA PRINCIPLES AND PRACTICES BOARD STATEMENT NO 15 KDMC USED WORKSHEET 2 PROVIDED IN THE 2011 SCHEDULE H INSTRUCTIONS (FORM 990) TO CALCULATE A COST TO CHARGE RATIO THIS RATIO WAS USED TO CALCULATE BAD DEBT EXPENSE AT COST BAD DEBT EXPENSE IS RECORDED AFTER ANY DISCOUNTS AND PAYMENTS ARE MADE ON PATIENT ACCOUNTS THE BUSINESS OFFICE ESTIMATED AN AMOUNT BASED ON A NUMBER OF "NO-RESPONSE" APPLICATIONS ANNUALLY THEY THEN APPLY THIS NUMBER TO A PRO-RATED AVERAGE COST OF IP AND OP CASES TO ESTIMATE THE COST A PORTION SHOULD BE CONSIDERED COMMUNITY BENEFIT AS THE HOSPITAL PROVIDES CARE TO ALL PATIENTS REGARDLESS OF ABILITY TO PAY

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

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

Identifier	ReturnReference	Explanation
ASHLAND HOSPITAL CORPORATION		PART V, SECTION B, LINE 13G THE POLICY IS NOT POSTED IN ITS ENTIRETY, BUT WE HAVE SIGNAGE ADVERTISING WHO TO CONTACT FOR FINANCIAL ASSISTANCE ON THE PATIENT STATEMENT, IN THE HOSPITAL ED AND WAITING ROOMS, ADMISSIONS OFFICES, AND OTHER PATIENT AREAS

Identifier	ReturnReference	Explanation
ASHLAND HOSPITAL CORPORATION		PART V, SECTION B, LINE 19D 20% SELF PAY DISCOUNT-AVERAGE OVERALL COMMERCIAL RATE

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 WE USE A VARIETY OF RESOURCES TO HELP US MAKE DECISIONS ON HOW TO BEST TARGET OUR ACTIVITIES WE'VE CONDUCTED INFORMAL NEEDS ASSESSMENTS, ANALYZED STATE AND COUNTY MORTALITY DATA AND TALKED WITH SCHOOL OFFICIALS, NON-PROFIT AGENCIES AND ELECTED OFFICIALS ABOUT TRENDS AND ISSUES ONCE WE KNOW WHAT ISSUES WE WANT TO TARGET, OUR COMMUNITY HEALTH INITIATIVES ARE BUILT INTO THE MEDICAL CENTER'S THREE-YEAR STRATEGIC PLAN IN 2012, THE CORPORATE GOAL WAS TO PROMOTE WELLNESS THROUGH AT LEAST 325 COMMUNITY HEALTH AND DIABETES SCREENINGS AND EDUCATIONAL PROGRAMS THROUGH THE PARTICIPATION OF NO LESS THAN 2,737 KDMC TEAM MEMBERS, PHYSICIANS, AND ALLIED HEALTH PROFESSIONALS AS VOLUNTEERS THE KDMC TEAM EXCEEDED THIS GOAL BY PROVIDING 342 SCREENINGS AND EDUCATIONAL PROGRAMS WITH 2,781 TEAM MEMBERS AND PROVIDERS VOLUNTEERING MORE THAN 33,000 HOURS

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

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 KDMC IS NESTLED IN THE FOOTHILLS OF THE APPALACHIAN MOUNTAINS, WHERE THE KENTUCKY, OHIO, AND WEST VIRGINIA STATE LINES MEET OUR PRIMARY SERVICE AREA ENCOMPASSES FIVE COUNTIES IN TWO STATES, BOYD, CARTER, AND GREENUP COUNTIES IN KENTUCKY AND LAWRENCE AND SCIOTO COUNTIES IN OHIO MORE THAN 253,000 PEOPLE (U S CENSUS BUREAU) LIVE IN THE FIVE-COUNTY AREA WITH THE EXCEPTION OF TWO CITIES WITH POPULATIONS AROUND 20,000, THE AREA IS VERY RURAL, COVERING APPROXIMATELY 2,000 SQUARE MILES WITH A POPULATION DENSITY OF 126 PEOPLE PER SQUARE MILE MORE THAN 18% OF THE POPULATION LIVES IN POVERTY, WITH CHILDREN IN POVERTY AT MORE THAN 25% THE POPULATION IS 97% WHITE, 2% BLACK AND ALL OTHER RACES 1% APPROXIMATELY 20% OF THE POPULATION DID NOT GRADUATE FROM HIGH SCHOOL THE AVERAGE MEDIAN INCOME IS \$37,724, WELL BELOW THE LEVELS FOR KENTUCKY, OHIO, AND THE NATION AVERAGE UNEMPLOYMENT IS 10 3% COMPARED TO 7 7% NATIONALLY AND 8% FOR KENTUCKY THE KENTUCKY BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM SHOWS THAT IN 2008, IN KDMC'S KENTUCKY MARKET AREA, 18 9% OF THOSE AGE 19-64 YEARS LACKED ANY FORM OF HEALTHCARE COVERAGE, COMPARED TO 14 4% IN KENTUCKY AND 14 6% IN THE NATION

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 KING'S DAUGHTERS MEDICAL CENTER ("KDMC") IS A LOCALLY CONTROLLED, NOT-FOR-PROFIT, 465-BED REGIONAL REFERRAL CENTER, COVERING A 150-MILE RADIUS THAT INCLUDES SOUTHERN OHIO, EASTERN KENTUCKY, AND WESTERN WEST VIRGINIA KDMC OFFERS COMPREHENSIVE CARDIAC, MEDICAL, SURGICAL, PEDIATRIC, REHABILITATIVE, PSYCHIATRIC, CANCER, NEUROLOGICAL, PAIN CARE, WOUND CARE AND, HOME CARE SERVICES IN ONE CONVENIENT LOCATION THERE ARE 279 PHYSICIANS ON STAFF, AND 1,747 CLINICAL EMPLOYEES, INCLUDING LAB TECHNICIANS, NURSES, NURSING ASSISTANTS, PHYSICAL, OCCUPATIONAL AND SPEECH THERAPISTS, RADIOLOGY TECHNICIANS, PHLEBOTOMISTS, AND SUPPORT PERSONNEL EACH ARE HIGHLY TRAINED TO DELIVER QUALITY AND SAFE CARE TO INPATIENTS AND OUTPATIENTS THE MEDICAL CENTER HAS 1) AN OPEN MEDICAL STAFF WITH PRIVILEGES AVAILABLE TO ALL QUALIFIED PHYSICIANS IN THE AREAS, 2) A BOARD OF DIRECTORS WHO GOVERN THE ORGANIZATION THE BOARD IS COMPRISED OF COMMUNITY AND BUSINESS LEADERS, AND PHYSICIANS REPRESENTING THE GEOGRAPHIC AREA OF OUR REGION, 3) AN EMERGENCY DEPARTMENT THAT IS OPEN TO ALL PERSONS IN NEED REGARDLESS OF THEIR ABILITY TO PAY FOR SERVICES, 4) PROVIDES FINANCIAL SUPPORT TO OTHER NONPROFIT ORGANIZATIONS FOR THE PURPOSE OF HEALTH PROMOTION AND COLLABORATING TO MEET UNMET NEEDS IN THE COMMUNITY 5) THE MEDICAL CENTER'S COMMUNITY RELATIONS DEPARTMENT IS FUNDED USING MEDICAL CENTER RESOURCES THE DEPARTMENT INITIATES AND ORGANIZES HEALTH SCREENINGS AND EDUCATIONAL EVENTS DEVELOPED FOR THE SOLE PURPOSE OF IMPROVING THE HEALTH OF THOSE IN OUR REGION THE COMMUNITY RELATIONS STAFF OFFERS HEALTH SCREENINGS, HEALTH EDUCATION TO ADULTS AND CHILDREN, SUPPORT GROUPS, FLU SHOTS, AND SAFETY INSPECTIONS IN FISCAL YEAR 2012, THE COMMUNITY RELATIONS DEPARTMENT PROVIDED 342 HEALTH SCREENING EVENTS, 2,000 FLU VACCINATIONS AND EDUCATED 19,000 YOUTH ABOUT THE HARMFUL EFFECTS OF TOBACCO USE AND THE IMPORTANCE OF HEALTHY EATING ANY SURPLUS FUNDS ARE REINVESTED IN THE CAPITAL AND OPERATIONS OF THE HOSPITAL

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 KING'S DAUGHTERS MEDICAL CENTER IS PART OF AN AFFILIATED HEALTH CARE DELIVERY SYSTEM THE SYSTEM PROVIDES PHYSICIAN SERVICES THROUGH TWO AFFILIATES, KENTUCKY HEART INSTITUTE AND KING'S DAUGHTERS MEDICAL SPECIALTIES, INC BOTH AFFILIATES PROVIDE CHARITY CARE AND PARTICIPATE IN GOVERNMENT PROGRAMS KING'S DAUGHTERS ALSO INCLUDES TWO OTHER AFFILIATES - KING'S DAUGHTERS MEDICAL TRANSPORT, WHICH SEEKS TO CONTINUOUSLY IMPROVE THE PRE- AND POST-HOSPITAL HEALTHCARE PROVIDED IN ALL OF ITS SERVICE AREAS WHILE ENSURING THAT EMERGENCY AND NON-EMERGENCY AMBULANCE SERVICE WILL BE AVAILABLE TO ALL THOSE IN NEED, AND KINGSBROOK NURSING HOME, WHICH PROVIDES QUALITY CARE TO PATIENTS, MEETING THE NEEDS AND DESIRES OF RESIDENTS AT VARIOUS LEVELS OF CARE, INCLUDING SHORT-TERM AND LONG-TERM CARE PART VI LINE 7 THE COMMUNITY BENEFIT REPORT IS NOT REPORTED WITH ANY STATE BUT IT IS AVAILABLE TO THE PUBLIC

Additional Data

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

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

[illegible]

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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? <u>23</u> Name and address	Type of Facility (Describe)
CENTER FOR ADVANCED IMAGING 2225 CENTRAL AVENUE ASHLAND, KY 41101	OUTPATIENT IMAGING CENTER
CENTER FOR ADVANCED IMAGING 2225 CENTRAL AVENUE ASHLAND, KY 41101	OUTPATIENT IMAGING CENTER
CENTER FOR ADVANCED IMAGING 2225 CENTRAL AVENUE ASHLAND, KY 41101	OUTPATIENT IMAGING CENTER

