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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

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 01-01-2013, 2012, and ending 06-30-2013

B Check if applicable ☒ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending	C Name of organization UNIVERSITY MEDICAL CENTER INC		D Employer identification number 61-1293786		
	Doing Business As UNIVERSITY OF LOUISVILLE HOSPITAL				
	Number and street (or P O box if mail is not delivered to street address) 530 S Fourth Street		Room/suite		
	City or town, state or country, and ZIP + 4 Louisville, KY 40202		E Telephone number (502) 562-3621		
			G Gross receipts \$ 269,700,261		
		F Name and address of principal officer JAMES TAYLOR 530 S Fourth Street Louisville, KY 40202		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.KENTUCKYONEHEALTH.ORG/UNIVERSITYOFLOUISVILLEHOSPITAL					

K Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other ☐	L Year of formation 1995	M State of legal domicile KY
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Part I Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities TO PROVIDE PATIENT CARE TO OUR COMMUNITY AND TO SERVE AS A MAJOR TEACHING HOSPITAL FOR EDUCATION AND TRAINING IN MEDICINE, DENTISTRY, NURSING, AND ALLIED HEALTH PROFESSIONS		
	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)		
	4	Number of independent voting members of the governing body (Part VI, line 1b)		
	5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)		
	6	Total number of volunteers (estimate if necessary)		
	7a	Total unrelated business revenue from Part VIII, column (C), line 12		
	b	Net unrelated business taxable income from Form 990-T, line 34		
Revenue	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)		
Expenses	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		
Net Assets or Fund Balances		Beginning of Current Year	End of Year	
	20	Total assets (Part X, line 16)	325,142,314	394,584,247
	21	Total liabilities (Part X, line 26)	158,837,626	397,975,908
	22	Net assets or fund balances Subtract line 21 from line 20	166,304,688	-3,391,661

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 COLLEEN HOLTON INTERIM CFO				2014-05-15 Date	
Paid Preparer Use Only	Print/Type preparer's name Pamela Krohn		Preparer's signature		Date	
	Firm's name ☐ CATHOLIC HEALTH INITIATIVES				Firm's EIN ☐ 47-0617373	
	Firm's address ☐ 198 INVERNESS DRIVE WEST ENGLEWOOD, CO 80112				Phone no (303) 298-9100	

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

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization’s mission

TO PROVIDE PATIENT CARE TO OUR COMMUNITY AND TO SERVE AS A MAJOR TEACHING HOSPITAL FOR EDUCATION AND TRAINING IN MEDICINE, DENTISTRY, NURSING, AND ALLIED HEALTH PROFESSIONS

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

YesNo

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

YesNo

4

Describe the organization’s program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations 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 \$ 221,723,776 including grants of \$ 214,094) (Revenue \$ 253,979,615)

UNIVERSITY MEDICAL CENTER OPERATES THE UNIVERSITY OF LOUISVILLE HOSPITAL, WHICH IS A TEACHING FACILITY HOSPITAL DESIGNATED AS A REGIONAL TRAUMA CENTER AND PROVIDES CARE TO THE MEDICALLY NEEDY REGARDLESS OF THEIR ABILITY TO PAY

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 ▶ 221,723,776

Part IV

Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	
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 for escrow or custodial account liability, 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 Yes	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? 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	No
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 and XII	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 and XII 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, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization 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, line 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		No
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 lines 24b through 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, highest 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 employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <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		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
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, Part II, III, or IV, and Part V, line 1</i>	34		No
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		No
b	If "Yes" to line 35a, 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		No
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 11b 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	0			
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0			
c		Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c		
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	0			
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).				
3a		Did the organization have unrelated business gross income of \$1,000 or more during the year?		3a	Yes	
b		If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.		3b	Yes	
4a		At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a		No
b		If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.				
5a		Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a		No
b		Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b		No
c		If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		5c		
6a		Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		6a		No
b		If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b		
7 Organizations that may receive deductible contributions under section 170(c).						
a		Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		7a		No
b		If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b		
c		Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c		No
d		If "Yes," indicate the number of Forms 8282 filed during the year.		7d		
e		Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e		No
f		Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f		No
g		If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g		
h		If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h		
8		Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8		
9		Sponsoring organizations maintaining donor advised funds.				
a		Did the organization make any taxable distributions under section 4966?		9a		
b		Did the organization make a distribution to a donor, donor advisor, or related person?		9b		
10 Section 501(c)(7) organizations. Enter						
a		Initiation fees and capital contributions included on Part VIII, line 12.		10a		
b		Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		10b		
11 Section 501(c)(12) organizations. Enter						
a		Gross income from members or shareholders.		11a		
b		Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		11b		
12a		Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a		
b		If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		12b		
13 Section 501(c)(29) qualified nonprofit health insurance issuers.						
a		Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		13a		
b		Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		13b		
c		Enter the amount of reserves on hand.		13c		
14a		Did the organization receive any payments for indoor tanning services during the tax year?		14a		No
b		If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		14b		

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	13	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	13	
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	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	No
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	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
10b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	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	No
11b	Describe in Schedule O the process, if any, used by the organization to review this Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
12b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
12c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	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?		
15a	The organization's CEO, Executive Director, or top management official	15a	Yes
15b	Other officers or key employees of the organization	15b	Yes
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	Yes
16b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	Yes

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	KY , NC
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 ☐ Other (explain in Schedule O)	
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 during the tax year	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization	Tammy Howell 539 S Fourth Street Louisville, KY (502) 540-3687

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. 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 organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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) JOAN COLEMAN DIRECTOR/Vice Chairman	1 00 0	X		X				0	0	0
(2) ROBERT W ROUNSAVALL III DIRECTOR/Chairman	1 00 0	X		X				0	0	0
(3) CHARLIE JOHNSON DIRECTOR	1 00 0	X						0	0	0
(4) DAVID L DUNN DIRECTOR	1 00 0	X						0	0	0
(5) DEBRA M MURPHY DIRECTOR	1 00 0	X						0	0	0
(6) DPT LAURENCE BENZ MBA OCS DIRECTOR	0 0	X						0	0	0
(7) EDD MARCIA HERN CNSRN DIRECTOR	0 0	X						0	0	0
(8) GERARD ANDERSON DIRECTOR	1 00 0	X						0	0	0
(9) KELLY M MCMASTERS MD PHD DIRECTOR	1 00 0	X						0	0	0
(10) LINDY B STREET DIRECTOR	1 00 0	X						0	0	0
(11) MARTHA NEAL COOKE DIRECTOR	1 00 0	X						0	0	0
(12) PHILLIP BOND DIRECTOR	1 00 0	X						0	0	0
(13) ROBERT C HUGHES MD DIRECTOR	1 00 0	X						0	0	0
(14) SANDY METTS SNOWDEN DIRECTOR	1 00 0	X						0	0	0
(15) SHARMILA MAKHIJA MD Director	0 0	X						0	0	0
(16) TONI GANZEL MD DIRECTOR	1 00 0	X						0	0	0
(17) JAMES H TAYLOR CEO	40 00 0			X				0	0	0

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	0	0	0

2 Total number of individuals (including but not limited to those \$100,000 of reportable compensation from the organization) ▶

		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	No
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	No
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

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 ►0

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . .	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e	6,184			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	121,768			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f		127,952			
Program Service Revenue	2a	PATIENT SERVICES	Business Code 900099	268,659,715	268,659,715		
	b	JOINT OPERATING	900099	-15,142,484	-15,172,767	30,283	
	c	INTERCOMPANY TRANSACTIONS	900099	492,667	492,667		
	d			0			
	e			0			
	f	All other program service revenue		0	0	0	
	g	Total. Add lines 2a-2f		254,009,898			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		167,371		167,371
4		Income from investment of tax-exempt bond proceeds . . .		82,630		82,630	
5		Royalties		0			
6a		Gross rents	(i) Real 222,037	(ii) Personal			
		b	Less rental expenses				
		c	Rental income or (loss)	222,037	0		
		d	Net rental income or (loss)		222,037		222,037
7a		Gross amount from sales of assets other than inventory	(i) Securities 4,211	(ii) Other 8,581			
		b	Less cost or other basis and sales expenses		10,083		
		c	Gain or (loss)	4,211	-1,502		
		d	Net gain or (loss)		2,709		2,709
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a				
b		Less direct expenses	b				
c		Net income or (loss) from fundraising events . . .		0			
9a		Gross income from gaming activities See Part IV, line 19	a				
b		Less direct expenses	b				
c		Net income or (loss) from gaming activities . . .		0			
10a		Gross sales of inventory, less returns and allowances	a				
b		Less cost of goods sold	b				
c		Net income or (loss) from sales of inventory . . .		0			
Miscellaneous Revenue		Business Code					
11a	PHARMACY SERVICES	446110	11,588,939			11,588,939	
b	CAFETERIA	722100	1,266,908			1,266,908	
c	LABORATORY SERVICES	621500	525,641		6,072	519,569	
d	All other revenue		1,696,093	0	0	1,696,093	
e	Total. Add lines 11a-11d		15,077,581				
12	Total revenue. See Instructions		269,690,178	253,979,615	36,355	15,546,256	

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).

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.	214,094	214,094		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0			
4	Benefits paid to or for members.	0			
5	Compensation of current officers, directors, trustees, and key employees.	0			
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	0	0		
7	Other salaries and wages.	85,277,274	74,294,029	10,983,245	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	3,103,345	2,703,651	399,694	
9	Other employee benefits.	12,131,309	10,568,863	1,562,446	
10	Payroll taxes.	6,418,179	5,591,553	826,626	
11	Fees for services (non-employees):				
a	Management.	0			
b	Legal.	516,503		516,503	
c	Accounting.	88,410		88,410	
d	Lobbying.	0			
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	0			
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	51,333,792	26,146,238	25,187,554	0
12	Advertising and promotion.	1,475,417	6,240	1,469,177	
13	Office expenses.	3,873,118	3,518,247	354,871	
14	Information technology.	108,209	74,884	33,325	
15	Royalties.	0			
16	Occupancy.	6,873,106	6,638,429	234,677	
17	Travel.	181,670	114,176	67,494	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	8,473	7,205	1,268	
20	Interest.	3,543,783	3,543,783		
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	12,313,592	12,187,203	126,389	
23	Insurance.	4,776,111		4,776,111	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	MEDICAL SUPPLIES	53,937,523	53,937,523		
b	BAD DEBTS	7,140,661	7,140,661		
c	REPAIRS AND MAINTENANCE	6,697,772	6,455,204	242,568	
d	PROVIDER TAXES	2,415,859	2,415,859	0	
e	All other expenses	16,969,151	6,165,934	10,803,217	0
25	Total functional expenses. Add lines 1 through 24e.	279,397,351	221,723,776	57,673,575	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ☐ if following SOP 98-2 (ASC 958-720).	0			

Part X

Balance Sheet

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

☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		60,652,844	1	54,122
	2	Savings and temporary cash investments		31,927,008	2	50,704,497
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		77,369,641	4	74,621,614
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		1,333,000	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	0
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		9,125,462	8	9,057,134
	9	Prepaid expenses and deferred charges		5,920,666	9	6,907,789
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a181,097,779			
	b	Less accumulated depreciation	10b7,760,079	100,540,863	10c	173,337,700
	11	Investments—publicly traded securities			11	0
	12	Investments—other securities See Part IV, line 11			12	0
	13	Investments—program-related See Part IV, line 11		31,150,010	13	18,379,189
	14	Intangible assets			14	53,178,126
	15	Other assets See Part IV, line 11		7,122,820	15	8,344,076
	16	Total assets. Add lines 1 through 15 (must equal line 34)		325,142,314	16	394,584,247
Liabilities	17	Accounts payable and accrued expenses		53,828,302	17	66,868,933
	18	Grants payable			18	
	19	Deferred revenue		27,155,882	19	8,203,830
	20	Tax-exempt bond liabilities		53,105,836	20	4,668,313
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	0
	23	Secured mortgages and notes payable to unrelated third parties		3,449,093	23	67,507,756
	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		21,298,513	25	250,727,076
	26	Total liabilities. Add lines 17 through 25		158,837,626	26	397,975,908
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here ☒ and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		166,304,688	27	-3,391,661
	28	Temporarily restricted net assets		0	28	
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), 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		166,304,688	33	-3,391,661
	34	Total liabilities and net assets/fund balances		325,142,314	34	394,584,247

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	269,690,178
2	Total expenses (must equal Part IX, column (A), line 25)	2	279,397,351
3	Revenue less expenses Subtract line 2 from line 1	3	-9,707,173
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	166,304,688
5	Net unrealized gains (losses) on investments	5	-44,949
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-159,944,227
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	-3,391,661

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? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis		No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separate basis	Yes	
2c	If "Yes," to line 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	
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
3b	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.

OMB No 1545-0047

2012

Open to Public Inspection

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

Name of the organization
UNIVERSITY MEDICAL CENTER INC

Employer identification number
61-1293786

Part I

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- 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 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 monetary support
			Yes	No	Yes	No	Yes	No	
Total									

Part II

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage						
14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2011 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2012. 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—2011. If the organization did not check a 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—2012. 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—2011. 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 IIISupport Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2012. 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—2011. 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.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization UNIVERSITY MEDICAL CENTER INC	Employer identification number 61-1293786
---	--

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 can 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 education)☐ Preservation of an historically important land area☐ Protection of natural habitat☐ Preservation of a certified historic structure☐ Preservation of open space

2

Complete lines 2a through 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, and not on a historic structure listed in the National Register

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

In Part XIII, 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 (ASC 958), 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 XIII, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116 (ASC 958), 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 (ASC 958) relating to these items

a

Revenues included in Form 990, Part VIII, line 1

▶\$ _____

b

Assets included in Form 990, Part X

▶\$ _____

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2012

Part III

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

3

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

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

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

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 XIII and complete the following table

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII

☐

Part V

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a	Beginning of year balance	14,767,777	14,746,097	14,726,997	14,697,044
b	Contributions				
c	Net investment earnings, gains, and losses		21,680	19,100	29,953
d	Grants or scholarships				
e	Other expenditures for facilities and programs	14,767,777			
f	Administrative expenses				
g	End of year balance	0	14,767,777	14,746,097	14,726,997

2

Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as

a

Board designated or quasi-endowment

100 000 %

b

Permanent endowment

c

Temporarily restricted endowment

The percentages in lines 2a, 2b, and 2c should equal 100%

3a

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

4

Describe in Part XIII 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			0
b	Buildings			0
c	Leasehold improvements	60,410,625	2,485,815	57,924,810
d	Equipment	118,793,941	5,225,723	113,568,218
e	Other	1,893,213	48,541	1,844,672
Total.	Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)			173,337,700

