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Part III

Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III

☐ Yes ☒ No

1

Briefly describe the organization's mission

SEE SCHEDULE O

2

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

☐ Yes ☒ No

If "Yes," describe these new services on Schedule O

3

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

☐ Yes ☒ No

If "Yes," describe these changes on Schedule O

4

Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations 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 \$ 112,822,434 including grants of \$ 574,010 ) (Revenue \$ 130,298,278 )

See Schedules H and O

4b

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

4c

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

4d

Other program services (Describe in Schedule O )
























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

4e

Total program service expenses 112,822,434

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 <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 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	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b Yes	
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 Yes	
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? 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 other assistance to or for foreign individuals? 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 or other assistance to any domestic organization or government 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 or 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	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</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	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	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	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, 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	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> . . . . .	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
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	Yes	
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	36	Yes	
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> 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 or note to any line in this Part V

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	112	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	1,655
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		2b	Yes
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?		3a	Yes
b If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, 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? <b>Note.</b> 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 or note to any line 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 . . . . .	18	
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	Yes
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .	5	No
6	Did the organization have members or stockholders? . . . . .	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? . . . . .	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . .	7b	Yes
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	Yes
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	No
16b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements? . . . . .	16b	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶OH
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> 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 ▶J MICHAEL SIMS 110 N MAIN ST SUITE 500 Dayton, OH 45402 (937) 499-9942

Check if Schedule O contains a response or note to any line in this Part VII . . . . . ☐

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

Form **990** (2013)



## Part VII

<b>1b</b>	<b>Sub-Total . . . . .</b>	<b>▼</b>			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A . . . . .</b>	<b>▼</b>			
<b>d</b>	<b>Total (add lines 1b and 1c) . . . . .</b>	<b>▼</b>	2,341,051	3,904,941	617,041

**2** Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 34

		Yes	No
<b>3</b>	Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i> . . . . .	<b>3</b> Yes	
<b>4</b>	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i> . . . . .	<b>4</b> Yes	
<b>5</b>	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i> . . . . .	<b>5</b>	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
Cerner Corporation, 2800 Rockcreek Pkwy KANSAS CITY MO 64117	Medical Services	928,710
Community Blood Center, 349 S Main St DAYTON OH 45402	Medical services	702,886
Valley Anesthesia, PO Box 63437 CINCINNATI OH 45263	Medical Services	1,784,605
Software Information Systems, PO Box 890500 CHARLOTTE NC 28289	Information Systems	815,407
Siemens Healthcare Diagnostics, 13776 Collections Center Drive CHICAGO IL 60693	Laboratory Services	656,489

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 ▶30

Part VIII

Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . . . .	1a			
	b	Membership dues . . . . .	1b			
	c	Fundraising events . . . . .	1c			
	d	Related organizations . . . . .	1d	178,614		
	e	Government grants (contributions)	1e			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f			
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f . . . . .		178,614		
Program Service Revenue	2a	NET MEDICARE / MEDICAID	Business Code 621110	62,335,133	62,335,133	
	b	NET PATIENT CARE SERVICES	621110	75,270,017	75,049,494	220,523
	c	JOINT OPERATING AGREEMENT	900099	-9,393,000	-9,393,000	
	d	FRANCHISE TAX RECOVERIES	900099	1,985,638	1,985,638	
	e	OTHER	900099	100,490	100,490	
	f	All other program service revenue				
	g	Total. Add lines 2a-2f . . . . .		130,298,278		
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .		650,310	
4		Income from investment of tax-exempt bond proceeds . . . . .		268,795		268,795
5		Royalties . . . . .		0		
6a		Gross rents	(i) Real			
			(ii) Personal			
			204,987			
			61,129			
b		Less rental expenses				
c		Rental income or (loss)	143,858	0		
d		Net rental income or (loss) . . . . .		143,858		143,858
7a		Gross amount from sales of assets other than inventory	(i) Securities			
			(ii) Other			
			98,117,413			
			96,506,973	16,184		
b		Less cost or other basis and sales expenses				
c		Gain or (loss)	1,610,440	-16,184		
d		Net gain or (loss) . . . . .		1,594,256		1,594,256
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 . . . . .		37,044		37,044	
Miscellaneous Revenue		Business Code				
11a	CAFETERIA SALES	721210	695,417		695,417	
b	INTEREST RATE SWAP	523920	381,816		381,816	
c	ALL OTHER REVENUE	900099	1,012,294		1,012,294	
d	All other revenue . . . . .					
e	Total. Add lines 11a-11d . . . . .		2,089,527			
12	Total revenue. See Instructions . . . . .		135,260,682	130,077,755	220,523	4,783,790

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 or note to any line 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.	574,010	574,010		
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.	1,393,322	1,198,591	194,731	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	45,590		45,590	
7	Other salaries and wages.	56,838,637	48,874,928	7,963,709	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	4,917,664	4,225,257	692,407	
9	Other employee benefits.	10,127,399	8,701,461	1,425,938	
10	Payroll taxes.	3,854,446	3,311,740	542,706	
11	Fees for services (non-employees):				
a	Management.	7,600	6,530	1,070	
b	Legal.	545,886	469,025	76,861	
c	Accounting.	57,860		57,860	
d	Lobbying.	15,001	15,001		
e	Professional fundraising services. See Part IV, line 17.	0			
f	Investment management fees.	97,595		97,595	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	384,810	384,810		
12	Advertising and promotion.	297,915	297,915		
13	Office expenses.	1,016,249	873,161	143,088	
14	Information technology.	4,878,009	4,191,185	686,824	
15	Royalties.	0			
16	Occupancy.	1,745,940	1,500,112	245,828	
17	Travel.	155,728	133,801	21,927	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0			
19	Conferences, conventions, and meetings.	776	667	109	
20	Interest.	2,526,917	2,526,917		
21	Payments to affiliates.	0			
22	Depreciation, depletion, and amortization.	7,976,197	6,853,148	1,123,049	
23	Insurance.	0			
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	OPERATING SUPPLIES/EQUIP	15,983,961	15,983,961		
b	REPAIRS & MAINTENANCE	2,866,093	2,462,547	403,546	
c	PURCHASED SERVICES	9,094,950	7,814,381	1,280,569	
d	HOSPITAL FRANCHISE TAX	2,032,745	2,032,745		
e	All other expenses	454,540	390,541	63,999	
25	Total functional expenses. Add lines 1 through 24e.	127,889,840	112,822,434	15,067,406	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 <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		67,341	1	1,750
	2	Savings and temporary cash investments		837,638	2	6,703,608
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		19,856,384	4	20,355,287
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	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		0	6	0
	7	Notes and loans receivable, net		417,486	7	426,436
	8	Inventories for sale or use		508,925	8	685,168
	9	Prepaid expenses and deferred charges		1,692,646	9	2,101,888
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a148,087,963			
	b	Less accumulated depreciation	10b89,118,883	57,221,125	10c	58,969,080
	11	Investments—publicly traded securities		50,184,926	11	49,510,522
	12	Investments—other securities See Part IV, line 11		11,044,371	12	13,502,968
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		0	14	0
	15	Other assets See Part IV, line 11		4,604,590	15	5,421,510
	16	Total assets. Add lines 1 through 15 (must equal line 34)		146,435,432	16	157,678,217
Liabilities	17	Accounts payable and accrued expenses		11,868,973	17	14,175,351
	18	Grants payable		0	18	145,545
	19	Deferred revenue		1,790	19	0
	20	Tax-exempt bond liabilities		46,662,667	20	44,224,934
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	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		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		696,461	23	2,667,875
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		53,009,898	25	32,004,759
	26	Total liabilities. Add lines 17 through 25		112,239,789	26	93,218,464
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		34,195,643	27	64,459,753
	28	Temporarily restricted net assets		0	28	0
	29	Permanently restricted net assets		0	29	0
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		34,195,643	33	64,459,753
	34	Total liabilities and net assets/fund balances		146,435,432	34	157,678,217

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI . . . . .

1	Total revenue (must equal Part VIII, column (A), line 12) . . . . .	1	135,260,682
2	Total expenses (must equal Part IX, column (A), line 25) . . . . .	2	127,889,840
3	Revenue less expenses Subtract line 2 from line 1 . . . . .	3	7,370,842
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	4	34,195,643
5	Net unrealized gains (losses) on investments . . . . .	5	3,818,522
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	19,074,746
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	64,459,753

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII . . . . .

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

▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**  
▶ **Information about Schedule A (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

<b>Name of the organization</b> Upper Valley Medical Center	<b>Employer identification number</b> 31-0537095
----------------------------------------------------------------	-----------------------------------------------------

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<sup>1</sup>/<sub>3</sub>% 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<sup>1</sup>/<sub>3</sub>% 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									

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

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2013



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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2012 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2013. 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—2012. 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—2013. 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—2012. 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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. 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—2012. 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.** 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

Return Reference	Explanation	
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SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527  
▶ **Complete if the organization is described below.** ▶ **Attach to Form 990 or Form 990-EZ.**  
▶ **See separate instructions.** ▶ **Information about Schedule C (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

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

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

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

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

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

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

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

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

1	Provide a description of the organization's direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

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

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

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

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

Part II-A

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2010	(b) 2011	(c) 2012	(d) 2013	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?	Yes		12,301
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		2,700
j	Total. Add lines 1c through 1i.			15,001
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912.			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912.			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

Provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information.

Return Reference	Explanation
PART II-B, LINE 1F & 1I	Amounts include a portion of membership dues paid to Ohio Hospital Association and Greater Dayton Area Hospital Association that were used for lobbying purposes. Also includes payments to a contracted lobbyist for health care related issues.

[illegible]

SCHEDULE D  
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

▶ **Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b**  
▶ **Attach to Form 990.** ▶ **See separate instructions.** ▶ **Information about Schedule D (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).**

<b>Name of the organization</b> Upper Valley Medical Center	<b>Employer identification number</b>  31-0537095
----------------------------------------------------------------	---------------------------------------------------------

Part I

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

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

Part II

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

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

☐ Preservation of land for public use (e g , recreation or 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 ▶ \$ \_\_\_\_\_



**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
- c Beginning balance

d Additions during the year

e Distributions during the year

f Ending balance

	Amount
1c	
1d	
1e	
1f	
- 2a Did the organization include an amount on Form 990, Part X, line 21? 

☐ Yes ☐ No
- b If "Yes," explain the arrangement in Part 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 . . . . .                     |                 |               |                     |                     |                    |
| b Contributions . . . . .                                  |                 |               |                     |                     |                    |
| c Net investment earnings, gains, and losses               |                 |               |                     |                     |                    |
| d Grants or scholarships . . . . .                         |                 |               |                     |                     |                    |
| e Other expenditures for facilities and programs . . . . . |                 |               |                     |                     |                    |
| f Administrative expenses . . . . .                        |                 |               |                     |                     |                    |
| g End of year balance . . . . .                            |                 |               |                     |                     |                    |
- 2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as
- a Board designated or quasi-endowment ▶

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 . . . . .

(ii) related organizations . . . . .

	Yes	No
3a(i)		
3a(ii)		
3b		
- b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R? . . . . .
- 4 Describe in Part XIII the intended uses of the organization's endowment funds

**Part VI Land, Buildings, and Equipment.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .		409,459		409,459
b Buildings . . . . .		74,185,170	33,534,564	40,651,147
c Leasehold improvements . . . . .		78,425	78,425	
d Equipment . . . . .		64,739,555	54,153,202	10,586,353
e Other . . . . .		8,674,813	1,352,692	7,322,121
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) . . . . . ▶				58,969,080



Part XI

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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.

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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

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.

Return Reference	Explanation
Schedule D, Part X, Line 2	The following footnote is from the audited combined financial statements for Premier Health and affiliates: UVMC, Inc. is the parent organization of Upper Valley Medical Center. Premier Health (Premier), MedAmerica Health Systems (MAHS), Atrium Health System (AHS), and UVMC, Inc. (UVMC) have been determined by the Internal Revenue Service to be tax-exempt nonprofit corporations and public charities under Sections 501(c)(3) and 509(a), respectively, of the Internal Revenue Code. Samaritan Health Partners (SHP) is tax-exempt under Section 501(c)(3) and is a public charity by reason of being included in the group ruling issued to the U.S. Catholic Church. As tax-exempt organizations, their income is exempt from federal income tax except to the extent of any unrelated business activities. Taxes payable at December 31, 2013 and 2012 for such unrelated business activities are not significant. MAHS, SHP, AHS, and UVMC also own or control certain subsidiaries, which are for-profit corporations subject to federal income taxes. These are: * MVHE, Inc. and Premier Health Specialists, Inc. (formerly Health Specialists of Dayton, Inc.) (subsidiaries of MAHS); * Samaritan Family Care (subsidiary of SHP) and Samaritan North Surgery Center Limited (a joint-venture partnership of which GSH is an 80% owner); * Middletown Surgery Center, LLC (a joint-venture partnership of which AMC is an 80.5% owner) (subsidiary of AHS); * UVMC Management Corporation and After Hours Family Care, Inc. (subsidiaries of UVMC); * Med-Terra, Inc. - Tax-Exempt corporation under section 501(c)(2) of the internal revenue code. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions.

[illegible]

Additional Data

Software ID:

Software Version:

EIN: 31-0537095

Name: Upper Valley Medical Center

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

1	(a) Description of Liability	(b) Book Value
	PENSION OBLIGATION	12,621,862
	JOA PAYABLE	9,868,000
	MALPRACTICE INSURANCE	3,793,993
	DUE TO MEDICARE / MEDICAID	2,301,322
	PHYSICIAN RELATED	2,065,401
	WORKER'S COMPENSATION	932,479
	OTHER/FRANCHISE TAX	408,330
	DUE TO AFFILIATES	13,372

SCHEDULE F  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Statement of Activities Outside the United States

► Complete if the organization answered "Yes" to Form 990,  
Part IV, line 14b, 15, or 16.  
► Attach to Form 990. ► See separate instructions.  
► Information about Schedule F (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public  
Inspection

Name of the organization  
Upper Valley Medical Center

Employer identification number  
31-0537095

Part I General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

- 1 For grantmakers. Does the organization maintain records to substantiate the amount of its grants and other assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . ☐ Yes ☐ No
- 2 For grantmakers. Describe in Part V the organization's procedures for monitoring the use of its grants and other assistance outside the United States.
- 3 Activities per Region (The following Part I, line 3 table can be duplicated if additional space is needed )

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
( 1 ) Central America and the Caribbean			Investments		6,433,333
( 2 ) Central America and the Caribbean			Program Services	Insurance	24,155
( 3 )					
( 4 )					
( 5 )					
3a Sub-total					6,457,488
b Total from continuation sheets to Part I					
c Totals (add lines 3a and 3b)					6,457,488

**Part II** **Grants and Other Assistance to Organizations or Entities Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Part II can be duplicated if additional space is needed.

<b>1</b> <b>(a)</b> Name of organization	<b>(b)</b> IRS code section and EIN (if applicable)	<b>(c)</b> Region	<b>(d)</b> Purpose of grant	<b>(e)</b> Amount of cash grant	<b>(f)</b> Manner of cash disbursement	<b>(g)</b> Amount of non-cash assistance	<b>(h)</b> Description of non-cash assistance	<b>(i)</b> Method of valuation (book, FMV, appraisal, other)
<b>( 1 )</b>								
<b>( 2 )</b>								
<b>( 3 )</b>								
<b>( 4 )</b>								

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

Part III

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

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of non-cash assistance	(g) Description of non-cash assistance	(h) Method of valuation (book, FMV, appraisal, other)
( 1 )							
( 2 )							
( 3 )							
( 4 )							
( 5 )							
( 6 )							
( 7 )							
( 8 )							
( 9 )							
( 10 )							
( 11 )							
( 12 )							
( 13 )							
( 14 )							
( 15 )							
( 16 )							
( 17 )							
( 18 )							



**Part IV Foreign Forms**

- 1

Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)*

☐

Yes

☒

No
- 2

Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A)*

☐

Yes

☒

No
- 3

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

☐

Yes

☒

No
- 4

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

☐

Yes

☒

No
- 5

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

☐

Yes

☒

No
- 6

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

☐

Yes

☒

No

## Additional Data

**Software ID:**

**Software Version:**

**EIN:** 31-0537095

**Name:** Upper Valley Medical Center

### **Part V** **Supplemental Information**

Provide the information required by Part I, line 2 (monitoring of funds); Part I, line 3, column (f) (accounting method; amounts of investments vs. expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information (see instructions).

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.  
► Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
Upper Valley Medical Center

Employer identification number  
31-0537095

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  <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> 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  <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> 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 . . . . .  <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input checked="" type="checkbox"/> 400% <input type="checkbox"/> Other _____ %  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) . . . .			9,539,000	1,751,000	7,788,000	6 090 %
b Medicaid (from Worksheet 3, column a) . . . . .			19,322,000	12,685,000	6,637,000	5 190 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . .			508,000	371,000	137,000	0 110 %
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . .			29,369,000	14,807,000	14,562,000	11 390 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . .			66,000		66,000	0 050 %
f Health professions education (from Worksheet 5) . . . .			955,000		955,000	0 750 %
g Subsidized health services (from Worksheet 6) . . . .			3,661,000	677,000	2,984,000	2 330 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			298,000		298,000	0 230 %
j <b>Total</b> Other Benefits . . . .			4,980,000	677,000	4,303,000	3 360 %
k <b>Total.</b> Add lines 7d and 7j . .			34,349,000	15,484,000	18,865,000	14 750 %

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					
2	Economic development					
3	Community support					
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building					
7	Community health improvement advocacy					
8	Workforce development					
9	Other		234,000		234,000	0 180 %
10	Total		234,000		234,000	0 180 %

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

1,347,000

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

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

30,308,000

6

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

6

34,247,000

7

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

7

-3,939,000

8

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

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)  
How many hospital facilities did the organization operate during the tax year?  
1

Name, address, primary website address, and state license number

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
	See Additional Data Table										

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 )

UPPER VALLEY MEDICAL CENTER

Name of hospital facility or facility reporting group

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A )

1

	Yes	No
<b>Community Health Needs Assessment</b> (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
<b>1</b> 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)	<b>1</b> Yes	
<b>a</b> <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
<b>b</b> <input checked="" type="checkbox"/> Demographics of the community		
<b>c</b> <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
<b>d</b> <input checked="" type="checkbox"/> How data was obtained		
<b>e</b> <input checked="" type="checkbox"/> The health needs of the community		
<b>f</b> <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
<b>g</b> <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
<b>h</b> <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
<b>i</b> <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
<b>j</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>2</b> Indicate the tax year the hospital facility last conducted a CHNA 20 <u>13</u>		
<b>3</b> In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests 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 . . . . .	<b>3</b> Yes	
<b>4</b> Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	<b>4</b> Yes	
<b>5</b> 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)	<b>5</b> Yes	
<b>a</b> <input checked="" type="checkbox"/> Hospital facility's website (list url) <u>see Part V, Section c</u>		
<b>b</b> <input type="checkbox"/> Other website (list url) _____		
<b>c</b> <input checked="" type="checkbox"/> Available upon request from the hospital facility		
<b>d</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>6</b> If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
<b>a</b> <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
<b>b</b> <input checked="" type="checkbox"/> Execution of the implementation strategy		
<b>c</b> <input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
<b>d</b> <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
<b>e</b> <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
<b>f</b> <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
<b>g</b> <input checked="" type="checkbox"/> Prioritization of health needs in its community		
<b>h</b> <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
<b>i</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>7</b> 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 . . . . .	<b>7</b> Yes	
<b>8a</b> 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)? . . . . .	<b>8a</b>	No
<b>b</b> If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .	<b>8b</b>	
<b>c</b> 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 free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care 200 % If "No," explain in Part VI the criteria the hospital facility used	10	Yes		
11	Used FPG to determine eligibility for providing discounted care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 % 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 <input checked="" type="checkbox"/> Income level					
b <input type="checkbox"/> Asset level					
c <input checked="" type="checkbox"/> Medical indigency					
d <input checked="" type="checkbox"/> Insurance status					
e <input type="checkbox"/> Uninsured discount					
f <input type="checkbox"/> Medicaid/Medicare					
g <input type="checkbox"/> State regulation					
h <input type="checkbox"/> Residency					
i <input checked="" type="checkbox"/> 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 <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website					
b <input checked="" type="checkbox"/> The policy was attached to billing invoices					
c <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms					
d <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices					
e <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility					
f <input checked="" type="checkbox"/> The policy was available upon request					
g <input checked="" type="checkbox"/> Other (describe in Part VI)					
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 individual's eligibility under the facility's FAP				
a <input type="checkbox"/> Reporting to credit agency					
b <input type="checkbox"/> Lawsuits					
c <input type="checkbox"/> Liens on residences					
d <input type="checkbox"/> Body attachments					
e <input type="checkbox"/> Other similar actions (describe in Section C)					
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 individual'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 <input type="checkbox"/> Reporting to credit agency					
b <input type="checkbox"/> Lawsuits					
c <input type="checkbox"/> Liens on residences					
d <input type="checkbox"/> Body attachments					
e <input type="checkbox"/> Other similar actions (describe in Section C)					

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 individuals regarding the individuals' bills
- d

☒

Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☒

Other (describe in Section C)

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	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

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	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input checked="" type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individual 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 individual 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 D. 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? 7

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

Part VI

Supplemental Information

Provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs 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