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

Part I General Information on Grants and Assistance

1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No

2

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

Part II Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed ☐

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) UNITED WAY OF NORTHEAST KENTUCKY 1236 WINCHESTER AVENUE ASHLAND,KY 41101	61-6000060	501(C)(3)	7,629				ANNUAL SUPPORT
(2) SALVATION ARMY964 BROADWAY STREET 1 PAINTSVILLE,KY 41240	13-3485289	501(C)(3)	23,846				EASTERN KENTUCKY TORNADO RELIEF

2

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

2

3

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

0

Part III

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

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

Part IV

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

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

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
ASHLAND HOSPITAL CORPORATION

Employer identification number

61-0444716

Part I

Questions Regarding Compensation

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

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

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) JACKSON FRED	(i)	748,705	231,720	35,218	494,888	19,387	1,529,918	0
	(ii)	0	0	0	0	0	0	0
(2) MCDOWELL PAUL	(i)	261,976	165,224	81,998	11,025	19,629	539,852	72,151
	(ii)	0	0	0	0	0	0	0
(3) MAHANEY SHERYL	(i)	206,666	128,378	53,876	107,154	19,486	515,560	49,096
	(ii)	0	0	0	0	0	0	0
(4) FIORET PHILIP MD	(i)	444,698	196,406	123,904	188,874	21,603	975,485	94,103
	(ii)	0	0	0	0	0	0	0
(5) HIGGINS LARRY	(i)	214,773	150,252	82,664	152,395	20,040	620,124	58,089
	(ii)	0	0	0	0	0	0	0
(6) WHITLATCH KRISTIE	(i)	286,596	141,110	55,534	151,257	19,486	653,983	47,622
	(ii)	0	0	0	0	0	0	0
(7) BELL JULIE MD	(i)	437,016	20,000	10,304	11,025	18,982	497,327	0
	(ii)	0	0	0	0	0	0	0
(8) GOUZD VALERIE MD	(i)	447,908	20,000	12,268	11,025	16,599	507,800	0
	(ii)	0	0	0	0	0	0	0
(9) GUIAB ROBIN MD	(i)	499,957	0	258	13,766	23,643	537,624	0
	(ii)	0	0	0	0	0	0	0
(10) SHARP WENDY MD	(i)	493,583	0	0	0	20,349	513,932	0
	(ii)	0	0	0	0	0	0	0
(11) WOODRUFF ALEXIS M	(i)	505,723	0	0	0	638	506,361	0
	(ii)	0	0	0	0	0	0	0
(12) CORBITT PATRICIA	(i)	44,987	0	116,024	0	10,508	171,519	0
	(ii)	0	0	0	0	0	0	0
(13) BAILIFF ROBERT	(i)	298,600	0	35,583	0	14,527	348,710	0
	(ii)	0	0	0	0	0	0	0
(14) SMITH PAUL	(i)	309,141	0	37,489	0	5,007	351,637	0
	(ii)	0	0	0	0	0	0	0
	(i)							
	(ii)							
	(i)							
	(ii)							

Part IIISupplemental Information

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

Identifier	Return Reference	Explanation
	PART I, LINE 1A	THE HOSPITAL PAYS DUES DIRECTLY TO THE COUNTRY CLUB ON BEHALF OF TWO OF THE HIGHEST COMPENSATED EMPLOYEES, JULIE BELL (\$2,304) AND VALERIA GOUZD (\$2,268). THESE DUES ARE INCLUDED IN TAXABLE COMPENSATION.
	PART I, LINE 1B	
	PART I, LINES 4A-B	SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN PAYMENTS: PAUL MCDOWELL \$72,151, SHERYL MAHANEY \$49,096, PHILIP FIORET \$94,103, LARRY HIGGINS \$58,089, KRISTIE WHITLATCH \$47,622. THE CEO AND VICE PRESIDENTS WHOSE BENEFIT IN THE QUALIFIED TAX-SHELTERED ANNUITY PLAN IS LIMITED DUE TO THE IRS COMPENSATION AND BENEFIT LIMITS RECEIVE A BENEFIT RESTORATION CONTRIBUTION UNDER THE DEFERRED ANNUITY PLAN THAT IS PAID AS A TAXABLE DISTRIBUTION TO THE PARTICIPANT ANNUALLY. IN ADDITION, FRED JACKSON WILL BE PROVIDED WITH A LUMP-SUM SUPPLEMENTAL RETIREMENT BENEFIT IF HE REMAINS EMPLOYED UNTIL AGE 62. THE LUMP-SUM PAYMENT, WHEN COMBINED WITH ALL OTHER RETIREMENT BENEFITS, IS ESTIMATED TO PRODUCE A TARGET RETIREMENT INCOME REPLACEMENT EQUAL TO A PERCENTAGE OF FRED JACKSON'S FINAL AVERAGE PAY COMMENCING AT AGE 62. SEVERANCE PAYMENT: ROBERT BAILIFF AND PAUL SMITH RECEIVED SEVERANCE PAYMENTS OF \$35,385 EACH. ELAINE CORBITT RECEIVED \$115,840.

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

Part I

Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	KENTUCKY ECONOMIC DEVELOPMENT AUTHORITY (KEDFA)	61-0600439	491269CG9	09-24-2008	146,580,000	REFUND PRIOR BOND ISSUES		X		X		X
B	KENTUCKY ECONOMIC DEVELOPMENT AUTHORITY (KEDFA)	61-0600439	491269CX2	04-01-2010	75,000,000	HEALTHCARE FACILITIES, BUILDING AND EQUIPMENT		X		X		X
C	CITY OF ASHLAND KENTUCKY	61-6001775	044293AA6	04-01-2010	32,615,000	REFUND SERIES 1998 BONDS		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	325,000		4,555,000		4,440,000			
2	Amount of bonds defeased								
3	Total proceeds of issue	145,708,338		73,885,205		33,986,558			
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds	1,423,351		1,170,837		507,546			
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	12,574,982		49,322,850					
11	Other spent proceeds	131,710,005				33,479,012			
12	Other unspent proceeds			23,391,518					
13	Year of substantial completion	2010							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X			X	X			
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		
16	Has the final allocation of proceeds been made?	X			X	X			
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X			

Part III

Private Business Use

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X		X				
2	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
3a	Are there any management or service contracts that may result in private business use?		X		X				
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X				
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 %		0 %					
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 %		0 %					
6	Total of lines 4 and 5	0 %		0 %					
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X					

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		
2	Is the bond issue a variable rate issue?	X			X		X		
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X			X		X		
b	Name of provider	JP MORGAN							
c	Term of hedge	22 500000000000							
d	Was the hedge superintegrated?		X						
e	Was a hedge terminated?		X						
4a	Were gross proceeds invested in a GIC?		X		X		X		
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X		X		X		
6	Did the bond issue qualify for an exception to rebate?		X		X		X		

Part V

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
PART II, LINE 3, ISSUE A	TOTAL PROCEEDS LISTED ON LINE 3 ARE NOT THE SAME AS THE ISSUE PRICE	SERIES 2008C BOND DISCOUNT \$871,662 ALSO, THE BOND ISSUES LISTED ON SCHEDULE K, PART I, LINE A CONSISTED OF THREE SERIES SERIES 2008A, CUSIP 49126CG9, ISSUE PRICE 50,000,000 VARIABLE RATE ISSUE, SERIES 2008B, CUSIP 401269CH7, ISSUE PRICE 50,000,000, VARIABLE RATE ISSUE, SERIES 2008C, CUSIP 491269CJ3, ISSUE PRICE \$46,580,000, FIXED RATE ISSUE
PART II, LINE 3, ISSUE B	TOTAL PROCEEDS LISTED ON LINE 3 ARE NOT THE SAME AS THE ISSUE PRICE	SERIES 2010A BOND DISCOUNT \$1,318,161 05, OFFSET BY \$203,266 INTEREST EARNED THROUGH SEPTEMBER 30, 2012
PART II, LINE 3, ISSUE C	TOTAL PROCEEDS LISTED ON LINE 3 ARE NOT THE SAME AS THE ISSUE PRICE	SERIES 2010B BOND PREMIUM \$1,371,558 05
PART V	CURRENTLY IMPLEMENTING WRITTEN PROCEDURES	KING'S DAUGHTERS MEDICAL CENTER IS CURRENTLY IMPLEMENTING WRITTEN PROCEDURES TO ENSURE TIMELY IDENTIFICATION OF VIOLATIONS OF FEDERAL TAX REQUIREMENTS AND TIMELY CORRECTION OF ANY IDENTIFIED VIOLATIONS THROUGH USE OF THE VOLUNTARY CLOSING AGREEMENT PROGRAM WHEN SELF-REMEDIATION IS NOT AVAILABLE UNDER APPLICABLE REGULATIONS IN ACCORDANCE WITH THE INSTRUCTIONS, BECAUSE KING'S DAUGHTERS MEDICAL CENTER HAD NOT ESTABLISHED WRITTEN PROCEDURES APPLICABLE TO FISCAL YEAR 2012, THE BOX HAS BEEN CHECKED "NO"

Schedule L
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
ASHLAND HOSPITAL CORPORATION

Employer identification number

61-0444716

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) ASHLAND AREA YMCA	TOM BURNETTE,BOARD DIRECTOR, IS ON THE BOARD OF ASHLAND AREA YMCA	387,565	TOM BURNETTE IS ON THE ASHLAND AREA YMCA BOARD ASHLAND HOSPITAL CORPORATION PAID THE YMCA VIA PAYROLL DEDUCTIONS FOR DUES FOR EMPLOYEES		No
(2) ASHLAND OFFICE SUPPLY	TOM BURNETTE, BOARD DIRECTOR, IS THE OWNER OF ASHLAND OFFICE SUPPLY	1,861,014	TOM BURNETTE IS OWNER OF ASHLAND OFFICE SUPPLY THE HOSPITAL PURCHASES OFFICE SUPPLIES & EQUIPMENT FROM ASHLAND OFFICE SUPPLY		No
(3) SUSAN K SCHNEIDER	SISTER OF TRACY HILLMAN, BOARD DIRECTOR	32,775	EMPLOYEE PAYROLL COMPENSATION FOR SUSAN SCHNEIDER		No
(4) VAN ART PROPERTIES	SON OF JOHN STEWART, BOARD DIRECTOR, IS THE OWNER OF VAN ART PROPERTIES	433,915	THE SON OF JOHN STEWART IS THE OWNER OF VAN ART PROPERTIES THE HOSPITAL RENTS OFFICE SPACE FROM VAN ART PROPERTIES		No
(5) ANNE SLOAN	SISTER IN LAW OF JOHN STEWART, BOARD DIRECTOR	49,915	EMPLOYEE PAYROLL COMPENSATION FOR ANNE SLOAN		No
(6) ASHLAND ALLIANCE	JOHN STEWART, BOARD DIRECTOR, IS A BOARD MEMBER OF ASHLAND ALLIANCE	25,879	JOHN STEWART IS A BOARD MEMBER OF ASHLAND ALLIANCE THE HOSPITAL PAID CHAMBER OF COMMERCE DUES TO ASHLAND ALLIANCE		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation
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2011

Open to Public Inspection

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.