Schedule D (Form 990) 2012

Part XI

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

Part XII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

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

Part XIII

Supplemental Information

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

Identifier	Return Reference	Explanation
Intended uses of endowment funds	Schedule D, Part V, Line 4	THE INTENDED USE OF THE ENDOWMENT FUNDS IS FOR FUTURE CAPITAL. NO SPECIFIC PROJECT HAS BEEN DETERMINED AT THIS TIME. DURING THE FISCAL YEAR, UNIVERSITY MEDICAL CENTER (UMC) ENTERED INTO A PARTNERSHIP, STRUCTURED AS A JOINT VENTURE BETWEEN UMC, UNIVERSITY OF LOUISVILLE, AND KENTUCKYONE HEALTH, INC. AS PART OF THE AGREEMENT, UMC DISTRIBUTED THE REMAINING BALANCE IN THEIR ENDOWMENTS TO THE UNIVERSITY OF LOUISVILLE.
FIN 48 (ASC 740) footnote	Schedule D, Part X, Line 2	UNIVERSITY MEDICAL CENTER'S FINANCIAL INFORMATION IS INCLUDED IN THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF KENTUCKYONE HEALTH INC., A RELATED ORGANIZATION. KENTUCKYONE HEALTH INC.'S FIN 48 (ASC 740) FOOTNOTE FOR THE YEAR ENDED JUNE 30, 2013 READS AS FOLLOWS: "MOST OF THE INCOME RECEIVED BY THE SYSTEM AND CERTAIN AFFILIATES IS EXEMPT FROM TAXATION UNDER SECTION 501(A) OF THE IRC. SOME OF ITS SUBSIDIARIES ARE TAXABLE ENTITIES, AND SOME OF THE INCOME RECEIVED BY OTHERWISE EXEMPT ENTITIES, ARE SUBJECT TO TAXATION AS UNRELATED BUSINESS INCOME. THE SYSTEM FILES FEDERAL INCOME TAX RETURNS AS WELL AS INCOME TAX RETURNS IN KENTUCKY AND INDIANA. ASC 740, INCOME TAXES, CLARIFIES THE ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES RECOGNIZED IN A COMPANY'S FINANCIAL STATEMENTS AND PRESCRIBES A RECOGNITION THRESHOLD AND MEASUREMENT ATTRIBUTE FOR THE FINANCIAL STATEMENT RECOGNITION AND MEASUREMENT OF A TAX POSITION TAKEN OR EXPECTED TO BE TAKEN IN A TAX RETURN. ASC 740 ALSO PROVIDES GUIDANCE ON DESCRIPTION, CLASSIFICATION, INTEREST AND PENALTIES, ACCOUNTING IN INTERIM PERIODS, DISCLOSURE, AND TRANSITION. MANAGEMENT HAS DONE AN ANALYSIS AND DETERMINED THAT NO AMOUNT NEEDED TO BE RECORDED RELATED TO ASC 740 AT JUNE 30, 2013 AND 2012."

Additional Data

Software ID: 12000266
Software Version: v2012.1.0
EIN: 61-1293786
Name: UNIVERSITY MEDICAL CENTER INC

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

1 (a) Description of Liability	(b) Book Value
AFFILIATION AGREEMENT PAYABLE	184,165,501
INTERCOMPANY NOTES PAYABLE	39,000,000
INTERCOMPANY PAYABLES	17,642,485
SELF-INSURANCE RESERVES AND CLAIMS	7,397,163
ARBITRAGE FUNDS	1,165,497
PASSPORT GRANT REFUND	1,064,000
ENVIRONMENTAL REMEDIATION LIABILITY	287,353
UNCLAIMED PROPERTY	5,077

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

2012

Open to Public Inspection

Name of the organization
UNIVERSITY MEDICAL CENTER INC

Employer identification number
61-1293786

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			42,201,222	22,637,124	19,564,098	7 190 %
b Medicaid (from Worksheet 3, column a)			0	0	0	0 %
c Costs of other means-tested government programs (from Worksheet 3, column b)					0	0 %
d Total Financial Assistance and Means-Tested Government Programs	0	0	42,201,222	22,637,124	19,564,098	7 190 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			4,650,000		4,650,000	1 710 %
f Health professions education (from Worksheet 5)			95,567,308	45,062,200	50,505,108	18 550 %
g Subsidized health services (from Worksheet 6)					0	0 %
h Research (from Worksheet 7)			54,000		54,000	0 020 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			837,000		837,000	0 310 %
j Total. Other Benefits	0	0	101,108,308	45,062,200	56,046,108	20 590 %
k Total. Add lines 7d and 7j	0	0	143,309,530	67,699,324	75,610,206	27 780 %

Part II

Community Building Activities

Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing				0	0 %
2	Economic development				0	0 %
3	Community support				0	0 %
4	Environmental improvements				0	0 %
5	Leadership development and training for community members				0	0 %
6	Coalition building				0	0 %
7	Community health improvement advocacy				0	0 %
8	Workforce development				0	0 %
9	Other				0	0 %
10	Total	0	0	0	0	0 %

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1

Yes

2

Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

7,140,661

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

0

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5

Enter total revenue received from Medicare (including DSH and IME).

5

12,190,610

6

Enter Medicare allowable costs of care relating to payments on line 5.

6

17,154,704

7

Subtract line 6 from line 5. This is the surplus (or shortfall).

7

-4,964,094

8

Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.

☐ Cost accounting system

☒ Cost to charge ratio

☐ Other

Section C. Collection Practices

9a

Did the organization have a written debt collection policy during the tax year?

9a

Yes

b

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

9b

Yes

Part IV

Management Companies and Joint Ventures

(owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

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

Section A. Hospital Facilities

Name, address, and primary website address

Schedule H (Form 990) 2012

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

UNIVERSITY OF LOUISVILLE HOSPITAL

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes
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 the community health needs		
h	☒ The process for consulting with persons representing the community's interests		
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	☐ Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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	Yes
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	Yes
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes
a	☒ Hospital facility's website		
b	☒ Available upon request from the hospital facility		
c	☐ Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	☒ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	☒ Execution of the implementation strategy		
c	☒ Participation in the development of a community-wide plan		
d	☒ Participation in the execution of a community-wide 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 its 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 CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No		
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes		
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>100</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes		
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes		
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes		
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)					
13 Explained the method for applying for financial assistance?		13	Yes		
14 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)		14	Yes		
a ☒ The policy was posted on the hospital facility's website					
b ☐ The policy was attached to 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 on admission to the hospital facility					
f ☒ The policy was available upon request					
g ☐ Other (describe in Part VI)					
Billing and Collections					
15 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?		15	Yes		
16 Check all of the following 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					
e ☐ Other similar actions (describe in Part VI)					
17 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?				17	No
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)					

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☐

Notified individuals of the financial assistance policy on admission
- b

☐

Notified individuals of the financial assistance policy prior to discharge
- c

☐

Notified individuals 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)

Policy Relating to Emergency Medical Care

		Yes	No
19	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)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	☒ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	☐ Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals 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		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year?

Name and address	Type of Facility (describe)
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
Community benefit report prepared by related organization	Schedule H, Part I, Line 6 a	UNIVERSITY MEDICAL CENTER DOES NOT PREPARE ITS OWN ANNUAL WRITTEN COMMUNITY BENEFIT REPORT HOWEVER, ITS COMMUNITY BENEFIT REPORT IS CONTAINED IN THE REPORT OF A RELATED ORGANIZATION, KENTUCKYONE HEALTH, INC , EIN 61-1029769
Costing Methodology used to calculate financial assistance	Schedule H, Part I, Line 7	AMOUNTS REPORTED ON SCHEDULE H, PART I, LINE 7 ARE DETERMINED BY MULTIPLYING REVENUE BY THE COST TO CHARGE RATIO CALULATED FROM WORKSHEET 2

Identifier	ReturnReference	Explanation
Bad Debt Expense excluded from financial assistance calculation	Schedule H, Part I, Line 7, column(f)	7,140,661
Bad debt expense - methodology used to estimate amount	Schedule H, Part III, Line 2	COSTING METHODOLOGY FOR AMOUNTS REPORTED ON LINE 2 IS DETERMINED USING THE ORGANIZATION'S COST/CHARGE RATIO OF 18.57%. WHEN DISCOUNTS ARE EXTENDED TO SELF-PAY PATIENTS, THESE PATIENT ACCOUNT DISCOUNTS ARE RECORDED AS A REDUCTION IN REVENUE, NOT AS BAD DEBT EXPENSE.

Identifier	ReturnReference	Explanation
Bad debt expense - methodology used to estimate amount as community benefit	Schedule H, Part III, Line 3	UNIVERSITY MEDICAL CENTER DOES NOT BELIEVE THAT ANY PORTION OF BAD DEBT EXPENSE COULD REASONABLY BE ATTRIBUTED TO PATIENTS WHO QUALIFY FOR FINANCIAL ASSISTANCE SINCE AMOUNTS DUE FROM THOSE INDIVIDUALS' ACCOUNTS WILL BE RECLASSIFIED FROM BAD DEBT EXPENSE TO CHARITY CARE WITHIN 30 DAYS FOLLOWING THE DATE THAT THE PATIENT IS DETERMINED TO QUALIFY FOR CHARITY CARE
Bad debt expense - financial statement footnote	Schedule H, Part III, Line 4	UNIVERSITY MEDICAL CENTER, INC DOES NOT ISSUE SEPARATE COMPANY AUDITED FINANCIAL STATEMENTS HOWEVER, THE ORGANIZATION IS INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS OF KENTUCKYONE HEALTH INC THE CONSOLIDATED FOOTNOTE READS AS FOLLOWS "PATIENT RECEIVABLES AND NET PATIENT SERVICE REVENUE ARE DERIVED PRIMARILY FROM PATIENTS WHO RESIDE IN KENTUCKY AND SOUTHERN INDIANA PATIENT RECEIVABLES CONSIST OF AMOUNTS DUE FROM INDIVIDUAL PATIENTS AND THIRD-PARTY PAYERS, INCLUDING FEDERAL AND STATE PROGRAMS AND COMMERCIAL INSURANCE COMPANIES FOR HEALTH CARE SERVICES RENDERED MANAGEMENT MAINTAINS AN ALLOWANCE FOR DOUBTFUL ACCOUNTS TO RESERVE FOR ESTIMATED LOSSES BASED ON THE LENGTH OF TIME THE ACCOUNT HAS BEEN PAST DUE AND HISTORICAL COLLECTION EXPERIENCE IN ACCORDANCE WITH ACCOUNTING STANDARDS UPDATE NO 2011-07, PRESENTATION AND DISCLOSURE OF PATIENT SERVICE REVENUE, PROVISION FOR BAD DEBTS, AND ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR CERTAIN HEALTH ENTITIES, THE PROVISION FOR DOUBTFUL ACCOUNTS IS PRESENTED ON THE CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS AS A DEDUCTION FROM PATIENT SERVICES REVENUES (NET OF CONTRACTUAL ALLOWANCES AND DISCOUNTS) SINCE THE SYSTEM ACCEPTS AND TREATS ALL PATIENTS WITHOUT REGARD TO THE ABILITY TO PAY "

Identifier	ReturnReference	Explanation
Community benefit & methodology for determining medicare costs	Schedule H, Part III, Line 8	THE MEDICARE GOVERNMENT PROGRAM CONSISTS OF INDIVIDUALS ON FIXED INCOMES SHORTFALLS ON SERVICES PROVIDED ARE COVERED BY GENERAL FUNDS OF THE ORGANIZATION
Collection practices for patients eligible for financial assistance	Schedule H, Part III, Line 9b	PATIENTS WHO HAVE QUALIFIED FOR THE QCCT (QUALITY CHARITY CARE TRUST) UNDER THE TERM MEDICALLY NEEDY BASED ON THEIR INCOME, WILL BE ALLOWED RECONSIDERATION FOR FULL CHARITY FULL CHARITY WILL BE GIVEN UPON VERIFICATION THAT THEY HAVE SINCE BECOME UNEMPLOYED OR THAT THEIR INCOME HAS BEEN PERMANENTLY REDUCED AND THEY NOW FALL BELOW THE FEDERALLY PUBLISHED POVERTY GUIDELINES ALL OTHER ACCOUNTS WILL REMAIN AS ORIGINALLY PROCESSED ACCOUNTS WRITTEN OFF TO THE QCCT WILL NOT BE REPORTED TO THE CREDIT BUREAU ACCOUNTS RECEIVING WRITE-OFF AS PARTIAL INDIGENT/MEDICALLY NEEDY WILL BE REPORTED AT THE TIME OF THE BAD DEBT WRITE-OFF

Identifier	ReturnReference	Explanation
Community Served by Needs Assessment	Schedule H, Part V Section B, Line 3	(1) UNIVERSITY OF LOUISVILLE HOSPITAL - ULH JGBCC IS PART OF KENTUCKYONE HEALTH WHICH COLLABORATED WITH THE LOUISVILLE METRO DEPARTMENT OF PUBLIC HEALTH AND WELLNESS (LMDPHW), THE KENTUCKY HOSPITAL ASSOCIATION AND OTHER LOUISVILLE AREA HOSPITALS TO CONDUCT THE COMMUNITY HEALTH NEEDS ASSESSMENT OTHER HOSPITAL SYSTEMS THAT PARTICIPATED INCLUDED BAPTIST HOSPITAL EAST, NORTON HEALTHCARE AND JEWISH HOSPITAL FOUR COMMUNITY FORUMS WERE HELD IN MARCH 2012 AT SITES IN EACH QUADRANT OF JEFFERSON COUNTY MEMBERS OF THE GENERAL PUBLIC WERE ASKED TO COMPLETE A SURVEY ON THEIR PERCEPTIONS OF THE CITY'S HEALTH CARE NEEDS THE DATA GAINED FROM THESE FORUMS WAS UTILIZED TO INFORM THE ENTIRE PROCESS A FIFTH FORUM WAS CONDUCTED BY LMDPHW DIRECTOR DR LAQUANDRA NESBITT ON MARCH 29, 2012 AT THE GREATER LOUISVILLE MEDICAL SOCIETY TAILORED TO GATHER INPUT FROM COMMUNITY LEADERS, PHYSICIANS AND OTHER HEALTH PROFESSIONALS IT WAS ATTENDED BY 40 INDIVIDUALS REPRESENTING A WIDE ARRAY OF EXPERTISE INCLUDING BILL WAGNER, EXECUTIVE DIRECTOR OF THE FAMILY HEALTH CENTERS, INC , JAY DAVIDSON, EXECUTIVE DIRECTOR OF THE HEALING PLACE, AND LEADERS FROM AN ARRAY OF HEALTH AND HUMAN SERVICE AGENCIES THAT SERVE LOW-INCOME AND MINORITY POPULATIONS ,
Other Hospital Facilities included in Needs Assessment	Schedule H, Part V Section B, Line 4	(1) UNIVERSITY OF LOUISVILLE HOSPITAL - UNIVERSITY MEDICAL CENTER CONDUCTED ITS CHNA WITH BAPTIST HOSPITAL EAST, NORTON HEALTHCARE AND JEWISH HOSPITAL ,