Form and Line Reference	Explanation
Part I, line 6a	<p>THE COMMUNITY BENEFIT REPORT FOR Upper VALLEY Medical IS PART OF THE PREMIER HEALTH REPORT PART I, LINE 7 A COST TO CHARGE RATIO WAS USED TO CALCULATE THIS FINANCIAL ASSISTANCE AT COST THIS CALCULATION TAKES TOTAL OPERATING EXPENSES LESS OTHER OPERATING REVENUES DIVIDED BY TOTAL GROSS REVENUES UNREIMBURSED MEDICAID AND OTHER MEANS-TESTED GOVERNMENTAL PROGRAMS WERE CALCULATED USING A COST ACCOUNTING SYSTEM THIS SYSTEM ADDRESSES ALL PATIENT SEGMENTS AND INCLUDES FULLY LOADED COSTS FOR THE REMAINING ITEMS THE ORGANIZATION USED SPECIFIC NUMBERS FOR EXPENSE PAID DIRECTLY FOR THESE SERVICES PART I, LINE 7G Included in subsidized health services are revenues and expenses related to an obstetrics clinic which is subsidized by both the Miami County Health Department and Upper Valley Medical Center This clinic serves the prenatal, delivery, and postnatal medical needs of women in the hospital's Miami County service area Also included in subsidized health services are revenues and expenses related to an outpatient behavioral health clinic which serves the mental and behavioral health needs of area residents The clients in both of these clinics include those who either have no medical insurance or qualify for Medicaid services The total community benefit expense for these clinics in 2013 was \$1,033,000, with direct offsetting revenues of \$677,000 The net community benefit expense was \$356,000 Also included in subsidized health services are the expenses the hospital incurs related to the call time and physician subsidies due to the large number of indigent patients coming through the emergency room The hospital operates a 24-hour emergency room 365 days per year This emergency room is open to all individuals regardless of their ability to pay For 2013, the amounts paid for call time and subsidies were \$2,628,000 PART II, LINE 9 Other community building activities include cash donations made to other organizations throughout the Miami County area Upper Valley Medical Center makes several direct charitable donations to other not-for-profit organizations throughout Miami County These organizations include area schools, chambers of commerce, churches, etc These donations are given in the spirit of aiding in the overall well-being of the community PART III, LINE 2 &amp; 3 BAD DEBT EXPENSE IS INCURRED WHEN AN ACCOUNT IS TAKEN OUT OF ACCOUNTS RECEIVABLE AND TURNED OVER TO A COLLECTION AGENCY THIS ACTION MAY OCCUR IF A PATIENT REFUSES PAYMENT ARRANGEMENTS, REFUSES TO APPLY FOR FINANCIAL ASSISTANCE, AND THERE IS NOT AN INSURANCE BALANCE BEING CONTENTED AN ACCOUNT IS WRITTEN OFF TO BAD DEBT AFTER 120 DAYS IF AN ATTEMPT TO COLLECT FROM THE PATIENT IS MADE WITHIN OUR COLLECTION POLICY THE COLLECTION AGENCY ATTEMPTS TO COLLECT THE ACCOUNT IN ACCORDANCE WITH ESTABLISHED GUIDELINES COLLECTION ATTEMPTS ARE CEASED AND THE ACCOUNT RETURNED BACK TO THE ORGANIZATION IF THE PATIENT APPLIES FOR FINANCIAL ASSISTANCE ANY AMOUNTS COLLECTED FROM THESE ACCOUNTS ARE CREDITED BACK AGAINST BAD DEBT EXPENSE THE ORGANIZATION RECOGNIZES THAT THERE ARE ACCOUNTS WRITTEN OFF TO BAD DEBT THAT MAY HAVE QUALIFIED FOR CHARITY CARE IF THE PATIENT HAD PROVIDED THE NECESSARY FINANCIAL INFORMATION IN ORDER TO RESOLVE THIS, THE ORGANIZATION HAS ENGAGED A THIRD PARTY VENDOR TO ANALYZE DATA BASED ON CREDIT SCORES TO REALLOCATE SOME OF THIS EXPENSE TO CHARITY CARE A REPRESENTATIVE SAMPLE OF THESE ACCOUNTS IS THEN SENT TO OUR THIRD PARTY VENDOR WHO GATHERS EXTERNAL CREDIT DATA THAT PRESENTS THE ACCOUNT AS LESS THAN 100% FEDERAL POVERTY LEVEL OR NOT ENOUGH INFORMATION (TYPICALLY INDICATIVE OF INDIGENT) THESE ACCOUNTS ARE RECLASSED FROM BAD DEBT EXPENSE TO CHARITY EXPENSE ON OUR INCOME STATEMENT ANY CREDIT SCORE THAT PRESENTS THE ACCOUNTS AS GREATER THAN 100% FEDERAL POVERTY LEVEL REMAINS IN BAD DEBT EXPENSE DUE TO THIS PROCESS, THE ORGANIZATION HAS USED BEST EFFORTS TO NOT REPORT BAD DEBT EXPENSE FOR PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE POLICY PART III, LINE 4 THE ORGANIZATION DOES NOT HAVE A FOOTNOTE IN THE AUDITED FINANCIAL STATEMENTS WHICH DISCUSSES THIS CALCULATION PART III, SECTION B, LINES 5, 6, AND 7 THE AMOUNTS REPORTED ON LINES 5, 6, AND 7 DO NOT INCLUDE CERTAIN MEDICARE PROGRAM REVENUES AND COSTS, AND THUS DO NOT REFLECT ALL OF THE ORGANIZATION'S REVENUES AND COSTS ASSOCIATED WITH ITS PARTICIPATION IN MEDICARE PROGRAMS IN ADDITION TO THE AMOUNTS REPORTED ON LINE 5, 6, AND 7, THE ORGANIZATION RECEIVED REVENUE OF \$6,861,000 AND INCURRED COST OF \$10,770,000, FOR AN ADDITIONAL NET SHORTFALL OF \$3,909,000 ASSOCIATED WITH THESE PROGRAMS BELOW IS A RECONCILIATION OF THE AMOUNTS ASSOCIATED WITH MEDICARE PROGRAMS ALLOWABLE MEDICARE REVENUE PER MEDICARE COST REPORT (PART III, SECTION B) 30,308,000 MEDICARE REVENUE NOT REPORTED IN PART III, SECTION B 6,861,000 TOTAL MEDICARE ASSOCIATED REVENUE 37,169,000 ALLOWABLE MEDICARE COST PER MEDICARE COST REPORT (PART III, SECTION B) 34,247,000 MEDICARE COST NOT REPORTED IN PART III, SECTION B 10,770,000 TOTAL MEDICARE ASSOCIATED COST 45,017,000 MEDICARE SHORTFALL PER PART III, SECTION B 3,939,000 ADDITIONAL SHORTFALL NOT INCLUDED IN PART III, SECTION B 3,909,000 TOTAL MEDICARE SHORTFALL 7,848,000 PART III, LINE 8 THE ORGANIZATION'S SHORTFALL SHOULD BE CONSIDERED CHARITY CARE BECAUSE IT IS PROVIDING HIGH-QUALITY CARE IN EXCESS OF THE COST TO OUR COMMUNITY RESIDENTS THAT NEED CARE THE MEDICARE POPULATION AT THE ORGANIZATION IS IN EXCESS OF 39% OF NET PATIENT REVENUE THE ORGANIZATION USED A COST ACCOUNTING SYSTEM TO CALCULATE THE MEDICARE ALLOWABLE COSTS PART III, LINE 9B THE ORGANIZATION MAKES REASONABLE EFFORTS TO DETERMINE WHETHER OR NOT AN INDIVIDUAL IS ELIGIBLE FOR ASSISTANCE UNDER THE STATE OR HOSPITAL FINANCIAL ASSISTANCE POLICY BEFORE ENGAGING IN EXTRAORDINARY COLLECTIVE ACTIONS AGAINST THAT INDIVIDUAL PATIENTS WHO ARE KNOWN TO QUALIFY FOR FINANCIAL ASSISTANCE ARE OFFERED REASONABLE PAYMENT PLAN ARRANGEMENTS FOR ANY REMAINING BALANCES ANY THIRD PARTY COLLECTING SELF-PAY RECEIVABLES ON OUR BEHALF IS REQUIRED TO MAKE REASONABLE EFFORTS TO DETERMINE IF THE INDIVIDUAL MEETS THE QUALIFICATIONS OF THE STATE OR OF OUR HOSPITAL FINANCIAL ASSISTANCE PROGRAMS REASONABLE EFFORTS INCLUDE A VALIDATING THAT THE PATIENT OWES THE UNPAID BILLS AND THAT ALL SOURCES OF THIRD PARTY PAYMENT HAVE BEEN IDENTIFIED AND BILLED BY THE HOSPITAL B DOCUMENTING THAT THE ORGANIZATION HAS OR HAS ATTEMPTED TO OFFER THE PATIENT THE OPPORTUNITY TO APPLY FOR CHARITY CARE UNDER ITS FINANCIAL ASSISTANCE POLICY C DOCUMENTED THAT THE PATIENT DOES NOT QUALIFY FOR FINANCIAL ASSISTANCE D DOCUMENT THAT THE PATIENT HAS BEEN OFFERED A PAYMENT PLAN, BUT HAS NOT HONORED THE TERMS OF THAT PLAN THE FINANCIAL COUNSELORS MEET WITH INPATIENT, OUTPATIENT SELF-PAY, AND OTHER PATIENTS UPON REQUEST WHO MAY NEED FINANCIAL ASSISTANCE IN ADDITION TO ASSISTING PATIENTS WHO WANT TO APPLY FOR ASSISTANCE THROUGH THE MEDICAID PROGRAM, THE FINANCIAL COUNSELOR WILL PROVIDE THE PATIENT WITH A FINANCIAL ASSISTANCE APPLICATION PART VI, LINE 2 The primary purpose of the Organization's community benefit plan is to work toward improved health in the communities that we serve by responding to community needs with programs that increase access to health care This is accomplished through identifying community needs, making prudent choices for the use of resources, building and strengthening relationships in the community, and demonstrating accountability and transparency The Organization works with the community on programs that address the underlying causes of persistent health problems, as part of a comprehensive strategy to improve the health status and quality of life for identified members of the community who are economically disadvantaged, disenfranchised and/or who have disproportionate unmet health needs The organization strives to work with Premier Health, the UVMC Board of Directors, executive management, mangers, staff members, community groups, and individuals to provide a collaborative approach to the governance and management of community benefit activities PART VI, LINE 3 THERE ARE SEVERAL WAYS IN WHICH OUR ORGANIZATION INFORMS AND EDUCATES PATIENTS WHO MAY BE BILLED FOR SERVICES ABOUT ELIGIBILITY FOR ASSISTANCE UNDER FEDERAL, STATE, OR LOCAL GOVERNMENT PROGRAMS, OR UNDER THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY FIRST, NOTIFICATION OF SUCH AVAILABLE ASSISTANCE IS CLEARLY POSTED IN REGISTRATION AREAS, AS WELL AS MATERNITY AND EMERGENCY DEPARTMENTS NEXT, PATIENT ADVOCATES, PATIENT ACCESS STAFF MEMBERS, AND FINANCIAL COUNSELORS IN THE INPATIENT AND EMERGENCY DEPARTMENTS MEET WITH UNINSURED AND UNDERINSURED PATIENTS, AND THOSE WITH ONLY MEDICARE COVERAGE TO DISCUSS ELIGIBILITY FOR ASSISTANCE FINANCIAL COUNSELORS ALSO DISCUSS OPTIONS TO RESOLVE UNPAID ACCOUNT BALANCES WITH UNINSURED AND UNDERINSURED PATIENTS A SUMMARY OF THE FINANCIAL ASSISTANCE POLICY IS POSTED ON THE HOSPITAL'S WEBSITE, ALONG WITH INFORMATION ON HOW TO OB</p>



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

▶ Information about Schedule I (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public  
Inspection

Name of the organization  
Upper Valley Medical Center

Employer identification number  
31-0537095

Part I

General Information on Grants and Assistance

- 1

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

☒ Yes ☐ No
- 2

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

Part II

Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. 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) EDISON FOUNDATION 1973 EDISON DR PIQUA, OH 45356	31-1379781	501(C)(3)	10,200		N/A	N/A	CAPITAL, EVENT SPONSORSHIP & GENERAL FUND
(2) Health Partners Free Clinic 1300 N County Rd 25A Troy, OH 45373	31-1596731	501(C)(3)	91,350		N/A	N/A	Operations
(3) Hospice of Miami County PO Box 502 Troy, OH 45373	31-1031277	501(c)(3)	145,947		N/A	N/A	Operations
(4) Troy Development Council 405 SW Public Sq Suite 330 Troy, OH 45373	31-0918399	501(c)(3)	15,000		N/A	N/A	Sponsorship
(5) Miami County Dental Clinic 1364 W Main St Troy, OH 45373	20-4901192	501(c)(3)	47,800		N/A	N/A	Operations
(6) Troy Foundation 216 W Franklin St Troy, OH 45373	31-6018703	501(c)(3)	5,800		N/A	N/A	Community Support
(7) UVMC Foundation 3130 N COUNTY ROAD 25A Troy, OH 45373	31-1581859	501(c)(3)	11,100		N/A	N/A	Community Support
(8) Miami County Recovery Council 1059 North Market Street Troy, OH 45373	31-0917327	501(c)(3)	61,610		N/A	N/A	Sponsorship
(9) Victoria Theatre Association 138 North Main Street Dayton, OH 45402	31-0897638	501(c)(3)	45,000		N/A	N/A	Performing Arts
(10) Dayton Art Institue 456 Belmonte Park North Dayton, OH 45406	31-0537480	501(c)(3)	15,140		N/A	N/A	Sponsorship
(11) Goodwill Easter Seals 1511 Kuntz Road Dayton, OH 45404	31-0537112	501(c)(3)	5,750		N/A	N/A	Sponsorship

2

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

11

3

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

**Part III**

**Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22.  
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.** Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Return Reference	Explanation
Form 990, Schedule I, Part I, Line 2	UPPER VALLEY MEDICAL CENTER MONITORS THE USE OF GRANT FUNDS BY VERIFYING THAT The ORGANIZATIONS REQUESTING ASSISTANCE ARE 501(C)(3) TAX EXEMPT ORGANIZATIONS THE GRANTS THAT ARE GIVEN ARE USUALLY SMALL IN NATURE LARGER ONES ARE APPROVED BY THE UVMC BOARD OF DIRECTORS THEY ARE USUALLY GIVEN FOR A SPECIFIC PURPOSE, SUCH AS ONGOING OPERATIONS OR A CAPITAL PROJECT, AND ARE RELATED TO HEALTHCARE IN THE COMMUNITY

Additional Data

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

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
EDISON FOUNDATION 1973 EDISON DR PIQUA,OH 45356	31-1379781	501(C)(3)	10,200		N/A	N/A	CAPITAL, EVENT SPONSORSHIP & GENERAL FUND

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
Health Partners Free Clinic 1300 N County Rd 25A Troy, OH 45373	31-1596731	501(C)(3)	91,350		N/A	N/A	Operations



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
Hospice of Miami County PO Box 502 Troy, OH 45373	31-1031277	501(c)(3)	145,947		N/A	N/A	Operations

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
Troy Development Council 405 SW Public Sq Suite 330 Troy, OH 45373	31-0918399	501(c)(3)	15,000		N/A	N/A	Sponsorship

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
Miami County Dental Clinic 1364 W Main St Troy, OH 45373	20-4901192	501(c)(3)	47,800		N/A	N/A	Operations

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
Troy Foundation 216 W Franklin St Troy, OH 45373	31-6018703	501(c)(3)	5,800		N/A	N/A	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
UVMC Foundation 3130 N COUNTY ROAD 25A Troy, OH 45373	31-1581859	501(c)(3)	11,100		N/A	N/A	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
Miami County Recovery Council 1059 North Market Street Troy, OH 45373	31-0917327	501(c)(3)	61,610		N/A	N/A	Sponsorship

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
Victoria Theatre Association 138 North Main Street Dayton, OH 45402	31-0897638	501(c)(3)	45,000		N/A	N/A	Performing Arts

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
Dayton Art Institue 456 Belmonte Park North Dayton, OH 45406	31-0537480	501(c)(3)	15,140		N/A	N/A	Sponsorship



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
Goodwill Easter Seals 1511 Kuntz Road Dayton, OH 45404	31-0537112	501(c)(3)	5,750		N/A	N/A	Sponsorship

Schedule J  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Compensation Information

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

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.  
▶ Attach to Form 990. ▶ See separate instructions.

▶ Information about Schedule J (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
Upper Valley Medical Center

Employer identification number  
31-0537095

Part I

Questions Regarding Compensation

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

**Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is needed.

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								

Part III Supplemental Information

Provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

Return Reference	Explanation
SCHEDULE J, PART I, LINE 4B	<p>Due to restrictions imposed by the Internal Revenue Code, certain persons are limited in the amount of benefit that can be earned under a qualified retirement plan. Like many employers, Upper Valley Medical Center compensates for this limitation and supplements the affected executives' qualified pension through certain nonqualified plans. Upper Valley Medical Center supplements through a Pension Restoration Plan and Supplemental Executive Retirement Plan or "SERP." The benefits under these supplemental nonqualified plans are subject to multi-year vesting and a participant can forfeit benefits earned if vesting requirements are not satisfied. Under the terms of the supplemental plans, and because of tax rules pertaining to taxation of the earned benefits upon vesting, certain individuals received a payout of the cumulative vested benefits under their supplemental plan during 2013. The individuals listed below have met the multi-year vesting requirement under the pension restoration plan and received the associated payment in 2013: William Linesch \$36,185, Dale Creech \$106,150, Mark Shaw \$83,410, Mark Shaker \$168,642. Michael Maiberger met the multi-year vesting requirement under the SERP and received an associated payment in 2013 of \$35,422. BASED ON THE GUIDANCE PROVIDED IN THE INSTRUCTIONS TO THE FORM 990, ANY PAYMENTS TO THE PARTICIPANTS RELATED TO THESE PLANS THAT WERE MADE WITHIN 2-1/2 MONTHS AFTER THE END OF THE ORGANIZATION'S TAX YEAR ARE NOT TREATED AS DEFERRED COMPENSATION FOR PURPOSES OF SCHEDULE J. SUCH AMOUNTS ARE PROPERLY REPORTED AS COMPENSATION FOR FORM 990 PURPOSES WHEN INCLUDED IN THE PARTICIPANTS' FORM W-2 WAGES. ANY PAYMENTS MADE AFTER THE 2-1/2 MONTHS WERE PROPERLY REPORTED ON PRIOR YEARS' FILED IRS FORM 990 RETURNS, DISCLOSING COMPENSATION EARNED BY THESE INDIVIDUALS UNDER THE PLANS FOR EACH SUCH YEAR. In addition to the supplemental nonqualified retirement plans noted above, the organization offers a 451 or 457(b) nonqualified deferred compensation arrangement to certain executives. All contributions to these plans are through employee elected deferrals. The following individuals participated in either a 451 or 457(b) plan: James Hurak, William Linesch, Rowan Nickol M D, Thomas Parker, Rebecca Rice, Kathleen Scarbrough, Mark Shaker, and Paul Weber, M D. The employee elected deferrals into these plans are properly reported as part of the compensation amounts report on Schedule J, Part II, Column B(iii).</p>
Schedule J, Part I, Lines 6a & 6b	<p>PREMIER HEALTH (Premier), OF WHICH UPPER VALLEY MEDICAL CENTER IS AN AFFILIATE, HAS AN INCENTIVE COMPONENT FOR ALL EXECUTIVE AND DIRECTOR LEVEL EMPLOYEES THAT TIES A PORTION OF THEIR TOTAL COMPENSATION TO ORGANIZATIONAL AND INDIVIDUAL OBJECTIVES AND OUTCOMES. THE ORGANIZATIONAL CRITERION IS WEIGHTED ACCORDING TO BALANCED SCORECARD CATEGORIES: POSITIVE WORK ENVIRONMENT (15%), QUALITY (30%), PATIENT SATISFACTION (15%), PHYSICIAN PARTNERSHIP, (15%), AND FINANCIAL (25%). THE FINANCIAL CATEGORY OF THE SCORECARD IS BASED ON NET EARNINGS OF THE INDIVIDUAL HOSPITAL AND THE NET EARNINGS OF THE SYSTEM AS A WHOLE. THIS FINANCIAL TARGET IS SET BASED ON THE OPERATING AND CASH FLOW MARGINS REQUIRED TO MAINTAIN THE SYSTEM'S AA CREDIT RATINGS. INCENTIVE OBJECTIVES FOR DIRECTORS AND ABOVE ARE WEIGHTED 45% ON ORGANIZATIONAL CRITERIA, 45% ON INDIVIDUAL CRITERIA, AND 10% ON ORGANIZATIONAL EFFECTIVENESS. THE 2013 INCENTIVE PLAN AMOUNTS WERE PAID TO THE PARTICIPANTS IN 2014. THESE ARE NOT REPORTED AS DEFERRED COMPENSATION ON THE 2013 FORM 990 BASED ON THE DEFINITION OF DEFERRED COMPENSATION CONTAINED IN THE FORM 990 INSTRUCTIONS. PER THE INSTRUCTIONS, "DEFERRED COMPENSATION IS GENERALLY TREATED AS EARNED OR ACCRUED IN THE YEAR THAT SERVICES ARE RENDERED, EXCEPT WHEN ENTITLEMENT TO PAYMENT IS CONTINGENT ON SATISFACTION OF ORGANIZATIONAL GOALS OR SPECIFIED PERFORMANCE CRITERIA (OTHER THAN MERE LONGEVITY OF SERVICE) UNDER THE DEFERRED COMPENSATION PLAN." BASED ON THE INCENTIVE PROGRAM CRITERIA OUTLINED ABOVE, WE BELIEVE THE INCENTIVE PAYMENTS MEET THE EXCEPTION NOTED IN THE INSTRUCTIONS. SUCH AMOUNTS ARE PROPERLY REPORTED AS COMPENSATION FOR FORM 990 PURPOSES WHEN INCLUDED IN THE PARTICIPANTS' FORM W-2 WAGES.</p>