Name of the organization ASHLAND HOSPITAL CORPORATION	Employer identification number 61-0444716
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Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 4	ASHLAND HOSPITAL CORPORATION (AHC) HAS HISTORICALLY SERVED AS THE PARENT ORGANIZATION OF A HEALTH CARE SYSTEM COMPRISED OF IT AND OTHER TAX-EXEMPT ORGANIZATIONS. IN 2010, KING'S DAUGHTERS HEALTH SYSTEM, INC. WAS FORMED AS A KENTUCKY NONPROFIT CORPORATION (KDHS) IN ANTICIPATION OF A CORPORATE RESTRUCTURING IN WHICH KDHS WOULD BECOME THE NEW PARENT ORGANIZATION FOR THE HEALTH CARE SYSTEM. IN 2011, KDHS APPLIED FOR AND OBTAINED A DETERMINATION LETTER FROM THE INTERNAL REVENUE SERVICE CONFIRMING KDHS' STATUS AS A TAX-EXEMPT ORGANIZATION UNDER SECTION 501(C)(3) OF THE CODE AND AS A NON-PRIVATE FOUNDATION UNDER SECTION 509(A)(3) OF THE CODE. AHC ARTICLES AND BYLAWS WERE AMENDED IN FISCAL YEARS 2011 AND 2012 AS PART OF THIS RESTRUCTURING. THE INITIAL PHASE OF THE RESTRUCTURING BECAME EFFECTIVE ON JUNE 1, 2012 WHEN KDHS ACQUIRED CERTAIN VOTING AND APPROVAL RIGHTS AS THE SOLE CORPORATE MEMBER OF AHC. THE INITIAL KDHS BOARD WAS SUBSTANTIALLY IDENTICAL TO THE THEN BOARD OF DIRECTORS OF AHC, AND KDHS' ARTICLES AND BYLAWS PROVIDE THAT AT LEAST A MAJORITY OF THE ELECTED TRUSTEES OF KDHS ARE TO HAVE BEEN RESIDENTS OF EITHER BOYD COUNTY, KENTUCKY OR GREENUP COUNTY, KENTUCKY FOR AT LEAST TEN YEARS. IN CONNECTION WITH THE RESTRUCTURING, KDHS MAY ALSO REPLACE AHC AS THE SOLE CORPORATE MEMBER OF THE OTHER TAX-EXEMPT ORGANIZATIONS IN THE HEALTH CARE SYSTEM. PRIOR TO 2013, KDHS HAS NOT ENGAGED IN ANY SIGNIFICANT ACTIVITIES AS THE NEW PARENT ORGANIZATION OF THE HEALTH CARE SYSTEM, KDHS HAS CERTAIN GOVERNANCE RIGHTS WITH RESPECT TO AHC. THOSE RIGHTS REQUIRE CERTAIN SIGNIFICANT AHC ACTIONS TO NOW ALSO BE APPROVED BY KDHS, INCLUDING, AMONG OTHERS, A CHANGE OF MEMBERSHIP OR SALE OF AHC, ELECTING OR REMOVING AHC'S DIRECTORS AND OFFICERS, AMENDING AHC'S ARTICLES AND BYLAWS, OR ANY BANKRUPTCY, LIQUIDATION OR DISSOLUTION OF AHC, INCLUDING THE TAX-EXEMPT ORGANIZATION TO WHOM AHC'S ASSETS ARE DISTRIBUTED UPON ITS DISSOLUTION. PRIOR TO JUNE 1, 2012, SUCH ACTIONS WOULD GENERALLY ONLY REQUIRE THE APPROVAL OF AHC'S BOARD OF DIRECTORS, OR, IN SOME LIMITED CASES, THE BOARD OF INCORPORATORS OF AHC. KDHS' BOARD OF TRUSTEES MAY IDENTIFY ADDITIONAL AHC ACTIONS THAT MUST BE APPROVED BY KDHS IN ADDITION TO THOSE SPECIFICALLY LISTED IN AHC'S ARTICLES AND BYLAWS. AHC'S AMENDED ARTICLES ALSO ELIMINATED THE BOARD OF INCORPORATORS, A GROUP OF INDIVIDUALS THAT HAD PREVIOUSLY ELECTED AHC'S BOARD OF DIRECTORS AND HAD TO APPROVE CERTAIN REAL ESTATE TRANSACTIONS. AHC'S AMENDED ARTICLES AND BYLAWS ALSO MADE CERTAIN CHANGES WITH RESPECT TO AHC'S BOARD AND BOARD COMMITTEES. FOR EXAMPLE, AHC'S BYLAWS NOW PROVIDE FOR A MINIMUM NUMBER OF 7 DIRECTORS WHILE ELIMINATING A MAXIMUM LIMIT OF 17 DIRECTORS. FURTHER, DIRECTORS NOW SERVE STAGGERED TERMS OF 4 YEARS INSTEAD OF 3 AND TERM AND AGE LIMITS FOR AHC DIRECTORS WERE ELIMINATED. THE ONLY EX-OFFICIO MEMBER OF THE AHC BOARD IS NOW AHC'S PRESIDENT/CEO. WITH RESPECT TO AHC BOARD COMMITTEES, THE CHAIR OF THE BOARD OF TRUSTEES OF KDHS IS TO CHAIR ANY AHC BOARD COMMITTEES, INCLUDING ITS AUDIT COMMITTEE AND PERSONNEL AND COMPENSATION COMMITTEE, UNLESS KDHS DETERMINES OTHERWISE. IN ADDITION, CERTAIN PROVISIONS IN AHC'S BYLAWS WITH RESPECT TO AHC'S PERSONNEL AND COMPENSATION COMMITTEE CONCERNING THE QUALIFICATIONS FOR DIRECTORS OF AHC AND EXECUTIVE COMPENSATION WERE REMOVED THOUGH AHC CONTINUES TO FOLLOW THE PROCEDURES FOR REVIEWING AND APPROVING EXECUTIVE COMPENSATION OUTLINED ELSEWHERE IN THIS FORM 990. WITH RESPECT TO THE OFFICERS OF AHC, A LAUNDRY LIST OF SPECIFIC DUTIES OF THE PRESIDENT/CEO OF AHC WAS ELIMINATED IN FAVOR OF A MORE GENERAL DESCRIPTION OF THE PRESIDENT/CEO'S RESPONSIBILITIES, WHICH INCLUDE OVERALL GENERAL ADMINISTRATIVE MANAGEMENT OF AHC AND SUCH OTHER DUTIES AS ARE INCIDENT TO THE OFFICE OR AS DETERMINED BY AHC'S BOARD. FURTHER, THE SECRETARY OF AHC NO LONGER NEEDS TO BE A MEMBER OF THE EXECUTIVE STAFF OF AHC. LASTLY, AHC'S AMENDED BYLAWS NOW SPECIFICALLY REQUIRE THE AHC BOARD TO ADOPT A CONFLICT OF INTEREST POLICY. THE AHC BOARD ALREADY HAD A CONFLICT OF INTEREST POLICY IN PLACE. THE TAX-EXEMPT, CHARITABLE PURPOSES OF AHC WERE NOT CHANGED IN THE AMENDED AND RESTATED ARTICLES OF AHC.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	AS NOTED IN THE RESPONSE TO PART VI LINE 4, DURING 2012, KDHS ACQUIRED CERTAIN VOTING AND APPROVAL RIGHTS AS THE SOLE CORPORATE MEMBER OF AHC

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7B	AS NOTED IN THE RESPONSE TO PART VI LINE 4, DURING 2012, KDHS ACQUIRED CERTAIN VOTING AND APPROVAL RIGHTS AS THE SOLE CORPORATE MEMBER OF AHC AS THE NEW PARENT ORGANIZATION OF THE HEALTH CARE SYSTEM, KDHS HAS CERTAIN GOVERNANCE RIGHTS WITH RESPECT TO AHC THOSE RIGHTS REQUIRE CERTAIN SIGNIFICANT AHC ACTIONS TO NOW ALSO BE APPROVED BY KDHS, INCLUDING, AMONG OTHERS, A CHANGE OF MEMBERSHIP OR SALE OF AHC, ELECTING OR REMOVING AHC'S DIRECTORS AND OFFICERS, AMENDING AHC'S ARTICLES AND BYLAWS, OR ANY BANKRUPTCY, LIQUIDATION OR DISSOLUTION OF AHC, INCLUDING THE TAX-EXEMPT ORGANIZATION TO WHOM AHC'S ASSETS ARE DISTRIBUTED UPON ITS DISSOLUTION KDHS' BOARD OF TRUSTEES MAY IDENTIFY ADDITIONAL AHC ACTIONS THAT MUST BE APPROVED BY KDHS IN ADDITION TO THOSE SPECIFICALLY LISTED IN AHC'S ARTICLES AND BYLAWS WITH RESPECT TO AHC BOARD COMMITTEES, THE CHAIR OF THE BOARD OF TRUSTEES OF KDHS IS TO CHAIR ANY AHC BOARD COMMITTEES, INCLUDING ITS AUDIT COMMITTEE AND PERSONNEL AND COMPENSATION COMMITTEE, UNLESS KDHS DETERMINES OTHERWISE

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	THE 990 WILL BE REVIEWED IN DETAIL BY THE CFO AND CONTROLLER AFTER THIS REVIEW, BUT BEFORE IT IS FILED WITH THE IRS, THE FINAL 990 WILL BE PROVIDED TO THE FULL BOARD OF DIRECTORS USING BOARD EFFECTS SOFTWARE. AN E-MAIL WITH A LINK TO THE POSTING WILL BE SENT TO EACH BOARD MEMBER ONCE THE REPORT HAS BEEN POSTED