Identifier	ReturnReference	Explanation
Needs not addressed in Needs Assessment	Schedule H, Part V Section B, Line 7	(1) UNIVERSITY OF LOUISVILLE HOSPITAL - LOW BIRTH WEIGHT/PREMATURE BIRTH- UNIVERSITY OF LOUISVILLE HOSPITAL IS ADDRESSING RISKY LIFESTYLES WHICH CAN LEAD TO LOW BIRTHWEIGHT/PREMATURE BIRTHS ULH WILL DEFER ADDITIONAL SERVICES FOR THIS NEED TO BE ADDRESSED THROUGH KOSAIR CHILDREN'S HOSPITAL, BAPTIST HEALTH AND NORTON HEALTHCARE MENTAL OR EMOTIONAL HEALTH ADDICTION/SUBSTANCE ABUSE EXCESSIVE DRINKING - UNIVERSITY OF LOUISVILLE HOSPITAL CURRENTLY ADDRESSES MENTAL HEALTH AS WE CARE FOR THOSE PATIENTS WITH CHRONIC CONDITIONS ULH WILL DEFER THE SERVICES FOR THIS NEED TO BE ADDRESSED WITHIN KENTUCKYONE HEALTH THROUGH OUR LADY OF PEACE IN ADDITION, SEVEN COUNTIES SERVICES, THE AREA'S COMMUNITY MENTAL HEALTH SERVICE, ALSO HAS THE EXPERTISE AND RESOURCES TO FOCUS IN THESE AREAS ,
Needs assessment	Schedule H, Part VI, Line 2	THE ORGANIZATION UTILIZES NATIONAL AND STATE DATA SOURCES TO ASSESS THE NEEDS OF THE COMMUNITY AND STATE THIS DATA ASSISTS THE ORGANIZATION IN UNDERSTANDING WHERE HEALTH CARE DISPARITIES EXIST FOR DEVELOPMENT OF PROGRAMS AND PARTNERSHIPS THIS ANALYSIS IS PERFORMED ON A QUARTERLY BASIS FOR SPECIFIC PROGRAMS

Identifier	ReturnReference	Explanation
Patient education of eligibility for assistance	Schedule H, Part VI, Line 3	THE ORGANIZATION CONTRACTS WITH AN OUTSIDE FIRM TO REVIEW THE HOSPITAL'S PATIENT POPULATION TO DETERMINE THEIR POSSIBLE QUALIFICATIONS FOR INDIGENT CARE PROGRAM COVERAGE, INTERVIEW AND COMPLETE THE APPLICATION PROCESS FOR THE PATIENTS ELIGIBLE FOR PATIENTS WHO QUALIFY FOR ASSISTANCE, APPLICATIONS ARE PREPARED AND SUBMITTED ON THEIR BEHALF THE FIRM ALSO REQUESTS HEARING FOR DENIED APPLICATIONS OR CLAIMS
Community information	Schedule H, Part VI, Line 4	THE UNIVERSITY OF LOUISVILLE HOSPITAL SERVES THE ENTIRE ADULT POPULATION OF THE COMMONWEALTH OF KENTUCKY, CONCENTRATING ON THE METRO LOUISVILLE, JEFFERSON COUNTY AREA, AS IT IS THE ONLY ADULT LEVEL I TRAUMA HOSPITAL IN THIS REGION OF THE STATE

Identifier	ReturnReference	Explanation
Promotion of community health	Schedule H, Part VI, Line 5	UNIVERSITY MEDICAL CENTER, INC 'S BOARD OF DIRECTORS ARE COMPRISED OF THE COMMUNITY'S CITIZENS WHO RESIDE IN THE ORGANIZATION'S PRIMARY SERVICE AREA WHO ARE NEITHER EMPLOYEES NOR CONTRACTORS OF THE ORGANIZATION, NOR FAMILY MEMBERS THEREOF UNIVERSITY OF LOUISVILLE HOSPITAL'S TRAUMA CENTER IS THE ONLY LEVEL I TRAUMA CENTER IN THE REGION AND ONE OF THE LARGEST TRAUMA FACILITIES IN THE COUNTRY WITH 56,000 SQUARE FEET, 43 PATIENT BAYS, 14 TRAUMA/SURGICAL BEDS, 5 BURN UNIT BEDS AND 49 CRITICAL CARE BEDS, IT CAN ACCOMMODATE UP TO 86 PATIENTS SIMULTANEOUSLY THE CENTER FEATURES A DEDICATED 24-HOUR OPERATING ROOM AND IS STAFFED 24 HOURS A DAY BY SPECIALIZED MULTI-DISCIPLINARY TRAUMA TEAMS EDUCATION IS A KEY PART OF THE UNIVERSITY OF LOUISVILLE HOSPITAL'S MISSION THE TRAUMA INSTITUTE AT THE HOSPITAL LEADS THE EDUCATIONAL COMPONENT OF THE HOSPITAL'S TRAUMA SERVICE IN ADDITION TO TRAINING TOMORROW'S LEADING TRAUMA PHYSICIANS THROUGH ITS RESIDENCY PROGRAMS, THE TRAUMA INSTITUTE AND BURN UNIT STAFF FACILITATE BOTH COMMUNITY AND PROFESSIONAL EDUCATION PROGRAMS EXAMPLES OF INJURY PREVENTION CLASSES RISKY BUSINESS, A TEEN DRUNK-DRIVING PREVENTION PROGRAM, STRAIGHT TALK, A ONE DAY EDUCATIONAL PROGRAM FOR JUVENILE FIRE-SETTERS, BOATING AND WATER SAFETY, PREVENTION OF BOATING AND WATER ACCIDENTS AND IMMEDIATE CARE ASTHE REGION'S LEADING ACADEMIC MEDICAL CENTER, UNIVERSITY OF LOUISVILLE HOSPITAL IS DEDICATED TO ADVANCING TREATMENTS AND PROVIDING RURAL ACCESS TO INNOVATIVE CARE AMONGST THE MANY BENEFITS FROM THE ROBOTIC NETWORK IS A NEARLY INSTANTANEOUS MEDICAL CONSULTATION U OF L PHYSICIANS WORK WITH PHYSICIANS AND NURSES IN OTHER KENTUCKY AND SOUTHERN INDIANA HOSPITALS TO DELIVER PROMPT DIAGNOSES AND APPROPRIATE TREATMENT PLANS THE ULTIMATE GOAL IS FOR THE PATIENT TO REMAIN IN THEIR HOMETOWN HOSPITAL WITHOUT A TRANSFER UNLESS IT IS DEEMED NECESSARY
Affiliated health care system	Schedule H, Part VI, Line 6	UNIVERSITY MEDICAL CENTER, ALONG WITH ITS AFFILIATED OUTPATIENT FACILITIES ARE MANAGED BY CATHOLIC HEALTH INITIATIVES CATHOLIC HEALTH INITIATIVES (CHI) IS A NATIONAL FAITH-BASED NONPROFIT HEALTH CARE ORGANIZATION WITH HEADQUARTERS IN ENGLEWOOD, COLORADO CHI'S EXEMPT PURPOSE IS TO SERVE AS AN INTEGRAL PART OF ITS NATIONAL SYSTEM OF HOSPITALS AND OTHER CHARITABLE ENTITIES, WHICH ARE DESCRIBED AS MARKET-BASED ORGANIZATIONS, OR MBOS AN MBO IS A DIRECT PROVIDER OF CARE OR SERVICES WITHIN A DEFINED MARKET AREA THAT MAY BE AN INTEGRATED HEALTH SYSTEM AND/OR A STAND-ALONE HOSPITAL OR OTHER FACILITY OR SERVICE PROVIDER CHI SERVES AS THE PARENT CORPORATION OF ITS MBOS WHICH ARE COMPRISED OF 73 HOSPITALS, 40 LONG-TERM CARE, ASSISTED- AND RESIDENTIAL-LIVING FACILITIES, TWO COMMUNITY HEALTH-SERVICES ORGANIZATIONS, TWO ACCREDITED NURSING COLLEGES, AND HOME HEALTH AGENCIES TOGETHER, THESE FACILITIES PROVIDED \$762 MILLION IN CHARITY CARE AND COMMUNITY BENEFIT IN THE 2013 FISCAL YEAR, INCLUDING SERVICES FOR THE POOR, FREE CLINICS, EDUCATION AND RESEARCH CHI PROVIDES STRATEGIC PLANNING AND MANAGEMENT SERVICES AS WELL AS CENTRALIZED "SHARED SERVICES" FOR THE MBOS THE PROVISION OF CENTRALIZED MANAGEMENT AND SHARED SERVICES - INCLUDING AREAS SUCH AS ACCOUNTING, HUMAN RESOURCES, PAYROLL AND SUPPLY CHAIN -- PROVIDES ECONOMIES OF SCALE AND PURCHASING POWER TO THE MBOS THE COST SAVINGS ACHIEVED THROUGH CHI'S CENTRALIZATION ENABLE MBOS TO DEDICATE ADDITIONAL RESOURCES TO HIGH-QUALITY HEALTH CARE AND COMMUNITY OUTREACH SERVICES TO THE MOST VULNERABLE MEMBERS OF OUR SOCIETY UNIVERSITY MEDICAL CENTER OPERATES WITH ITS WHOLLY OWNED AFFILIATES AND COMMUNITY PARTNERS TO SERVE THE HEALTH CARE NEEDS OF THE [INSERT CITY, STATE] COMMUNITIES

Identifier	ReturnReference	Explanation
State filing of community benefit report	Schedule H, Part VI, Line 7	KY

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As Filed Data -

DLN: 93493135101134

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

2012

Open to Public
Inspection

Name of the organization
UNIVERSITY MEDICAL CENTER INC

Employer identification number
61-1293786

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. Part II can be duplicated 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) AMERICAN HEART ASSOC 3455 N HIGH ST LOUISVILLE, KY 40202	13-5613797	501C3	17,500				SPONSORSHIPS
(2) BRAIN INJURY ALLIANCE OF KY 7410 NEW LAGRANGE RD LOUISVILLE, KY 40222	61-1128496	501C3	30,000				COMMUNITY SUPPORT
(3) FUND FOR THE ARTS 623 W MAIN ST SUITE 200 LOUISVILLE, KY 40202	61-0479626	501C3	6,515				COMMUNITY SUPPORT
(4) KY DERBY FESTIVAL INC 1001 S THIRD ST LOUISVILLE, KY 40203	61-0713833	501C3	12,500				COMMUNITY SUPPORT
(5) KY FAIR & EXPO CENTER 937 PHILLIPS LN LOUISVILLE, KY 40209	65-0524748	501C3	12,200				COMMUNITY SUPPORT
(6) LOUISVILLE URBAN LEAGUE 1535 W BROADWAY LOUISVILLE, KY 40203	61-0444771	501C3	6,800				COMMUNITY SUPPORT
(7) ST CATHERINE COLLEGE 310 XAVIER CAMPUS BARDSTOWN, KY 40004	61-0956809	501C3	30,000				COMMUNITY SUPPORT
(8) WINGS CLINIC- U OF L 550 S JACKSON ST LOUISVILLE, KY 40202	61-0129626	501C3	33,496				COMMUNITY SUPPORT
(9) KSISA 3425 STONY SPRINGS CIRCLE 102 LOUISVILLE, KY 40220	61-1335267	501C3	6,500				COMMUNITY SUPPORT

2

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

9

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.
Part III can be duplicated 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, Part III, column (b), and any other additional information

Identifier	Return Reference	Explanation
Procedures for monitoring use of grant funds	Schedule I, Part I, Line 2	DESCRIPTION OF ORGANIZATION'S PROCEDURES FOR MONITORING THE USE OF GRANTS ACTIVITIES THAT SUPPORT UNIVERSITY MEDICAL CENTER'S (UMC) MISSION, FUNDRAISING EVENTS WITH CLOSE RELATIONSHIP TO UMC CLINICAL PROGRAMS, REQUESTS THAT PROVIDE POSITIVE PUBLIC AWARENESS OF UMC, ACTIVITIES THAT ADDRESS AND PROMOTE HEALTH IMPROVEMENT INITIATIVE UMC WILL NOT CONTRIBUTE TO FOR-PROFIT ORGANIZATIONS, INDIVIDUALS, POLITICAL CAMPAIGNS/PARTIES, GROUPS THAT DISCRIMINATE ON THE BASIS OF AGE, RACE, SEX OR NATIONAL ORIGIN, ACTIVITIES THAT DO NOT ADVANCE UMC'S MISSION UMC'S ANNUAL BUDGET WILL BE DETERMINED BY THE SENIOR VICE PRESIDENT AND COO AND MAINTAINED IN THE EXECUTIVE OFFICE'S BUDGET ACCOUNTING WILL NOT PROCESS ANY PAYMENTS FOR CONTRIBUTIONS TO SPONSORSHIPS UNLESS THEY HAVE BEEN APPROVED BY THE SENIOR VICE PRESIDENT AND COO OR PRESIDENT AND CEO REQUESTS WILL BE ENTERED, TRACKED AND RETAINED FOR PREPARING THE COMMUNITY BENEFIT REPORT A DESIGNATED EMPLOYEE WILL INFORM REQUESTOR OF APPROVAL/DENIAL CHECK REQUESTS WITH THE PRESIDENT AND CEO'S OR SENIOR VICE PRESIDENT AND COO'S APPROVAL WILL BE FORWARDED TO ACCOUNTING FOR PAYMENT

Software ID: 12000266

Software Version: v2012.1.0

EIN: 61-1293786

Name: UNIVERSITY MEDICAL CENTER INC

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
AMERICAN HEART ASSOC 3455 N HIGH ST LOUISVILLE, KY 40202	13-5613797	501C3	17,500				SPONSORSHIPS
BRAIN INJURY ALLIANCE OF KY7410 NEW LAGRANGE RD LOUISVILLE, KY 40222	61-1128496	501C3	30,000				COMMUNITY SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
FUND FOR THE ARTS623 W MAIN ST SUITE 200 LOUISVILLE,KY 40202	61-0479626	501C3	6,515				COMMUNITY SUPPORT
KY DERBY FESTIVAL INC 1001 S THIRD ST LOUISVILLE,KY 40203	61-0713833	501C3	12,500				COMMUNITY SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
KY FAIR & EXPO CENTER 937 PHILLIPS LN LOUISVILLE,KY 40209	65-0524748	501C3	12,200				COMMUNITY SUPPORT
LOUISVILLE URBAN LEAGUE 1535 W BROADWAY LOUISVILLE,KY 40203	61-0444771	501C3	6,800				COMMUNITY SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
ST CATHERINE COLLEGE 310 XAVIER CAMPUS BARDSTOWN,KY 40004	61-0956809	501C3	30,000				COMMUNITY SUPPORT
WINGS CLINIC- U OF L550 S JACKSON ST LOUISVILLE,KY 40202	61-0129626	501C3	33,496				COMMUNITY SUPPORT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(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
KSISA3425 STONY SPRINGS CIRCLE 102 LOUISVILLE,KY 40220	61-1335267	501C3	6,500				COMMUNITY SUPPORT

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
UNIVERSITY MEDICAL CENTER INC