Additional Data

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Rowan R Nickol MD BOARD Chair	(i) (ii)	139,695	72,817	11,434	2,237	18,859	245,042	
Michael Maiberger SR VP-CHIEF STRATEGY (PREMIER)	(i) (ii)	311,209	108,151	127,226	48,688	26,431	621,705	36,422
Thomas Parker President & CEO	(i) (ii)	305,233	84,701	23,054	20,176	3,896	437,060	
James Hurak Vice President - Operations	(i) (ii)	144,539	26,056	19,687	20,827	22,168	233,277	
Shakil Rahman MD Physician	(i) (ii)	276,297	50,000	1,152	2,826	21,960	352,235	
Rafay Atiq MD Physician	(i) (ii)	232,571	25,000	1,092	2,630	21,865	283,158	
William Watercutter Team Leader of IT Applications	(i) (ii)	127,976	16,423	1,015	7,813	8,302	161,529	
Thomas Bigley Director of Pharmacy	(i) (ii)	147,453	20,709	2,361	9,623	11,327	191,473	
Rebecca Rice Vice President - Operations	(i) (ii)	146,343	30,463	21,901	20,535	11,246	230,488	
WILLIAM E LINESCH VP - HUMAN RESOURCES (PREMIER)	(i) (ii)	302,375	85,347	63,103	29,823	7,457	488,105	
Dale E Creech CLO (Premier)	(i) (ii)	367,721	97,597	110,805	30,227	23,563	629,913	
MARK W SHAW VP - MANAGED CARE (Premier)	(i) (ii)	259,238	77,695	91,238	31,273	22,849	482,293	
Mark S Shaker SR VP SRVCE INTEGRATE (PREMIER)	(i) (ii)	416,041	119,115	190,758	25,000	4,963	755,877	
RENEE P GEORGE VP - REVENUE CYCLE (Premier)	(i) (ii)	218,785	57,230	627	7,790	25,501	309,933	
Paul Weber MD Trustee	(i) (ii)	212,469	37,440	5,640	2,283	22,049	279,881	
Danny Bailey DPM Chief Medical Officer	(i) (ii)	280,582	44,111	4,679	10,281	20,324	359,977	
Thomas A Nash VP - CPO (Premier)	(i) (ii)	185,778	20,000	57,491		21,245	284,514	
David Meckstroth Former President & CEO	(i) (ii)			157,916			157,916	
Kathleen J Scarbrough President, UVMC Foundation	(i) (ii)	109,651	17,881	7,644	13,977	19,816	168,969	

Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Name of the organization  
Upper Valley Medical Center

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.  
▶ Information about Schedule K (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Employer identification number

31-0537095

Part I Bond Issues

(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A County of Miami Ohio	31-6000055	593328EV5	06-29-2006	57,502,248	See Part VI		X		X		X

Part II Proceeds

	A		B		C		D	
	1	2	3	4	5	6	7	8
Amount of bonds retired	10,195,000							
Amount of bonds legally defeased	0							
Total proceeds of issue	61,646,799							
Gross proceeds in reserve funds	5,374,563							
Capitalized interest from proceeds	0							
Proceeds in refunding escrows	0							
Issuance costs from proceeds	663,253							
Credit enhancement from proceeds	0							
Working capital expenditures from proceeds	0							
Capital expenditures from proceeds	19,589,170							
Other spent proceeds	36,019,812							
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?								
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 ▶	0 050 %							
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 ▶	0 170 %							
6	Total of lines 4 and 5	0 220 %							
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								
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?								
b	Exception to rebate?								
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	BO AML							
c	Term of hedge	11 67							
d	Was the hedge superintegrated?		X						
e	Was the hedge terminated?		X						

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	0							
c	Term of GIC								
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
	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. Provide additional information for responses to questions on Schedule K (see instructions).

Return Reference	Explanation
Schedule K	Schedule K, part I, Line A, Column F Purpose of Bond- The Bond issue of 6/29/2006 was used to currently refund the 1996A, 1996B and 1996C series bonds and to provide capital for hospital improvements and equipment purchases Schedule K, Part II, Line 3 Total proceeds of Issue-Includes sale proceeds of \$57,502,248 plus \$2,011,410 earnings on Debt Service Reserve Fund and \$2,133,141 earnings on Project Fund Schedule K, Part II, Line 11 Other Spent Proceeds includes \$34,109,391 sale proceeds used to currently refund the 1996A, 1996B and 1996C bonds and \$1,641,639 of earnings on the Debt Service Fund used to pay debt service on the 2006 series bonds Schedule K, Part IV, Line 1 An arbitrage rebate calculation and yield restriction calculation were performed in 2011 by a rebate analyst and it was determined that no arbitrage rebate or yield restriction liability were owed Therefore, Form 8038-T was not required to be filed Schedule K, Part IV, Line 5 Gross Proceeds Invested Beyond an Available Temporary Period A portion of the proceeds received from the sale of the 2006 series bonds, and the earnings thereon, which were held in the Project Fund were not expended prior to June 29, 2009, the end of the 3 year temporary period described in Treas Reg 1.148-2(e)(2) Those amounts were fully spent as of December 24, 2009 A yield restriction calculation was performed by a rebate analyst on the five-year anniversary date of the issuance of the 2006 series bonds and it was determined that no yield reduction payments were owed



Schedule L  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Transactions with Interested Persons  
▶ Complete if the organization answered  
"Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c,  
or Form 990-EZ, Part V, line 38a or 40b.  
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.  
▶ Information about Schedule L (Form 990 or 990-EZ) and its instructions is at  
[www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047  
**2013**  
Open to Public Inspection

Name of the organization  
Upper Valley Medical Center

Employer identification number  
31-0537095

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

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

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No

2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 . . . . . ▶ \$

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

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

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

Part III Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

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

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Digestive Specialty CareInc	>35% Owner- Fayez Abboud	552,290	GASTROENTEROLOGY SERVICES		No
(2) Angela Nickol	Dghtr-Law of R Nickol, MD	45,590	Nurse's Salary		No

**Part V Supplemental Information**

Provide additional information for responses to questions on Schedule L (see instructions)

Return Reference	Explanation
------------------	-------------

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.  
▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at  
[www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public  
Inspection

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

Return Reference	Explanation
Form 990, Part I, Line 1 and PART III, LINE 1	Upper Valley Medical Center, as a subsidiary of UVMC, serves as an integral part in achieving UVMC's mission. UVMC will strive to provide quality care that upholds the dignity of all individuals. Care will be given in a holistic manner without regard to race, religion, creed, national origin, or social status. Our health care delivery system is structured to optimize the delivery of safe, efficient, and cost-effective health care.

Return Reference	Explanation
FORM 990, PART I, QUESTION 10	UPPER VALLEY MEDICAL CENTER HAS DESIGNATED ITS INVESTMENTS AS TRADING. IN ACCORDANCE WITH THE AICPA GUIDE FOR HEALTHCARE, ALL UNREALIZED GAINS AND LOSSES ARE RECOGNIZED THROUGH THE PROFIT AND LOSS STATEMENT. FOR 990 REPORTING, THIS ACTIVITY IS EXCLUDED PER THE INSTRUCTIONS BY THE INTERNAL REVENUE SERVICE. Form 990, PART III, LINE 4A. The primary exempt purpose of Upper Valley Medical Center is to provide comprehensive inpatient, outpatient, and emergency health care services to the residents of Miami and the surrounding counties. The hospital furthers its tax-exempt purpose by promoting the health of the community in many ways. See Schedule H for more information.

Return Reference	Explanation
Form 990, PART VI, section A, QUESTION 3	<p>Premier Health (Premier) as the operator of Upper Valley Medical Center (Upper Valley) develops and oversees the implementation of the strategic plan for Upper Valley, which includes (but is not limited to) such matters as location of clinical and administrative services and the consolidation of such services. UPPER VALLEY shall comply with and implement this plan and shall not take any action that materially departs from this plan without Premier's approval. UPPER VALLEY develops and submits an annual capital and operating budget to Premier for approval. UPPER VALLEY shall adopt and implement the capital and operating budget so approved and/or revised for it by Premier. UPPER VALLEY may periodically develop and submit a business plan to Premier for approval. UPPER VALLEY shall implement any business plan approved by Premier. Premier is the sole agent to negotiate all relationships with payors on behalf of UPPER VALLEY with all third party payors and alternative delivery systems including, but not limited to insurers. UPPER VALLEY must have approval from Premier to borrow in any fiscal year, guarantee in any year, or incur any lien or other encumbrance on any property in an amount equal to or greater than \$1,000,000. UPPER VALLEY must seek Premier's approval for any acquisitions, sale or transfer of any material asset used in Premier's activities. Form 990, Part VI, Section A, Question 6. Upper Valley Medical Center has two corporate members. One member is UVMC, the parent company of the hospital. The second member is Premier Health (Premier), an Ohio nonprofit corporation, formed pursuant to the Joint Operating Agreement. UVMC has the sole authority to elect the Board of Trustees of the corporation. Premier has the general authority to operate and manage the operations of the Premier's activities of the corporation.</p>

Return Reference	Explanation
Form 990, PART VI, Section A,QUESTION 7A	UVMC has the sole authority to elect the board of trustees of Upper Valley Medical Center UVMC has the authority to remove trustees at any regular or special board meeting or by written consent Premier Health (Premier) has the right to request that UVMC remove a trustee of UVMC or Upper Valley Medical Center if Premier has determined that such trustee is frustrating the goals and purposes of Premier's network Such request shall not be unreasonably refused by UVMC

Return Reference	Explanation
Form 990, PART VI, Section A, QUESTION 7B	SEE THE RESPONSE ABOVE FOR FORM 990, PART VI, SECTION A, QUESTION 3

Return Reference	Explanation
Form 990, PART VI, SECTION B, LINE 11B	This 990 tax return and attached schedules (the return) are prepared by staff member in the Premier Health (Premier) tax department, of which Upper Valley Medical Center is an affiliate. The return is reviewed by the Tax Manager and Director of Tax Compliance of Premier. The Return is concurrently sent to Ernst & Young U.S. LLP for their review. After all changes from the above groups are made, the return is reviewed by the Vice-President/Controller of Premier and the Chief Financial Officer of this entity. A final version of the return is sent to Ernst & Young U.S. LLP for a final review. AND THEN PROVIDED TO THE BOARD OF TRUSTEES FOR REVIEW. At a Board of Trustees meeting, the Vice President/Controller of Premier (or designee) shares detailed information on compensation and other key areas, as well as addresses any questions from the board of trustees, PENDING THEIR REVIEW. The 990 tax return is also shared with the Audit Committee of Premier.



Return Reference	Explanation
Form 990, PART VI, Section B, LINE 12C	<p>PREMIER HEALTH (PREMIER), OF WHICH Upper Valley Medical Center IS AN AFFILIATE, REQUIRES ALL BOARD MEMBERS, OFFICERS, EXECUTIVE DIRECTORS, VICE PRESIDENTS, DIRECTORS, PURCHASING DEPARTMENT STAFF, AUTHORIZED PURCHASERS, MEDICAL DIRECTORS, DEPARTMENT AND SECTIONS CHAIRS, AND ALL EMPLOYED PHYSICIANS TO ANNUALLY REVIEW THE PREMIER COMPREHENSIVE CONFLICT OF INTEREST STATEMENT, AN EXPLANATORY MEMORANDUM, THE ANTITRUST COMPLIANCE POLICY, AND COMPLETE AN INDIVIDUAL QUESTIONNAIRE DISCLOSING ANY POTENTIAL CONFLICTS AS DEFINED IN THE CONFLICT OF INTEREST POLICY THIS IS ACCOMPLISHED EITHER BY WAY OF AN ELECTRONIC COMMUNICATION SENT OUT DIRECTLY BY THE CORPORATE COMPLIANCE DEPARTMENT OR BY WAY OF A MEMO SENT OUT FROM THE CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER OF PREMIER IT ALSO INCLUDES AN EXPLANATORY MEMORANDUM OF SPECIFIC ACTIVITIES THAT MIGHT GIVE CAUSE TO A CONFLICT AND AN INDIVIDUAL QUESTIONNAIRE TO DISCLOSE ALL SUCH ACTIVITIES THIS QUESTIONNAIRE MUST BE COMPLETED AND SIGNED BY THE INDIVIDUAL THIS CORRESPONDENCE INCLUDES A COPY OF THE ANTITRUST COMPLIANCE POLICY THAT MUST BE SIGNED BY THE INDIVIDUAL ALL OF THESE DOCUMENTS ARE SENT TO THE CORPORATE COMPLIANCE OFFICER THE CORPORATE COMPLIANCE DEPARTMENT ENSURES ALL FORMS ARE RETURNED AND RETAINS THE DOCUMENTS FOR FIVE YEARS IN ADDITION, AT EACH MEETING OF THE BOARD OR ANY BOARD COMMITTEE, FOLLOWING APPROVAL OF THE PREVIOUS MEETING'S MINUTES, THE BOARD COMMITTEE CHAIR SHALL REQUEST ANY BOARD MEMBER WHO PERCEIVES A POTENTIAL CONFLICT OF INTEREST ON ANY OF THE MEETING'S AGENDA ITEMS TO DISCLOSE THE POTENTIAL CONFLICT ADDITIONALLY, AT ANY BOARD OR BOARD COMMITTEE MEETING WHERE THE SUBJECT OF CONFLICT OF INTEREST IS DISCUSSED, THE MINUTES SHALL CONTAIN THE NAME OF THE PARTY DISCUSSING A POTENTIAL CONFLICT OF INTEREST, THE NATURE OF THE POTENTIAL CONFLICT OF INTEREST AND WHETHER A CONFLICT OF INTEREST WAS FOUND TO EXIST IF A CONFLICT OF INTEREST IS DETERMINED BY THE BOARD TO EXIST, THE MEMBER WILL BE EXCUSED FROM PARTICIPATING IN ANY DISCUSSION OR VOTING ON THE PARTICULAR AGENDA ITEM THE CORPORATE COMPLIANCE OFFICER REPORTS THE RESULTS OF THE PREMIER CONFLICT OF INTEREST QUESTIONNAIRES NO LESS THAN ANNUALLY TO THE BOARD OF TRUSTEES BY WAY OF THE COMPLIANCE AND AUDIT COMMITTEE THIS REVIEW IS DOCUMENTED IN THE MINUTES OF THE MEETING PERIODICALLY, THE INTERNAL AUDIT DEPARTMENT WILL REVIEW A SAMPLE OF COMPLETED CONFLICT OF INTEREST QUESTIONNAIRES AND REPORT THE RESULTS TO THE COMPLIANCE AND AUDIT COMMITTEE THE ANNUAL CONFLICT OF INTEREST QUESTIONNAIRES ARE INDIVIDUALLY SUMMARIZED IN A DOCUMENT AND SENT ELECTRONICALLY TO THE FINANCE DEPARTMENT FOR ANY NECESSARY DISCLOSURES REQUIRED ON THE 990 TAX RETURN</p>

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

Return Reference	Explanation
Form 990, PART VI, Section C, LINE 19	The governing documents and financial statements are made available to the public w hen required by law or for accreditation purposes The conflict of Interest policy is available on the company website

Return Reference	Explanation
Form 990, Part XI, Line 9	Pension adjustment 16,908,289 Gain on sale of Dialysis Centers 6,519,500 Discontinued operations - Dialysis Centers 171,068 Equity transfers (2,465,893) PHG adjustment (732,572) JOA - sale of Dialysis Centers (475,000) Pension transfer (412,065) PHO Equity Infusion (250,000) Change in Auxilliary Cash position (9,967) Foundation adjustment (178,614) Total 19,074,746

SCHEDULE R  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.  
▶ Attach to Form 990. ▶ See separate instructions.  
▶ Information about Schedule R (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
Upper Valley Medical Center

Employer identification number  
  
31-0537095

Part I Identification of Disregarded Entities

Complete if the organization answered "Yes" on Form 990, Part IV, line 33.

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

Part II Identification of Related Tax-Exempt Organizations

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) UVMC  110 N Main St Suite 500  DAYTON, OH 45402 34-1850683	PARENT	OH	501(c)(3)	11, I	NA		No
(2) UVMC Foundation  3130 N COUNTY ROAD 25A  Troy, OH 45373 31-1581859	Foundation	OH	501(c)(3)	11, III-D	NA		No
(3) Med-Terra Inc  110 N MAIN ST Suite 500  DAYTON, OH 45402 31-1232074	HOLDING CO	OH	501(c)(2)	N/A	UVMC	Yes	
(4) Premier Health  110 N Main St Suite 500  Dayton, OH 45402 31-1446699	JOA Parent	OH	501(c)(3)	11, I	NA		No
(5) Upper Valley Professional Corp (UVPC)  110 N Main St Suite 500  DAYTON, OH 45402 31-1400963	Health Care	OH	501(c)(3)	9	UVMC	Yes	
(6) UVPC Specialists Inc  110 N Main St Suite 500  DAYTON, OH 45402 20-3687536	Health Care	OH	501(c)(3)	9	UVPC	Yes	
(7) UVMC NURSING CARE INC  110 N Main St Suite 500  DAYTON, OH 45402 31-1224064	NURSING HOME	OH	501(c)(3)	9	UVMC	Yes	

Part III

Identification of Related Organizations Taxable as a Partnership

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.

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

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of- year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) UVMC MANAGEMENT CORPORATION  110 N Main St Suite 500 DAYTON, OH 45402 31-1360489	MGT COMPANY	OH	UVMC	C CORP	0	0		Yes	
(2) After Hours Family Care Inc  31 Stanfield Rd Troy, OH 45373 31-1269483	Health Care	OH	UVPC	C Corp	0	0		Yes	

Part V

Transactions With Related Organizations

Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

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

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

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
See Additional Data Table			

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

[illegible]



Part VII

Supplemental Information

Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference	Explanation
------------------	-------------

Additional Data

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c) (3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled entity?	
						Yes	No
(1) UVMC  110 N Main St Suite 500 DAYTON, OH 45402 34-1850683	PARENT	OH	501(c)(3)	11, I	NA		No
(1) UVMC Foundation  3130 N COUNTY ROAD 25A Troy, OH 45373 31-1581859	Foundation	OH	501(c)(3)	11, III-D	NA		No
(2) Med-Terra Inc  110 N MAIN ST Suite 500 DAYTON, OH 45402 31-1232074	HOLDING CO	OH	501(c)(2)	N/A	UVMC	Yes	
(3) Premier Health  110 N Main St Suite 500 Dayton, OH 45402 31-1446699	JOA Parent	OH	501(c)(3)	11, I	NA		No
(4) Upper Valley Professional Corp (UVPC)  110 N Main St Suite 500 DAYTON, OH 45402 31-1400963	Health Care	OH	501(c)(3)	9	UVMC	Yes	
(5) UVPC Specialists Inc  110 N Main St Suite 500 DAYTON, OH 45402 20-3687536	Health Care	OH	501(c)(3)	9	UVPC	Yes	
(6) UVMC NURSING CARE INC  110 N Main St Suite 500 DAYTON, OH 45402 31-1224064	NURSING HOME	OH	501(c)(3)	9	UVMC	Yes	

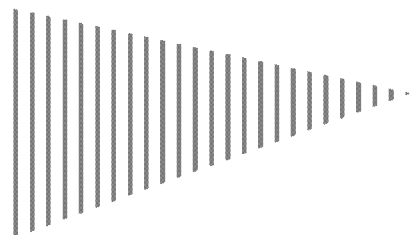
Form 990, Schedule R, Part V - Transactions With Related Organizations

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
Upper Valley Professional Corporation	R	2,800,000	Cash
Med-Terra Inc	R	1,195,566	Cash
UVMC	S	334,107	Cash
UVPC SPECIALISTS INC	M	93,825	Cash
UVPC SPECIALISTS INC	Q	113,402	Cash
Upper Valley Professional Corporation	A(IV)	65,525	CASH
Upper Valley Professional Corporation	D	3,000,000	CASH
Upper Valley Professional Corporation	Q	1,769,387	FMV
UVMC MANAGEMENT CORPORATION	O	586,501	FMV
UVMC MANAGEMENT CORPORATION	R	412,065	FMV
UVMC MANAGEMENT CORPORATION	S	121,252	FMV
Med-Terra Inc	D	3,000,000	FMV
Med-Terra Inc	K	896,141	FMV
Med-Terra Inc	p	233,969	FMV
Med-Terra Inc	Q	303,501	FMV
UVMC Foundation	C	178,614	FMV

COMBINED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Premier Health Partners and Affiliates  
Years Ended December 31, 2013 and 2012  
With Reports of Independent Auditors

Ernst & Young LLP



Building a better  
working world

# Premier Health Partners and Affiliates

## Combined Financial Statements and Supplementary Information

Years Ended December 31, 2013 and 2012

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## Report of Independent Auditors

The Board of Trustees  
Premier Health Partners and Affiliates

We have audited the accompanying combined financial statements of Premier Health Partners and affiliates (PHP), which comprise the combined balance sheets as of December 31, 2013 and 2012, the related combined statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in conformity with U S generally accepted accounting principles, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined 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 combined 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 combined 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 combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Premier Health Partners and affiliates at December 31, 2013 and 2012, and the combined results of their operations and changes in net assets and their cash flows for the years then ended in conformity with U S generally accepted accounting principles

*Ernst + Young LLP*

March 18, 2014

# Premier Health Partners and Affiliates

## Combined Balance Sheets (Dollars in Thousands)

	December 31	
	2013	2012
<b>Assets</b>		
Current assets		
Cash and short-term investments	\$ 125,908	\$ 60,386
Accounts receivable, net of allowances for doubtful accounts of \$22,835 and \$21,722, at December 31, 2013 and 2012, respectively	246,768	272,430
Inventories	15,277	14,912
Prepaid expenses	26,310	22,281
Assets limited as to use (Note C)	—	2,526
Estimated receivable from third parties	34,505	29,138
Other current assets	21,496	27,695
Total current assets	470,264	429,368
Assets limited as to use (Notes A and C)		
Board-designated investments	1,073,916	912,836
Other investments	128,395	125,068
Assets limited as to use	1,202,311	1,037,904
Property and equipment, net (Note E)	1,184,108	1,228,100
Prepaid pension asset (Note I)	26,811	902
Goodwill and intangible assets, net (Note M)	17,486	34,133
Interest rate swap asset (Note J)	361	23
Other long-term assets	76,028	71,230
Total assets	\$ 2,977,369	\$ 2,801,660



Premier Health Partners and Affiliates

Combined Balance Sheets (continued)

(Dollars in Thousands)

	December 31	
	2013	2012
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 53,808	\$ 64,456
Accrued expenses	90,394	85,845
Current portion of long-term debt (Note G)	30,179	24,642
Short-term debt (Note G)	—	2,526
Estimated payable to third parties	4,870	7,610
Other current liabilities	33,500	41,018
Total current liabilities	212,751	226,097
Long-term debt, less current portion (Note G)	795,020	799,892
Reserve for professional liability (Note F)	41,323	52,382
Pension obligation (Note I)	130,076	205,262
Interest rate swap liability (Note J)	12,168	44,475
Other long-term liabilities	71,002	67,919
Total liabilities	1,262,340	1,396,027
Net assets		
Unrestricted	1,663,303	1,356,369
Temporarily restricted	24,170	24,383
Permanently restricted	27,556	24,881
Total net assets	1,715,029	1,405,633
Total liabilities and net assets	<u>\$ 2,977,369</u>	<u>\$ 2,801,660</u>

See accompanying notes.