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

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	AT THE DIRECTION OF THE HUMAN RESOURCES & COMPENSATION COMMITTEE OF THE BOARD, KDMC ENGAGES AON HEWITT, A LEADING INDEPENDENT GLOBAL HUMAN CAPITAL AND COMPENSATION CONSULTING COMPANY TO ASSIST IN DETERMINING COMPENSATION OF THE CEO AND VICE PRESIDENTS. THIS IS AN ANNUAL PROCESS AND AON HEWITT'S MOST RECENT EXECUTIVE COMPENSATION REVIEW WAS PERFORMED IN 2012. AON HEWITT IS NOT ENGAGED IN ANY OTHER WORK WITH KDMC. THE PRINCIPLE OBJECTIVE OF THIS STUDY WAS TO ASSEMBLE A DETAILED PROFILE OF THE CURRENT COMPENSATION LEVELS AVAILABLE TO EXECUTIVES MANAGING SIMILAR TASKS AND RESPONSIBILITIES AS MEMBERS OF THE KDMC EXECUTIVE TEAM, AS AON HEWITT SELECTED OTHER KEY EXECUTIVE MANAGEMENT ROLES. MOREOVER, THE OBJECTIVE WAS TO COMPILE MARKET DATA FOR EACH POSITION THAT WAS REFLECTIVE OF THE PAY LEVELS OFFERED BY INDEPENDENT, NOT-FOR-PROFIT HEALTH CARE ORGANIZATIONS OF COMPARABLE SIZE (I.E., \$500 MILLION IN ANNUAL REVENUE) WITH OPERATIONS IN THE UNITED STATES. THE AON HEWITT DATA COUPLED WITH THE PERFORMANCE OF THE ORGANIZATION AS WELL AS THE PERSONAL PERFORMANCE OF EACH EXECUTIVE IS THE BASIS FOR KDMC'S HUMAN RESOURCE & COMPENSATION COMMITTEE'S REVIEW AND RECOMMENDATIONS, AND THE BOARD'S REVIEW AND APPROVAL OF ANNUAL COMPENSATION INCREASES. THE PROCESS INCLUDES A REVIEW AND APPROVAL BY INDEPENDENT PERSONS, COMPARABILITY DATA AND CONTEMPORANEOUS SUBSTANTIATION OF THE DELIBERATION AND DECISION. THIS PROCESS WAS USED TO DETERMINE COMPENSATION FOR THE PRESIDENT/CEO AND ALL VICE-PRESIDENTS.

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

Identifier	Return Reference	Explanation
	FORM 990, PART VII	AVERAGE HOURS PER WEEK FOR ASHLAND HOSPITAL CORPORATION AND ALL RELATED ORGANIZATIONS IS AS FOLLOWS STEPHEN ADDINGTON - 0 8 HOURS JACK BLAIR - 0 8 HOURS TOM BURNETTE - 1 0 HOUR JIM CANTRELL - 0 6 HOURS DAN CASSIDY - 1 6 HOURS DONALD HAMMONDS - 40 6 HOURS ALEXANDER KRIVCHENIA - 2 6 HOURS RAY MOND MECCA - 0 8 HOURS JOHN STEWART - 0 8 HOURS DAVID JONES - 6 5 HOURS FRED JACKSON - 49 0 HOURS PAUL MCDOWELL - 48 3 HOURS SHERYL MAHANEY - 48 0 HOURS PHILIP FIORET - 40 3 HOURS LARRY HIGGINS - 41 5 HOURS KRISTIE WHITLATCH - 40 8 HOURS

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED GAINS ON INVESTMENTS 14,801,692 PENSION LIABILITY ADJUSTMENT - 4,128,466 CHANGE IN MARKET VALUE INTEREST RATE SWAP -1,951,438 CHANGE IN MARKET VALUE SELF INSURANCE FUNDS 895,720 OTHER ADJUSTMENTS 79,556 CONTRIBUTIONS OF EQUIPMENT NOT REPORTED ON F/S -10,942 TOTAL TO FORM 990, PART XI, LINE 5 9,686,122

Identifier	Return Reference	Explanation
	FORM 990, PART VI LINE 1A	THE EXECUTIVE COMMITTEE OF THE AHC BOARD IS MADE UP OF THE FOLLOWING MEMBERS DAVID JONES, CHAIR STEPHEN ADDINGTON, VICE CHAIR FRED JACKSON, CHIEF EXECUTIVE OFFICER JOHN STEWART, TRUSTEE TOM BURNETTE, TRUSTEE DR RAYMOND MECCA, TRUSTEE JIM CANTRELL, TRUSTEE THE EXECUTIVE COMMITTEE SHALL BE COMPOSED OF THE TRUSTEES CHAIR, ANY VICE-CHAIRS, THE CHIEF EXECUTIVE OFFICER, AND ANY OTHER TRUSTEE RECOMMENDED BY THE CHAIR AND APPROVED BY THE TRUSTEES THE TRUSTEES CHAIR SHALL SERVE AS CHAIR OF THE EXECUTIVE COMMITTEE THE CHIEF EXECUTIVE OFFICER SHALL SERVE AS AN EX OFFICIO VOTING MEMBER OF THE EXECUTIVE COMMITTEE THE EXECUTIVE COMMITTEE SHALL HAVE ALL POWERS AND AUTHORITY OF THE TRUSTEES TO TRANSACT ALL REGULAR BUSINESS OF THE CORPORATION, SUBJECT TO ANY LIMITATIONS IMPOSED BY THE TRUSTEES, THE BYLAWS OR BY APPLICABLE LAW MEETINGS OF THE EXECUTIVE COMMITTEE SHALL BE HELD AS NEEDED THE EXECUTIVE COMMITTEE SHALL FROM TIME TO TIME AS IT DETERMINES APPROPRIATE REVIEW AND RECOMMEND REVISIONS TO THE BYLAWS FOR CONSIDERATION AND APPROVAL BY THE TRUSTEES THE EXECUTIVE COMMITTEE SHALL ALSO RECEIVE SUCH REPORTS AS THE COMMITTEE MAY DIRECT FROM THE EXECUTIVE OR ANY SIMILAR COMMITTEE OF THE BOARD OF DIRECTORS OF EACH AFFILIATED ORGANIZATION CONCERNING THE ACTIVITIES OF SUCH COMMITTEE AND PROVIDE PERIODIC REPORTS ON SUCH ACTIVITIES TO THE TRUSTEES

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

Part I

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

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

Part II

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

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

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Dispropportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) ASHLAND MEDICAL PROPERTIES INC 2201 LEXINGTON AVENUE ASHLAND, KY 41101 61-1079090	RENTALS	KY	ASHLAND HOSPITAL CORPORATION	C		58,416	100 000 %

Part V

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

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

j

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

k

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

l

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

m

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

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

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

r

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

Yes

No

1a

Yes

1b

Yes

1c

No

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

No

1k

No

1l

No

1m

No

1n

Yes

1o

No

1p

No

1q

Yes

1r

Yes

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

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

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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Software ID:

Software Version:

EIN: 61-0444716

Name: ASHLAND HOSPITAL CORPORATION

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c) (3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization	
ASHLAND NURSING HOME CORP 2500 STATE ROUTE 5 ASHLAND, KY 41102 61-1386016	NURSING HOME	KY	501(C) (3)	11-I	ASHLAND HOSPITAL CORPORATION	Yes	
CHILD DEVELOPMENT CENTER CORP 2201 LEXINGTON AVENUE ASHLAND, KY 41101 01-0560598	CHILD CARE	KY	501(C) (3)	11-I	ASHLAND HOSPITAL CORPORATION	Yes	
KENTUCKY HEART INSTITUTE 2201 LEXINGTON AVENUE ASHLAND, KY 41101 61-1255904	PHYSICIANS	KY	501(C) (3)	9	ASHLAND HOSPITAL CORPORATION	Yes	
KENTUCKY HEART FOUNDATION 2201 LEXINGTON AVENUE ASHLAND, KY 41101 26-0791997	MEDICAL RESEARCH	KY	501(C) (3)	7	ASHLAND HOSPITAL CORPORATION	Yes	
KENTUCKY MEDICAL LOGISTICS INC 2518 STATE ROUTE 5 ASHLAND, KY 41102 26-4736971	MEDICAL TRANSPORT	KY	501(C) (3)	9	ASHLAND HOSPITAL CORPORATION	Yes	
KING'S DAUGHTERS HEALTH FOUNDATION INC 2201 LEXINGTON AVENUE ASHLAND, KY 41101 61-1035701	FUNDRAISING	KY	501(C) (3)	11-III-FI	ASHLAND HOSPITAL CORPORATION	Yes	
KING'S DAUGHTERS HEALTH SYSTEM INC 2201 LEXINGTON AVENUE ASHLAND, KY 41101 27-4553836	HEALTHCARE	KY	501(C) (3)	11-II	N/A	Yes	
KING'S DAUGHTERS MEDICAL SPECIALTIES INC 2201 LEXINGTON AVENUE ASHLAND, KY 41101 26-4183569	PHYSICIANS	KY	501(C) (3)	9	ASHLAND HOSPITAL CORPORATION	Yes	
PORTSMOUTH HOSPITAL CORP 2201 LEXINGTON AVENUE ASHLAND, KY 41101 45-3215312	HEALTHCARE	KY	501(C) (3)	3	ASHLAND HOSPITAL CORPORATION	Yes	

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved (\$)	(d) Method of determining amount involved
(1) ASHLAND NURSING HOME CORP	Q	857,920	ALL TRANSACTIONS BETWEEN
(2) ASHLAND NURSING HOME CORP	R	895,176	THE FILING ORGANIZATION AND
(3) CHILD DEVELOPMEN CENTER CORP	Q	185,344	RELATED COMPANIES ARE CAPTURED
(4) KING'S DAUGHTERS HEALTH FOUNDATION INC	R	59,121	IN THE DUE TO/FROM
(5) KENTUCKY HEART FOUNDATION INC	A	28,764	ACCOUNTS THE TYPES OF
(6) KENTUCKY HEART INSTITUTE INC	A	494,856	TRANSACTIONS THAT HIT THIS
(7) KENTUCKY HEART INSTITUTE INC	B	255,537	ACCOUNT ARE TRACKED MONTHLY
(8) KENTUCKY HEART INSTITUTE INC	N	463,610	
(9) KENTUCKY HEART INSTITUTE INC	Q	12,323,241	
(10) KENTUCKY MEDICAL LOGISTICS INC	Q	1,103,272	
(11) KENTUCKY MEDICAL LOGISTICS INC	R	500,000	
(12) KING'S DAUGHTERS MEDICAL SPECIALTIES INC	A	339,427	
(13) KING'S DAUGHTERS MEDICAL SPECIALTIES INC	B	179,910	
(14) KING'S DAUGHTERS MEDICAL SPECIALTIES INC	N	102,500	
(15) KING'S DAUGHTERS MEDICAL SPECIALTIES INC	Q	7,997,022	
(16) KENTUCKY HEART FOUNDATION INC	Q	138,290	
(17) KENTUCKY MEDICAL LOGISTICS INC	B	78,217	
(18) KING'S DAUGHTERS HEALTH SYSTEM	O	120,000	

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

Consolidated Financial Statements

Years Ended September 30, 2012 and 2011

With Independent Auditors' Report

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

Consolidated Financial Statements

Years Ended September 30, 2012 and 2011

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Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6

Independent Auditors' Report

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

We have audited the consolidated balance sheet of Ashland Hospital Corporation and Subsidiaries d/b/a King's Daughters Medical Center (collectively, the "Medical Center") as of September 30, 2012 and 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ashland Hospital Corporation and Subsidiaries d/b/a King's Daughters Medical Center as of September 30, 2012 and 2011, and the results of their operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 2 to the consolidated financial statements, the Medical Center adopted new authoritative guidance for the presentation and disclosure of patient service revenue, provision for bad debts, and the allowance for doubtful accounts in 2012.