Employer identification number
61-1293786

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 LOUISVILLEJEFFERSON COUNTY METRO GOVERNMENT	32-0049006		09-05-2008	16,000,000	SEE SCHEDULE K, PART VI		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired	11,972,394							
2	Amount of bonds legally defeased	0							
3	Total proceeds of issue	16,118,030							
4	Gross proceeds in reserve funds	0							
5	Capitalized interest from proceeds	0							
6	Proceeds in refunding escrows	0							
7	Issuance costs from proceeds	0							
8	Credit enhancement from proceeds	0							
9	Working capital expenditures from proceeds	0							
10	Capital expenditures from proceeds	16,118,030							
11	Other spent proceeds	0							
12	Other unspent proceeds	0							
13	Year of substantial completion	2009							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X						
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X						
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X							
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?		X						
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 00000%							
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 00000%							
6	Total of lines 4 and 5	0 00000%							
7	Does the bond issue meet the private security or payment test?		X						
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X						
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	0%							
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?		X						
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X							

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X						
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X						
b	Exception to rebate?		X						
c	No rebate due?		X						
If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed									
3	Is the bond issue a variable rate issue?		X						
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge	0 0							
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								

Part IV Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X						
b	Name of provider								
c	Term of GIC	0 0							
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X						
7	Has the organization established written procedures to monitor the requirements of section 148?	X							

Part V Procedures To Undertake Corrective Action

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

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

Identifier	Return Reference	Explanation
LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT 2008	SCHEDULE K, PART I, COLUMN (F)	PART I, LINE F MASTER LEASE AND SUBLEASE AGREEMENT (UNIVERSITY MEDICAL CENTER, INC D/B/A UNIVERSITY OF LOUISVILLE HOUSING PROJECT) ESSENTIAL USE OF MEDICAL EQUIPMENT WITH DEPRECIABLE LIFE OF 5 OR 7 YEARS, AS CONFIRMED BY THE AMERICAN HOSPITAL ASSOCIATION'S GUIDE FOR DEPRECIABLE LIFE, AND/OR OTHER ESSENTIAL USE MEDICAL EQUIPMENT APPROVED BY THE LESSOR PART II, LINE 3 TOTAL PROCEEDS OF ISSUE \$16,118,030 INCLUDES INVESTMENT EARNINGS PART III, LINE 7 DOES THE BOND ISSUE MEET THE PRIVATE SECURITY OR PAYMENT TEST? UMC MONITORS THE PRIVATE BUSINESS USE PERCENTAGE FOR EACH BOND ISSUE, AND THEREFORE, HAS NOT CALCULATED THE AMOUNT OF PRIVATE PAYMENTS BECAUSE UMC HAS NOT CALCULATED THE AMOUNT OF PRIVATE PAYMENTS, SOLELY FOR SCHEDULE K REPORTING PURPOSES, WE HAVE ASSUMED THAT THE PRIVATE PAYMENT TEST HAS NOT BEEN MET

SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization UNIVERSITY MEDICAL CENTER INC	Employer identification number 61-1293786
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Identifier	Return Reference	Explanation
Significant changes to organizational documents	Form 990, Part VI, Section A, Line 4	EFFECTIVE MARCH 1, 2013, KENTUCKY ONE HEALTH, INC , UNIVERSITY MEDICAL CENTER AND THE UNIVERSITY OF LOUISVILLE ENTERED INTO A PARTNERSHIP, STRUCTURED AS A JOINT OPERATING AGREEMENT BETWEEN UNIVERSITY MEDICAL CENTER AND KENTUCKY ONE HEALTH, INC, WHEREBY KENTUCKY ONE HEALTH, INC CONTROLS SUBSTANTIALLY ALL OF UMC'S OPERATIONS, WHICH CONSISTS OF THE UNIVERSITY OF LOUISVILLE HOSPITAL AND THE JAMES GRAHAM BROWN CANCER CENTER (ULH)

Identifier	Return Reference	Explanation
Review of form 990 by governing body	Form 990, Part VI, Section B, Line 11b	NO REVIEW WAS OR WILL BE CONDUCTED

Identifier	Return Reference	Explanation
Conflict of interest policy	Form 990, Part VI, Section B, Line 12c	IT IS THE POLICY OF THE HOSPITAL THAT AN INTERESTED PERSON WHO KNOWS THAT HE OR SHE HAS AN ACTUAL OR APPARENT CONFLICT OF INTEREST SHALL DISCLOSE IT PROMPTLY AND FULLY TO ALL NECESSARY PARTIES WHENEVER IT OCCURS INTERESTED PERSONS ARE A VOTING MEMBERS OF THE HOSPITAL'S BOARD OF DIRECTORS AND VOTING MEMBERS OF COMMITTEES THAT EXERCISE BOARD-DELEGATED AUTHORITY B OFFICERS OF THE HOSPITAL ELECTED OR APPROVED BY THE BOARD OF DIRECTORS C A "CONTROLLED ENTITY" IN WHICH AT LEAST 35% OF THE CONTROL OR BENEFICIAL INTEREST IS HELD BY ANY ONE OR COMBINATION OF INDIVIDUALS DESCRIBED IN A AND B AN INTERESTED PERSON MUST DISCLOSE THE EXISTENCE AND NATURE OF HIS OR HER KNOWN INTEREST IN A PROPOSED TRANSACTION TO THE DIRECTORS AND MEMBERS OF COMMITTEES WITH BOARD DELEGATED POWERS CONSIDERING THE TRANSACTION OR ARRANGEMENT WHEN A CONFLICT OF INTEREST IS DECLARED, THE CHAIRPERSON OF THE BOARD OR COMMITTEE SHALL APPOINT A DISINTERESTED PERSON OR COMMITTEE TO INVESTIGATE THE PROPOSED TRANSACTION THE INTERESTED PERSON SHALL LEAVE THE MEETING AND THE VOTE ON ANY TRANSACTIONS INVOLVING THE CONFLICT OF INTEREST THE MINUTES OF THE BOARD WILL CONTAIN THE NAMES OF THE PERSONS WHO DISCLOSE OR OTHERWISE WERE FOUND TO HAVE INTEREST IN CONNECTION WITH A CONFLICT OF INTEREST, THE NATURE OF THE INTEREST AND ANY ACTION TAKEN TO DETERMINE THE CONFLICT

Identifier	Return Reference	Explanation
Process used to establish compensation of top management official	Form 990, Part VI, Section B, Line 15a	COMPENSATION FOR THE CEO IS DETERMINED BY THE BOARD THROUGH A YEARLY PROCESS FOR ALL OTHER EXECUTIVE DIRECTORS, TOP MANAGEMENT OFFICIALS, OFFICERS AND KEY EMPLOYEES, THE FOLLOWING PROCESS IS USED 1) HUMAN RESOURCES (HR) HAS AN INDEPENDENT COMPANY DO A COMPARISON OF LIKE POSITIONS WITHIN THE COMMUNITY AND COME UP WITH A RANGE THEY PREPARE A PROPOSAL THAT IS SUBMITTED TO HR FOR REVIEW 2) A SALARY IS DETERMINED WITHIN THAT RANGE BASED ON YEARS OF SERVICE, EDUCATION AND OTHER FACTORS, SUCH AS ADDITIONAL RESPONSIBILITIES HR PREPARES A PROPOSAL TO SUBMIT TO THE CEO 3) THE PROPOSAL, CONTAINING THE POSITION, RANGE AND FINAL COMPENSATION IS TURNED OVER TO THE CEO FOR REVIEW 4) AFTER REVIEW, THE CEO TAKES THE PROPOSAL INFORMATION AND PRESENTS IT TO THE FINANCE COMMITTEE 5) THE FINANCE COMMITTEE DECIDES AND VOTES ON THE COMPENSATION

Identifier	Return Reference	Explanation
Process used to establish compensation of other officers/key employees	Form 990, Part VI, Section B, Line 15b	COMPENSATION FOR THE CEO IS DETERMINED BY THE BOARD THROUGH A YEARLY PROCESS. FOR ALL OTHER EXECUTIVE DIRECTORS, TOP MANAGEMENT OFFICIALS, OFFICERS AND KEY EMPLOYEES, THE FOLLOWING PROCESS IS USED: 1) HUMAN RESOURCES (HR) HAS AN INDEPENDENT COMPANY DO A COMPARISON OF LIKE POSITIONS WITHIN THE COMMUNITY AND COME UP WITH A RANGE. THEY PREPARE A PROPOSAL THAT IS SUBMITTED TO HR FOR REVIEW. 2) A SALARY IS DETERMINED WITHIN THAT RANGE BASED ON YEARS OF SERVICE, EDUCATION AND OTHER FACTORS, SUCH AS ADDITIONAL RESPONSIBILITIES. HR PREPARES A PROPOSAL TO SUBMIT TO THE CEO. 3) THE PROPOSAL, CONTAINING THE POSITION, RANGE AND FINAL COMPENSATION, IS TURNED OVER TO THE CEO FOR REVIEW. 4) AFTER REVIEW, THE CEO TAKES THE PROPOSAL INFORMATION AND PRESENTS IT TO THE FINANCE COMMITTEE. 5) THE FINANCE COMMITTEE DECIDES AND VOTES ON THE COMPENSATION.

Identifier	Return Reference	Explanation
Governing documents, conflict of interest policy and financial statements available to the public	Form 990, Part VI, Section C, Line 19	THE GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE AVAILABLE UPON REQUEST

Identifier	Return Reference	Explanation
Other Expenses	Form 990, Part IX, Line 11g	COLLECTION FEES - TOTAL EXPENSE 4364362, PROGRAM SERVICE EXPENSE 2222934, MANAGEMENT AND GENERAL EXPENSES 2141428, FUNDRAISING EXPENSES , INSURANCE CONSULTING - TOTAL EXPENSE 650105, PROGRAM SERVICE EXPENSE 331123, MANAGEMENT AND GENERAL EXPENSES 318982, FUNDRAISING EXPENSES , ADMINISTRATIVE CONSULTING - TOTAL EXPENSE 766583, PROGRAM SERVICE EXPENSE 390450, MANAGEMENT AND GENERAL EXPENSES 376133, FUNDRAISING EXPENSES , CONTRACT LABOR - TOTAL EXPENSE 6224226, PROGRAM SERVICE EXPENSE 3170233, MANAGEMENT AND GENERAL EXPENSES 3053993, FUNDRAISING EXPENSES , OTHER CONTRACT SERVICES - TOTAL EXPENSE 39328516, PROGRAM SERVICE EXPENSE 20031498, MANAGEMENT AND GENERAL EXPENSES 19297018, FUNDRAISING EXPENSES ,

Identifier	Return Reference	Explanation
Other changes in net assets or fund balances	Form 990 , Part XI, Line 9	DISTRIBUTION OF ENDOWED ASSETS TO UNIVERSITY OF LOUISVILLE - -14767777, VALUATION FOR PURCHASE BY KENTUCKY ONE HEALTH - -145176450,

Identifier	Return Reference	Explanation
Change of oversight process or selection process	Form 990, Part XII, Line 2c	EFFECTIVE MARCH 1, 2013, UNIVERSITY MEDICAL CENTER (UMC), KENTUCKY ONE HEALTH, INC AND THE UNIVERSITY OF LOUISVILLE ENTERED INTO A PARTNERSHIP, STRUCTURED AS A JOINT OPERATING AGREEMENT BETWEEN UMC AND KENTUCKY ONE HEALTH, INC ,WHEREBY KENTUCKY ONE HEALTH, INC CONTROLS SUBSTANTIALY ALL OF UMC'S OPERATIONS AS SUCH, UMC IS NOW INCLUDED IN THE CONSOLIDATED AUDIT OF KENTUCKY ONE HEALTH, INC

Identifier	Return Reference	Explanation
COMP OF OFFICERS, DIRECTORS, KEY EMP & HIGHEST PAID EMP AND CONTRACTORS	FORM 990, PART VII, PART IV LINE 23 & PART V LINES 1 & 2	FORM 990, PART VII, PART IV LINE 23, & PART V LINES 1 & 2 UNIVERSITY MEDICAL CENTER, INC IS FILING A SHORT PERIOD RETURN FOR THE PERIOD JANUARY 1, 2013 TO JUNE 30, 2013 DUE TO A JOINT OPERATING AGREEMENT, EFFECTIVE MARCH 1, 2013, BETWEEN UNIVERSITY MEDICAL CENTER AND KENTUCKY ONE HEALTH, INC KENTUCKY ONE HEALTH, INC CONTROLS SUBSTANTIALLY ALL OF UNIVERSITY MEDICAL CENTER'S OPERATIONS FORM 990 INSTRUCTIONS INDICATE THAT COMPENSATION REPORTED ON PART VII SHOULD BE REPORTED FOR THE CALENDAR YEAR ENDING WITH OR WITHIN THE ORGANIZATION'S TAX YEAR THERE IS NO CALANDAR YEAR COMPENSATION TO BE REPORED FOR THE SHORT PERIOD BEING REPORTED IN THIS RETURN THEREFORE, ONLY OFFICERS AND DIRECTORS ARE REPORTED ON FORM 990, PART VII AND NO COMPENSATION IS REPORTED PART V, QUESTIONS 1 AND 2 ARE MARKED 0 AS THERE ARE NO CALENDAR YEAR NUMBERS TO REPORT COMPENSATION FOR SOME OFFICERS IS PAID BY AN AFFILIATED ORGANIZATION RESULTING IN \$0 COMPENSATION BEING REPORTED ON PART IX, LINE 5

CONSOLIDATED FINANCIAL STATEMENTS

KentuckyOne Health, Inc. and Affiliates
As of June 30, 2013 and 2012 and for the Year Ended
June 30, 2013 and the Six-Month Period January 1, 2012
(Inception) Through June 30, 2012
With Report of Independent Auditors

Ernst & Young LLP



KentuckyOne Health, Inc. and Affiliates

Consolidated Financial Statements

As of June 30, 2013 and 2012 and for the Year Ended
June 30, 2013 and the Six-Month Period
January 1, 2012 (Inception) Through June 30, 2012

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Report of Independent Auditors

The Board of Directors
KentuckyOne Health, Inc

We have audited the accompanying consolidated financial statements of KentuckyOne Health, Inc and Affiliates (the System), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations and changes in net assets, and cash flows for the year ended June 30, 2013 and for the period from January 1, 2012 (inception) through June 30, 2012

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U S generally accepted accounting principles, this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the System as of June 30, 2013 and 2012, and the consolidated results of its operations and changes in net assets and its cash flows for the year ended June 30, 2013 and for the period from January 1, 2012 (inception) through June 30, 2012, in conformity with U S generally accepted accounting principles

Adoption of ASU No. 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities

As disclosed in Note 1 to the consolidated financial statements, the System changed its presentation and disclosure of bad debt expense as a result of the adoption of the amendments to the Financial Accounting Standards Board's Accounting Standards Codification resulting from Accounting Standards Update No 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. Our opinion is not modified with respect to this matter

Ernst & Young LLP

October 28, 2013

KentuckyOne Health, Inc. and Affiliates

Consolidated Balance Sheets
(In Thousands)

	June 30	
	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 72,720	\$ 29,254
Repurchase agreements	7,540	29,300
Receivables		
Patient accounts, less estimated doubtful accounts (2013 – \$135,028 and 2012 – \$107,457)	349,114	237,487
Estimated receivable for third-party settlements	9,008	—
Other	8,915	15,238
	<u>367,037</u>	<u>252,725</u>
Inventories	38,531	27,289
Prepaid expenses	19,438	12,466
Total current assets	<u>505,266</u>	<u>351,034</u>
Investments and assets limited as to use		
Internally designated for capital and other funds	677,880	655,305
Restricted by donors	20,485	18,637
	<u>698,365</u>	<u>673,942</u>
Investments in unconsolidated organizations	4,529	6,315
Property and equipment, net	1,095,754	936,402
Intangible assets and goodwill, net	66,403	11,756
Long-term insurance receivable	109,409	84,322
Other assets	20,596	12,817
Total assets	<u><u>\$ 2,500,322</u></u>	<u><u>\$ 2,076,588</u></u>

	June 30	
	2013	2012
Liabilities and net assets		
Current liabilities		
Compensation and benefits	\$ 82,168	\$ 72,221
Estimated payable for third-party settlements	8,963	6,689
Accounts payable and accrued expenses	260,700	105,871
Acquisition consideration liability	34,360	—
Current portion of long-term debt		
CHI capital obligation debt	28,879	22,386
Other debt and capital leases	4,478	245
Total current portion of long-term debt	33,357	22,631
Total current liabilities	419,548	207,412
Other liabilities	6,708	22,425
Acquisition consideration liability	170,808	—
Liability for retirement plan	22,025	41,518
Self-insured reserves and claims	116,806	84,322
Long-term debt		
CHI capital obligation debt	717,237	701,921
Other debt and capital leases	73,812	1,732
Total long-term debt	791,049	703,653
Total liabilities	1,526,944	1,059,330
Net assets		
Unrestricted	944,882	992,709
Temporarily restricted	17,344	14,823
Permanently restricted	11,152	9,726
Total net assets	973,378	1,017,258
Total liabilities and net assets	\$ 2,500,322	\$ 2,076,588

See accompanying notes.