Premier Health Partners and Affiliates

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

	Year Ended December 31	
	2013	2012
<b>Operating revenue</b>		
Net patient service revenue	\$ 1,689,982	\$ 1,746,035
Provision for uncollectible accounts	29,973	44,408
Net patient service revenue less provision for uncollectible accounts	1,660,009	1,701,627
Other operating revenue	101,572	112,105
Joint venture profits	2,738	4,160
Total operating revenue	1,764,319	1,817,892
<b>Operating expenses</b>		
Salaries and wages	753,809	762,133
Employee benefits	201,536	196,139
Supplies	294,856	304,398
Purchased services, insurance and other	313,487	315,651
Hospital franchise tax	22,744	21,887
Depreciation and amortization	142,679	141,583
Interest	24,682	27,423
Total operating expenses	1,753,793	1,769,214
Income from operations before asset impairment	10,526	48,678
Impairment of long-lived assets	(1,176)	(4,350)
Income from operations	9,350	44,328
Nonoperating gains, net (Note K)	131,368	53,375
Excess of revenue over expenses	140,718	97,703

Premier Health Partners and Affiliates

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

	Year Ended December 31	
	2013	2012
<b>Change in net assets</b>		
Excess of revenue over expenses	\$ 140,718	\$ 97,703
Transfer to CHI capital resource pool	(3,380)	(2,110)
Change in plan assets and benefit obligations of pension plans	135,089	(23,273)
Gain on sale of discontinued – dialysis business (Note N)	38,159	–
Discontinued operations – dialysis business (Note N)	350	5,210
Loss on discontinued operations – kidney transplant program (Note N)	(3,751)	–
Discontinued operations – kidney transplant program (Note N)	(938)	(2,435)
Net gains on temporarily restricted and permanently restricted net assets, and other	3,149	3,717
Increase in net assets	309,396	78,812
Net assets at beginning of year	1,405,633	1,330,296
Less cumulative effect of accounting change (Note A)	–	(3,475)
Adjusted net assets at beginning of year	1,405,633	1,326,821
Net assets at end of year	<u>\$ 1,715,029</u>	<u>\$ 1,405,633</u>

See accompanying notes.

# Premier Health Partners and Affiliates

## Combined Statements of Cash Flows

(Dollars in Thousands)

	Year Ended December 31	
	2013	2012
<b>Operating activities</b>		
Increase in net assets	\$ 309,396	\$ 78,812
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	142,679	141,583
Provision for uncollectible accounts	29,973	44,408
Net gain on discontinued operations	(34,408)	—
Loss on extinguishment of debt	—	18,035
Impairment of long-lived assets	1,176	4,350
Change in the valuation of swap agreement asset and liability	(33,836)	(4,300)
Change in plan assets and benefit obligations of pension plans	(135,089)	23,273
Unrealized gains on assets limited as to use	(64,899)	(37,253)
Gain from alternative investments	(23,144)	(17,729)
Net change in assets and liabilities		
Accounts receivable	(4,323)	(86,759)
Assets limited as to use	(8,160)	219,458
Purchase of alternative investments	(65,678)	(196,291)
Other assets	(1,258)	(1,531)
Accounts payable and other accruals	(11,631)	(9,490)
Estimated payable to third parties	(8,065)	(31,100)
Other liabilities	19,449	5,464
Net cash provided by operating activities	112,182	150,930
<b>Investing activities</b>		
Proceeds from the sale of business and assets, net of closing costs	55,513	2,816
Investment in New Market Tax Investment Fund	—	(12,500)
Purchases of property and equipment	(93,561)	(159,819)
Net cash used in investing activities	(38,048)	(169,503)
<b>Financing activities</b>		
Proceeds from issuance of Premier Plaza debt	—	17,710
Proceeds from issuance of 2012 Series Bonds	—	128,640
Proceeds from long-term note	16,620	—
Repayment of debt and capital leases	(25,232)	(21,977)
Retirement of long-term debt	—	(128,265)
Net cash used in financing activities	(8,612)	(3,892)
Net increase (decrease) in cash and short-term investments	65,522	(22,465)
Cash and short-term investments at beginning of year	60,386	82,851
Cash and short-term investments at end of year	\$ 125,908	\$ 60,386

See accompanying notes

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements

December 31, 2013

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

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

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

The combined PHP excess of revenue over expenses, as defined by the Agreement, is allocated 55.4% to MAHS, 31.1% to SHP, 6.5% to AHS, and 7.0% to UVMC in the income allocation process. For 2013, the (loss) income allocation was \$(3.0) million for MAHS, \$15.7 million for SHP, \$(3.3) million for AHS, and \$(9.4) million for UVMC. For 2012, the income (loss) allocation was \$6.6 million for MAHS, \$1.9 million for SHP, \$1.1 million for AHS, and \$(9.6) million for UVMC. These amounts are eliminated upon combination of MAHS, SHP, AHS, and UVMC into PHP. The foundations supporting all four organizations and other certain amounts as defined in the Agreement are excluded from the income allocation process.

#### **PHP**

##### *MedAmerica Health Systems*

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

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

##### *Samaritan Health Partners*

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

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

##### *Atrium Health System*

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

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

##### *UVMC and Controlled Affiliates*

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

##### *Premier Health Group*

PHG was incorporated in 2013 for the purpose of conducting activities that promote health care in the greater Dayton area and surrounding counties in southwestern Ohio through population management. PHG contracts with providers across the region as the providers for PHP self-insured health benefits plan for its employees. PHG also contracts with PHPlan to provide quality and credentialing services for their insurance products in the future.

##### *Premier Health Plan, Inc.*

PHPlan was incorporated in 2013 for the purpose of providing point of service plans (such as the self-insured health plan for PHP employees) and to provide commercial health insurance products beginning in 2015. PHPlan has applied for and is awaiting approval of its license from the Ohio Department of Insurance to write commercial business.

#### **Principles of Combination**

The combined financial statements of PHP include the accounts of MAHS, SHP, AHS, and UVMC along with their respective subsidiaries, as well as PHG and PHPlan. PHP prepares consolidated financial statements at each Affiliate in accordance with U.S. generally accepted accounting principles (GAAP), which are recorded on the accrual basis of accounting. The Affiliates have various ownership interests in joint ventures, some of which at the combined level are greater than 50%. Joint ventures at the combined level of PHP greater than 50% are consolidated in the PHP financial statements. Joint ventures that are 50% or less at the combined level of PHP are not consolidated in the PHP financial statements. These investments are accounted for using the equity method of accounting and are included in other assets on the combined balance sheets. All material intercompany accounts and transactions are eliminated between affiliates upon combination of the PHP combined financial statements.

#### **Fair Value Measurements**

PHP follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 820, *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. ASC 820 defines a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

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

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

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

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



## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

those cash flows back to present value (more typically referred to as a discounted cash flow approach)

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

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

#### **Accounts Receivable and Net Patient Service Revenue**

Accounts receivable and net patient service revenue have been adjusted to the estimated amounts expected to be collected. These estimated amounts are subject to further adjustments upon review by third-party payors.

PHP has agreements with third-party payors that provide for payments at amounts different from its established rates. The basis for payment under these agreements includes prospectively determined rates, cost reimbursement, negotiated discounts from established rates, and per diem payments. Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments due to future audits, reviews, and investigations. The differences between the estimated and actual adjustments are recorded as part of net patient service revenue in future periods, as the amounts become known or as years are no longer subject to such audits, reviews and investigations.

For uninsured patients who do not qualify for charity care, PHP recognizes revenue based on established rates, subject to certain discounts as determined by PHP. An estimated provision for uncollectible accounts is recorded that results in patient service revenue being reported at the net amount expected to be received. PHP has determined, based on an assessment, that patient service revenue is primarily recorded prior to assessing the patient's ability to pay, and as such, the entire provision for uncollectible accounts related to patient revenue is recorded as a deduction from patient service revenue in the accompanying combined statements of operations and changes in net assets.

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

##### **Inventories**

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

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

*MedAmerica Health Systems, Atrium Health System, and Upper Valley Medical Center*

PHP created a collective investment program in which MAHS, AHS, and UVMC participate. Investments consist of cash and short-term investments, equity securities, mutual funds, corporate and other bonds, U S government securities, and alternative investments in limited liability companies, hedge funds, and private equities.

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

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

##### *Samaritan Health Partners*

Assets limited as to use include assets set aside for future long-term purposes, including capital improvements and amounts contributed by donors with stipulated restrictions. A portion of SHP's assets limited as to use are held in the CHI Investment Program. The CHI Investment Program is structured under a limited partnership agreement with CHI, as managing general partner and numerous limited partners, most sponsored by CHI. All assets limited as to use in the CHI Investment Program are professionally managed under the administration of CHI. SHP's investments in the CHI Investment Program are represented by pooled units rather than specific securities. These proportionate units are accounted for similar to the equity method of accounting, which are not subject to fair value measurement. For the years ended December 31, 2013 and 2012, SHP held 3.4% and 3.6% of the total CHI Investment Program, respectively.

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

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

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

*MedAmerica Health Systems, Samaritan Health Partners, Atrium Health System, and Upper Valley Medical Center*

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

Assets limited as to use restricted by donors is \$51.7 million and \$49.3 million as of December 31, 2013 and 2012 respectively.

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

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

#### **Property and Equipment**

Property and equipment are stated at historical cost or, if donated, fair value at the date of receipt. Depreciation and amortization are calculated on a straight-line basis over the estimated asset lives. Depreciation taken on assets recorded as capital leases is determined over the shorter period of the lease term or the estimated useful life of the property and equipment and is included as a component of allowances for depreciation and depreciation expense in the combined balance sheets and combined statements of operations and changes in net assets, respectively. Interest on construction-in-process is capitalized and amortized over the estimated lives of the related depreciable assets. Depreciation expense was \$138.4 million and

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

\$135.9 million for the years ended December 31, 2013 and 2012, respectfully, and is included in depreciation and amortization expense

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

#### **Goodwill and Intangible Assets, Net**

Intangible assets consist of goodwill and other identifiable intangible assets such as noncompete agreements. Definite-lived intangible assets are amortized using the straight-line method, which allocates the cost over the estimated useful lives of generally three to five years. Goodwill is tested annually for impairment. PHP performed its goodwill impairment test on October 1, 2013, its annual goodwill evaluation test date, and the evaluation led management to the determination that no events or circumstances existed to conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

#### **Financial Derivative Instruments**

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

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

Unrestricted net assets are those assets whose use has not been restricted by donors or for which restrictions have expired. Temporarily restricted net assets are those whose use by PHP has been limited by donors to a specific time period or purpose. Temporary restricted net assets that have met their restriction and the income from permanently restricted net assets are expendable primarily to support health care services and capital needs. Permanently restricted net assets have been restricted by donors to be maintained by PHP in perpetuity.

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

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

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

Reimbursement for the majority of Medicare and Medicaid inpatient services is based on a prospectively determined fixed price, which varies based on the illness or diagnostic-related group (DRG). PHP receives reimbursement for Medicare outpatient services on a prospective basis and Medicaid on a fixed fee basis. Amounts earned under these contractual arrangements are subject to review and final determination by Medicare and Medicaid intermediaries and other appropriate governmental authorities or their agents and may be adjusted in future periods as settlements are determined. The estimated payable due from (to) third parties includes an amount representing management's best estimate of the ultimate resolution of these matters. During 2013 and 2012, PHP settled prior years' Medicare and Medicaid liabilities for amounts less than previously estimated. The effect of these settlements was recognition of net revenue of \$4.7 million in 2013 and \$10.8 million in 2012. In the opinion of management, adequate provision has been made in the combined financial statements for any adjustments resulting from the respective intermediary reviews.

Revenue from the Medicare and Medicaid programs accounted for 34.0% and 11.3%, respectively, of PHP's net patient service revenue for the year ended December 31, 2013. Revenue from the Medicare and Medicaid programs accounted for 34.7% and 12.2%, respectively, of PHP's net patient service revenue for the year ended December 31, 2012.

#### **Charity Care**

In the ordinary course of business, PHP renders services to patients who are financially unable to pay for hospital care. Included in deductions from revenue is the value (at PHP's standard charges) of these services to patients who are unable to pay that is eliminated from net operating revenues when it is expected they may qualify under PHP's charity care policy. The estimated cost incurred by PHP to provide these services to patients who are unable to pay was \$99.7 million and \$91.6 million for the years ended December 31, 2013 and 2012, respectively. The estimated cost of these charity care services was determined using a ratio of cost to gross charges and applying that ratio to the gross charges associated with providing

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

care to charity patients for the period. Gross charges associated with providing care to charity patients includes only the related charges for those patients who are financially unable to pay and that do not otherwise qualify for reimbursement from a governmental program.

PHP recorded charity care subsidies of \$31.9 million and \$27.2 million for the years ended December 31, 2013 and 2012, respectively, which were recognized as a component of net patient service revenue in the combined statements of operations and changes in net assets. Charity care subsidies comprise the Ohio Hospital Care Assurance program and the Montgomery County Human Service Levy.

#### **Electronic Health Record-Incentive Payment Program**

The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that meaningfully use certified electronic health record technology. Payments under the program are calculated based upon estimated discharges, charity care, and other input data and are predicated upon PHP's attainment of program and attestation criteria and are subject to regulatory audit. PHP has opted to follow a gain contingency accounting method. Income from Medicare/Medicaid incentive payments are recognized as other operating revenue, net after PHP has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period and the 12-month cost report period that will be used to determine the final incentive payment has ended. At December 31, 2013 and 2012, PHP had received \$17.3 million and \$6.8 million, respectively. In addition, PHP recorded a receivable of \$2.2 million and \$9.6 million at December 31, 2013 and 2012, respectively, for incentive payments earned. Amounts recognized are subject to change, with such changes impacting operations in the period in which they occur.

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

#### **Hospital Franchise Tax**

During 2013 and 2012, PHP recorded as expense \$22.7 million and \$21.9 million, respectively for the hospital franchise tax.

The upper payment limit (UPL) payments are recorded as other operating revenue. During 2013 and 2012, PHP recorded revenue related to UPL payments of \$37.9 million and \$40.2 million, respectively.

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

##### **Functional Expenses**

PHP provides general health care services to residents within its geographic location. The total expenses were \$1,753.8 million during 2013 and \$1,769.2 million during 2012. General and administrative expenses were \$247.0 million during 2013 and \$265.8 million during 2012.

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

The combined statements of operations and changes in net assets include the line excess of revenue over expenses, which represents the operating indicator for PHP. Consistent with industry practice, changes in net assets that are excluded from the excess of revenue over expenses include transfer to CHI capital resource pool, change in plan assets and benefit obligations of pension plans, gain on sale of discontinued dialysis business, discontinued operations of dialysis business, loss on discontinued operations of kidney transplant program, discontinued operations of kidney transplant program, and net gains on temporary restricted and permanently restricted net assets, and other.

##### **Income Taxes**

PHP, MAHS, AHS, and UVMC have been determined by the Internal Revenue Service to be tax-exempt nonprofit corporations and public charities under Sections 501(c)(3) and 509(a), respectively, of the Internal Revenue Code. SHP is tax-exempt under Section 501(c)(3) and is a public charity by reason of being included in the group ruling issued to the U.S. Catholic Church. As tax-exempt organizations, their income is exempt from federal income tax except to the extent of any unrelated business activities. Taxes payable at December 31, 2013 and 2012 for such unrelated business activities are not significant.

MAHS, SHP, AHS, and UVMC also own or control certain subsidiaries, which are for-profit corporations subject to federal income taxes. These are:

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



## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

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

Management annually reviews its tax positions and has determined that there are no material uncertain tax positions.

#### **Estimates and Judgments**

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

#### **Claims and Contingencies**

In the normal course of business, PHP is subject to various lawsuits, actions, proceedings, claims, and other matters asserted under laws and regulations. Management believes the amounts recorded in its combined financial statements, as prescribed by GAAP, are adequate in light of the probable and estimable contingencies. However, there can be no assurances that the actual

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

amounts required to satisfy alleged liabilities from various legal proceedings, claims, and other matters and to comply with applicable laws and regulations will not exceed the amounts reflected in its combined financial statements. As such, costs, if any, that may be incurred in excess of those amounts provided as of December 31, 2013, cannot be reasonably determined (see Note F)

#### **Health Care Regulatory Environment**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity continues with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties, as well as significant repayment of previously billed and collected revenue from patient services. Management believes that PHP is in compliance, in all material respects, with current laws and regulations. PHP has recorded reserves for routine regulatory compliance issues and believes these reserves are adequate to cover any potential repayment of previously billed and collected revenue from patient service.

PHP is subject to a Corporate Integrity Agreement with the United States Department of Health and Human Services Office of the Inspector General (OIG) with a term of five years beginning January 14, 2013. The Corporate Integrity Agreement requires that PHP maintain its compliance program in accordance with the terms of the Corporate Integrity Agreement. The agreement contains specific requirements regarding billing, including developing policies and procedures to ensure compliance with federal law relating to such arrangements, and the general training of certain PHP employees as to the requirements of PHP's compliance program and the Corporate Integrity Agreement. The requirements of the Corporate Integrity Agreement have resulted in increased costs to maintain PHP's compliance program and could result in greater scrutiny by federal regulatory authorities. Violations of the Corporate Integrity Agreement could subject PHP to significant monetary and/or administrative penalties, including the possibility of exclusion from the Medicare, Medicaid, and other federal health care programs. Management has implemented the terms of the Corporate Integrity Agreement and believes that PHP is in compliance in all material respects.

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

##### Reclassification

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

##### Recently Adopted Accounting Standard

In July 2012 the FASB issued Accounting Standards Update (ASU) 2012-01, *Continuing Care Retirement Communities – Refundable Advance Fee* to amend ASC 954-430, *Health Care Entities – Deferred Revenue*. The amendments in ASU 2012-01 clarify that an entity should classify an advance fee as deferred revenue when a continuing care retirement community has a resident contract that provides for payment of the refundable advance fee upon re-occupancy by a subsequent resident, which is limited to the proceeds of re-occupancy. Refundable advance fees that are contingent upon re-occupancy by a subsequent resident but are not limited to the proceeds of re-occupancy should be accounted for and reported as a liability. The amendments in ASU 2012-01 are effective for fiscal periods beginning after December 15, 2012, for public entities (including conduit bond obligors) and the amendments in ASU 2012-01 are effective for fiscal periods beginning after December 15, 2013, for nonpublic entities. Early adoption is permitted. The amendments in ASU 2012-01 should be applied retrospectively by recording a cumulative-effect adjustment to opening retained earnings (or unrestricted net assets) as of the beginning of the earliest period presented. PHP adopted ASU 2012-01 and recorded a cumulative effect adjustment of \$3.5 million to unrestricted net assets as of January 1, 2012.

##### Pending Accounting Pronouncements

In February 2013 the FASB issued ASU 2013-04, *Obligations Resulting from Joint and Several Liability Arrangements* for which the total amount of the obligation is fixed at the reporting date (a consensus of the FASB Emerging Issues Task Force), to amend ASC 405, *Liabilities*. The amendments to this update apply to all entities, public and nonpublic, that have obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the guidance is fixed at the reporting date and for which no specific guidance exists. The amendments in ASU 2013-04 are effective for fiscal years and interim periods within those years beginning after December 15, 2013, for public entities and the amendments in this Update are effective for fiscal periods ending after December 15, 2014, and interim and annual periods thereafter for nonpublic entities. PHP is reviewing the amendments in ASU 2013-04 but does not anticipate a material effect on its combined balance sheets.