Pittsburgh, Pennsylvania
November 14, 2012

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

Consolidated Balance Sheets

	September 30	
	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$ 63,366,719	\$ 59,600,015
Short-term investments	20,930,165	21,087,565
Patient accounts receivable, less allowance for doubtful accounts of \$55,729,000 in 2012 and \$62,074,000 in 2011	77,087,916	80,817,580
Inventories	10,164,903	10,449,806
Current portion of assets limited as to use	2,437,924	3,157,411
Other current assets	18,337,031	13,394,345
Total current assets	<u>192,324,658</u>	<u>188,506,722</u>
Assets limited as to use		
By board of directors	210,416,254	182,075,735
By donors	1,204,542	488,505
By self-insurance trust agreements	12,082,909	9,708,778
By bond indenture agreements	23,391,837	35,829,320
Total assets limited as to use	<u>247,095,542</u>	<u>228,102,338</u>
Less assets limited as to use that are required for current liabilities	<u>(2,437,924)</u>	<u>(3,157,411)</u>
	244,657,618	224,944,927
Property, plant and equipment, net of accumulated depreciation	<u>336,449,198</u>	<u>334,328,592</u>
Other assets		
Deferred financing costs, net of accumulated amortization of \$433,858 in 2012 and \$316,128 in 2011	2,673,747	2,791,478
Other	9,347,701	8,931,969
Total other assets	<u>12,021,448</u>	<u>11,723,447</u>
Total assets	<u><u>\$ 785,452,922</u></u>	<u><u>\$ 759,503,688</u></u>

See notes to consolidated financial statements.

	September 30	
	2012	2011
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 33,343,143	\$ 37,284,121
Accrued salaries, wages and related liabilities	31,943,800	31,025,945
Accrued interest payable	1,714,375	1,773,200
Estimated third-party payor settlements	22,633,678	17,634,504
Current portion of long-term debt	7,989,823	11,373,885
Total current liabilities	97,624,819	99,091,655
Estimated malpractice liabilities, net of current portion	13,831,934	12,084,910
Long-term debt, net of current portion	240,590,975	245,872,699
Interest rate swap agreements	22,063,563	20,112,124
Accrued pension obligation	23,436,000	21,247,000
Other long-term liabilities	2,087,609	1,940,466
Total liabilities	399,634,900	400,348,854
Net assets		
Unrestricted net assets	384,410,043	358,574,617
Temporarily restricted net assets	1,292,490	463,162
Permanently restricted net assets	115,489	117,055
Total net assets	385,818,022	359,154,834
 Total liabilities and net assets	 \$ 785,452,922	 \$ 759,503,688

See notes to consolidated financial statements.

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

Consolidated Statements of Operations and
Changes in Net Assets

	Years Ended September 30	
	2012	2011
Unrestricted revenues, gains, and other support		
Patient service revenues (net of contractual allowances and discounts)	\$ 591,728,130	\$ 582,285,287
Provision for doubtful collections	(57,279,724)	(58,032,748)
Net patient service revenues less provision for doubtful accounts	534,448,406	524,252,539
Other revenues	18,311,717	14,065,302
Total unrestricted revenues, gains, and other support	552,760,123	538,317,841
Expenses		
Salaries and wages	240,670,768	217,113,978
Employee benefits	59,128,427	53,693,221
Supplies and other expenses	151,368,663	162,138,563
Purchased services	35,933,355	40,225,628
Depreciation and amortization	38,049,346	38,065,370
Interest expense	9,960,197	9,729,946
Provider tax expense	7,612,068	7,609,675
Total expenses	542,722,824	528,576,381
Operating income	10,037,299	9,741,460
Investment income (loss), net	22,138,245	(1,605,006)
Change in fair value of interest rate swap agreements	(1,951,438)	(4,152,944)
Other loss, net	(182,527)	(29,227)
Excess of revenues over expenses	30,041,579	3,954,283
Pension liability adjustment	(4,128,466)	1,933,904
Other	750,075	(984,680)
Change in net assets	26,663,188	4,903,507
Net assets, beginning of year	359,154,834	354,251,327
Net assets, end of year	\$ 385,818,022	\$ 359,154,834

See notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

	Years Ended September 30	
	2012	2011
Operating activities and other income		
Change in net assets	\$ 26,663,188	\$ 4,903,507
Adjustments to reconcile change in net assets to net cash provided by operating activities and other income		
Depreciation and amortization	38,049,346	38,065,370
Provision for bad debts	57,279,724	58,032,748
Unrealized gain (loss) on investments	15,741,335	(14,644,235)
Change in fair value of interest rate swap agreements	1,951,438	4,152,944
Pension liability adjustment	4,128,466	(1,933,904)
Other changes in assets and liabilities		
Patient accounts receivable	(53,550,059)	(63,221,931)
Short-term investments	157,400	(4,732,915)
Other current and noncurrent assets	(5,073,516)	(812,869)
Estimated third-party payor settlements	4,999,174	10,207,126
Other current and noncurrent liabilities	(4,874,272)	(394,634)
Estimated malpractice liabilities	1,747,025	2,269,517
Net cash provided by operating activities and other income	<u>87,219,249</u>	<u>31,890,724</u>
Investing activities		
Purchases of property, plant, and equipment, net	(36,230,745)	(29,506,682)
Change in assets limited as to use	(34,734,538)	10,363,567
Net cash used in investing activities	<u>(70,965,283)</u>	<u>(19,143,115)</u>
Financing activities		
Repayment of long-term debt	(12,487,262)	(11,387,741)
Repayment of notes payable	-	(15,000,000)
Net cash used in financing activities	<u>(12,487,262)</u>	<u>(26,387,741)</u>
Increase (decrease) in cash and cash equivalents	3,766,704	(13,640,132)
Cash and cash equivalents, beginning of year	59,600,015	73,240,147
Cash and cash equivalents, end of year	<u>\$ 63,366,719</u>	<u>\$ 59,600,015</u>
Supplemental Disclosures		
Cash paid for interest	<u>\$ 10,019,022</u>	<u>\$ 9,844,060</u>
Property acquired through capital lease	<u>\$ 3,821,476</u>	<u>\$ 707,388</u>

See notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

Years Ended September 30, 2012 and 2011

1. Organization

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

2. Accounting Policies

Use of Estimates

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

Cash and Cash Equivalents and Short-Term Investments

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

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000 At September 30, 2012, the Medical Center maintained deposits in excess of this coverage The Medical Center also has repurchase agreements of approximately \$1,437,000 that are not covered under FDIC insurance that are included in cash and cash equivalents The repurchase agreements are secured by U S Treasury Obligations held by a financial institution

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

Notes to Consolidated Financial Statements

2. Accounting Policies (continued)

Cash and Cash Equivalents and Short-Term Investments (continued)

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

Patient Accounts Receivable and Net Patient Service Revenue

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

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

Patient accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. In evaluating the collectability of patient accounts receivable, the Medical Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. For receivables associated with services provided to patients who have third-party coverage (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Medical Center analyzes contractual amounts due and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and insured patients with deductible and copayment balances), the Medical Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the billed rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

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

Notes to Consolidated Financial Statements

2. Accounting Policies (continued)

Patient Accounts Receivable and Net Patient Service Revenue (continued)

The Medical Center's allowance for doubtful accounts for self-pay patients was 49% of self-pay accounts receivable at both September 30, 2012 and 2011. In addition, the Medical Center's self-pay account write-offs (net of recoveries) decreased to \$36,429,560 in 2012 from \$39,115,058 in 2011. The decrease was offset by an increase in charity care write-offs from 2011 to 2012. The Medical Center has not changed its financial assistance policy in 2012 or 2011. The Medical Center does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

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

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, per diem payments, and contracted amounts. The Medical Center recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of these established rates for the services rendered. For uninsured patients that do not qualify for charity care, the Medical Center recognizes revenues on the basis of its standard rates, discounted in accordance with the Medical Center's policy. On the basis of historical experience, a significant portion of the Medical Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Medical Center records a significant provision of bad debts related to uninsured patients in the period the services are provided. Patient service revenues, net of contractual allowances and discounts (but before the provisions for bad debts), recognized in 2012 and 2011 from these major payor sources, are as follows:

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

Notes to Consolidated Financial Statements

2. Accounting Policies (continued)

Patient Accounts Receivable and Net Patient Service Revenue (continued)

September 30, 2012				
	Third-Party Government Payors	Third-Party Commercial Payors	Self-Pay	Total All Payors
Patient service revenues (net of contractual allowances and discounts)	\$ 281,364,123	\$ 272,041,790	\$ 38,322,217	\$ 591,728,130
September 30, 2011				
	Third-Party Government Payors	Third-Party Commercial Payors	Self-Pay	Total All Payors
Patient service revenues (net of contractual allowances and discounts)	\$ 278,373,210	\$ 260,879,321	\$ 43,032,756	\$ 582,285,287

Patient service revenues reported above include the provision for bad debts for all entities within the Medical Center, which recognize significant amounts of patient service revenues at the time the services are rendered without assessing the patient's ability to pay

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

Notes to Consolidated Financial Statements

2. Accounting Policies (continued)

Charity Care

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

Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's ability to pay, the Medical Center utilizes the generally recognized Federal Poverty Guidelines, but also includes certain cases where incurred charges are significant when compared to income. Charity care provided in 2012 and 2011, measured at established rates, was approximately \$65,015,000 and \$55,691,000, respectively. These charges are not included in net patient service revenues. The estimated cost of charity care provided in 2012 and 2011 was \$20,532,000 and \$19,602,000, respectively.