KentuckyOne Health, Inc. and Affiliates

Consolidated Statements of Operations and Changes in Net Assets (In Thousands)

	For the Year Ended June 30, 2013	Period From January 1, (Inception) to June 30, 2012
Revenues		
Net patient service revenues before provision for doubtful accounts	\$ 1,999,165	\$ 938,070
Provision for doubtful accounts	(177,730)	(68,276)
Net patient service revenues	1,821,435	869,794
Nonpatient		
Donations	6,393	2,414
Equity (losses) earnings of unconsolidated organizations	(2,969)	809
Investment income	1,130	514
Other revenue	57,560	26,928
Total nonpatient revenues	62,114	30,665
Total operating revenues	1,883,549	900,459
Operating expenses		
Personnel	899,708	421,490
Medical professional fees	60,355	30,234
Purchased services	251,043	89,682
Consulting and legal	15,609	7,778
Supplies	396,481	180,703
Utilities	32,365	13,622
Insurance	23,765	9,683
Rentals, leases and maintenance	74,775	32,775
Depreciation and amortization	90,686	41,341
Interest	35,893	18,087
Other	110,039	38,218
Operating expenses before restructuring expenses	1,990,719	883,613
Operating (loss) income before restructuring expenses	(107,170)	16,846
Restructuring expenses	13,312	15,192
Operating (loss) income	(120,482)	1,654
Nonoperating gains (losses)		
Investment income	64,314	32,901
Loss on defeasance of bonds	—	(69,878)
Nonoperating gains (losses), net	64,314	(36,977)
Excess of expenses over revenue before business combination	(56,168)	(35,323)
Excess of fair value of assets acquired over liabilities assumed in business combination	—	314,930
Excess of (expenses over revenue) revenue over expenses	(56,168)	279,607

Continued on next page

KentuckyOne Health, Inc. and Affiliates

Consolidated Statements of Operations and Changes in Net Assets (continued) (In Thousands)

	For the Year Ended June 30, 2013	Period From January 1, (Inception) to June 30, 2012
Unrestricted net assets		
Excess of (expenses over revenue) revenue over expenses	\$ (56,168)	\$ 279,607
Transfer from affiliates	2,360	19,708
Change in pension plan assets and obligation	11,625	(5,165)
Contributions to Capital Resource Pool	(5,401)	(3,374)
Net assets released for specific capital purposes and other changes	(243)	1,706
Transfer of net assets from CHI	—	700,227
(Decrease) increase in unrestricted net assets	(47,827)	992,709
Balance, beginning of period	992,709	—
Balance, end of period	\$ 944,882	\$ 992,709
Temporarily restricted net assets		
Gifts and other receipts for specific purposes	\$ 7,286	\$ 2,346
Other	(95)	(75)
Net assets released from restrictions	(4,670)	(3,101)
Transfer of temporarily restricted net assets related to business combination	—	7,371
Transfer of temporarily restricted net assets from CHI	—	8,282
Increase in temporarily restricted net assets	2,521	14,823
Balance, beginning of period	14,823	—
Balance, end of period	\$ 17,344	\$ 14,823
Permanently restricted net assets		
Gifts and other receipts for specific purposes and other	\$ 1,331	\$ 181
Other	95	—
Transfer of permanently restricted net assets related to business combination	—	6,802
Transfer of permanently restricted net assets from CHI	—	2,743
Increase in permanently restricted net assets	1,426	9,726
Balance, beginning of period	9,726	—
Balance, end of period	\$ 11,152	\$ 9,726

See accompanying notes

KentuckyOne Health, Inc. and Affiliates

Consolidated Statements of Cash Flows (In Thousands)

	For the Year Ended June 30, 2013	Period From January 1, (Inception) to June 30, 2012
Operating activities		
(Decrease) increase in net assets	\$ (43,880)	\$ 1,017,258
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities		
Transfer of net assets from CHI	—	(711,252)
Transfer of net assets related to business combination	—	(329,103)
Transfer from affiliates	(2,360)	(19,708)
Contributions received for endowment and specific purposes	(8,617)	(2,527)
Loss on early extinguishment of debt	—	69,878
Change in fair value of acquisition consideration liability	(13,357)	—
Depreciation and amortization	90,686	40,596
Change in pension plan assets and obligation	(11,625)	5,165
Net gain on disposal of property and equipment	261	(46)
Net realized gains and equity earnings on hedge funds and private equity funds	21	(458)
Bad debt expense	177,730	68,276
Equity in earnings of unconsolidated entities in excess of cash distributions received	3,129	(809)
Changes in operating assets and liabilities		
Patient accounts and other receivables	(227,725)	(87,435)
Investments and assets limited as to use	25,694	80,015
Other current and long-term assets	(3,530)	(1,666)
Accounts payable and accrued expenses	75,877	(51,935)
Compensation and benefits	(609)	16,756
Estimated third-party settlements	14,168	1,451
Other liabilities	(22,677)	(31,404)
Net cash provided by operating activities	53,186	63,052
Investing activities		
Purchase of property and equipment	(60,953)	(23,337)
Proceeds from sale of property and equipment	6	269
Net cash transferred from CHI and as a result of business combination	—	24,156
Proceeds from sale of investment in hedge funds and private equity funds	14,341	6,921
Net cash on affiliation with University Medical Center	53,458	—
Purchases of investments in hedge funds and private equity funds	(226)	(1,071)
Other investing activities	(124)	(736)
Net cash provided by investing activities	6,502	6,202

Continued on next page

KentuckyOne Health, Inc. and Affiliates

Consolidated Statements of Cash Flows (continued) (In Thousands)

	For the Year Ended June 30, 2013	Period From January 1, (Inception) to June 30, 2012
Financing activities		
Payments of long-term debt	\$ (23,513)	\$ (13,174)
Contributions for endowment and specific purposes	8,617	2,527
Transfer from affiliates	2,360	19,708
Payments on acquisition consideration liability	(2,500)	—
Defeasance of bonds	(48,540)	(450,942)
Proceeds from issuance of new debt	47,354	401,881
Net cash used in financing activities	(16,222)	(40,000)
Increase in cash and cash equivalents	43,466	29,254
Cash and cash equivalents, beginning of period	29,254	—
Cash and cash equivalents, end of period	\$ 72,720	\$ 29,254
Additional cash flow information		
Cash paid during the period for interest	\$ 35,893	\$ 27,457
Noncash investing and financing activities		
Additions to property and equipment not paid at period-end	\$ 13,306	\$ 10,462

See accompanying notes

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (Dollars in Thousands)

June 30, 2013

1. Accounting Policies

Organization

KentuckyOne Health, Inc and Affiliates (the System) is a Kentucky non-profit corporation organized and operated to provide a regional health care network in Kentucky and southern Indiana. The System is comprised of the operations of Jewish Hospital and St. Mary's HealthCare, Inc. (JHSMH), Saint Joseph Health System, Inc. (SJHS), and Flaget HealthCare Inc. (Flaget) (KentuckyOne Health), and the partnership of University of Louisville Hospital and the James Graham Brown Cancer Center (UMC). The System includes nearly 200 locations and 2,293 licensed beds. The System and its subsidiaries are an integrated regional health care system that provides a complete array of health care services, including twelve acute care hospitals, outpatient care, cancer care, occupational health, home health care, long-term care, psychiatric care and rehab medicine.

Inception

KentuckyOne Health was created effective January 1, 2012, when Catholic Health Initiatives (CHI) and Jewish Heritage Fund for Excellence (JHFE) formerly known as Jewish Hospital Healthcare Services, Inc. (JHHS) entered into a Sponsorship and Consolidation Agreement to jointly operate the System, then consisting of the operations of JHSMH, SJHS and Flaget. Effective March 1, 2013, KentuckyOne Health, University Medical Center (UMC) and University of Louisville entered into a partnership, structured as a Joint Operating Agreement (JOA) between University Medical Center and KentuckyOne Health, whereby KentuckyOne Health controls substantially all of UMC's operations, which consist of University of Louisville Hospital and the James Graham Brown Cancer Center. As part of the agreement, KentuckyOne Health has committed to provide financial support to the University of Louisville over the next 20 years, which as of the acquisition date had a fair value of \$217.7 million based upon discounted cash flows and probability-weighted performance assumptions. On an undiscounted basis, contingent consideration payments for this acquisition based on probability-weighted performance assumptions may range from zero to \$145.0 million. For the period from March 1 through June 30, 2013, the operations of UMC contributed \$166.3 million of operating revenues and \$11.8 million of excess of revenues over expenses to the System consolidated results of operations.

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Accounting Policies (continued)

On an unaudited pro forma basis, had KentuckyOne Health been party to the Joint Operating Agreement with University Medical Center at the beginning of each fiscal year, University Medical Center would have contributed \$469.3 million of operating revenues and \$23.5 million of operating income before restructuring for the year ended June 30, 2013, and \$233.0 million of operating revenues and \$13.2 million of operating income before restructuring for the six-month period ended June 30, 2012.

As a result of the above Sponsorship and Consolidation Agreement and Joint Operating Agreement, purchase accounting guidance, under Accounting Standards Codification (ASC) Topic 805, *Business Combinations*, and ASC Topic 958, *Not-for-Profit Mergers and Acquisitions*, required the revaluation of all UMC and JHSMH assets and liabilities as of the respective effective date of each agreement. An independent valuation was performed to value the assets and liabilities of UMC and JHSMH.

Following is the purchase price allocation to assets and liabilities acquired:

	<u>UMC</u>
Cash and cash equivalents	\$ 53,458
Patient accounts receivable	64,316
Other current assets	29,601
Investments	40,603
Property and equipment	176,004
Goodwill	53,178
Other assets	9,368
Current liabilities	(76,202)
Other liabilities	(9,796)
Debt and capital leases	(122,821)
Acquisition consideration liability	<u>\$ 217,709</u>

The consolidated statements of operations and changes in net assets and cash flows for the System include twelve months of operations for the year ended June 30, 2013, and six months of operations for the period from January 1, 2012 (Inception) through June 30, 2012.

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Accounting Policies (continued)

CHI is a Colorado non-profit corporation recognized by the Internal Revenue Service (IRS) as exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC). CHI sponsors hospitals and other health care providers in 17 states. JHFE is a Kentucky non-profit corporation recognized by the IRS as exempt from income taxation under Section 501(c)(3) of the IRC. JHFE sponsors healthcare and Jewish community services. CHI, through a direct affiliate, and JHFE are the corporate members of KentuckyOne Health with CHI owning 83% and JHFE owning 17% of KentuckyOne Health.

As CHI was determined to be the acquiring entity in the January 2012 Sponsorship and Consolidation Agreement with JHSMH, the asset values of SJHS and Flaget remained at historical cost and were reflected as a transfer from CHI in the consolidated statements of operations and changes in net assets.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the System and its subsidiaries. All significant inter-affiliate transactions and balances have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of asset, liabilities, revenues and expenses. Actual results could vary from those estimates.

Cash Equivalents

Cash equivalents consist of certificates of deposits which are carried at cost plus accrued interest, which approximates fair value. Cash equivalents are maintained with a financial depository institution and are collateralized by U.S. government obligations or by the Federal Deposit Insurance Corporation (FDIC). These cash equivalents have an original maturity of three months or less. The System may have amounts with financial institutions in excess of those insured by the FDIC.

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) *(Dollars in Thousands)*

1. Accounting Policies (continued)

Repurchase Agreements

Repurchase agreements represent an arrangement between a financial depository institution (the bank) and the System, where the bank sells the market value of securities to the System equal to the closing balance of the System's cash balance on a daily basis. Under the terms of the agreement, the bank agrees to repurchase the securities the following day at par plus interest. Repurchase agreements are converted to cash on a daily basis.

Investments and Assets Limited as to Use

The System owns an interest in the CHI Operating Investment Program Limited Partnership (the Program). The Program is structured under a limited partnership agreement with CHI as managing general partner and numerous limited partners, most affiliated with CHI. The partnership provides a vehicle whereby entities associated with CHI, as well as certain other unrelated entities, can optimize investment returns while managing investment risk. The System's interest in the Program is reported within investments and assets limited as to use within the accompanying consolidated balance sheets and is reported based upon net asset value derived from the application of the equity method of accounting.

The System has designated its investment portfolio as trading. Investments are recorded at fair value as determined by reference to quoted market prices or other sources when applicable (see Note 10). Unrealized gains and losses on marketable securities that have been designated as trading securities are included within the (excess of expenses over revenue) excess of revenue over expenses. In addition, cash flows from the purchases and sales of marketable securities designated as trading are reported as a component of operating activities in the accompanying consolidated statements of cash flows.

Investment income consists of realized gains and losses on the sale of investments, the market valuation changes in investments, and dividend and interest income. Realized gains and losses are calculated based on the specific identification method. Investment income is included in the (excess of expenses over revenue) excess of revenue over expenses unless the income or loss is restricted by donor or by law.

Operating revenue includes investment income, which relates to earnings on funds that have been Board designated for the funding of current medical research expenses.