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### B. Net Patient Service Revenue and Patient Receivables

Revenues are recorded during the period the health care services are provided, based upon the estimated amounts due from the patients and third-party payors. Third-party payors include federal and state agencies (under the Medicare, Medicaid, and other programs), managed care health plans, commercial insurance companies, and employers. Estimates of contractual allowances under managed care health plans are based upon the payment terms specified in the related contractual agreements. PHP also records a provision for uncollectible accounts related to uninsured accounts to record the net self-pay accounts receivable at the estimated amounts PHP expects to collect.

Net patient service revenue before the provision for uncollectible accounts by major payor source for the years ended December 31, 2013 and 2012, is as follows:

	2013		2012	
	(Dollars in Thousands)			
Medicare	\$	574,307	34.0%	\$ 605,739 34.7%
Medicaid		190,710	11.3	213,250 12.2
Managed care and commercial		886,824	52.5	893,872 51.2
Self-pay		38,141	2.2	33,174 1.9
	\$	1,689,982	100.0%	\$ 1,746,035 100.0%

PHP's estimation of the allowance for doubtful accounts is based primarily upon the type and age of the patient accounts receivable and the effectiveness of its collection efforts. PHP's policy is to reserve a portion of all self-pay receivables, including amounts due from the uninsured and amounts related to co-payments and deductibles, as these charges are recorded. On a monthly basis, PHP reviews its accounts receivable balances, the effectiveness of its reserve policies, and various analytics to support the basis for its estimates. These efforts primarily consist of reviewing the following:

- Historical write-off and collection experience using a hindsight or look-back approach
- Revenue and volume trends by payor, particularly the self-pay components
- Changes in the aging and payor mix of accounts receivable, including increased focus on accounts due from the uninsured and accounts that represent co-payments and deductibles due from patients

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **B. Net Patient Service Revenue and Patient Receivables (continued)**

- Cash collections
- Trending of days revenue in accounts receivable
- Various allowance coverage statistics

PHP regularly performs hindsight procedures and other analyses to evaluate historical write-off and collection experience throughout the year to help determine the reasonableness of its process for estimating the allowance for doubtful accounts. If deemed appropriate, management will adjust the allowance for doubtful accounts based on the findings of this analysis. For 2013, no material adjustments were made to the allowance for doubtful accounts.

The allowance for doubtful accounts was \$22.8 million and \$21.7 million as of December 31, 2013 and 2012, respectively. These balances as a percent of accounts receivable net of contractual adjustments were 4.4% and 4.2% as of December 31, 2013 and 2012, respectively. PHP's combined allowance for doubtful accounts and charity care for uninsured and self-pay after insurance accounts covered 87.6% and 86.2% of the respective receivables as of December 31, 2013 and 2012, respectively.

The increase in allowance for doubtful accounts during the year ended December 31, 2013, was primarily the result of a change in payor mix and a change in estimate. The change in estimate reflects updating PHP's historical write-off percentages for each payor group based on a review of the recent write-off experience within each group. Uninsured and self-pay after insurance accounts receivable represented 17.4% of PHP's total gross accounts receivable as of December 31, 2013, and 15.6% as of December 31, 2012.

On an annual basis management performs a historical review of receivables pending Medicaid approval to determine an average rate of denials. PHP then applies a self-pay reserve rate to the percent denied and a Medicaid rate to the remaining balance expected to be approved. During 2013, PHP adjusted the pending Medicaid conversion rate to better reflect the experience occurring in the current year. This adjustment required PHP to record additional reserves in 2013 which are reflected in the change of estimate category of the following table.

# Premier Health Partners and Affiliates

## Notes to Combined Financial Statements (continued)

### B. Net Patient Service Revenue and Patient Receivables (continued)

The following table represents the changes in the allowance for doubtful accounts for the years ended December 31, 2013 and 2012

	Beginning Balance	Provision	Change In Estimate	Write-offs, Net of Recoveries and Other	Ending Balance
	<i>(Dollars in Thousands)</i>				
Allowance for doubtful accounts					
Year ended December, 31, 2012	\$ 19,474	\$ 44,408	\$ —	\$ 42,160	\$ 21,722
Year ended December, 31, 2013	\$ 21,722	\$ 29,410	\$ 563	\$ 28,860	\$ 22,835

### C. Assets Limited as to Use

Assets limited as to use consist of the following as of December 31, 2013

	MAHS	SHP	AHS	UVMC	Combined PHP
	<i>(Dollars in Thousands)</i>				
Cash and short-term investments	\$ 42,288	\$ 1,113	\$ 7,529	\$ 10,849	\$ 61,779
Equity securities	40,521	—	7,128	19,851	67,500
Mutual funds					
Domestic large cap	82,088	4,882	15,676	29,342	131,988
Domestic small cap	22	1	63	10,167	10,253
International	138,126	6	24,447	44,160	206,739
Fixed income	144,374	8	25,408	41,354	211,144
Corporate and other bonds					
Corporate and other bonds	10,633	5,806	3,053	15,084	34,576
Asset-backed securities	4,513	2,438	1,252	2,248	10,451
U S government securities					
U S government securities	6,985	1,459	739	6,379	15,562
U S government agencies	4,653	2,541	1,286	2,362	10,842
Alternative investments					
Limited liability companies	56,689	—	9,972	19,191	85,852
Hedge funds	103,394	—	18,454	20,364	142,212
Private equity <sup>(a)</sup>	7,956	—	—	—	7,956
CHI Investment Program	—	205,457	—	—	205,457
Total assets limited as to use	\$ 642,242	\$ 223,711	\$ 115,007	\$ 221,351	\$ 1,202,311

<sup>(a)</sup> PHP has committed capital yet to be called of \$16.4 million at December 31, 2013, to private equity funds over the next one to three years

# Premier Health Partners and Affiliates

## Notes to Combined Financial Statements (continued)

### C. Assets Limited as to Use (continued)

Assets limited as to use consist of the following as of December 31, 2012

	MAHS	SHP	AHS	UVMC	Combined PHP
	<i>(Dollars in Thousands)</i>				
Cash and short-term investments	\$ 13,372	\$ 1,340	\$ 2,507	\$ 7,778	\$ 24,997
Equity securities	27,756	15	5,712	7,978	41,461
Mutual funds					
Domestic large cap	24,654	—	5,093	36,690	66,437
Domestic small cap	8,536	5,155	2,748	12,365	28,804
International	81,097	—	16,394	25,909	123,400
Fixed income	63,066	—	12,630	50,135	125,831
Corporate and other bonds					
Corporate and other bonds	20,542	6,480	5,535	18,244	50,801
Asset-backed securities	18,262	3,509	4,354	1,757	27,882
U S government securities					
U S government securities	30,025	672	5,341	524	36,562
U S government agencies	15,057	1,673	3,357	8,602	28,689
Alternative investments					
Limited liability companies	50,023	—	10,089	6,986	67,098
Hedge funds	162,017	—	32,838	27,635	222,490
Private equity	6,354	—	—	—	6,354
CHI Investment Program	—	189,624	—	—	189,624
	520,761	208,468	106,598	204,603	1,040,430
Less assets limited as to use – current	—	(2,526)	—	—	(2,526)
Total assets limited as to use	\$ 520,761	\$ 205,942	\$ 106,598	\$ 204,603	\$ 1,037,904

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### C. Assets Limited as to Use (continued)

PHP maintains diversification in its investment programs by allocating assets to various asset classes and market segments and retaining multiple professional investment firms with different philosophies, styles, and approaches. Accordingly, based on this diversification, management does not believe there are any material concentrations of credit risk at December 31, 2013 and 2012.

The asset allocation specific to the PHP Investment Program is as follows:

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Marketable equity securities	<b>53%</b>	57%
Marketable fixed-income securities	<b>29</b>	28
Alternative investments	<b>13</b>	10
Real assets	<b>5</b>	5
	<b>100%</b>	100%

Funds restricted by donors for charitable purposes, included in cash and cash equivalents, investments, and assets whose use is limited, were \$53.9 million and \$49.0 million at December 31, 2013 and 2012, respectively.

PHP invests in common trust funds (CTFs), which consist primarily of marketable equity securities, which are stated at fair value as determined by the administrator of the respective CTF, based on readily determinable fair values of the underlying securities. Mutual funds include certain CTFs with a combined fair value of \$230.6 million and \$168.7 million at December 31, 2013 and 2012, respectively.

#### Samaritan Health Partners

A portion of SHP's assets limited as to use are held in the CHI Investment Program. The carrying value of the assets held by participants is an allocation of the underlying carrying value of the assets in the CHI Investment Program, based on the asset allocation specific to each participant and its relative percentage allocation.



## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### C. Assets Limited as to Use (continued)

The asset allocation specific to the CHI Investment Program is as follows

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Marketable equity securities	<b>52%</b>	53%
Marketable fixed-income securities	<b>28</b>	29
Alternative investments	<b>20</b>	18
	<b>100%</b>	100%

SHP investments held in the CHI Investment Program are represented by pool units valued monthly under a custodian accounting system. Investment income from the CHI Investment Program, including interest income, realized gains or losses on investments, unrealized gains or losses on investments, CHI assessment, and other expenses, are 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 CHI Investment Program, based upon pool units held by the participants.

#### D. Fair Value of Assets and Liabilities

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

# Premier Health Partners and Affiliates

## Notes to Combined Financial Statements (continued)

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

The following summary table represents the fair value of the assets and liabilities at December 31, 2013

	MAHS	SHP	AHS	UVMC	Other	Combined PHP
	<i>(Dollars in Thousands)</i>					
<b>Assets</b>						
Cash and short-term investments	\$ 66,958	\$ 21,191	\$ 17,364	\$ 17,777	\$ 2,618	\$ 125,908
Assets limited as to use						
Cash and short-term investments	42,288	1,113	7,529	10,849	—	61,779
Equity securities	40,521	—	7,128	19,851	—	67,500
Mutual funds						
Domestic large cap	82,088	4,882	15,676	29,342	—	131,988
Domestic small cap	22	1	63	10,167	—	10,253
International	138,126	6	24,447	44,160	—	206,739
Fixed income	144,374	8	25,408	41,354	—	211,144
Corporate and other bonds						
Corporate and other bonds	10,633	5,806	3,053	15,084	—	34,576
Asset-backed securities	4,513	2,438	1,252	2,248	—	10,451
U S government securities					—	
U S government securities	6,985	1,459	739	6,379	—	15,562
U S government agencies	4,653	2,541	1,286	2,362	—	10,842
Total assets limited as to use	474,203	18,254	86,581	181,796	—	760,834
Deferred compensation assets						
Money market and mutual funds	24,199	17,219	848	5,559	—	47,825
Interest rate swap asset	—	—	—	361	—	361
Total assets	\$ 565,360	\$ 56,664	\$ 104,793	\$ 205,493	\$ 2,618	\$ 934,928
<b>Liabilities</b>						
Interest rate swap liability	\$ 4,159	\$ 1	\$ 8,008	\$ —	\$ —	\$ 12,168
Deferred compensation liabilities	24,199	17,219	848	5,559	—	47,825
Total liabilities	\$ 28,358	\$ 17,220	\$ 8,856	\$ 5,559	\$ —	\$ 59,993

# Premier Health Partners and Affiliates

## Notes to Combined Financial Statements (continued)

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

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2013, are as follows

Fair Value as of December 31, 2013	Fair Value Measurements at Reporting Date Using <sup>(a)</sup>		
	(Level 1) Quoted Prices in Active Market	(Level 2) Other Observable Inputs	(Level 3) Unobservable Inputs
<i>(Dollars in Thousands)</i>			
<b>Assets</b>			
Cash and short-term investments	\$ 125,908	\$ 125,908	\$ —
Assets limited as to use			
Cash and short-term investments	61,779	61,779	—
Equity securities	67,500	67,500	—
Mutual funds			
Domestic large cap	131,988	28,547	103,441
Domestic small cap	10,253	10,253	—
International	206,739	136,158	70,581
Fixed income	211,144	154,519	56,625
Corporate and other bonds			
Corporate and other bonds	34,576	—	34,576
Asset-backed securities	10,451	—	10,451
U S government securities			
U S government securities	15,562	—	15,562
U S government agencies	10,842	—	10,842
Total assets limited as to use	760,834	458,756	302,078
Deferred compensation assets			
Money market and mutual funds	47,825	47,825	—
Interest rate swap asset	361	—	361
Total assets	\$ 934,928	\$ 632,489	\$ 302,439
<b>Liabilities</b>			
Interest rate swap liability	\$ 12,168	\$ —	\$ 1
Deferred compensation liabilities	47,825	47,825	—
Total liabilities	\$ 59,993	\$ 47,825	\$ 1

<sup>(a)</sup> There were no securities transferred between Levels 1, 2, or 3 during 2013

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

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

The following table represents financial instruments at fair value and at other than fair value that reconcile to the combined balance sheets of PHP as of December 31, 2013

	Financial Instruments at Fair Value	Assets and Liabilities at Other Than Fair Value	Total
	<i>(Dollars in Thousands)</i>		
<b>Assets</b>			
Cash and short-term investments	\$ 125,908	\$ —	\$ 125,908
Assets limited as to use and investments	760,834	441,477	1,202,311
Other long-term assets	47,825	28,203	76,028
Interest rate swap asset	361	—	361
Total assets	<u>\$ 934,928</u>	<u>\$ 469,680</u>	<u>\$ 1,404,608</u>
<b>Liabilities</b>			
Interest rate swap liability	\$ 12,168	\$ —	\$ 12,168
Other long-term liabilities	47,825	23,177	71,002
Total liabilities	<u>\$ 59,993</u>	<u>\$ 23,177</u>	<u>\$ 83,170</u>

# Premier Health Partners and Affiliates

## Notes to Combined Financial Statements (continued)

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

The following summary table represents assets and liabilities measured at fair value on a recurring basis at December 31, 2012

	MAHS	SHP	AHS	UVMC	Combined PHP
	<i>(Dollars in Thousands)</i>				
<b>Assets</b>					
Cash and short-term investments	\$ 29,243	\$ 18,372	\$ 5,588	\$ 7,183	\$ 60,386
Assets limited as to use					
Cash and short-term investments	13,372	1,340	2,507	7,778	24,997
Equity securities	27,756	15	5,712	7,978	41,461
Mutual funds					
Domestic large cap	24,654	—	5,093	36,690	66,437
Domestic small cap	8,536	5,155	2,748	12,365	28,804
International	81,097	—	16,394	25,909	123,400
Fixed income	63,066	—	12,630	50,135	125,831
Corporate and other bonds					
Corporate and other bonds	20,542	6,480	5,535	18,244	50,801
Asset-backed securities	18,262	3,509	4,354	1,757	27,882
U S government securities					
U S government securities	30,025	672	5,341	524	36,562
U S government agencies	15,057	1,673	3,357	8,602	28,689
Total assets limited as to use	302,367	18,844	63,671	169,982	554,864
Deferred compensation assets					
Money market and mutual funds	18,455	13,668	663	5,276	38,062
Interest rate swap asset	—	—	—	23	23
Total assets	\$ 350,065	\$ 50,884	\$ 69,922	\$ 182,464	\$ 653,335
<b>Liabilities</b>					
Interest rate swap liability	\$ 25,000	\$ 35	\$ 19,440	\$ —	\$ 44,475
Deferred compensation liabilities	18,455	13,668	663	5,276	38,062
Total liabilities	\$ 43,455	\$ 13,703	\$ 20,103	\$ 5,276	\$ 82,537

# Premier Health Partners and Affiliates

## Notes to Combined Financial Statements (continued)

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

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2012, are as follows

	Fair Value Measurements at Reporting Date Using <sup>(a)</sup>			
	Fair Value as of December 31, 2012	(Level 1)	(Level 2)	(Level 3)
		Quoted Prices in Active Market	Other Observable Inputs	Unobservable Inputs
<i>(Dollars in Thousands)</i>				
<b>Assets</b>				
Cash and short-term investments	\$ 60,386	\$ 60,386	\$ —	\$ —
Assets limited as to use				
Cash and short-term investments	24,997	24,997	—	—
Equity securities	41,461	41,461	—	—
Mutual funds				
Domestic large cap	66,437	6,213	60,224	—
Domestic small cap	28,804	28,804	—	—
International	123,400	71,472	51,928	—
Fixed income	125,831	69,258	56,573	—
Corporate and other bonds				
Corporate and other bonds	50,801	—	50,801	—
Asset-backed securities	27,882	—	27,882	—
U S government securities				
U S government securities	36,562	—	36,562	—
U S government agencies	28,689	—	28,689	—
Total assets limited as to use	554,864	242,205	312,659	—
Deferred compensation assets				
Money market and mutual funds	38,062	38,062	—	—
Interest rate swap asset	23	—	23	—
Total assets	\$ 653,335	\$ 340,653	\$ 312,682	\$ —
<b>Liabilities</b>				
Interest rate swap liability	\$ 44,475	\$ —	\$ 35	\$ 44,440
Deferred compensation liabilities	38,062	38,062	—	—
Total liabilities	\$ 82,537	\$ 38,062	\$ 35	\$ 44,440

<sup>(a)</sup> There were no securities transferred between Levels 1, 2, or 3 during 2012

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

The following table represents financial instruments at fair value and at other than fair value that reconcile to the combined balance sheets of PHP as of December 31, 2012

	Financial Instruments at Fair Value	Assets and Liabilities at Other Than Fair Value	Total
	<i>(Dollars in Thousands)</i>		
<b>Assets</b>			
Cash and short-term investments	\$ 60,386	\$ —	\$ 60,386
Assets limited as to use and investments	554,864	485,566	1,040,430
Other long-term assets	38,062	33,168	71,230
Interest rate swap asset	23	—	23
Total assets	<u>\$ 653,335</u>	<u>\$ 518,734</u>	<u>\$ 1,172,069</u>
<b>Liabilities</b>			
Interest rate swap liability	\$ 44,475	\$ —	\$ 44,475
Other long-term liabilities	38,062	29,857	67,919
Total liabilities	<u>\$ 82,537</u>	<u>\$ 29,857</u>	<u>\$ 112,394</u>

#### *Cash and Short-Term Investments, Assets Limited as to Use, and Deferred Compensation Assets and Liabilities*

PHP's cash and short-term investments, assets limited as to use, and deferred compensation assets and liabilities comprise cash and short-term investments, money market, equity securities, mutual funds (domestic, international and fixed), corporate bonds and other bonds, asset-backed securities, U S government securities, and U S government agencies, with the exception of alternative investments, which are accounted for using the equity method of accounting, are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources, primarily matrix pricing, with reasonable levels of price transparency. Matrix pricing, primarily used for marketable fixed income securities, is based on quoting prices for securities with similar coupons, ratings, and maturities, rather than on specific bids and offers for the specific security. The types of financial instruments based on quoted market prices in active markets include most cash and short-term investments, equity securities, mutual funds, including common trust funds, and money market securities. Such instruments are generally classified within Level 1 of the fair value hierarchy. PHP does not adjust the quoted market price for such financial instruments.

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

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

Following is the summary of the inputs and valuation techniques as of December 31, 2013 and 2012, used for valuing Level 2 securities in the portfolio:

<u>Securities</u>	<u>Input</u>	<u>Valuation Technique</u>
Corporate and other bonds	Broker/dealer	Market
Mutual funds	Broker/dealer	Market
Asset-backed securities	Broker/dealer	Market/income
U S government securities	Broker/dealer	Market
U S government agencies	Broker/dealer	Market

#### *Debt*

The fair value of outstanding obligations (excluding capital lease obligations and other debt) was \$668.8 million at December 31, 2013, and \$598.6 million at December 31, 2012. Management has determined that the carrying amount of PHP's variable rate bonds are representative of fair value as the interest rates associated with these bond obligations are set by market participants. The fair value of PHP's fixed rate bond obligations is determined by applying the yield of openly marketable bonds that have substantially the same characteristics as the bond obligations issued for the benefit of PHP (bond rating, call provisions, maturity, etc.) to outstanding amounts of PHP's bond obligations. The determination of fair value of PHP's obligation is consistent with a Level 2 measurement under the fair value hierarchy.



## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

##### *Interest Rate Swap Agreements*

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

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

Interest Rate Swap Agreement	Receiving Floating Rate		Paying Fixed/ Floating Rate		Discount Rate	
	2013	2012	2013	2012	2013	2012
<b>MAHS</b>						
May 2011	67% of LIBOR	67% of LIBOR	3.23	3.23	Avg of LIBOR curve	Avg of LIBOR curve
May 2011	67% of LIBOR <sup>(1)</sup>	67% of LIBOR <sup>(1)</sup>	SIFMA	SIFMA	Avg of SIFMA curve	Avg of SIFMA curve
May 2011	67% of LIBOR	67% of LIBOR	3.23	3.23	Avg of LIBOR curve	Avg of LIBOR curve
May 2011	67% of LIBOR <sup>(1)</sup>	67% of LIBOR <sup>(1)</sup>	SIFMA	SIFMA	Avg of LIBOR curve	Avg of LIBOR curve
December 2012	70.0% of LIBOR	70.0% of LIBOR	1.748	1.748	Avg of LIBOR curve	Avg of LIBOR curve
December 2012	70.0% of LIBOR	70.0% of LIBOR	1.733	1.733	Avg of LIBOR curve	Avg of LIBOR curve
<b>SHP</b>						
February 2007	LIBOR	LIBOR	5.10	5.10	Avg of LIBOR curve	Avg of LIBOR curve
February 2007	LIBOR	LIBOR	5.10	5.10	Avg of LIBOR curve	Avg of LIBOR curve
March 2007	LIBOR	LIBOR	5.31	5.31	Avg of LIBOR curve	Avg of LIBOR curve
June 2007	LIBOR	LIBOR	5.30	5.30	Avg of LIBOR curve	Avg of LIBOR curve
<b>AHS</b>						
April 2007	LIBOR	LIBOR	3.12	3.12	Avg of LIBOR curve	Avg of LIBOR curve
<b>UVMC</b>						
August 2001	85.75% of LIBOR	85.75% of LIBOR	SIFMA	SIFMA	Avg of LIBOR curve	Avg of LIBOR curve

<sup>(1)</sup> Receiving/paying rate is 67% of LIBOR plus a spread of 0.6395%

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

The discounted cash flow analysis reflects the contractual terms of the interest rate swap agreement, including the period to maturity, and uses observed market-based inputs, including interest rate curves and implied volatilities. Valuation adjustments are required to be considered in the determination of fair value. This includes amounts to reflect counterparty credit quality and liquidity risk. Although MAHS and AHS have determined that certain inputs used to value their interest rate swap agreements fall within Level 2 of the fair value hierarchy, certain inputs and the credit valuation adjustment associated with the interest rate swap agreements utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by MAHS, AHS, or the counterparty. As a result, MAHS and AHS have determined that their interest rate swap agreements in their entirety are classified in Level 3 of the fair value hierarchy. UVMC entered into a basis swap agreement in 2001 as part of its risk management strategy. SHP entered into four interest rate swap agreements as part of its risk management strategy. The fair value of these swaps is calculated based on LIBOR and is considered a Level 2 measure.

These swaps are included in the interest rate swap asset or liability on the combined balance sheets.

#### Level 3 Liabilities

The following table represents the changes in fair value of PHP's Level 3 liabilities for the years ended December 31, 2013 and 2012.

	2013 MAHS Interest Rate Swap Liability	2013 AHS Interest Rate Swap Liability	2012 MAHS Interest Rate Swap Liability	2012 AHS Interest Rate Swap Liability
	<i>(Dollars in Thousands)</i>			
Balance at January 1 (liability)	\$ (25,000)	\$ (19,440)	\$ (27,175)	\$ (20,578)
Issuances	—	—	(1,209)	—
Settlements	—	—	—	—
Collateral requirements	—	(1,190)	—	30
Total unrealized losses and adjustments included in net income				
Mark-to-market adjustment	23,747	14,607	4,664	1,762
Credit valuation adjustment	(2,906)	(1,985)	(1,280)	(654)
Balance at December 31 (liability)	\$ (4,159)	\$ (8,008)	\$ (25,000)	\$ (19,440)

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

All realized and unrealized gains (losses) on interest rate swap agreements, including payments due to and from a counterparty, are presented net and included in the combined statements of operations and changes in net assets as nonoperating gains, net

#### E. Property and Equipment

The composition of property and equipment is as follows

	<b>Average Life</b>	<b>December 31 2013</b>	<b>2012</b>
<i>(Dollars in Thousands)</i>			
Land		\$ 63,611	\$ 63,349
Land improvements	8–10 years	34,389	33,282
Buildings	25–40 years	1,241,999	1,201,210
Equipment	3–5 years	918,077	930,942
Capital lease		37,529	33,066
Construction-in-process		51,481	84,968
		<u>2,347,086</u>	<u>2,346,817</u>
Less allowances for depreciation		1,162,978	1,118,717
Property and equipment, net		<u>\$ 1,184,108</u>	<u>\$ 1,228,100</u>

PHP had construction commitments of \$3.7 million and \$35.9 million outstanding at December 31, 2013 and 2012, respectively

Capitalized computer software development costs of \$94.2 million and \$93.2 million at December 31, 2013 and 2012, respectively, related to a clinical information system and enterprise resource planning software implementations are included in equipment. The related amortization included in depreciation expense in the combined statements of operations and changes in net assets was \$8.9 million for the years ended December 31, 2013 and 2012.

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

During 2012, PHP and its Affiliates maintained professional liability coverage through a segregated account insurance company, Premier Health International Insurance Limited (PHIIL). PHIIL was formed to provide professional liability, general, directors and officers, and employment insurance coverage to the Affiliates. The liability represents the estimated ultimate cost of all asserted and unasserted claims incurred through the consolidated balance sheet date. The reserve for unpaid losses and loss adjustment expenses is estimated using individual case-based valuations, statistical analyses, and the expertise of an independent actuary. The professional liability, general liability, directors and officers, and employment insurance coverage accrual of \$41.3 million and \$52.4 million at December 31, 2013 and 2012, respectively, is included in reserve for professional liabilities in the combined balance sheets.

PHP recorded a decrease in insurance expense of approximately \$13.2 million and \$2.2 million in 2013 and 2012, respectively, related to changes in actuarial estimates reflecting lower claim activity, closed claims, tort reform, and other environmental factors and improved claim resolution history.

Effective January 1, 2013, the Board of Directors authorized the reorganization of PHIIL of transferring the assets and liabilities of segregated accounts MAHS, SHP, AHS, and UVMC (collectively the Shareholders of PHIIL) to PHIIL's general account as executed in the business transfer agreement and novation agreement with each segregated account. Upon transfer, the segregated accounts of each Shareholder were formally closed and the participation agreements terminated. PHIIL preserved the registration of PHIIL under the Segregated Accounts Company Act to preserve the flexibility to establish new segregated accounts in future periods. Each of the Shareholders of PHIIL has a represented interest of 25%.

# Premier Health Partners and Affiliates

## Notes to Combined Financial Statements (continued)

### G. Long-Term Debt

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

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
	<i>(Dollars in Thousands)</i>	
<b>MAHS</b>		
County of Montgomery, Ohio, Variable Rate Revenue Bonds – 2012 Series A, final maturity in 2039, average interest rate was 1.05% in 2013	\$ 78,135	\$ 80,000
County of Montgomery, Ohio, Variable Rate Revenue Bonds – 2012 Series B, final maturity in 2039, average interest rate was 1.12% in 2013	47,505	48,640
County of Montgomery, Ohio, Fixed Rate Revenue Bonds – 2011 Series A, final maturity in 2023, fixed interest rate was 5.56% and 5.52% in 2013 and 2012, respectively (net of unamortized premium \$4,767 and \$5,376, respectively)	103,437	104,791
County of Montgomery, Ohio, Variable Rate Revenue Bonds – 2011 Series B, final maturity in 2045, average interest rate was 0.08% and 0.14% in 2013 and 2012, respectively	42,500	42,500
County of Montgomery, Ohio, Variable Rate Revenue Bonds – 2011 Series C, final maturity in 2045, average interest rate was 0.07% and 0.12% in 2013 and 2012, respectively	42,500	42,500
County of Montgomery, Ohio, Fixed Rate Revenue Bonds – 2009 Series B, final maturity in 2039, fixed interest rate was 5.25% in 2013 and 2012	15,000	15,000
County of Montgomery, Ohio, Fixed Rate Revenue Bonds – 2008 Series A, final maturity in 2022, fixed interest rate was 5.80% and 5.70% in 2013 and 2012, respectively (net of unamortized discount \$143 and \$154, respectively)	38,977	41,151
County of Montgomery, Ohio, Variable Rate Revenue Bonds – 2008 Series B, final maturity in 2039, average interest rate was 0.08% and 0.14% in 2013 and 2012, respectively	28,830	28,830
County of Montgomery, Ohio, Variable Rate Revenue Bonds – 2008 Series C, final maturity in 2039, average interest rate was 0.07% and 0.12% in 2013 and 2012, respectively	27,000	27,000
Various notes payable, fixed interest rates ranging from 0% to 4.084%	26,771	18,570
Capitalized lease obligations	6,661	5,281
Total MAHS debt, including current portion	<b>457,316</b>	<b>454,263</b>

# Premier Health Partners and Affiliates

## Notes to Combined Financial Statements (continued)

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

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
	<i>(Dollars in Thousands)</i>	
<b>SHP</b>		
County of Montgomery, Ohio, Variable Rate Revenue Bonds – 2010 Series A, final maturity in 2014, average interest rate was 1.46% in 2013 and 2012	\$ 2,526	\$ 5,053
Note payable to CHI – 2005	80,397	83,360
Note payable to CHI – 2000	24,653	28,105
Note payable	4,339	625
Capitalized lease obligations	2,971	2,648
Total SHP debt, including current portion and short term	<b>114,886</b>	<b>119,791</b>
<b>AHS</b>		
City of Middletown, Ohio, Variable Rate Revenue Bonds – 2008 Series A, final maturity in 2039, average interest rate was 0.15% and 0.17% for 2013 and 2012, respectively	48,125	49,425
City of Middletown, Ohio, Variable Rate Revenue Bonds – 2008 Series B, final maturity in 2039, average interest rate was 0.15% and 0.17% for 2013 and 2012, respectively	47,825	49,075
City of Middletown, Ohio, Variable Rate Revenue Bonds – 2010 Series A, final maturity in 2045, average interest rate was 3.46% and 3.42% for 2013 and 2012, respectively	86,000	86,000
Note payable	2,659	–
Capitalized lease obligations	19,145	18,921
Total AHS debt, including current portion	<b>203,754</b>	<b>203,421</b>

# Premier Health Partners and Affiliates

## Notes to Combined Financial Statements (continued)

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

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
	<i>(Dollars in Thousands)</i>	
<b>UVMC</b>		
Obligation associated with Hospital Facilities Revenue Refunding and Improvement Bonds of Miami County, Ohio, Series 2006, interest rate was 5.25% for 2013 and 2012 (includes unamortized bond premium of \$0.64 million and \$0.73 million, respectively)	\$ 46,575	\$ 48,889
Note payable	1,662	—
Capitalized lease obligations	1,006	696
Total UVMC debt, including current portion	49,243	49,585
Total PHP debt, including current portion and short term	825,199	827,060
Less current portion of debt		
MAHS	10,200	8,240
SHP	12,018	10,326
AHS	4,687	3,531
UVMC	3,274	2,545
Total current portion of debt	30,179	24,642
Less short-term debt		
SHP – 2010 Series A obligations, classified as current	—	2,526
Total short-term debt	—	2,526
Total PHP long-term debt	\$ 795,020	\$ 799,892

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

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

Maturities of long-term debt and capitalized leases for the five years succeeding December 31, 2013, and thereafter are

	MAHS	SHP	AHS	UVMC	Combined PHP
	<i>(Dollars in Thousands)</i>				
Bonds and notes payable					
2014	\$ 8,221	\$ 11,148	\$ 3,700	\$ 3,022	\$ 26,091
2015	7,797	8,187	3,342	2,902	22,228
2016	12,219	8,765	3,617	3,168	27,769
2017	5,795	7,798	2,650	2,750	18,993
2018	6,110	8,187	2,750	2,895	19,942
Thereafter	405,890	67,831	168,550	32,860	675,131
Minimum payments on bonds and notes payable before premiums	446,032	111,916	184,609	47,597	790,154
Net premiums	4,624	—	—	640	5,264
Minimum payments on bonds and notes payable	<u>\$ 450,656</u>	<u>\$ 111,916</u>	<u>\$ 184,609</u>	<u>\$ 48,237</u>	<u>\$ 795,418</u>
Capital leases					
2014	\$ 2,221	\$ 972	\$ 2,948	\$ 284	\$ 6,425
2015	1,780	781	2,927	220	5,708
2016	2,607	1,190	3,233	480	7,510
2017	423	195	2,602	80	3,300
2018	45	22	2,534	9	2,610
Thereafter	—	—	37,851	—	37,851
Minimum capital lease payments including interest	7,076	3,160	52,095	1,073	63,404
Less interest	416	190	32,950	67	33,623
Minimum payments on capital leases	6,660	2,970	19,145	1,006	29,781
Total minimum payments	457,316	114,886	203,754	49,243	825,199
Less current portion	10,200	12,018	4,687	3,274	30,179
	<u>\$ 447,116</u>	<u>\$ 102,868</u>	<u>\$ 199,067</u>	<u>\$ 45,969</u>	<u>\$ 795,020</u>



## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

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

In November 2012, MAHS issued \$80.0 million of County of Montgomery, Ohio, Revenue Bonds, Series 2012A and \$48.6 million of County of Montgomery, Ohio, Revenue Bonds Series 2012B variable rate bonds. The proceeds from the 2012 bonds of \$128.3 million were used to extinguish the County of Montgomery, Ohio, fixed rate 2009 Series A revenue bonds and were placed in an irrevocable trust to pay principal and interest to call the bonds in November 2014. As part of this transaction, MAHS realized an \$18.0 million loss on extinguishment of debt, recorded in nonoperating gains or losses. Each series of bonds was issued under the terms of a separate bond trust indenture December 1, 2012, between MAHS, MVH, and the Bank of New York Mellon Trust Company (the Bond Trustee).

On April 26, 2011, MVH issued \$100.0 million of 2011A Hospital Facilities Revenue Bonds by the County of Montgomery, Ohio, with a fixed rate of 5.56% with a final maturity of 2023. Interest payments are due on May 15 and November 15 each year.

On April 26, 2011, MVH issued \$42.5 million of County of Montgomery, Ohio, Revenue Bonds, Series 2011B and \$42.5 million of County of Montgomery, Ohio, Revenue Bonds Series 2011C variable rate bonds (the Bonds). Each series of Bonds are issued and secured under the terms of a separate bond trust indenture dated as of April 1, 2011, between MVH and the Bond Trustee. The Bonds are payable from and are secured by rental payments to be made by MVH under the Sublease Agreement. Concurrently with the issuance of the Bonds, MAHS, MVH, JPMorgan Chase Bank, National Association (the Bank), and the Bond Trustee entered into a standby bond purchase agreement dated April 1, 2011 (the Series 2011 B Initial Liquidity Facility Agreement and the Series 2011C Initial Liquidity Facility Agreement) relating to the Series 2011B Bonds and Series 2011C Bonds, which agreements are substantially identical. Under the terms of each Initial Liquidity Facility Agreement, the Bank will agree, under certain circumstances, to purchase the related series of the Bonds that are tendered for purchase (Tendered Bonds) in the event such Tendered Bonds are not remarketed by Barclays Capital Inc. (Barclay), as remarketing agent for the Series 2011 B Bonds, or Wells Fargo Bank, National Association (Wells Fargo), as remarketing agent for the Series 2011C Bonds, in each case for which remarketing proceeds are not available. Prior to the date of this report, management replaced JP Morgan Chase with a liquidity facility from Barclays Bank, PLC to provide liquidity for the Series 2011B and C Bonds expiring on February 26, 2016, and February 27, 2017, respectively.

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

The bonds were issued initially in daily mode (Mode) but may be converted in whole or at the option of MVH to other Modes. At any given time, each series of the Bonds may operate in a different interest rate Mode from the other series of Bonds.

The 2008B and C Hospital Facilities Revenue Bonds with a variable rate and final maturity in 2039 are the remaining bonds from the November 2008 issuance by MVH through the County of Montgomery, Ohio. Interest payments are due monthly. The Standby Bond Purchase Agreements with Barclays Bank PLC for the 2008B Bonds expire on March 1, 2017 and with Wells Fargo Bank for the 2008C Bonds expire on January 31, 2017.

The 2009B Hospital Facilities Revenue Bonds with a fixed rate of 5.25% and final maturity in 2039 are the remaining bonds from the February 2009 issuance by MVH through the County of Montgomery, Ohio. Interest payments are due May 15 and November 15 each year.

The 2008A Hospital Facilities Revenue Bonds with a fixed rate of 5.80% and final maturity in 2022 are the remaining bonds from the November 2008 issuance by MVH through the County of Montgomery, Ohio. Interest payments are due May 15 and November 15 each year.

MAHS and MVH are the obligated issuers of the 2008, 2009, 2011, and 2012 MAHS bonds, which are secured by a gross revenue pledge.

The 2008, 2009, 2011, and 2012 bond agreements included certain restrictive covenants, which include, among other things, minimum requirements for leverage ratio, cash, and revenue available for debt service. At December 31, 2013 and 2012, MAHS was in compliance with its financial debt covenants.

During 2013 and 2012, MAHS interest paid was \$10.2 million and \$15.2 million, respectively.

During 2013 and 2012, MAHS capitalized interest costs of \$0.05 million and \$2.8 million, respectively.

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

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

SHP participates in a unified CHI credit governed under a capital obligation document (COD). Under the COD, CHI is the sole obligor on all debt. Bondholder security resides both in the unsecured promise by CHI to pay its obligations and in its control of direct affiliates. Covenants include a minimum CHI debt coverage ratio and certain limitations on secured debt. SHP, as a direct affiliate of CHI, is defined as a Participant under the COD and has agreed to certain covenants related to corporate existence, maintenance of insurance, and exempt use of bond-financed facilities. Debt under the COD is evidenced by promissory notes between SHP and CHI, which include monthly installments at a variable rate of interest and may be repaid in advance without penalty. SHP is only responsible for debt evidenced under the executed promissory notes as of December 31, 2013 and 2012.

Under the credit structure, all CHI facilities are to share equally in a blended cost of capital interest rate to be calculated quarterly and adjusted annually at June 30 by the CHI National Treasury staff. The same blended rate of interest applied to all CHI notes was 4.75% for calendar years 2013 and 2012.

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

In December 2010, the County of Montgomery, Ohio, (the County) issued \$10.1 million of Hospital Facilities Revenue Bonds, Series 2010 for the benefit of GSH. The variable interest rate will adjust each month and will be equal to the tax-exempt rate of 0.25% plus 65% of the sum of one month's LIBOR plus 2.0%. Interest payments are due each month, and principal payments are due in equal quarterly installments beginning on January 1, 2011, and continuing to maturity date of October 1, 2014. The bond proceeds were used to refinance certain outstanding taxable loans and equipment leases that were owned and operated by a PHP joint venture that ended in June 2010 and assigned to GSH.

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

As security for the Series 2010 Bonds, GSH entered into a lease with the County for the machinery, equipment, and fixtures owned or hereafter acquired by GSH. The County subleased the equipment and fixtures back to GSH under a separate sublease agreement. The lease agreement lasts as long as the bonds remain outstanding. Under this sublease, GSH will make payments of rent in amounts that, in the aggregate, will be sufficient to pay the principal and interest of the Series 2010 Bonds. The sublease requires GSH to pay all maintenance and insurance costs. In addition, the sublease requires GSH maintain a minimum debt service coverage ratio, which was met at December 31, 2013 and 2012. The total amount outstanding on the Series 2010 Bonds at December 31, 2012 was \$2.5 million. The Series 2010 Bonds are not secured by a credit facility, and the bondholders can put the bonds back to SHP resulting in SHP utilizing its existing liquidity to purchase these bonds. At December 31, 2013, these bonds are classified as current obligations. The carrying amount of the Series 2010 Bonds approximates fair value.

During 2013 and 2012, interest paid was \$5.2 million and \$5.7 million, respectively.

#### **Atrium Health System**

AHS and AMC are the obligated issuers of the 2008 and 2010 bonds, which are secured by a gross revenue pledge. Under the terms of the master indenture, substantially all of the Atrium Medical Center Obligated Group's property, buildings, and equipment are leased from the City of Middletown, Ohio, the governmental issuer of all outstanding bonds. Members of the Atrium Medical Center Obligated Group are jointly and severally liable on outstanding tax-exempt bonds. The total amount outstanding under the master indenture was \$182.0 million and \$184.5 million at December 31, 2013 and 2012, respectively.

In November 2010, Atrium Medical Center Obligated Group issued its City of Middletown, Ohio, Hospital Facilities Revenue Bonds, Series 2010, in the amount of \$86.0 million. The 2010 Bonds were used to call and extinguish the City of Middletown, Ohio, Hospital Facilities Revenue Bonds, Series 2006A, in the amount of \$85.0 million (2006 Series A Bonds).

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

The 2010 Series Bonds are guaranteed by MAHS through an agreement with Wells Fargo Bank, N A (WFB). This agreement was initiated during 2010 and irrevocably and unconditionally guarantees to WFB by MAHS (1) the full payment of the principal and premium, if any, (2) the full payment of interest, and (3) the full payment of the purchase price of the 2010 Bonds that are tendered for purchase in accordance with the mandatory purchase provisions of the 2010 Bonds. As part of this agreement, AHS will pay 70% of LIBOR plus 3 25% to WFB. In turn, WFB will pay MAHS as guarantor a fee of 2 35% each month on the interest payment date. MAHS will receive an annual fee of \$2 0 million from WFB for the guarantee, which is effective through November 1, 2015. The 2010 Series Bonds are subject to optional redemption. The final maturity date of the 2010 Bonds is November 15, 2045. The maximum potential of future payments under the guarantee is \$214 0 million through 2045.

In November 2008, Atrium Medical Center Obligated Group issued its City of Middletown, Ohio, Hospital Facilities Revenue Bonds, Series 2008A and 2008B, in the amount of \$111 0 million (2008 Bonds). The 2008 Bonds were used to call and extinguish the Middletown Regional Hospital Obligated Group issued City of Middletown, Ohio, Hospital Facilities Revenue Bonds, Series 2007A and 2007B bonds.