Inventories

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

Assets Limited as to Use and Investments

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

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

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

Notes to Consolidated Financial Statements

2. Accounting Policies (continued)

Interest Rate Swap Agreements

The Medical Center has entered into certain interest rate swap agreements, considered to be derivative instruments, in connection with its debt management program. The Medical Center records its derivative instruments as either assets or liabilities in the accompanying consolidated balance sheets at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. The Medical Center's derivatives are not designated as hedges. Accordingly, the derivative gain or loss related to the change in fair value is included in excess of revenues over expenses. During the years ended September 30, 2012 and 2011, the Medical Center amortized approximately \$80,000 of the accumulated derivative obligation included as a component of net assets, which is included in interest expense in the accompanying consolidated financial statements. The accumulated derivative obligation on previously designated hedges excluded from the excess of revenues over expenses was approximately \$1,580,000 and \$1,660,000 at September 30, 2012 and 2011, respectively.

Property, Plant, and Equipment

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

The Medical Center reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. Any write-downs due to impairment are charged to operations at the time impairment is identified. Management determined that no impairment write-downs were necessary in 2012 and 2011.

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

Notes to Consolidated Financial Statements

2. Accounting Policies (continued)

Property, Plant, and Equipment (continued)

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

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

Deferred Financing Costs

Deferred financing costs consist of the costs incurred in conjunction with the issuance of bonds. The Medical Center's policy is to amortize deferred financing costs over the term of the bonds using the bonds outstanding method. Amortization expense was \$117,730 and \$182,750 for the years ended September 30, 2012 and 2011, respectively.

Unamortized Bond Discount and Premium

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

Estimated Malpractice Liabilities

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

Excess of Revenues Over Expenses

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

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

Notes to Consolidated Financial Statements

2. Accounting Policies (continued)

Operating Income and Nonoperating Gains

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

Federal Income Taxes

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

Meaningful Use of Electronic Health Records

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

Once the Medical Center meets the requirements for an incentive payment, a preliminary payment is made by The Centers for Medicare & Medicaid Services based on discharge data from the Medical Center's most recently filed cost report. The final amount of the payment is determined at the time the cost report for the period beginning in the payment year is settled, based on discharge data from that cost report. The Medical Center attested as a meaningful user for the years ended September 30, 2012 and 2011. As such, the Medical Center recognized approximately \$2,934,000 and \$3,293,000 at September 30, 2012 and 2011, respectively, as grant income under the Medicare program. The Medical Center recognized \$1,263,000 and \$1,899,000 at September 20, 2012 and 2011, respectively, as grant income under the Medicaid program. This grant income is included in other operating revenues in the accompanying consolidated statements of operations.

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

Notes to Consolidated Financial Statements

2. Accounting Policies (continued)

Meaningful Use of Electronic Health Records (continued)

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

New Accounting Standards

Patient Service Revenue, Provision for Bad Debts, and Allowance for Doubtful Accounts:

The Medical Center adopted new authoritative guidance on patient service revenue, provision for bad debts, and the allowance for doubtful accounts for the year ended September 30, 2012. The objective of the new guidance is to provide financial statement users with greater transparency about a health care entity's net patient service revenues and related allowance for doubtful accounts.

The new authoritative guidance requires the following changes to existing accounting practices:

- Reclassification of the statement of operations to present the provision for bad debts from an operating expense to a deduction from patient service revenue, net of contractual allowances and discounts,
- Enhanced disclosure about policies for recognizing revenue and the provision for bad debts by major payor source of revenue, and qualitative and quantitative information about significant changes in the allowance for doubtful accounts related to patient accounts receivable, including significant estimates and underlying assumptions, self-pay write-offs, third-party write-offs, and uninsured transactions, and
- Disclosure of patient service revenue, net of contractual allowances and discounts, by major payor source

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

Notes to Consolidated Financial Statements

2. Accounting Policies (continued)

New Accounting Standards (continued)

Patient Service Revenue, Provision for Bad Debts, and Allowance for Doubtful Accounts (Continued):

The new authoritative guidance also requires retrospective application related to presentation in the statement of operations, and prospective application to the disclosure requirements. As a result of adopting the new authoritative guidance, the Medical Center reclassified its provision for bad debts in the statement of operations for the year ended September 30, 2011, decreasing total unrestricted revenues, gains, and other support and total expenses by approximately \$58,033,000. No other reclassifications or modifications have been made to the Medical Center's 2011 financial statements as a result of adoption.

Charity Care:

The Medical Center adopted amended disclosure guidance relating to the measurement of charity care provided. The guidance requires that direct and indirect costs be used as the basis of measurement for charity care disclosure purposes. The guidance also requires disclosure of the method used to identify or determine such costs. The adoption of the amended guidance revised the disclosure in the notes to the Medical Center's consolidated financial statements but did not impact amounts reported in the primary consolidated financial statements.

Insurance Claims:

The Medical Center adopted amended guidance relating to the presentation of insurance claims and related insurance recoveries. The guidance clarifies that health care entities may not net insurance recoveries against a related claim liability. In addition, the amount of the claim liability should be determined without consideration of insurance recoveries, if any, should be measured and presented separately within the consolidated statement of financial position. The adoption of the amended guidance resulted in presenting insurance recoveries and related liabilities on a gross basis in the Medical Center's consolidated balance sheet and did not impact net assets.

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

Notes to Consolidated Financial Statements

2. Accounting Policies (continued)

New Accounting Standards (continued)

Fair Value Measurements:

The Medical Center adopted amended guidance on fair value measurements and disclosures. The guidance requires disaggregated and robust disclosures of fair value techniques and inputs to fair value measurements, transfers in and out of Levels 1 and 2 classifications, and reconciliation of Level 3 assets and liabilities on a gross (versus net) basis. While the Medical Center adopted this guidance in 2011, the changes to the Level 3 disclosure requirements were not effective until the year ended September 30, 2012. The adoption of the amended guidance did not have a material impact on the Medical Center's consolidated financial statements, but expanded disclosures about certain fair value measurements.

In 2011, the Financial Accounting Standards Board (FASB) issued amended guidance relating to fair value measurements and disclosures. The guidance includes new and clarified guidance on fair value measurements (highest and best use, equity instruments, managed net portfolio positions, and application of premiums and discounts) and disclosure (quantitative information, valuation processes and sensitivity of unobservable inputs, assets not in highest and best use, and assets not measured at fair value). The amended guidance is effective for periods beginning after December 15, 2011. The adoption of the amended guidance will not have a material impact on the Medical Center's consolidated financial statements, but may modify financial statement disclosures for fair value measurements.

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

Notes to Consolidated Financial Statements

3. Medicare and Medicaid Programs

The Medical Center is a provider of services under contractual arrangements with the Medicare and Medicaid Programs (Programs). Approximately 51% and 17%, respectively, of the Medical Center's 2012 net patient service revenue was derived from services to patients covered by these Programs. Comparable percentages for 2011 were 47% and 13%, respectively.

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

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

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

The Commonwealth of Kentucky legislation imposes a tax on health care providers. The legislation also provides a system for limited reimbursement for services provided to indigent patients. The Medical Center incurred provider tax expense of approximately \$7,612,000 and \$7,610,000 in 2012 and 2011, respectively, and received a reimbursement benefit of approximately \$2,731,000 and \$2,268,000 in 2012 and 2011, respectively.

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

Notes to Consolidated Financial Statements

4. Property, Plant, and Equipment

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

	2012	2011
Land	\$ 29,458,916	\$ 29,203,181
Land improvements	7,815,272	7,702,812
Buildings	182,238,330	181,853,547
Building improvements	200,681,748	194,545,331
Equipment	269,898,836	260,170,891
Construction in process	14,437,104	3,785,717
	704,530,206	677,261,479
Less accumulated depreciation	368,081,008	342,932,887
	\$ 336,449,198	\$ 334,328,592

Depreciation expense, including amortization of capital leases, was \$37,929,036 and \$37,901,185 for the year ended September 30, 2012 and 2011, respectively

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

Notes to Consolidated Financial Statements

5. Assets Limited as to Use

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

	2012	2011
By Board of Directors		
Cash and cash equivalents	\$ 8,934,133	\$ 7,735,523
Common stock and equity mutual funds	93,335,387	75,398,685
Corporate bonds and notes	25,888,511	26,216,126
Bond mutual funds	42,851,175	45,946,423
U S Treasury obligations	26,825,710	8,821,239
U S Government agency obligations	2,149,806	17,957,739
Real estate fund	10,431,532	-
	<u>\$ 210,416,254</u>	<u>\$ 182,075,735</u>
By donors		
Cash and cash equivalents	\$ 1,204,542	\$ 488,505
	<u>\$ 1,204,542</u>	<u>\$ 488,505</u>
By self-insurance trust agreements		
Cash and cash equivalents	\$ 708,725	\$ 326,999
Corporate bonds and notes	7,728,671	3,589,591
U S Government agency obligations	5,425	7,012
Mutual funds	3,640,088	5,785,176
	<u>\$ 12,082,909</u>	<u>\$ 9,708,778</u>
By bond indenture agreements		
Cash and cash equivalents	\$ 23,391,837	\$ 35,829,320
	<u>\$ 23,391,837</u>	<u>\$ 35,829,320</u>

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

	2012	2011
Corporate bonds and notes	\$ 20,930,165	\$ 21,087,565

Ashland Hospital Corporation and Subsidiaries
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Notes to Consolidated Financial Statements

5. Assets Limited as to Use (continued)

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

	2012	2011
Interest and dividend income	\$ 6,994,263	\$ 7,561,478
Realized gain on investments	1,127,801	5,527,204
Unrealized gain (loss) on investments	15,741,335	(14,644,235)
	<u>\$ 23,863,399</u>	<u>\$ (1,555,553)</u>
Amounts included in other revenue	\$ 1,725,154	\$ 49,453
Amounts included in investment income (loss), net	22,138,245	(1,605,006)
	<u>\$ 23,863,399</u>	<u>\$ (1,555,553)</u>

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

6. Retirement Plans

Through January 1, 2011, the Medical Center sponsored a defined benefit plan covering eligible employees who qualify as to age and length of service. Pension benefits are generally based upon years of service and an employee's average monthly compensation during their years of service. The Medical Center's funding policy is to contribute amounts to the plan sufficient to meet all minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the Medical Center may determine appropriate from time to time. Pension plan assets are primarily invested in listed and readily marketable stocks and bonds. A measurement date of September 30 was used for the plan at September 30, 2012 and 2011.