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Accounting Policies (continued)

Investment income is summarized for the year ended June 30, 2013 and for the six-month period ended June 30, 2012 in the following tables

	2013	2012
Market valuation changes in hedge, private equity funds, and the limited partnership	\$ (1,254)	\$ (227)
Market valuation change in all other securities	26,635	6,275
Interest, dividends, and realized gains, net of fees	40,063	27,367
Total investment income	<u>\$ 65,444</u>	<u>\$ 33,415</u>
Investment income included in operating revenue	\$ 1,130	\$ 514
Investment income included in nonoperating revenue	64,314	32,901
Total investment income	<u>\$ 65,444</u>	<u>\$ 33,415</u>

Fair Value of Financial Instruments

The System follows the provisions of Financial Accounting Standards Board (FASB) accounting guidance, which establishes a framework for measuring fair value in GAAP, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements

Applicable accounting guidance establishes a three-level hierarchy for fair value measurements. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

The three levels are defined as follows:

- Level 1 – Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2 – Valuation is based upon quoted prices for similar assets and liabilities in active markets or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument
- Level 3 – Valuation is based upon other unobservable inputs that are significant to the fair value measurement

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Accounting Policies (continued)

Inventories

Inventories, primarily consisting of pharmacy drugs, and medical and surgical supplies, are stated at the lower of cost or market (first-in, first-out method)

Investments in Unconsolidated Organizations

Investments in unconsolidated organizations are accounted for under the cost or equity method of accounting, as appropriate, based on the relative percentage of ownership or degree of influence over that organization. The equity income or loss on these investments is recorded in the consolidated statements of operations and changes in net assets as changes in equity of unconsolidated organizations. The equity in earnings of the unconsolidated organizations accounted for on the equity method is included in income from operations because these organizations' activities are considered to be ongoing or central to the provision of health care services.

Charity Care

As an integral part of its mission, the System accepts and treats all patients without regard to their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the operating entities. Essentially, these policies define charity services as those services for which no payment is anticipated. The System identifies patients needing assistance by applying certain demographic and credit criteria that were modeled after criteria used in the health care industry. The System's policy is to estimate charity care cost by using a cost to gross charge ratio. Estimated charity care at cost was \$90,547 and \$44,864 for the year ended June 30, 2013 and the six-month period ended June 30, 2012, respectively. Charity care costs include provider taxes paid to the Commonwealth of Kentucky net of reimbursement from the Kentucky Hospital Care Program (KHCP) (see Note 3).

Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation other than JHSMH and UMC property and equipment acquired as part of the System transactions (see Notes 1 and 10). Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the respective assets. Assets recorded under capital leases are

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Accounting Policies (continued)

depreciated over the estimated useful life of the related asset or the lease term, whichever is shorter. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts involving land, buildings or equipment are reported as unrestricted support, unless there are explicit donor stipulations specifying how the donated assets must be used. Gifts of long-term assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-term assets are reported as restricted support. Absent explicit donor stipulations about how long those long-term assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-term assets are placed in service.

Impairment of Assets

Properties and other long-lived assets are reviewed for impairment whenever events or business conditions indicate that the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or a group of assets. Where impairment is indicated, the asset's carrying amount is reduced to fair value based on discounted net cash flows or other estimates of fair value. No asset impairment loss was recognized for the year ended June 30, 2013 nor the six-month period ended June 30, 2012.

Goodwill

Goodwill represents the excess of the purchase cost over the fair value of net assets acquired and is subject to annual impairment tests as well as more frequent reviews whenever the circumstances indicate a possible impairment may exist. The System performed an impairment analysis on all goodwill at June 30, 2013 except for goodwill generated as a result of the March 1, 2013 JOA with UMC. At June 30, 2012, the System engaged independent consultants to perform an impairment analysis on goodwill. In conducting the impairment test, the fair value of the reporting unit is compared to its respective carrying amount including goodwill. If the fair value exceeds the carrying amount, no impairment exists. If the carrying amount exceeds the fair value, further analysis is performed to assess impairments. The System's determination of fair value is based on an income approach with an appropriate discount rate. Significant assumptions inherent in this methodology are employed and include such estimates as discount rates. No

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Accounting Policies (continued)

impairment loss was recognized as a result of the impairment test. Goodwill balances of \$65,186 and \$11,186 are reflected in the consolidated balance sheets as of June 30, 2013 and 2012, respectively. Goodwill increased \$53,178 in fiscal year 2013 as a result of the Joint Operating Agreement with UMC, which primarily represents the expected future benefits to be realized by the System upon the integration of UMC.

Patient Receivables and Net Patient Service Revenue

Patient receivables and net patient service revenue are derived primarily from patients who reside in Kentucky and southern Indiana. Patient receivables consist of amounts due from individual patients and third-party payors, including federal and state programs and commercial insurance companies for health care services rendered. Management maintains an allowance for doubtful accounts to reserve for estimated losses based on the length of time the account has been past due and historical collection experience. In accordance with Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and Allowance for Doubtful Accounts for Certain Health Entities*, the provision for doubtful accounts is presented on the consolidated statements of operations and changes in net assets as a deduction from patient services revenues (net of contractual allowances and discounts) since the System accepts and treats all patients without regard to the ability to pay.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments due to future audits by third-party payors. 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 by third-party payors. The changes in estimates as a result of appeal settlements and other cost report or fee adjustments resulted in an increase in net patient service revenue of \$1,463 and \$18,029 for the year ended June 30, 2013 and for the six-month period ended June 30, 2012, respectively.

At March 1, 2013, the System added approximately \$64,316 in net patient accounts receivable due to the acquisition of UMC – see Note 1, *Accounting Policies*. As a result, the accounts receivable reserve and allowance accounts have increased substantially from June 30, 2012. Exclusive of acquisition activity, the total write-offs of uncollectible accounts and reserves on self-pay patient accounts have not changed significantly from year to year. The System has not experienced significant changes in write-off trends and there have been no significant changes to its charity policy.

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Accounting Policies (continued)

Net patient accounts receivable included the following allowances as of June 30, 2013 and 2012

	Reserve for Contractual Allowance	Allowance for Doubtful Accounts	Reserve for Charity	Total Accounts Receivable Allowances
Balance at January 1, 2012	\$ 308,920	\$ 146,336	\$ 49,755	\$ 505,011
Additions	1,632,736	68,276	138,504	1,839,516
Reductions	(1,607,099)	(107,155)	(137,285)	(1,851,539)
Balance at June 30, 2012	334,557	107,457	50,974	492,988
Additions	4,065,679	182,799	652,840	4,901,318
Reductions	(3,790,609)	(155,228)	(301,719)	(4,247,556)
Balance at June 30, 2013	\$ 609,627	\$ 135,028	\$ 402,095	\$ 1,146,750

Other Revenue

Other revenue is related to the furtherance of operating activities but is not directly related to patient services. Other revenue includes retail pharmacy revenue, rental revenue, cafeteria revenue, Medicaid program meaningful use incentives and various other miscellaneous revenues.

Contributions

Contributions are recorded at fair value in the period received or pledged. Donor-restricted contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets along with unrestricted contributions as other operating revenue. Donor-restricted contributions whose restrictions are met within the same year as received are accounted for as unrestricted contributions. Permanently restricted net assets have been restricted by donors and are to be maintained by the System in perpetuity.

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) *(Dollars in Thousands)*

1. Accounting Policies (continued)

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

The consolidated statements of operations and changes in net assets include (excess of expenses over revenue) excess of revenue over expenses. Changes in unrestricted net assets that are excluded from (excess of expenses over revenue) excess of revenue over expenses, consistent with industry practice, include contributions of long-term assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), contributions to the CHI Capital Resource Pool and changes in pension plan assets and obligations.

Operating Activities and Nonoperating Gains

Only those activities directly associated with the furtherance of the System's primary mission are considered to be operating activities. Other activities that result in gains or losses are considered to be nonoperating gains. Nonoperating gains include investment income and loss on the defeasance of bonds.

Restructuring Expenses

Restructuring expenses are included in the consolidated statements of operations and changes in net assets. These include internal and external integration costs as a result of the business combination and System reorganization.

Functional Expenses

The System's general and administrative costs represented approximately 19% of total operating expenses for both the year ended June 30, 2013 and the six-month period ended June 30, 2012.

Self-Insured Reserves and Claims

The provision for estimated self-insured medical malpractice and workers' compensation claims includes estimates of the ultimate costs for incurred claims that have been identified and for claims that have been incurred but not reported.

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Accounting Policies (continued)

Income Taxes

The majority of the System's income and most of the entities that it owns are exempt from federal and state income taxes as not-for-profit corporations that are recognized by the IRS as defined in Section 501(c)(3) of the IRC and applicable state statutes

Meaningful Use of Certified Electronic Health Record Technology Incentive Payments

The American Recovery and Reinvestment Act of 2009 established incentive payments under Medicare and Medicaid programs for certain professionals and hospitals that meaningfully use certified electronic health record technology. Payments under the program are calculated based upon estimated discharges, charity care and other input data and are predicated upon the System's attainment of program and attestation criteria and are subject to regulatory audit. The System accounts for meaningful use incentive payments under the gain contingency model. For the year ended June 30, 2013 and the six-month period ended June 30, 2012, the System has recognized revenue of \$275 and \$2,656, respectively, related to this program.

Reclassifications

Certain 2012 amounts have been reclassified to conform with 2013 presentation. Such reclassifications have no impact on the amounts previously reported for (excess of expenses over revenues) excess of revenues over expenses.

2. Community Benefit (unaudited)

In accordance with its mission and philosophy, the System commits substantial resources to sponsor a broad range of services to both the indigent as well as the broader community. Community benefit provided to the indigent includes the cost of providing services to persons who cannot afford health care due to inadequate resources and/or who are uninsured or underinsured. This type of community benefit includes the costs of traditional charity care, unpaid costs of care provided to beneficiaries of Medicaid and other indigent public programs, services such as free clinics and meal programs for which a patient is not billed or for which a nominal fee has been assessed, and cash and in-kind donations of equipment, supplies or staff time volunteered on behalf of the community.

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Community Benefit (unaudited) (continued)

Community benefits provided to the broader community includes the costs of providing services to other populations who may not qualify as indigent but may need special services and support. This type of community benefit includes the costs of services such as health promotion and education, health clinics and screenings, all of which are not billed or can be operated only on a deficit basis, unpaid portions of training health professionals such as medical residents, nursing students and students in allied health professions, and the unpaid portions of testing medical equipment and controlled studies of therapeutic protocols.

A summary of the cost of community benefit provided to both the indigent and the broader community for the year ended June 30, 2013 and six-month period ended June 30, 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Charity care at cost (includes provider tax, net)	\$ 90,547	\$ 44,864
Unreimbursed cost of Medicaid	13,994	7,825
Unreimbursed cost of Medicare	9,928	—
Means-tested programs	12,565	6,151
Community health improvement services	8,247	1,852
Health professions education	912	701
Subsidized health services	1,058	1,046
Research	4,617	2,196
Financial and in-kind contributions	2,429	893
Community benefit operations	114	18
Community building activities	136	65
Total	<u>\$ 144,547</u>	<u>\$ 65,611</u>

The summary above has been prepared in accordance with the policy document of the Catholic Health Association of the United States (CHA), *A Guide for Planning and Reporting Community Benefit*. Community benefit is measured on the basis of total cost, net of any offsetting revenue, donations or other funds used to defray cost (see Note 3 for subsidy amounts).

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Net Patient Service Revenue

Net patient service revenue for the year ended June 30, 2013 and the six-month period ended June 30, 2012 is comprised of the following

	2013	2012
Charges at established rates		
Medicare	\$ 2,587,598	\$ 1,221,847
Medicaid	675,966	299,298
Other third-party payors	2,367,224	980,099
Self-pay	570,191	208,065
Total charges at established rates	6,200,979	2,709,309
Contractual deductions		
Medicare allowance	1,809,271	803,888
Medicaid allowance	480,447	203,287
Other contractual allowances	1,564,344	625,532
Total contractual deductions	3,854,062	1,632,707
Uncompensated care		
Charity	347,752	138,532
Bad debts	177,730	68,276
Total uncompensated care	525,482	206,808
Net patient service revenue	\$ 1,821,435	\$ 869,794

Reimbursement from the Medicare program is determined from annual cost reports, which are subject to audit by the program. The System's management believes that amounts recorded in the consolidated financial statements for estimated settlements will approximate the final settlements for open cost reports. The System's cost reports for substantially all of its controlled subsidiaries have been audited by the government or its agents and settled through December 31, 2008. In the health care industry, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. The System believes that it is in substantial compliance with all applicable laws and regulations except as noted below. Compliance with health care industry, laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. Certain entities of the System have been contacted by governmental agencies regarding alleged violations of Medicare and Medicaid practices for

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Net Patient Service Revenue (continued)

certain services. Estimates have been made and recorded related to these matters. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The System has agreements with Medicare, Medicaid, and other third-party payors that provide for payments at amounts different from their established rates. A summary of the payment arrangements with major third-party payors is described in the following paragraphs.

Medicare

Inpatient medical and surgical acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed on a prospective payment system with services classified into clinically similar ambulatory payment classes regardless of cost.

Inpatient rehabilitation services are paid on a prospective payment system based on principal diagnosis. Home health services are reimbursed using a prospective payment system based on episodes of care. Medicare net revenue was approximately 43% and 42% of total net patient service revenue for the year ended June 30, 2013 and the six-month period ended June 30, 2012, respectively.

Medicaid

The Kentucky Medicaid program reimburses the System on a prospectively determined rate per discharge for inpatient services and on the basis of fee schedules and cost to charge ratios, as defined, for outpatient services. Medicaid net revenue was approximately 11% and 10% of total net patient service revenue for the year ended June 30, 2013 and the six-month period ended June 30, 2012, respectively.

Other

The System has also entered into payment agreements with certain commercial insurance carriers and health maintenance and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Net Patient Service Revenue (continued)

The Commonwealth of Kentucky (the Commonwealth) has established a provider tax program and imposes a fixed tax on health care providers primarily based on historical payments made to the program. This tax was \$28,892 and \$13,493 for the year ended June 30, 2013 and the six-month period ended June 30, 2012, respectively, and is included in other operating expenses. The Commonwealth provides for a system of reimbursement for services provided to certain Medicaid patients and other patients meeting specified income guidelines. KHCP reimbursement was \$28,635 and \$6,962 for the year ended June 30, 2013 and the six-month period ended June 30, 2012, respectively, and is included in net patient service revenue as a reduction of charity care provision.

Urban Trauma payment is a Kentucky Medicaid payment for hospitals designated as disproportionate share hospitals. Urban Trauma payments of \$7,672 and \$0 for the year ended June 30, 2013 and the six-month period ended June 30, 2012, respectively, were received by the System from Passport and are included in net patient service revenue on the consolidated statements of operations for the year ended June 30, 2013.

The Quality and Charity Care Trust Agreement between UMC, UofL, and the Commonwealth and Louisville Metro government (QCCT Agreement) provides limited funding for the health care needs of economically disadvantaged persons of Jefferson County, Kentucky. Funding under the QCCT Agreement is provided by the Louisville Metro government, the Commonwealth, and UofL and is an annual fixed amount which is not related to volume. In consideration of funding to the System under the QCCT Agreement, the System provides medically necessary services to medically needy persons, as defined in the QCCT Agreement. QCCT payments of \$9,863 and \$0 for the year ended June 30, 2013 and the six-month period ended June 30, 2012, respectively, are included in net patient service revenue on the consolidated statements of operations for the year ended June 30, 2013.