On March 12, 2014, AMC entered into an agreement with Barclays Capital Inc (Barclays) to act as a remarketing agent for the Series 2008 A and B Bonds. In connection with this agreement and in order to enhance the marketability of these bonds, AMC secured these bonds with Letters of Credit issued by PNC Bank that will expire on March 12, 2019. In the event the bonds cannot be remarketed in accordance with the remarketing agreement, PNC Bank will purchase the related 2008 Bonds on behalf of AMC. AMC entered into a Reimbursement Agreement dated March 12, 2014 secured by a Promissory Note (AMC Obligation No. 15) to reimburse PNC Bank for any purchases of these bonds made on behalf of AMC. As further security for the payments due under the Reimbursement Agreement, MVH and MAHS (The Guarantors) have executed and delivered a Guaranty Agreement dated as of March 12, 2014 (the Guaranty Agreement) in favor of PNC Bank. In connection with the Guaranty Agreement, MAHS will issue a Direct Note Obligation, Series 2014A (the Guaranty Obligation). Under the Guaranty Obligation, The Guarantors have agreed to make payment, upon demand, of principal and interest on the 2008 Bonds and to reimburse PNC Bank for all amounts PNC Bank is required to pay under the Letters of Credit. The maximum potential for future payments under the guarantee is \$170 0 million through 2039.

During 2013 and 2012, AHS interest paid was \$5 5 million and \$6 1 million, respectively.

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

##### **UVMC**

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

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

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

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

The master trust indenture specifies various financial requirements and limitations with which the Medical Center must comply. These requirements place limitations on additions and disposals of assets and future indebtedness and specify a minimum relationship between revenues and debt service funding in any year. At December 31, 2013 and 2012, UVMC was in compliance with its financial debt covenants.

Total interest paid was \$2.5 million and \$2.6 million in 2013 and 2012, respectively.

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### **H. New Market Tax Program**

On May 15, 2012, MedAmerica Health Systems Corporation (MAHSC) and Miami Valley Hospital entered into a financing arrangement, within the guidelines of the Internal Revenue Service's New Market Tax Program, to fund a capital project. The arrangement called for the creation of a new limited liability company (Premier Plaza LLC). In addition, MAHS and a third-party investor were required to loan \$12.5 million and \$5.2 million, respectively, to a group of qualified community development entities (CDEs) through an investment fund. These CDEs subsequently loaned \$17.7 million back to Premier Plaza LLC for purposes of funding the capital project through four notes with interest rates ranging from 1.0% to 4.1% and 20-year terms.

Payment on the notes is guaranteed by MVH in the event of default. The loans are also secured by a collateral security interest in the future stream of lease rental payments to be received by Premier Plaza LLC.

#### **I. Pension Plan**

Effective January 1, 2013, PHP merged its defined benefit plans for MedAmerica Health Systems Corporation Employees Retirement Plan (MAHS Plan), Atrium Health System Cash Balance Plan (AHS Plan), and Upper Valley Medical Center Retirement Plan (UVMC Plan) into a single defined benefit plan, The Premier Health Partners Employees Retirement Plan (PHP Plan). The Retirement Income Plan of Good Samaritan Hospital (SHP Plan) was frozen, which means the participants will maintain the benefits accrued to date but will no longer accrue any benefits in this plan going forward. The participants from the SHP Plan will begin to participate in the PHP Plan going forward while maintaining the benefits accrued under the frozen plan.

Participants of the PHP Plan will earn benefits using formulas that existed under the defined benefit plans for MAHS Plan, SHP Plan, AHS Plan, and UVMC Plan for employees hired before January 1, 2008. The formulas for MAHS Plan, SHP Plan, AHS Plan, and UVMC Plan are primarily based on the total of retirement income and/or service credits calculated using various percentages of annual earnings depending on the year of employment. Individuals participating under these formulas are 100% vested in all amounts credited to their accounts upon the completion of five vesting years as defined by the PHP Plan.

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

Individuals hired after January 1, 2008, will earn benefits based on a percentage of compensation and with escalating percentages related to years of service. Individuals earning benefits under this formula shall become 100% vested in all amounts credited to their accounts upon completion of three vesting years, as defined in the PHP Plan. If a participant's employment is terminated, other than by death or disability, prior to such participant becoming 100% vested in his or her account, the account shall be forfeited as of the date of termination. Vested benefits for individuals hired after January 1, 2008, are fully portable upon termination of employment.

PHP's funding policy is to contribute amounts to the PHP Plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974 (ERISA). PHP recognizes in the combined balance sheets the funded status of its defined benefit pension plans, measured as the difference between the fair value of plan assets and the projected benefit obligation. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic cost in the same periods will be recognized as a component of unrestricted net assets.



# Premier Health Partners and Affiliates

## Notes to Combined Financial Statements (continued)

### I. Pension Plan (continued)

The following is a summary of the components of the change in benefit obligation and plan assets for the PHP Plan and SHP Plan as of December 31, 2013

	<b>PHP Plan</b>	<b>SHP Plan</b>	<b>Combined PHP</b>
	<i>(Dollars in Thousands)</i>		
Accumulated benefit obligation	<b>\$ 486,907</b>	<b>\$ 110,656</b>	<b>\$ 597,563</b>
<b>Change in projected benefit obligation</b>			
Projected benefit obligation at beginning of year	<b>\$ 585,153</b>	<b>\$ 125,860</b>	<b>\$ 711,013</b>
Service cost	<b>27,861</b>	<b>255</b>	<b>28,116</b>
Settlements	<b>—</b>	<b>(5,841)</b>	<b>(5,841)</b>
Interest cost	<b>25,161</b>	<b>4,531</b>	<b>29,692</b>
Actuarial gains	<b>(79,842)</b>	<b>(12,711)</b>	<b>(92,553)</b>
Benefits paid	<b>(23,606)</b>	<b>(1,438)</b>	<b>(25,044)</b>
Other	<b>1,891</b>	<b>—</b>	<b>1,891</b>
Projected benefit obligation at end of year	<b>536,618</b>	<b>110,656</b>	<b>647,274</b>
<b>Change in plan assets</b>			
Fair value of plan assets at beginning of year	<b>379,891</b>	<b>126,762</b>	<b>506,653</b>
Actual return on plan assets	<b>43,310</b>	<b>17,847</b>	<b>61,157</b>
Contributions	<b>6,947</b>	<b>—</b>	<b>6,947</b>
Settlements	<b>—</b>	<b>(5,704)</b>	<b>(5,704)</b>
Benefits paid	<b>(23,606)</b>	<b>(1,438)</b>	<b>(25,044)</b>
Fair value of plan assets at end of year	<b>406,542</b>	<b>137,467</b>	<b>544,009</b>
Funded status and net pension asset	<b>\$ —</b>	<b>\$ 26,811</b>	<b>\$ 26,811</b>
Funded status and net pension liability	<b>\$ (130,076)</b>	<b>\$ —</b>	<b>\$ (130,076)</b>

The projected benefit obligation at beginning of year and fair value of plan assets at beginning of year for the PHP Plan includes the transfer in of the MAHS Plan, AHS Plan, and UVMC Plan

# Premier Health Partners and Affiliates

## Notes to Combined Financial Statements (continued)

### I. Pension Plan (continued)

The following table sets forth the funded status of PHP's pension plans and the amounts recognized in the combined balance sheet for the year ended December 31, 2012

	MAHS	SHP	AHS	UVMC	Combined PHP
	<i>(Dollars in Thousands)</i>				
Accumulated benefit obligation	\$ 398,872	\$ 125,860	\$ 33,376	\$ 83,806	\$ 641,914
<b>Change in projected benefit obligation</b>					
Projected benefit obligation at beginning of year	\$ 380,990	\$ 120,075	\$ 32,607	\$ 88,742	\$ 622,414
Service cost	13,238	6,224	2,204	1,317	22,983
Curtailments	—	(12,894)	—	—	(12,894)
Administrative fees	—	(241)	—	—	(241)
Interest cost	19,536	5,013	1,366	3,713	29,628
Actuarial losses (gains)	57,955	12,795	1,579	(1,081)	71,248
Benefits paid	(11,596)	(5,112)	(2,591)	(2,826)	(22,125)
Projected benefit obligation at end of year	460,123	125,860	35,165	89,865	711,013
<b>Change in plan assets</b>					
Fair value of plan assets at beginning of year	234,366	116,411	28,129	55,551	434,457
Actual return on plan assets	25,200	15,703	2,631	7,718	51,252
Contributions	35,607	—	3,402	4,300	43,309
Benefits paid	(11,596)	(5,112)	(2,591)	(2,826)	(22,125)
Administrative expenses	—	(240)	—	—	(240)
Fair value of plan assets at end of year	283,577	126,762	31,571	64,743	506,653
Funded status and net pension asset	\$ —	\$ 902	\$ —	\$ —	\$ 902
Funded status and net pension liability	\$ 176,546	\$ —	\$ 3,594	\$ 25,122	\$ 205,262

# Premier Health Partners and Affiliates

## Notes to Combined Financial Statements (continued)

### I. Pension Plan (continued)

Included in unrestricted net assets are the following amounts that have not yet been recognized in net periodic pension expense as of December 31, 2013

	<b>PHP Plan</b>	<b>SHP Plan</b>	<b>Combined PHP</b>
	<i>(Dollars in Thousands)</i>		
Net prior service cost	\$ (2,626)	\$ —	\$ (2,626)
Net actuarial loss	(110,262)	(16,599)	(126,861)
	<u>\$ (112,888)</u>	<u>\$ (16,599)</u>	<u>\$ (129,487)</u>

Net actuarial loss is amortized as a component of net periodic pension cost, only if the losses exceed 10% of the greater of the projected benefit obligation or the fair value of plan assets. Net prior service cost is amortized on a straight line-basis over the estimated life of the PHP Plan and SHP Plan's participants. The net prior service cost and net actuarial loss included in unrestricted net assets that is expected to be recognized in net periodic pension expense during the year ended December 31, 2014, are \$0.9 million and \$6.0 million, respectively, for the combined PHP Plans.

Included in unrestricted net assets are the following amounts that have not yet been recognized in net periodic pension expense as of December 31, 2012

	<b>MAHS</b>	<b>SHP</b>	<b>AHS</b>	<b>UVMC</b>	<b>Combined PHP</b>
	<i>(Dollars in Thousands)</i>				
Net prior service cost	\$ (954)	\$ —	\$ (609)	\$ (3)	\$ (1,566)
Net actuarial loss	(181,048)	(40,489)	(13,725)	(27,748)	(263,010)
	<u>\$ (182,002)</u>	<u>\$ (40,489)</u>	<u>\$ (14,334)</u>	<u>\$ (27,751)</u>	<u>\$ (264,576)</u>

# Premier Health Partners and Affiliates

## Notes to Combined Financial Statements (continued)

### I. Pension Plan (continued)

The following amounts related to pension benefit activity have been recognized as an increase in unrestricted net assets for the year ended December 31, 2013

	<b>PHP Plan</b>	<b>SHP Plan</b>	<b>Combined PHP</b>
	<i>(Dollars in Thousands)</i>		
Net actuarial gain	\$ 96,038	\$ 22,066	\$ 118,104
Amortization of actuarial loss	16,221	1,824	18,045
Amortization of prior service cost	831	—	831
Other	(1,891)	—	(1,891)
	<u>\$ 111,199</u>	<u>\$ 23,890</u>	<u>\$ 135,089</u>

The following amounts related to pension benefit activity have been recognized as a decrease in unrestricted net assets for the year ended December 31, 2012

	<b>MAHS</b>	<b>SHP</b>	<b>AHS</b>	<b>UVMC</b>	<b>Combined PHP</b>
	<i>(Dollars in Thousands)</i>				
Net actuarial loss gain	\$ (52,643)	\$ 7,658	\$ (1,109)	\$ 4,765	\$ (41,329)
Amortization of					
actuarial loss	6,684	3,391	1,141	3,240	14,456
Prior service credit (cost)	3,117	(63)	(200)	(3)	2,851
Amortization of prior					
service cost	564	18	167	—	749
	<u>\$ (42,278)</u>	<u>\$ 11,004</u>	<u>\$ (1)</u>	<u>\$ 8,002</u>	<u>\$ (23,273)</u>

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**I. Pension Plan (continued)**

Net pension expense (income) for the year ended December 31, 2013, included the following components

	<b>PHP Plan</b>	<b>SHP Plan</b>	<b>Combined PHP</b>
	<i>(Dollars in Thousands)</i>		
Service cost	\$ 27,861	\$ 255	\$ 28,116
Interest cost	25,161	4,531	29,692
Expected return on assets	(27,114)	(8,630)	(35,744)
Amortization of unrecognized prior service cost	831	—	831
Amortization of unrecognized net loss	16,221	1,824	18,045
Net pension expense (income)	<u>\$ 42,960</u>	<u>\$ (2,020)</u>	<u>\$ 40,940</u>

Net pension expense for the year ended December 31, 2012, included the following components

	<b>MAHS</b>	<b>SHP</b>	<b>AHS</b>	<b>UVMC</b>	<b>Combined PHP</b>
	<i>(Dollars in Thousands)</i>				
Service cost	\$ 17,449	\$ 6,224	\$ 2,005	\$ 1,312	\$ 26,990
Interest cost	19,536	5,013	1,366	3,713	29,628
Expected return on assets	(20,395)	(8,646)	(2,161)	(4,034)	(35,236)
Curtailment loss	—	63	—	—	63
Amortization of unrecognized prior service cost	564	17	167	1	749
Amortization of unrecognized net loss	6,474	3,391	1,141	3,240	14,246
Net pension expense	<u>\$ 23,628</u>	<u>\$ 6,062</u>	<u>\$ 2,518</u>	<u>\$ 4,232</u>	<u>\$ 36,440</u>

# Premier Health Partners and Affiliates

## Notes to Combined Financial Statements (continued)

### I. Pension Plan (continued)

Weighted-average assumptions for the year ended December 31, 2013, to determine the 2013 benefit obligation are as follows

	<b>PHP Plan</b>	<b>SHP Plan</b>
Discount rate at December 31, 2013	<b>5.18%</b>	<b>4.52%</b>
Average salary increase rate		
Employees retirement plan – through 2013	<b>3.00</b>	<b>NA</b>
Employees retirement plan – thereafter	<b>3.00</b>	<b>NA</b>

Weighted-average assumptions for the year ended December 31, 2012, to determine the 2012 benefit obligation are as follows

	<b>MAHS</b>	<b>SHP</b>	<b>AHS</b>	<b>UVMC</b>
Discount rate at December 31, 2012	4.40%	3.51%	4.40%	4.40%
Average salary increase rate				
Employees retirement plan – through 2012	3.00	2.50	3.00	4.00
Employees retirement plan – thereafter	3.00	3.00	3.00	4.00

Weighted-average assumptions for the year ended December 31, 2013, to determine the 2013 net periodic benefit expense are as follows

	<b>PHP Plan</b>	<b>SHP Plan</b>
Discount rate at December 31, 2013	<b>4.40%</b>	–
Long-term rate of return	<b>7.25</b>	–
Average salary increase rate		
Employees retirement plan – through 2013	<b>3.00</b>	–
Employees retirement plan – thereafter	<b>3.00</b>	–
Discount rate Jan–Jun 2013	–	<b>3.51%</b>
Discount rate Jul–Dec 2013	–	<b>4.28</b>
Long-term rate of return Jan–Dec 2013	–	<b>7.25</b>
Average salary increase rate		
Employees retirement plan – through 2013	–	<b>NA</b>
Employees retirement plan – thereafter	–	<b>NA</b>

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### I. Pension Plan (continued)

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

Weighted-average assumptions for the year ended December 31, 2012, to determine the 2012 net periodic benefit expense are as follows:

	MAHS	SHP	AHS	UVMC
Discount rate at December 31, 2012	5.18%	—	4.36%	4.19%
Long-term rate of return	7.25	—	7.25	7.00
Average salary increase rate				
Employees retirement plan – through 2012	3.00	—	2.50	4.00
Employees retirement plan – thereafter	3.00	—	3.00	4.00
Discount rate Jan–Jun 2012	—	4.46%	—	—
Discount rate Jul–Dec 2012	—	3.76	—	—
Long-term rate of return Jan–Jun 2012	—	7.25	—	—
Long-term rate of return Jul–Dec 2012	—	7.00	—	—
Average salary increase rate				
Employees retirement plan – through 2012	—	2.50	—	—
Employees retirement plan – thereafter	—	3.00	—	—

Projected benefit payments for the ten years succeeding December 31, 2013, are as follows:

	PHP Plan	SHP Plan
	<i>(Dollars in Thousands)</i>	
2014	\$ 17,997	\$ 6,362
2015	20,676	6,729
2016	22,441	6,959
2017	25,396	7,671
2018	30,764	7,183
2019–2023	186,852	36,486
	<u>\$ 304,126</u>	<u>\$ 71,390</u>

# Premier Health Partners and Affiliates

## Notes to Combined Financial Statements (continued)

### I. Pension Plan (continued)

PHP expects to make a contribution of \$58.0 million to its pension plan in 2014. SHP expects to make no contribution to its pension plan in 2014.

The fair values of the PHP Plan's assets at December 31, 2013, by asset category, are as follows:

Asset Category	Total	Fair Value Measurements <sup>(a)</sup>		
		(Level 1)	(Level 2)	(Level 3)
		Quoted	Other	
		Prices in Active	Observable	Unobserv able
		Markets	Inputs	Inputs
(Dollars in Thousands)				
Cash and short-term investments	\$ 10,230	\$ 10,230	\$ —	\$ —
Mutual funds				
Domestic large cap	60,278	29,109	31,169	—
Domestic small cap	29,302	29,302	—	—
International	65,722	22,668	43,054	—
Corporate and other bonds				
Corporate and other bonds	104,906	—	104,906	—
U S government securities				
U S government securities	3,569	—	3,569	—
Alternative investments				
Limited liability companies	43,294	—	43,294	—
Hedge funds	89,241	—	89,241	—
Total PHP Plan assets	\$ 406,542	\$ 91,309	\$ 315,233	\$ —

<sup>(a)</sup> There were no securities transferred between Levels 1, 2, or 3 during 2013.



Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**I. Pension Plan (continued)**

The fair values of the SHP Plan's assets at December 31, 2013, by asset category, are as follows

Asset Category	Total	Fair Value Measurements at Reporting Date Using			
		(Level 1)	(Level 2)	(Level 3)	
		Quoted Prices in Active Market	Other Observable Inputs	Unobservable Inputs	
		(Dollars in Thousands)			
CHI Investment Program	\$ 137,467	\$ –	\$ 137,467	\$ –	
Total SHP Plan’s assets	\$ 137,467	\$ –	\$ 137,467	\$ –	

The fair values of the MAHS Plan's assets at December 31, 2012, by asset category, are as follows

Asset Category	Total	Fair Value Measurements <sup>(a)</sup>			
		(Level 1)		(Level 2)	(Level 3)
		Quoted Prices in Active Markets	Other Observable Inputs	Unobservable Inputs	
<i>(Dollars in Thousands)</i>					
Cash and short-term investments	\$ 21.257	\$ 21.257	\$ —	\$ —	
Mutual funds					
Domestic large cap	14.213	—	14.213	—	
Domestic small cap	15.040	15.040	—	—	
International	20.213	20.213	—	—	
Corporate and other bonds					
Corporate and other bonds	69.578	—	69.578	—	
U S government securities					
U S government securities	4.268	—	4.268	—	
Alternative investments					
Limited liability companies	36.452	—	36.452	—	
Hedge funds	102.556	—	102.556	—	
Total MAHS Plan assets	\$ 283.577	\$ 56.510	\$ 227.067	\$ —	

<sup>(a)</sup> There were no securities transferred between Levels 1, 2, or 3 during 2012

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

**I. Pension Plan (continued)**

The fair values of the SHP Plan's assets at December 31, 2012, by asset category, are as follows

Asset Category	Total	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
		Quoted	Other	
		Prices in Active	Observable	Unobservable
		Market	Inputs	Inputs
(Dollars in Thousands)				
CHI Investment Program	\$ 126,762	\$ —	\$ 126,762	\$ —
Total SHP Plan’s assets	\$ 126,762	\$ —	\$ 126,762	\$ —

The fair values of the AHS Plan's assets at December 31, 2012, by asset category, are as follows

Asset Category	Total	Fair Value Measurements <sup>(a)</sup>			
		(Level 1)		(Level 2)	(Level 3)
		Quoted		Other	
		Prices in Active	Observable	Unobservable	
		Market	Inputs	Inputs	
(Dollars in Thousands)					
Cash and short-term investments	\$ 733	\$ 733	\$ —	\$ —	
Mutual funds					
Domestic large cap	1,495	1,495	—	—	
International	3,755	3,755	—	—	
Corporate and other bonds					
Corporate and other bonds	14,198	—	14,198	—	
U S government securities					
U S government securities	5,283	—	5,283	—	
Hedge funds	6,107	—	6,107	—	
Total AHS Plan's assets	\$ 31,571	\$ 5,983	\$ 25,588	\$ —	

<sup>(a)</sup> There were no securities transferred between Levels 1, 2, or 3 during 2012

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### I. Pension Plan (continued)

The fair values of the UVMC Plan's assets at December 31, 2012, by asset category, are as follows

Asset Category	Total	Fair Value Measurements <sup>(a)</sup>			
		(Level 1)	(Level 2)	(Level 3)	
		Quoted	Other		
		Prices in Active	Observable	Unobservable	
		Market	Inputs	Inputs	
(Dollars in Thousands)					
Cash and short-term investments	\$ 2,268	\$ 2,268	\$ —	\$ —	—
Mutual funds					
Domestic large cap	18,206	18,206	—	—	—
Domestic small cap	5,781	5,781	—	—	—
International	8,612	8,612	—	—	—
Fixed income	7,533	—	7,533	—	—
Emerging markets	3,099	3,099	—	—	—
Corporate and other bonds					
Corporate and other bonds	12,915	—	12,915	—	—
U S government securities					
U S government securities	3,299	—	3,299	—	—
U S government agencies	3,030	—	3,030	—	—
Total UVMC Plan's assets	\$ 64,743	\$ 37,966	\$ 26,777	\$ —	—

<sup>(a)</sup> There were no securities transferred between Levels 1, 2, or 3 during 2012

The PHP Plan assets are invested in a portfolio that provides for asset allocation strategies across equity markets domestically and internationally and debt markets in the United States. The portfolio's objective is to maximize total return, consisting of current income and capital appreciation, without assuming undue risk. Strategies are followed that 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.