Ashland Hospital Corporation and Subsidiaries
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Notes to Consolidated Financial Statements

6. Retirement Plans (continued)

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

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

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

The Medical Center established the Base and Matching Plans to cover substantially all employees employed subsequent to December 31, 1992, (except for collectively bargained employees) who qualify as to age and length of service and those employees who were participants in the defined benefit plan and qualify as to length of service, but as of January 1, elected to become a limited participant in the defined benefit plan and an active participant in the defined contribution plans. Effective January 1, 2011, employees subject to collective bargaining may participate in the Base and Matching Plans. The Medical Center contributes 3% of the participants' compensation for the Base Plan and 50% of eligible participant contributions for the Matching Plan, unless such contributions are suspended or terminated.

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

Notes to Consolidated Financial Statements

6. Retirement Plans (continued)

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

	2012	2011
Defined benefit plan		
Service cost	\$ 353,000	\$ 1,089,704
Interest cost	3,349,667	3,643,656
Expected return on plan assets	(3,733,168)	(3,898,908)
Net amortization	691,065	1,075,829
Net periodic pension cost	660,564	1,910,281
Curtailment charge	-	273,623
Defined contribution plans	7,172,824	4,551,794
Total retirement benefit costs	<u>\$ 7,833,388</u>	<u>\$ 6,735,698</u>

Included in unrestricted net assets at September 30, 2012 and 2011, are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized actuarial loss of \$32,533,199 and \$28,404,497, respectively. There was no unrecognized net prior service cost for the years ended September 30, 2012 or 2011. No prior service cost is expected to be recognized during the year ended September 30, 2013. The actuarial loss expected to be recognized during the year ended September 30, 2013 is \$831,808.

Ashland Hospital Corporation and Subsidiaries
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Notes to Consolidated Financial Statements

6. Retirement Plans (continued)

The following table sets forth the defined benefit plan's funded status and amounts recognized in the Medical Center's consolidated balance sheets, as measured at September 30, 2012 and 2011

	2012	2011
Change in projected benefit obligation		
Benefit obligation, beginning of year	\$ 67,087,225	\$ 69,715,522
Service cost	353,000	1,089,704
Interest cost	3,349,667	3,643,656
Plan curtailments	-	(7,970,628)
Actuarial loss	8,638,218	3,369,244
Benefits paid	(2,972,970)	(2,760,273)
Projected benefit obligation, end of year	<u>76,455,140</u>	<u>67,087,225</u>
Change in plan assets		
Fair value of plan assets, beginning of year	45,840,225	45,638,522
Actual return on plan assets	7,551,885	(118,024)
Employer contributions	2,600,000	3,080,000
Benefits paid	(2,972,970)	(2,760,273)
Fair value of plan assets, end of year	<u>53,019,140</u>	<u>45,840,225</u>
Underfunded status	<u>\$ (23,436,000)</u>	<u>\$ (21,247,000)</u>

The underfunded status is included in long-term liabilities as accrued pension obligation at September 30, 2012 and 2011

The net (decrease) increase recognized as a pension liability adjustment included in changes in unrestricted net assets was \$(4,128,466) and \$1,933,904 for the years ended September 30, 2012 and 2011, respectively. There was no net prior service cost recognized in the minimum pension liability included in changes in unrestricted net assets for the years ended September 30, 2012 and 2011, respectively.

No plan assets are expected to be returned to the Medical Center during the fiscal year-ended September 30, 2013. The accumulated benefit obligation was \$76,455,140 and \$67,087,225 at September 30, 2012 and 2011, respectively.

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

Notes to Consolidated Financial Statements

6. Retirement Plans (continued)

Assumptions:

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

	2012	2011
Discount rate	4 15%	5 11%
Rate of compensation increase	N/A	N/A

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

	2012	2011
Discount rate	5 11%	5 61%
Rate of compensation increase	N/A	3 50%
Expected return on plan assets	8 25%	8 25%

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

Plan Assets:

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

	Target	2012	2011
Asset Class			
Equity	60 0%	59 0%	57 5%
Fixed income	40 0	40 0	41 3
Cash and cash equivalents	—	1 0	1 2
	100 0%	100 0%	100 0%

Ashland Hospital Corporation and Subsidiaries
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Notes to Consolidated Financial Statements

6. Retirement Plans (continued)

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

Pension Plan Assets:

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

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

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

Notes to Consolidated Financial Statements

6. Retirement Plans (continued)

The fair values of the Medical Center's pension plan assets at September 30, 2012, by asset class are as follows

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market mutual funds	\$ 522,542	\$ 522,542	\$ -	\$ -
Mutual funds (A)	52,496,598	52,496,598	-	-

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

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

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

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

Ashland Hospital Corporation and Subsidiaries
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Notes to Consolidated Financial Statements

6. Retirement Plans (continued)

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

Cash Flows:

The Medical Center currently does not expect to make a contribution to the defined benefit plan during the fiscal year ending September 30, 2013 in order to satisfy minimum funding requirements. Management will evaluate funding status during the year and may elect to make voluntary contributions.

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

2013	\$ 3,036,000
2014	3,205,000
2015	3,387,000
2016	3,558,000
2017	3,786,000
2018 through 2022	21,130,000

7. Line of Credit

The Medical Center has an unused line of credit with a bank in the amount of \$15 million at September 30, 2012 and 2011. The line of credit expires February 14, 2013. The note has a variable interest rate equal to LIBOR plus 1.25% with a floor of 3.0% at September 30, 2012 and 2011.

Ashland Hospital Corporation and Subsidiaries
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Notes to Consolidated Financial Statements

8. Long-Term Debt

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

	2012	2011
Variable Rate Medical Center Revenue Bonds, Series 2008A [A]	\$ 50,000,000	\$ 50,000,000
Variable Rate Medical Center Revenue Bonds, Series 2008B [A]	50,000,000	50,000,000
Medical Center Revenue Bonds, Series 2008C [B]	46,255,000	46,365,000
Medical Center Revenue Bonds, Series 2010A [C]	70,445,000	75,000,000
Medical Center Revenue Bonds, Series 2010B [C]	28,175,000	28,175,000
Capital Lease Payable - Software [D]	1,433,680	2,116,840
Capital Lease Payable - Other [E]	3,092,222	6,391,283
	<u>249,400,902</u>	<u>258,048,123</u>
Less unaccreted bond discount	(1,960,502)	(2,034,401)
Plus unamortized bond premium	1,140,398	1,232,862
	<u>248,580,798</u>	<u>257,246,584</u>
Current portion	(7,989,823)	(11,373,885)
Total long-term debt	<u><u>\$ 240,590,975</u></u>	<u><u>\$ 245,872,699</u></u>

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

Notes to Consolidated Financial Statements

8. Long-Term Debt (continued)

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

The Series 2008A Bonds and Series 2008B Bonds are variable rate demand bonds in which the interest rate is determined every 7 days by a remarketing agent (0.18% at September 30, 2012). The Series 2008A Bonds and Series 2008B Bonds, which are subject to retirement in varying principal payments through 2038, are subject to optional redemption, in whole or in part, on any interest rate adjustment date at the redemption price of 100% of the principal amount redeemed plus accrued interest thereon to the redemption date. The Medical Center is required to maintain letters of credit on the Series 2008A Bonds and the Series 2008B Bonds through maturity.

The Series 2008A Bonds and Series 2008B Bonds are secured through irrevocable letters of credit provided by a bank that expires on September 24, 2015 after which is renewable for one year thereafter. The letters of credit have repayment terms in 48 equal monthly installments commencing on the 367th day after a failed remarketing. Interest rates as determined by these auctions are subject to various risks including changes in the credit markets, remarketing mechanisms, and the potential for failed auctions. The default interest rate for the Series 2008B Bonds is based upon a formulaic maximum rate which is the greater of the prime rate plus 2% or 12%.

[B] In September 2008, KEDFA issued \$46.58 million of Medical Center Revenue Bonds, Series 2008C (the Series 2008C Bonds) dated September 1, 2008 on behalf of the Medical Center. The proceeds of the Series 2008C Bonds were used for the purpose of refunding Series 1993B Bonds, Series 2001 Bonds and Series 2003B Bonds and to pay related costs of issuance.

Ashland Hospital Corporation and Subsidiaries
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Notes to Consolidated Financial Statements

8. Long-Term Debt (continued)

The Series 2008C Bonds are fixed rate bonds with serial and term maturities at interest rates ranging from 4% to 6.5%. Interest is payable semi-annually on February 1 and August 1. The Series 2008C Bonds are subject to retirement in varying principal payments through 2038. The Series 2008C Bonds maturing after February 1, 2018 are subject to an optional redemption prior to maturity on or after February 1, 2018, in whole at any time or in part on any interest payment date, at a redemption price equal to the principal amount thereof, plus interest accrued to the date fixed for redemption.

[C] In April 2010, KEDFA issued \$75 million of Medical Center Revenue Bonds, Series 2010A (the Series 2010A Bonds) and \$32.615 million of Medical Center Revenue Bonds, Series 2010B (the Series 2010B Bonds) dated March 1, 2010 on behalf of the Medical Center. The proceeds of the Series 2010A and 2010B Bonds were used for the purpose of refunding Series 1998 Bonds and to pay costs of acquiring, constructing, improving and equipping the Medical Center's healthcare facilities and to pay related costs of issuance.

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

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

In connection with the bonds outstanding, the Medical Center has agreed to certain covenants which, among other things, limit additional indebtedness and guarantees, require the Medical Center to maintain specific financial ratios, require that the Medical Center maintain certain insurance coverage, and require certain sinking fund amounts. At September 30, 2012, the Medical Center was in compliance with such requirements.

Ashland Hospital Corporation and Subsidiaries
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Notes to Consolidated Financial Statements

8. Long-Term Debt (continued)

[D] In January 2008, the Medical Center entered into a license fee agreement for a term of 68 months for software which was implemented in November 2008. The license fee agreement is recorded at the present value of minimum payments in the amount of approximately \$8 million. Monthly principal and interest payments of \$101,135 are being made. The interest rate was imputed at 5.25% which is considered the Medical Center's incremental borrowing rate at the inception of the lease.

In July 2012, the Medical Center entered into an additional license fee agreement for a term of 29 months for software which was implemented in November 2008. The license fee agreement is recorded at the present value of minimum payments in the amount of approximately \$551,000. Monthly principal and interest payments of \$36,106 are being made. The interest rate was imputed at 4.00% which is considered the Medical Center's incremental borrowing rate at the inception of the lease.

[E] At varying rates of imputed interest from 1.49% to 4% due through 2015, collateralized by certain property and equipment. Property and equipment include the following property under capital lease:

	2012	2011
Building	\$ 339,350	\$ 339,350
Equipment	5,613,032	22,192,449
Less accumulated depreciation	1,805,405	5,316,519
	<u>\$ 4,146,977</u>	<u>\$ 17,215,280</u>

In May 2012, the Medical Center entered into an agreement to lease telephone equipment for a term of 36 months. The agreement is recorded at the present value of minimum payments in the amount of approximately \$3,270,000. Annual principal payments of \$1,132,461 are being made. The interest rate was imputed at 4.00% which is considered the Medical Center's incremental borrowing rate at the inception of the lease.