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

4. Property and Equipment, Net

Property and equipment is as follows at June 30

	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 87,811	\$ 84,038
Buildings and improvements	798,422	819,334
Equipment	481,484	410,550
Leasehold improvements	77,614	14,116
Capital leases	71,141	360
Construction-in-progress	47,168	19,231
	<u>1,563,640</u>	<u>1,347,629</u>
Accumulated depreciation and amortization	467,886	411,227
	<u><u>\$ 1,095,754</u></u>	<u><u>\$ 936,402</u></u>

5. Debt

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

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Debt (continued)

Long-term debt at June 30 consists of the following

	<u>2013</u>	<u>2012</u>
CHI note payable, dated 6/16/98, maturity date 12/1/15	\$ 1,288	\$ 1,758
CHI note payable, dated 6/16/98, maturity date 12/1/17	3,452	4,114
CHI note payable, dated 6/16/98, maturity date 12/1/22	31,263	33,722
CHI note payable, dated 11/23/98, maturity date 12/1/18	3,778	4,363
CHI note payable, dated 11/1/02, maturity date 12/1/12	—	82
CHI note payable, dated 11/1/02, maturity date 12/1/17	1,600	1,911
CHI note payable, dated 4/1/03, maturity date 12/1/12	—	129
CHI note payable, dated 11/1/05, maturity date 12/1/17	16,503	20,810
CHI note payable, dated 12/1/05, maturity date 12/1/20	13,571	15,036
CHI note payable, dated 7/29/07, maturity date 12/1/22	3,251	3,514
CHI note payable, dated 2/1/09, maturity date 12/1/17	473	520
CHI note payable, dated 12/1/09, maturity date 12/1/34	63,601	65,235
CHI note payable, dated 10/12/10, maturity date 12/1/29	88,058	91,913
CHI note payable, dated 1/1/11, maturity date 12/1/35	30,623	31,353
CHI note payable, dated 5/12/11, maturity date 12/1/32	48,751	49,499
CHI note payable, dated 1/1/12, maturity date 12/1/25	39,100	41,830
CHI note payable, dated 5/1/12, maturity date 12/1/36	356,638	358,518
CHI note payable, dated 11/1/12, maturity date 12/1/15	5,166	—
CHI note payable, dated 6/3/13, maturity date 12/1/21	39,000	—
Capital leases	68,309	231
Other debt	9,981	1,746
	<u>824,406</u>	<u>726,284</u>
Less amount due within one year	33,357	22,631
Long-term debt due after one year	<u>\$ 791,049</u>	<u>\$ 703,653</u>

All of the notes payable to CHI bear a variable quarterly average interest rate, which was 4.75% at June 30, 2013. The variable rate associated with the notes payable to CHI is based on a blended rate of the external underlying fixed and variable debt held by CHI.

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Debt (continued)

As of March 1, 2013, UMC held \$48,540 fair market value Series 1997 Bonds issued by the County of Jefferson, the proceeds of which were loaned to UMC under the terms of a Note and Master Trust Indenture dated June 15, 1997. The Series 1997 Bonds were defeased on June 3, 2013, and resulted in no gain or loss on defeasance. The System entered into a note payable to CHI in the amount of \$39,000 to fund the defeasance of the Series 1997 Bonds.

As of March 1, 2013, UMC held lease obligations related to the hospital facilities that were classified as capital leases obligations. The amount of these capital leases is \$68,148 and is recorded on the consolidated balance sheet as other debt and capital leases at June 30, 2013.

Prior to January 1, 2012, JHSMH and JHFE, together hereinafter referred to as the Obligated Group, were party to a Master Trust Indenture for the purpose of providing for the issuance of bonds from time to time by any of the Obligated Group members to refinance outstanding indebtedness or to finance the acquisition of capital improvements. As of January 1, 2012, there were two outstanding bonds from the Obligated Group, but both were defeased subsequent to the formation of the System. As of January 6, 2012, the transaction closing date, JHFE was released from the Obligated Group. As of April 5, 2012, all debt obligations under the Master Trust Indenture were cancelled and JHSMH was released of all Master Trustee's rights and the Master Trust Indenture ceased. The two bonds outstanding as of January 1, 2012 were \$60,000 for the 1996 Health Facilities Revenue Bonds issued by the County of Jefferson, Kentucky (the 1996 Bonds), and \$330,000 for the 2008 Metro Government Health Facilities Revenue Bonds (the 2008 Bonds) issued by Louisville/Jefferson County.

The 1996 Bonds were defeased on January 6, 2012. The System entered into a note payable to CHI in the amount of \$43,158 to fund the costs of the 1996 Bonds defeasance. A loss on the defeasance of the 1996 Bonds of \$479 is recorded on the consolidated statements of operations and changes in net assets as a nonoperating loss for the six-month period ended June 30, 2012.

The 2008 Bonds were defeased on April 5, 2012. The System entered into a note payable to CHI in the amount of \$358,723 to fund the costs of the 2008 Bonds defeasance. A loss on the defeasance of the 2008 bonds of \$69,399 is recorded on the consolidated statements of operations and changes in net assets as a nonoperating loss for the six-month period ended June 30, 2012.

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Debt (continued)

The loss on defeasance was primarily related to the excess of escrow funds required over the amount of the bonds that were defeased. Escrow funds in the amount of \$411,341 as of April 5, 2012 were placed with the Bank of New York Mellon Trust Company (Escrow Agent) to cover future redemption of these Bonds.

The System has a line of credit agreement that provides for borrowings of \$4,000, which is required by a commercial card agreement. There were no outstanding amounts borrowed on the line of credit at June 30, 2013 and 2012.

At June 30, 2013, aggregate maturities on long-term debt and capital leases are as follows:

2014	\$ 33,357
2015	34,795
2016	34,544
2017	33,377
2018	34,222
Thereafter	654,111
	<u>\$ 824,406</u>

6. Retirement Plans

The System has a defined benefit retirement plan covering substantially all of its JHSMH employees. This defined benefit retirement plan was curtailed in 2009 and all benefits were frozen as of January 1, 2010. In 2010, the defined benefit retirement plans covering key employees were rolled into individual noncontributory-defined contribution retirement plans. Information related to the noncontributory-defined benefit plan (the Plan) is presented below.

Components of net periodic pension benefit cost related to the Plan for the year ended June 30, 2013 and the six-month period ended June 30, 2012, were as follows:

	<u>2013</u>	<u>2012</u>
Interest cost	\$ 7,041	\$ 3,548
Expected return on plan assets	(10,664)	(5,427)
Recognized actuarial (gain) loss and settlement	(635)	237
Net periodic pension benefit cost	<u>\$ (4,258)</u>	<u>\$ (1,642)</u>

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Retirement Plans (continued)

The change in projected benefit obligation and the fair value of plan assets for the year ended June 30, 2013 and the six-month period ended June 30, 2012, and the funded status of the Plan as of June 30, 2013 and 2012 were as follows

	2013	2012
Projected benefit obligation, beginning of period	\$ 185,205	\$ 183,733
Interest cost	7,041	3,548
Actuarial loss	(7,652)	7,195
Settlements	(15,055)	(8,495)
Benefits paid	(1,533)	(776)
Projected benefit obligation, end of period	168,006	185,205
Fair value of plan assets, beginning of period	143,687	136,188
Actual gain on plan assets	15,432	7,220
Employer contributions	3,450	9,550
Settlements	(15,055)	(8,495)
Benefits paid	(1,533)	(776)
Fair value of plan assets, end of period	145,981	143,687
Unfunded status/net recorded liability	\$ (22,025)	\$ (41,518)

The net gain (loss) recognized in unrestricted net assets for the year ended June 30, 2013 was \$11,625 and for the six-month period ended June 30, 2012, was \$(5,165). Under purchase accounting guidance, ASC Topic 805, *Business Combinations*, and ASC 958, *Not-for-Profit Mergers and Acquisitions*, an adjustment was made to eliminate amounts accumulated in net assets of the Plan as part of establishing the System's January 1, 2012 opening balance sheet. Included in unrestricted net assets at June 30, 2013 and 2012 is an unrecognized actuarial (gain) loss of (\$7,082) and \$4,703, respectively, which has not yet been recognized in net periodic benefit cost. None of this actuarial (gain) loss is expected to be recognized during the fiscal year ending June 30, 2014.

The accumulated benefit obligation for all defined benefit pension plans was \$168,006 and \$185,205 at June 30, 2013 and 2012, respectively.

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Retirement Plans (continued)

The weighted-average assumptions used to determine net periodic pension costs for the year ended June 30, 2013 and the six-month period ended June 30, 2012 were as follows

	2013	2012
Discount rate	4.00%	4.55%
Expected return on plan assets	7.75	8.00

The weighted-average assumptions used to determine benefit obligations at June 30, 2013 and 2012 were as follows

	2013	2012
Discount rate	4.60%	4.00%
Expected return on plan assets	7.75	8.00

In selecting the expected return on plan assets, the System considers historical returns as well as adherence to future asset allocations

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

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Retirement Plans (continued)

The target and range asset allocations for the plan assets set forth in the Plan Asset Program's investment policies are as follows

	Target	Range
Marketable debt securities	25 0%	15 0% to 35 0%
Marketable equity securities	52 5%	42 5% to 62 5%
Alternative investments	22 5%	12 5% to 32 5%

As of June 30, 2013, the System believes that there is not a specific concentration of risk in the underlying pool. The System does recognize that all investments are subject to market risks and that changes in the market may have a material effect on the plan assets.

Nearly all of the System's plan assets are represented by pool units rather than specific securities. The Plan Asset Program is not necessarily readily marketable and may include short sales on securities and trading in future contracts, options, foreign currency contracts, other derivative instruments and private equity investments. Management has determined that the net asset value (NAV) is an appropriate estimate of the fair value of these pooled units at June 30, 2013 and 2012 based on the underlying investment being recorded at fair value within the Plan Asset Program. As the System has the ability to redeem its pooled units with no adjustment at the measurement date and there are no significant restrictions on liquidating these investments, the investment is categorized as a Level 2 measurement in the fair value hierarchy considerations. The inputs and valuation techniques as of June 30, 2013 and 2012 used for valuing the pooled units is primarily NAV, which represent a market valuation approach. The valuation of cash and cash equivalents is described in Note 10.

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

6. Retirement Plans (continued)

The following tables presents the financial instruments of the Plan's assets at fair value as of June 30, as defined by the level hierarchy for fair value measurements in Note 1

2013					
	Level 1	Level 2	Level 3	Fair Value	
Assets					
Cash and cash equivalents	\$ 741	\$ –	\$ –	\$	741
Plan Asset Program	–	145,018	–		145,018
Hedge funds	–	–	222		222
Total assets at fair value	\$ 741	\$ 145,018	\$ 222	\$	145,981

2012					
	Level 1	Level 2	Level 3	Fair Value	
Assets					
Cash and cash equivalents	\$ 13,941	\$ –	\$ –	\$	13,941
Plan Asset Program	–	119,786	–		119,786
Hedge funds	–	–	9,960		9,960
Total assets at fair value	\$ 13,941	\$ 119,786	\$ 9,960	\$	143,687

The following is a rollforward of the amounts for financial instruments of the Plan's assets within Level 3 of the valuation hierarchy defined in Note 1 for the year ended June 30, 2013 and the six-month period ended June 30, 2012

	2013	2012
Balance, beginning of period	\$ 9,960	\$ –
Plan acquired assets	–	14,790
Sales/redemptions	(9,776)	(4,736)
Change in fair market value	38	(94)
Balance, end of period	\$ 222	\$ 9,960

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Retirement Plans (continued)

The carrying value of the hedge funds is based on valuations provided by the administrators of the specific financial instruments. The valuation methods for all other securities are consistent with Note 10. The underlying investments in these financial instruments may include marketable debt and equity securities, commodities, foreign currencies, derivatives, and private equity investments. The underlying investments themselves are subject to various risks including market, credit, liquidity and foreign exchange risk. The fair value is based on the percentage ownership of the net asset value of the funds based on the fact that the hedge funds are audited and accounted for at fair value by the respective administrators of the funds. The System believes the carrying amount of these financial instruments in the consolidated balance sheets is a reasonable estimate of ownership interest. Because these financial instruments are not readily marketable, the estimated carrying value is subject to uncertainty, and, therefore, may differ from the value that would have been used had a market for such financial instruments existed.

The System expects to contribute approximately \$1,300 to the defined benefit pension plans in the fiscal year ended June 30, 2014.

Benefits expected to be paid to the Plans' beneficiaries are as follows:

2014	\$	12,688
2015		12,093
2016		11,649
2017		12,325
2018		10,966
2019 through 2023		50,545

The System has a defined contribution retirement plan covering substantially all of its former JHSMH employees. Pension expense of \$9,517 and \$9,653 was recorded for these defined contribution plans for the year ended June 30, 2013 and the six-month period ended June 30, 2012, respectively. The net recorded liability for these plans at June 30, 2013 and 2012 was \$5,191 and \$5,956, respectively, and is included in other current liabilities on the consolidated balance sheets.

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Retirement Plans (continued)

The System has noncontributory defined contribution retirement plans covering certain key former JHSMH employees. Pension expense of \$0 and \$420 was recorded for these defined contribution plans for the year ended June 30, 2013 and the six-month period ended June 30, 2012, respectively. The System has recorded both plan assets and liabilities for these plans at June 30, 2013 and 2012 of \$1,420 and \$2,893, respectively, which are included in other assets and other liabilities on the consolidated balance sheets.

The System also participates in the CHI defined benefit retirement plan which is a multi-employer, noncontributory, cash balance plan covering substantially all employees of SJHS. Pension expense for the year ended June 30, 2013 and the six-month period ended June 30, 2012 was \$15,272 and \$7,802, respectively. As a multi-employer plan, separate measurements of assets and pension benefit obligations for individual employers are not made.

The System also has a defined contribution 401(a) retirement plan available to all employees of the former UMC with at least one year of employment that work more than 1,000 hours in a year. Under terms of this plan, the System contributes a percentage (as defined by the plan document) of each participant's annual compensation for those participants employed on December 31. Total pension expense was approximately \$1,891 for the four-month period ended June 30, 2013.

7. Commitments and Contingencies

Litigation

During the normal course of business, the System may become involved in litigation. Management assesses the probable outcome of unresolved litigation and records estimated settlements. After consultation with legal counsel, management believes that any such matters will be resolved without material adverse impact to the consolidated financial position or results of operations of the System.