The Medical Center has a \$8,991,536 letter of credit with a bank, none of which is outstanding at September 30, 2012 or 2011. Advances bear interest at prime, with a floor of 4.00% at September 30, 2012 and 2011. The interest rates were 4.00% at September 30, 2012 and 2011. This letter of credit expires May 17, 2013 and is renewable for an additional year. This letter of credit is a guarantee of payment for workers' compensation claims in lieu of a trusted cash balance for the same amount.

Ashland Hospital Corporation and Subsidiaries
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Notes to Consolidated Financial Statements

8. Long-Term Debt (continued)

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

	<u>Bonds</u>	<u>Capital Leases</u>
Years Ending September 30		
2013	\$ 4,830,000	\$ 3,311,445
2014	5,020,000	1,367,028
2015	5,195,000	34,842
2016	5,385,000	-
2017	5,615,000	-
Thereafter	218,830,000	-
	<u>\$ 244,875,000</u>	
		4,713,315
Less amount representing interest		187,413
Present value of future minimum lease payments		4,525,902
Less current maturities		3,159,823
Non-current portion		<u>\$ 1,366,079</u>

The Corporation paid interest of approximately \$10,019,000 and \$9,844,000 during 2012 and 2011, respectively. The Medical Center capitalized interest costs of approximately \$1,387,000 and \$2,326,000 during 2012 and 2011, respectively.

9. Interest Rate Swap Agreements

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Medical Center has entered into several interest rate swap agreements for a portion of its floating rate debt. The fair value of the agreements, \$22,063,563 and \$20,112,124 as of September 30, 2012 and 2011, respectively, were determined by a third-party valuation specialist and are recorded as long-term liabilities within the consolidated balance sheets. The agreements are as follows:

Ashland Hospital Corporation and Subsidiaries
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Notes to Consolidated Financial Statements

9. Interest Rate Swap Agreements (continued)

On May 23, 2001, the Medical Center entered into an interest rate swap agreement that provides for the Medical Center to receive interest from the counterparty of 68% of the one-month LIBOR rate and to pay interest to the counterparty at a fixed rate of 4.07% on notional amounts of \$13,700,000 and \$14,100,000 at September 30, 2012 and 2011, respectively. The agreement will expire on February 1, 2031. Under the agreement, the Medical Center pays interest amounts every six months commencing on August 1, 2001 and receives interest amounts every 35th calendar day, with the settlements included in interest expense.

On August 10, 2004, the Medical Center entered into an interest rate swap agreement that provides for the Medical Center to receive interest from the counterparty of the one-month LIBOR rate and to pay interest to the counterparty at a fixed rate of 5.618% on notional amounts of \$21,000,000 at September 30, 2012 and 2011. The agreement will expire on February 1, 2034. Under the agreement, the Medical Center pays interest amounts every six months commencing on February 1, 2005 and receives interest amounts every 5th Monday commencing on September 27, 2004, with the settlements included in interest expense.

On October 26, 2005, the Medical Center entered into an interest rate swap agreement that provides for the Medical Center to receive interest from the counterparty of the one-month LIBOR rate and to pay interest to the counterparty at a fixed rate of 5.293% on notional amounts of \$25,606,000 and \$26,239,500 at September 30, 2012 and 2011, respectively. The agreement will expire on September 1, 2036. Under the agreement, the Medical Center pays interest amounts every six months commencing on March 1, 2007 and receives interest amounts monthly, with the settlements included in interest expense.

On June 20, 2006, the Medical Center entered into an interest rate swap agreement that provides for the Medical Center to receive interest from the counterparty of the ten-year LIBOR rate less 63 basis points and to pay interest to the counterparty at the one-month LIBOR rate on notional amounts of \$25,606,000 and \$26,239,500 at September 30, 2012 and 2011, respectively. The agreement will expire on September 1, 2036. Under the agreement, the Medical Center pays or receives the net interest amounts monthly, with the monthly settlements included in interest expense.

Ashland Hospital Corporation and Subsidiaries
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Notes to Consolidated Financial Statements

9. Interest Rate Swap Agreements (continued)

On August 3, 2010, the Medical Center entered into an interest rate swap agreement that provides for the Medical Center to receive interest from the counterparty of the one-month LIBOR plus 177 basis points and to pay interest to the counterparty at the ten-year ISDA swap rate less 63 basis points on notional amounts of \$25,606,000 and \$26,239,500 at September 30, 2012 and 2011, respectively. The agreement will expire on September 1, 2013. Under the agreement, the Medical Center pays or receives the net interest amounts monthly, with the monthly settlements included in interest expense.

As a result of these interest rate swap agreements, interest expense was increased by \$2,525,294 and \$2,561,519 for the years ended September 30, 2012 and 2011, respectively.

10. Disclosures About Fair Value of Assets and Liabilities

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

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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

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

Notes to Consolidated Financial Statements

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

Investments

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

Interest Rate Swap Agreements

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

Ashland Hospital Corporation and Subsidiaries
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Notes to Consolidated Financial Statements

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

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2012

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Money market mutual funds	\$ 33,983,822	\$ 33,983,822	\$ -	\$ -
Common stock	31,397,455	31,397,455	-	-
Mutual funds (A)	116,413,154	116,413,154	-	-
Corporate bonds and notes	46,818,802	-	46,818,802	-
U S Treasury obligations	26,825,710	-	26,825,710	-
U S Government agency obligations	2,155,231	-	2,155,231	-
Real estate investment fund	10,431,532	-	-	10,431,532
Interest rate swap agreements	(22,063,563)	-	(22,063,563)	-

- (A) Three percent of mutual funds invest in common stock of large-cap U S companies. Less than one percent of the mutual fund investments focus on emerging markets. Forty-three percent of mutual funds invest in fixed income investments. Seventeen percent invest in international equities. Thirty-six percent of mutual funds invest in alternative investments.

Ashland Hospital Corporation and Subsidiaries
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Notes to Consolidated Financial Statements

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

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

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

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

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Notes to Consolidated Financial Statements

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

The following is a summary of changes in fair value of the Medical Center's financial assets that have been classified as Level 3 at September 30, 2012

	<u>Real Estate Investment Fund</u>
Balance, September 30, 2011	\$ -
Realized and unrealized gains	443,287
Advisory fees	(11,755)
Purchases	<u>10,000,000</u>
Balance, September 30, 2012	<u><u>\$ 10,431,532</u></u>

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

Cash and Cash Equivalents

The carrying amount approximates fair value

Long-Term Debt

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

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Notes to Consolidated Financial Statements

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

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

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 63,366,719	\$ 63,366,719	\$ 59,600,015	\$ 59,600,015
Assets limited as to use	247,095,541	247,095,541	228,102,338	228,102,338
Short-term investments	20,930,165	20,930,165	21,087,565	21,087,565
Long-term debt	(244,875,000)	(252,730,243)	(249,540,000)	(253,873,013)
Interest rate swap agreements	(22,063,563)	(22,063,563)	(20,112,124)	(20,112,124)

11. Concentration of Credit Risk

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

	2012	2011
Medicare	33%	36%
Medicaid	16	13
Anthem/Blue Cross	10	10
Patients	28	28
Other third-party payers	13	13
	100%	100%

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Notes to Consolidated Financial Statements

12. Functional Expenses

The Medical Center provides general health care services to residents within the communities served by the Medical Center. Approximately 85% of the Medical Center's expenses related to health care services and 15% related to general and administrative costs for both of the years ended September 30, 2012 and 2011.

13. Commitments

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. Total rent expense for the years ended September 30, 2012 and 2011 for all operating leases was approximately \$3,504,000 and \$3,331,000, respectively. Future rental commitments, as of September 30, 2012, for all noncancellable operating leases with terms in excess of one year are as follows: \$3,099,000 – 2013, \$2,718,000 – 2014, \$2,323,000 – 2015, \$2,215,000 – 2016, \$1,339,000 – 2017 and \$7,179,000 – thereafter.

The Medical Center has a contract with a construction company in the amount of \$15.4 million for the construction of a new facility in Portsmouth, Ohio. As of September 30, 2012, approximately \$11.3 million has been completed on the construction of the new facility.

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Notes to Consolidated Financial Statements

14. Self-Insurance

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

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

The estimated current portion of the obligation of approximately \$2,438,000 and \$3,157,000 in 2012 and 2011, respectively, is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. The estimated liability for such malpractice and professional and general liability claims is not discounted in the accompanying consolidated financial statements. The Medical Center is also self-insured for workers' compensation and employee health benefits.

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

The Medical Center has established an irrevocable trust fund for the payment of medical malpractice claim settlements. Professional insurance consultants have assisted the Medical Center in determining amounts to be deposited in the trust fund. The balance on deposit in the irrevocable trust was \$12,082,909 and \$9,708,778 at September 30, 2012 and 2011, respectively.

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Notes to Consolidated Financial Statements

15. Temporarily and Permanently Restricted Net Assets

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

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

	<u>2012</u>	<u>2011</u>
Temporarily restricted		
Education Funds	\$ 12,161	\$ 14,199
Program Funds	1,280,329	448,963
	<u>\$ 1,292,490</u>	<u>\$ 463,162</u>
Permanently restricted		
Boyd County Medical Society Scholarship Fund	\$ 115,489	\$ 117,055
	<u>\$ 115,489</u>	<u>\$ 117,055</u>

16. Significant Estimates and Concentrations

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

Allowance for Net Patient Service Revenue Adjustments

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

Malpractice Claims

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

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Notes to Consolidated Financial Statements

16. Significant Estimates and Concentrations (continued)

Litigation

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

In connection with its nationwide review, the Department of Justice (DOJ) is reviewing certain hospital charges relating to implantable cardio-defibrillators (ICDs) for compliance with the Centers for Medicare and Medicaid Services criteria. The review covers the period from October 2003 to present. As such, a potential exists that the Medical Center may be subject to claims for recoupment and penalties. The Medical Center has reserved approximately \$6,200,000 to cover any and all claims and damages related to this review.

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

Pension and Other Postretirement Benefit Obligations

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

Investments

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

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Notes to Consolidated Financial Statements

16. Significant Estimates and Concentrations (continued)

Current Economic Conditions

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

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

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

17. Subsequent Events

Subsequent events have been evaluated through November 14, 2012, which is the date the financial statements were available to be issued.