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Commitments and Contingencies (continued)

Operating Lease and Service Agreements

Future minimum annual rental payments under noncancelable operating lease and service agreements as of June 30, 2013, are as follows

2014	\$	30,500
2015		17,986
2016		11,030
2017		6,669
2018		3,763
Thereafter		14,959
	\$	<u>84,907</u>

Total rental expense, which includes amounts applicable to short-term leases, were \$52,455 and \$24,453 for the year ended June 30, 2013 and the six-month period ended June 30, 2012, respectively

The System, in conjunction with other medical center institutions, is contractually obligated to purchase services from two organizations owned and operated by the Medical Center Commission (a public agency), which provide laundry service and steam and chilled water service to certain operations and other institutions. Payments made by the System to the two organizations are included in operating expenses as Purchased Services in the accompanying consolidated statements of operations and changes in net assets and amounted to the following, for the year ended June 30, 2013, and for the six-month period ended June 30, 2012

	<u>2013</u>	<u>2012</u>
Laundry service	\$ 2,663	\$ 1,167
Steam and chilled water service	<u>3,818</u>	<u>1,365</u>
	<u>\$ 6,481</u>	<u>\$ 2,532</u>

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Commitments and Contingencies (continued)

The System leases office space to various lessees in medical office buildings and parking lots under operating leases. The rental income from these leases are \$8,213 and \$4,286 for the year ended June 30, 2013 and the six-month period ended June 30, 2012, respectively, and are included in other revenue in the accompanying consolidated statements of operations and changes in net assets.

The net book value of the leased property, including property that is currently being renovated for future leasing activities, was \$120,667 and \$72,935 at June 30, 2013 and 2012, respectively. The following is a schedule by years of minimum future rentals receivable under existing noncancelable operating leases as of June 30, 2013:

2014	\$ 7,747
2015	5,282
2016	3,632
2017	2,034
2018	1,343
Thereafter	904
Total minimum future rentals	<u>\$ 20,942</u>

8. Medical Malpractice Self-Insurance

First Initiatives Insurance, Ltd. (FIIL), a wholly owned, captive insurance subsidiary of CHI, underwrites the property and casualty risks of CHI. The System participates in FIIL's comprehensive professional, employment practices, general liability and workers' compensation coverage to cover substantially all of the System's related risk. Coverage is provided by FIIL either on a directly written basis or through reinsurance relationships with commercial carriers. In addition, CHI purchases excess insurance from commercial carriers. These amounts, including actuarial estimates for incurred but not reported claims, are assessed to all participants.

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Medical Malpractice Self-Insurance (continued)

Amounts paid by the System for professional, employment practices, and general liability coverage were \$21,959 and \$9,683 for the year ended June 30, 2013 and for the six-month period ended June 30, 2012, respectively, and are included in insurance expense in the accompanying consolidated statements of operations and changes in net assets. Amounts paid by the System for workers' compensation coverage were \$6,444 and \$2,327 for the year ended June 30, 2013 and for the six-month period ended June 30, 2012, respectively, and are included in personnel expense in the accompanying consolidated statements of operations and changes in net assets. The estimated liability for professional liability and workers' compensation claims incurred but not reported (including legal costs) as of June 30, 2013 and 2012 is \$116,806 and \$84,322, respectively, and is included in self-insured reserves and claims along with a corresponding long-term insurance receivable within long-term assets in the accompanying consolidated balance sheets.

9. Concentrations of Credit Risk

The System grants credit without collateral to its patients, most of who are local residents and are insured under third-party agreements. The mix of net receivables from patients and third-party payors at June 30, 2013 and 2012 was as follows:

	2013	2012
Medicare	28%	34%
Medicaid	23	15
Anthem Blue Cross	8	18
Other third-party payors	37	31
Private payors	4	2
	100%	100%

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Fair Values of Financial Instruments

The following table presents the financial instruments at fair value as of June 30, aggregated by level in the hierarchy defined in Note 1

	June 30, 2013			
	Level 1	Level 2	Level 3	Fair Value
Assets				
Repurchase agreements	\$ —	\$ 7,540	\$ —	\$ 7,540
Cash and cash equivalents	9,489	17,601	—	27,090
Common stocks				
Large cap core	422	—	—	422
Mid cap	7,866	—	—	7,866
Small cap	118	—	—	118
Mutual funds				
Large cap value	892	—	—	892
Small cap	189	—	—	189
Real estate mutual funds	—	140	—	140
Fixed income mutual funds	2,876	—	—	2,876
Foreign bonds	—	384	—	384
U S government obligations	366	—	—	366
Other investments	—	2,750	—	2,750
Total assets at fair value	\$ 22,218	\$ 28,415	\$ —	\$ 50,633

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Fair Values of Financial Instruments (continued)

	June 30, 2012			
	Level 1	Level 2	Level 3	Fair Value
Assets				
Repurchase agreements	\$ —	\$ 29,300	\$ —	\$ 29,300
Cash and cash equivalents	7,826	—	—	7,826
Common stocks				
Large cap core	415	—	—	415
Mid cap	1,382	—	—	1,382
Large cap value	94	—	—	94
Mutual funds				
Large cap core	123	—	—	123
Large cap growth	240	—	—	240
Large cap value	196	—	—	196
Small cap	425	—	—	425
Real estate mutual funds	—	100	—	100
Fixed income mutual funds	2,109	—	—	2,109
Foreign bonds	—	350	—	350
U S government obligations	31	—	—	31
Other investments	—	876	—	876
Total assets at fair value	\$ 12,841	\$ 30,626	\$ —	\$ 43,467

The following methods and assumptions were used by the System in estimating its fair value disclosures for financial instruments

- **Repurchase agreements** The value is based upon quoted market prices of U S government agency securities in less active markets at June 30, 2013 and 2012, which have been placed in Level 2
- **Cash and cash equivalents and certificates of deposit** The value is based upon the cash held with local banks and money market funds that carry a constant value of \$1 per share, which have been placed in Level 1 and Level 2
- **Common stocks** The value is obtained from prices quoted in the active market, which represents the fair value of the securities, which have been placed in Level 1

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Fair Values of Financial Instruments (continued)

- **Mutual funds** The value is based upon quoted market prices that are available in an active market at June 30, 2013 and 2012, placing these securities in Level 1
- **Real estate mutual funds** The value is based upon quoted market prices that are available in an active market at June 30, 2013 and 2012. Since more than half of the fund's investments are categorized as Level 2, the investment has been classified as Level 2
- **Foreign bonds** Values are based upon quoted prices in less active, dealer or broker markets. The values are obtained from third-party pricing services, and they have been placed in Level 2
- **U.S. government obligations** U.S. government securities are valued using quoted market prices in active markets and have been placed in Level 1
- **Other investments** The majority of these investments are with local community foundations, which provide values based upon underlying values of investment held by the particular organization. These investments have been placed in Level 2

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

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Fair Values of Financial Instruments (continued)

The carrying amounts of the System's financial instruments at June 30, are as follows

	2013	2012
Cash and cash equivalents	\$ 72,720	\$ 29,254
Repurchase agreements	7,540	29,300
	<u>\$ 80,260</u>	<u>\$ 58,554</u>
Investments and assets limited as to use		
Cash and cash equivalents	\$ 27,090	\$ 7,826
Common stocks	8,406	1,891
Interest in CHI Operating Investment Program		
Cash and cash equivalents	—	17,852
Equity investments	327,197	312,130
Fixed income investments	318,794	306,256
Equity mutual funds	1,081	984
Fixed income mutual funds	2,876	2,109
Real estate mutual funds	140	100
Foreign bonds	384	350
U S government obligations	366	31
Other investments	2,750	876
Other assets	8,815	8,939
Hedge funds and private equity	466	14,598
	<u>\$ 698,365</u>	<u>\$ 673,942</u>

The Program asset allocation at June 30, 2013 and 2012 are as follows

	2013	2012
Cash and cash equivalents	4%	1%
Marketable debt securities	46	35
Marketable equity securities	48	46
Alternative investments	2	18
	<u>100%</u>	<u>100%</u>

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Fair Values of Financial Instruments (continued)

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

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

The carrying value of cash and cash equivalents, marketable equity securities, and marketable debt securities included in the Program, substantially all of which are traded on national exchanges and over-the-counter markets, is based on the last reported sales price on the last business day of the fiscal year.

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

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Fair Values of Financial Instruments (continued)

Following is the summary of the inputs and valuation techniques used for valuing Level 2 and Level 3 non-financial assets and liabilities acquired in business combinations

Non-financial Assets and Liabilities	Input	Valuation Technique
Current assets	Estimate of replacement cost	Cost
Investments (Level 2)	Matrix/Broker dealer	Market/Income
Investments (Level 3)	NAV	Market/Income
Property and equipment, net	Discounted cash flows	Income
Investment in unconsolidated organizations	Discounted cash flows	Income
Other	Discounted cash flows	Income
Current liabilities	Estimate of replacement cost	Cost
Liability for retirement plans	Discounted cash flows	Income
Long-term debt	Discounted cash flows	Income
Other liabilities	Estimate of replacement cost	Cost
Acquisition consideration liability	Discounted cash flows	Income

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Fair Values of Financial Instruments (continued)

Effective March 1, 2013, the System acquired UMC (Note 1) in a business combination using the purchase method of accounting guidance, ASU No 2011-04, *Fair Value Measurements* (Topic 820), *Amendments to Achieve Common Fair Value Measurement and Disclosures Requirements in U.S. GAAP and IFRSs*, and ASC 958, *Not-for-Profit Mergers and Acquisitions*, which requires the acquired assets and liabilities to be initially recorded at fair value (non-recurring). The following table presents the acquired assets and liabilities of UMC as of March 1, 2013 and indicates the fair value hierarchy of the valuation techniques the System utilized to determine such estimated fair values.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Current assets	\$ 147,375	\$ —	\$ —	\$ 147,375
Investments	—	40,603	—	40,603
Property and equipment, net	—	176,004	—	176,004
Goodwill	—	—	53,178	53,178
Other	—	9,368	—	9,368
Total assets	<u>\$ 147,375</u>	<u>\$ 225,975</u>	<u>\$ 53,178</u>	<u>\$ 426,528</u>
Current liabilities	\$ —	\$ 76,202	\$ —	\$ 76,202
Long-term debt and capital leases	—	122,821	—	122,821
Acquisition consideration liability	—	—	217,709	217,709
Other liabilities	—	9,796	—	9,796
Total liabilities	<u>\$ —</u>	<u>\$ 208,819</u>	<u>\$ 217,709</u>	<u>\$ 426,528</u>

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Fair Values of Financial Instruments (continued)

Effective January 1, 2012, the System acquired JHSMH (Note 1) in a business combination using the purchase method of accounting guidance, ASU No 2011-04, *Fair Value Measurements* (Topic 820), *Amendments to Achieve Common Fair Value Measurement and Disclosures Requirements in U.S. GAAP and IFRSs*, and ASC 958, *Not-for-Profit Mergers and Acquisitions*, which requires the acquired assets and liabilities to be initially recorded at fair value (non-recurring). The following table presents the acquired assets and liabilities of JHSMH as of January 1, 2012 and indicates the fair value hierarchy of the valuation techniques the System utilized to determine such estimated fair values.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Current assets	\$ 41,915	\$ 150,484	\$ —	\$ 192,399
Investments	190,722	99,456	19,838	310,016
Property and equipment, net	—	451,662	—	451,662
Investment in unconsolidated organization	—	5,290	—	5,290
Other	—	12,040	—	12,040
Total assets	<u>\$ 232,637</u>	<u>\$ 718,932</u>	<u>\$ 19,838</u>	<u>\$ 971,407</u>
Current liabilities	\$ —	\$ 150,795	\$ —	\$ 150,795
Liability for retirement plans	—	53,208	—	53,208
Long-term debt	—	404,050	—	404,050
Other liabilities	—	34,251	—	34,251
Net assets	—	329,103	—	329,103
Total liabilities	<u>\$ —</u>	<u>\$ 971,407</u>	<u>\$ —</u>	<u>\$ 971,407</u>

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

11. Income Taxes

Most of the income received by the System and certain affiliates is exempt from taxation under Section 501(a) of the IRC. Some of its subsidiaries are taxable entities, and some of the income received by otherwise exempt entities, are subject to taxation as unrelated business income. The System files federal income tax returns as well as income tax returns in Kentucky and Indiana.

ASC 740, *Income Taxes*, clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on description, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Management has done an analysis and determined that no amount needed to be recorded related to ASC 740 at June 30, 2013 and 2012.

12. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets include donor-restricted funds, which can only be expended for the designated purpose. Also included is the cash surrender value of life insurance and pledges receivable, which cannot be expended until received. At June 30, 2013 and 2012, temporarily restricted net assets include the following:

	2013	2012
Funds restricted for		
Health care programs	\$ 2,952	\$ 2,430
Capital expenditures	7,215	7,263
Research and education	4,315	3,226
Other	2,862	1,904
	<u>\$ 17,344</u>	<u>\$ 14,823</u>

The System's endowed funds consist of individual donor-restricted funds established for education, research, and a variety of other purposes. Net assets associated with endowment funds are classified and reported based on donor-imposed restrictions. The System's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

12. Temporarily and Permanently Restricted Net Assets (continued)

As a result of this interpretation, the System classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard for expenditure prescribed by UPMIFA.

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2012	\$ 1,309	\$ 9,545	\$ 10,854
Investment return	405	190	595
Contributions	4	8	12
Change in allowance estimate for doubtful restricted pledges	—	(17)	(17)
Appropriation of endowment assets for expenditure	(111)	—	(111)
Endowment net assets, June 30, 2013	<u>\$ 1,607</u>	<u>\$ 9,726</u>	<u>\$ 11,333</u>
Endowment net assets, July 1, 2012	\$ 1,607	\$ 9,726	\$ 11,333
Investment return	773	963	1,736
Contributions	92	463	555
Appropriation of endowment assets for expenditure	(348)	—	(348)
Endowment net assets, June 30, 2013	<u>\$ 2,124</u>	<u>\$ 11,152</u>	<u>\$ 13,276</u>

KentuckyOne Health, Inc. and Affiliates

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

13. Related-Party Transactions

In addition to the other related party transactions disclosures in these notes, the System recognized expenses of \$138,510 and \$40,200 for the year ended June 30, 2013 and the six-month period ended June 30, 2012, respectively, related to overhead allocations from the CHI National Office. These overhead allocations are reflected as other expenses in the accompanying consolidated statements of operations and changes in net assets. The System also made net contributions of \$5,401 and \$3,374 to the Capital Resource Pool during the year ended June 30, 2013 and the six-month period ended June 30, 2012, respectively. These contributions are recorded as direct reductions to unrestricted net assets. The System participates in the CHI cash management program. At June 30, 2013, amounts payable to CHI under the cash management program were approximately \$77 million and are included in accounts payable and accrued expenses.

CHI arranges for comprehensive healthcare services for KentuckyOne Health employees through its self-insured medical plan. CHI estimates employee premiums on an annual basis with the assistance of an independent actuary. Under certain circumstances, the KentuckyOne Health may withdraw from the plan without additional costs incurred. Employee benefits expense on the consolidated statements of operations and changes in net assets includes \$77,865 and \$23,152 for the year ended June 30, 2013 and the six-month period ended June 30, 2012, respectively, for premiums paid to CHI for the self-insured medical plan.

The System leases substantially all the buildings and land from JHFE and CHI for rent of one dollar per year for each lease under long-term leases which expire December 31, 2110. Under applicable accounting guidance, the buildings and land are reflected on the consolidated financial statements of the System.

14. Subsequent Events

The System has evaluated subsequent events through October 28, 2013, which is the date the consolidated financial statements were issued and made publicly available.

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