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### I. Pension Plan (continued)

PHP invests in CTFs, which consist primarily of marketable equity securities, which are stated at fair value as determined by the administrator of the respective CTF, based on readily determinable fair values of the underlying securities. Mutual funds include certain CTFs with a combined fair value of \$74.2 million and \$14.2 million at December 31, 2013 and 2012, respectively.

PHP's pension plan target asset allocations by asset category are as follows:

	<b>December 31, 2013</b>
Asset category	
Equity securities	<b>58%</b>
Fixed Income	<b>27</b>
Alternatives	<b>10</b>
Real assets	<b>5</b>
	<b>100%</b>

	<b>December 31, 2012</b>		
	<b>MAHS</b>	<b>AHS</b>	<b>UVMC</b>
Asset category			
Equity securities	60%	60%	55%
Fixed Income	25	30	42
Alternatives	15	10	—
Cash	—	—	3
	100%	100%	100%

Fair value methodologies for cash and short-term investments, mutual funds, corporate and other bonds, and U.S. government securities sections included in Level 1 and Level 2 are consistent with the inputs described in Note D.

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### I. Pension Plan (continued)

Following is the summary of the inputs and valuation techniques as of December 31, 2013 and 2012, used for valuing Level 2 securities in the portfolio

Securities	Input	Valuation Technique
Corporate and other bonds	Broker/dealer	Market
U S government securities	Broker/dealer	Market
Mutual funds	NAV	Market
Limited liability companies	NAV	Market/income
Hedge funds	NAV	Market/income

Alternative investments, which consist of hedge funds and limited liability companies, are not necessarily readily marketable and may include short sales on securities and trading in future contracts, options, foreign currency contracts, other derivative instruments and private equity investments. However, management has determined that the NAV is an appropriate estimate of the fair value of these investments at December 31, 2013, based on the fact that the alternative investments are audited and accounted for at fair value by the administrators of the respective alternative investments. As PHP has the ability to redeem its investment in the respective alternative investment at the NAV with no significant restrictions on the redemption at the combined balance, PHP has categorized the alternative investment as a Level 2 measurement in the fair value hierarchy. If PHP does not have the ability to redeem the alternative investment at NAV due to significant restrictions, PHP will categorize the alternative as a Level 3 measurement in the fair value hierarchy.

PHP maintains diversification in its plan assets by allocating assets to various asset classes and market segments and retaining multiple professional investment firms with different philosophies, styles, and approaches. Accordingly, based on this diversification, management does not believe there are any concentrations of credit at the measurement date.

All of SHP's plan assets are invested in the CHI Plan Assets Investment Program (the CHI Plan Asset Program) that provides for asset allocation in strategies across equity and debt markets, both domestic and international, and alternative investments. Alternative investments consist of hedge funds, private equity funds, and real estate funds. 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 that increase or decrease

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### I. Pension Plan (continued)

investments in the equity and debt markets based upon the value of the stock and bond markets and the relative value of a wide variety of securities within these markets. Consideration is given to several variables, including productivity, inflation, global competitiveness, and risk.

SHP's plan assets are represented by pool units rather than specific securities. The CHI Plan Asset Program is not necessarily readily marketable and may include short sales on securities and trading in future contracts, options, foreign currency contracts, other derivative instruments, and private equity investments. However, management has determined that the NAV is an appropriate estimate of the fair value of these pooled units at December 31, 2013 and 2012, based on the underlying investment being recorded at fair value within the CHI Plan Asset Program. As SHP has the ability to redeem its pooled units with no adjustment at the measurement date and there are no significant restrictions on liquidating these investments, the investment is categorized as a Level 2 measurement in the fair value hierarchy considerations.

The inputs and valuation techniques, as of December 31, 2013 and 2012, used for valuing the pooled units is primarily NAV, which represents a market valuation approach.

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

Asset category	December 31	
	2013	2012
Equity securities	53%	53%
Debt securities	28	29
Hedge funds	7	6
Private equity	6	7
Real estate	6	5
	100%	100%

As of December 31, 2013, SHP believes that there is not a specific concentration of risk in the underlying pool. SHP does recognize that all investments are subject to market risks and that changes in the market may have a material effect on the plan assets.

Consideration is given to several variables, including productivity, inflation, global competitiveness, and risk. CHI's objective is to have 43% to 63% invested in equity securities, 15% to 35% invested in debt securities, and 13% to 33% invested in alternative investments.

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### J. Interest Rate Swaps

The following table summarizes the asset or liability positions of the interest rate swaps at December 31, 2013 and 2012

	MAHS	SHP	AHS	UVMC	PHP Combined
	<i>(Dollars in Thousands)</i>				
<b>December 31, 2013</b>					
Interest rate swap asset	\$ –	\$ –	\$ –	\$ 361	\$ 361
<b>December 31, 2013</b>					
Interest rate swap liability	\$ 4,159	\$ 1	\$ 8,008	\$ –	\$ 12,168
<b>December 31, 2012</b>					
Interest rate swap asset	\$ –	\$ –	\$ –	\$ 23	\$ 23
<b>December 31, 2012</b>					
Interest rate swap liability	\$ 25,000	\$ 35	\$ 19,440	\$ –	\$ 44,475

#### MedAmerica Health Systems

MAHS entered into two basis swap agreements in 2012 with notional amounts totaling \$128.6 million. The notional amount of these swaps decline annually and expire in November 2039. The interest rate swaps are designated as cash flow hedges wherein MAHS receives variable rate payments and are intended to limit the exposure of variability in expected future cash flows attributable to changes in short-term rates. MAHS receives 70% of one-month LIBOR and pays a fixed rate of 1.748% and 1.733%.

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

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

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

MAHS management has determined both the fix rate and basis rate swaps to be ineffective hedges. The cash flow impact and changes to the fair value of the interest rate swap agreements appear in the nonoperating gains, net line of the combined statements of operations and changes in net assets. MAHS recorded a loss of \$4.0 million and \$2.2 million for cash settlement, net expense as of December 31, 2013 and 2012, respectively. MAHS recorded nonoperating gains, net of \$21.0 million in 2013 and nonoperating gains, net of \$2.4 million in 2012 for change in fair value changes.

#### **Samaritan Health Partners**

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

The notional amounts of these swap agreements as of December 31, 2013 and 2012, totaled \$0.2 million and \$1.1 million, respectively. The notional amounts decline annually and expire through May 2014.

SHP management has determined the interest rate swap to be an ineffective hedge, and changes to the fair value of the interest rate swap have been recorded in the combined statements of operations and changes in net assets as nonoperating gains or losses. SHP recorded nonoperating gains of \$0.03 million in 2013 and \$0.08 million in 2012.

#### **Atrium Health System**

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



## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

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

The transaction allows AHS to swap a variable interest rate on up to \$80 million to a fixed rate of 3.12%. The cash flow impact of the interest rate swap agreement appears in the nonoperating gains or losses line of the combined statements of operations and changes in net assets and was \$2.9 million and \$3.0 million, net expense as of December 31, 2013 and 2012, respectively. In April 2001, pursuant to Supplemental Indenture Four of the Amended and Restated Master Trust Indenture dated October 1, 2006, the interest rate swap agreement was amended to increase the notional amount to \$110.0 million and classify the obligation as superior indebtedness.

AHS management has determined that the interest rate swap is an ineffective hedge, and changes to the fair value of the interest rate swap have been recorded in the combined statements of operations and changes in net assets as non-operating gains or losses. AHS recorded nonoperating gains of \$12.6 million and nonoperating losses of \$1.1 million in 2013 and 2012, respectively.

AHS is subject to collateral posting requirements. At December 31, 2013, no collateral was posted and at December 31, 2012 \$1.2 million of margin requirement and collateral was posted. At maturity November 15, 2039, this floating rate basis swap agreement will have a market value of zero.

#### **UVMC**

In August 2001, UVMC entered into a 15-year floating rate basis swap agreement. The original notional amount of this swap agreement was \$30.0 million. In August 2010, the agreement was amended to increase the notional amount to \$60.0 million. The cash flow impact of the interest rate swap agreement appears in the nonoperating gains or losses line in the combined statements of operations and changes in net assets. These amounts were immaterial for the years ended December 31, 2013 and 2012.

UVMC management has determined that the basis swap is an ineffective hedge, and changes to the fair value of the basis swap have been recorded in the combined statements of operations and changes in net assets as nonoperating gains or losses. UVMC recorded nonoperating gains of \$0.3 million and nonoperating losses of \$1.0 million in 2013 and 2012, respectively.

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### K. Nonoperating Gains, Net

Nonoperating gains, net are as follows

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
	<i>(Dollars in Thousands)</i>	
Interest income, net of investment fees	\$ 14,501	\$ 18,786
Realized gains on assets whose use is limited	48,752	35,764
Unrealized gains on assets whose use is limited	59,111	30,032
Unrealized gains on interest rate swaps	33,836	4,300
CHI assessment	(3,845)	(3,752)
Loss on extinguishment of debt	—	(18,035)
Other expenses	(20,987)	(13,720)
Nonoperating gains, net	<u>\$ 131,368</u>	<u>\$ 53,375</u>

#### L. Concentration of Credit Risk

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

	<b>MAHS</b>		<b>SHP</b>		<b>AHS</b>		<b>UVMC</b>	
	<b>December 31</b>		<b>December 31</b>		<b>December 31</b>		<b>December 31</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Medicare	27%	31%	45%	45%	38%	42%	36%	40%
Medicaid	15	12	11	9	12	11	12	12
Anthem	9	9	8	7	7	7	11	6
United HealthCare	4	6	5	4	5	4	6	6
Other third-party payors	15	15	9	11	10	12	10	11
Patient's responsibility	30	27	22	24	28	24	25	25
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

# Premier Health Partners and Affiliates

## Notes to Combined Financial Statements (continued)

### M. Goodwill and Intangible Assets, Net

Goodwill and intangible assets have been primarily generated from the acquisition of certain businesses, as well as the formation of certain joint ventures

The following table sets forth the related carrying values of goodwill and other intangibles as of December 31, 2012

	MAHS		SHP		AHS		Combined PHP	
	(Dollars in Thousands)							
Goodwill balance December 31, 2011	\$	23,809	\$	3,377	\$	822	\$	28,008
Goodwill acquired		470		—		—		470
Goodwill disposed		(83)		—		—		(83)
Goodwill balance December 31, 2012		24,196		3,377		822		28,395
Intangible carrying amount								
December 31, 2012		8,461		593		—		9,054
Intangible asset accumulated								
amortization		3,308		8		—		3,316
Net intangibles		5,153		585		—		5,738
Total goodwill and intangibles								
December 31, 2012	\$	29,349	\$	3,962	\$	822	\$	34,133

The following table sets forth the related carrying values of goodwill and other intangibles, as of December 31, 2013

	MAHS		SHP		AHS		Combined PHP	
	(Dollars in Thousands)							
Goodwill balance December 31, 2012	\$	24,196	\$	3,377	\$	822	\$	28,395
Goodwill disposed		(14,315)		—		—		(14,315)
Goodwill balance December 31, 2013		9,881		3,377		822		14,080
Intangible carrying amount December 31, 2013		7,690		28		—		7,718
Intangible asset accumulated amortization		4,296		16		—		4,312
Net intangibles		3,394		12		—		3,406
Total goodwill and intangibles December 31, 2013	\$	13,275	\$	3,389	\$	822	\$	17,486

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### M. Goodwill and Intangible Assets, Net (continued)

The following table sets forth the related amortization for the other intangible assets for the five years succeeding December 31, 2013

	MAHS	SHP	AHS	Combined PHP
	<i>(Dollars in Thousands)</i>			
2014	\$ 1,545	\$ 9	\$ —	\$ 1,554
2015	925	3	—	928
2016	575	—	—	575
2017	175	—	—	175
2018	64	—	—	64
Thereafter	110	—	—	110
Total	<u>\$ 3,394</u>	<u>\$ 12</u>	<u>\$ —</u>	<u>\$ 3,406</u>

Amortization expense for the years ended December 31, 2013 and 2012, was \$2.7 million and \$4.3 million, respectively

In March 2013, MVH sold a portion of its dialysis business for \$55.0 million. As a result of this sale, \$14.3 million of goodwill was written down and charged to discontinued operations as part of the gain on sale (see Note N).

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### N. Discontinued Operations

On March 1, 2013 PHP completed the sale of a portion of its dialysis business to an unrelated third party (Purchaser). PHP was paid \$55.5 million at the time of closing for substantially all of the assets of the sold entities and recorded a \$38.2 million gain in connection with the sale, which is reflected as a gain on discontinued operations in the combined statements of operations and changes in net assets.

Based on the sale of the identified components of the dialysis business and the criteria in ASC 205-20, *Discontinued Operations*, the results of operations for the identified components of the dialysis business for the years ended December 31, 2013 and 2012, have been classified as a single consolidated financial statement line within changes in net assets on the combined statements of operations and changes in net assets. The gain on discontinued operations excludes general corporate overhead allocations. The following is a summary of the components of gain on discontinued operations for the year ended December 31.

	<b>2013</b>	<b>2012</b>
	<i>(Dollars in Thousands)</i>	
Total revenue	\$ 3,194	\$ 22,195
Total expense	<b>2,844</b>	16,985
Excess of revenue over expense	<b>350</b>	5,210
Gain on sale of discontinued operations	<b>38,159</b>	—
Gain on discontinued operations	<b>\$ 38,509</b>	<b>\$ 5,210</b>

In March 2013, PHP discontinued its kidney transplant program at MVH. Based on the criteria of ASC 205-20, PHP realized a loss of \$3.8 million relating to asset write-downs and legal costs. The operating loss of the kidney transplant program of \$0.9 million, and \$2.4 million for the years ended December 31, 2013 and 2012, respectively, and the related loss were reported in the changes in net assets section of the combined statements of operations and changes in net assets.

Premier Health Partners and Affiliates

Notes to Combined Financial Statements (continued)

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

<b>Cost of Community Benefit</b>	<b>2013 PHP</b>	<b>PHP % of Operating Expense</b>	<b>2012 PHP</b>	<b>PHP % of Operating Expense</b>
<i>(Dollars in Thousands)</i>				
<b>Charity care and means-tested government programs</b>				
Charity care at cost	\$ 71,948		\$ 69,771	
Unreimbursed Medicaid	57,359		41,451	
Unreimbursed costs – other means-tested government programs	3,168		2,033	
Total charity care and means-tested government programs	132,475	7.5%	113,255	6.4%
<b>Other benefits</b>				
Community health improvement and community benefit operations	11,129		7,980	
Health professions education	3,994		5,061	
Subsidized health services	40,623		36,862	
Cash and in-kind contributions to community groups	3,221		488	
Total other benefits	58,967	3.4%	50,391	2.9%
Total quantifiable benefits	191,442	10.9%	163,646	9.3%
<b>Community building activities</b>				
Physical improvements	257		551	
Other	2,484		1,523	
Total community building activities	2,741	0.2%	2,074	0.1%
Total Medicare	116,463	6.6%	114,243	6.4%
Total community benefits	\$ 310,646	17.7%	\$ 279,963	15.8%

Medicaid and Medicare include total costs

## Premier Health Partners and Affiliates

### Notes to Combined Financial Statements (continued)

#### P. Operating Leases

PHP leases certain buildings and equipment from third parties in the form of operating leases. The related rental expense for the buildings and equipment was \$6.6 million and \$10.4 million for the years ended December 31, 2013 and 2012, respectively. The following is a schedule of aggregate future minimum payments under the operating leases as of December 31, 2013:

2014	\$ 6,104
2015	5,760
2016	5,378
2017	5,506
2018	5,406
Thereafter	26,198
Total	<u>\$ 54,352</u>

#### Q. Subsequent Events

PHP has evaluated and disclosed any subsequent events through March 18, 2014, which is the date the combined financial statements were issued and made publicly available. The following subsequent events were identified for recognition or disclosure in the combined financial statements:

#### Premier Health Insuring Corporation

Premier Health Insuring Corporation (PHIC) was incorporated as a not-for-profit, taxable entity for federal tax purposes in 2014. It was formed for the purpose of providing Medicare Advantage products beginning in 2015. PHIC applied for its health insurance license from the Ohio Department of Insurance and is awaiting approval of the license.

## Supplementary Information





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## Report of Independent Auditors on Supplementary Information

The Board of Trustees  
Premier Health Partners and Affiliates

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

*Ernst & Young LLP*

March 18, 2014

# Premier Health Partners and Affiliates

## Combining Balance Sheet (Dollars in Thousands)

December 31, 2013

	MedAmerica Health Systems and Subsidiaries	Samaritan Health Partners and Subsidiaries	Atrium Health System and Subsidiaries	UVMC and Controlled Affiliates	Other	Combining Adjustments	Combined Total
<b>Assets</b>							
Current assets							
Cash and short-term investments	\$ 66,958	\$ 21,191	\$ 17,364	\$ 17,777	\$ 2,618	\$ -	\$ 125,908
Accounts receivable, net of allowances for doubtful accounts of \$22,835	140,023	48,265	35,115	23,365	-	-	246,768
Inventories	7,208	5,748	1,627	694	-	-	15,277
Prepaid expenses	13,852	6,208	3,849	2,401	-	-	26,310
Estimated receivable from third parties	21,639	7,511	3,602	1,753	-	-	34,505
Amounts receivable under JOA	-	24,960	-	-	-	(24,960)	-
Due from affiliates - other	2,415	-	-	-	-	(2,415)	-
Other current assets	13,254	4,715	2,237	1,143	147	-	21,496
Total current assets	265,349	118,598	63,794	47,133	2,765	(27,375)	470,264
Assets limited as to use							
Board-designated investments	575,271	197,337	96,477	204,831	-	-	1,073,916
Other investments	66,971	26,374	18,530	16,520	-	-	128,395
Assets limited as to use	642,242	223,711	115,007	221,351	-	-	1,202,311
Property and equipment, net	671,636	192,934	224,083	91,303	4,152	-	1,184,108
Prepaid pension asset	-	26,811	3,829	-	-	(3,829)	26,811
Goodwill and intangible assets, net	13,275	3,389	822	-	-	-	17,486
Interest rate swap asset	-	-	-	361	-	-	361
Other long-term assets	49,779	21,222	1,777	6,775	1	(3,526)	76,028
Total assets	\$ 1,642,281	\$ 586,665	\$ 409,312	\$ 366,923	\$ 6,918	\$ (34,730)	\$ 2,977,369

# Premier Health Partners and Affiliates

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

December 31, 2013

	MedAmerica Health Systems and Subsidiaries	Samaritan Health Partners and Subsidiaries	Atrium Health System and Subsidiaries	UVMC and Controlled Affiliates	Other	Combining Adjustments	Combined Total
<b>Liabilities and net assets</b>							
Current liabilities							
Accounts payable	\$ 28,143	\$ 10,765	\$ 7,666	\$ 7,344	\$ (110)	\$ -	\$ 53,808
Accrued expenses	56,929	17,586	7,773	8,092	14	-	90,394
Current portion of long-term debt	10,200	12,018	4,687	3,274	-	-	30,179
Estimated payable to third parties	312	837	1,417	2,304	-	-	4,870
Amount due under JOA	8,544	-	6,548	9,868	-	(24,960)	-
Due to affiliates - other	-	337	1,521	557	-	(2,415)	-
Other current liabilities	19,132	7,289	3,109	3,970	-	-	33,500
Total current liabilities	123,260	48,832	32,721	35,409	(96)	(27,375)	212,751
Long-term debt, net of current portion	447,116	102,868	199,067	45,969	-	-	795,020
Reserve for professional liability	22,695	9,448	5,386	3,794	-	-	41,323
Pension obligation	115,335	5,948	-	12,622	-	(3,829)	130,076
Interest rate swap liability	4,159	1	8,008	-	-	-	12,168
Other long-term liabilities	30,048	18,709	7,482	14,763	-	-	71,002
Total liabilities	742,613	185,806	252,664	112,557	(96)	(31,204)	1,262,340
Net assets							
Unrestricted	867,943	392,736	148,621	250,515	7,014	(3,526)	1,663,303
Temporarily restricted	12,168	4,659	4,738	2,605	-	-	24,170
Permanently restricted	19,557	3,464	3,289	1,246	-	-	27,556
Total net assets	899,668	400,859	156,648	254,366	7,014	(3,526)	1,715,029
Total liabilities and net assets	\$ 1,642,281	\$ 586,665	\$ 409,312	\$ 366,923	\$ 6,918	\$ (34,730)	\$ 2,977,369

# Premier Health Partners and Affiliates

## Combining Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2013

	MedAmerica Health Systems and Subsidiaries	Samaritan Health Partners and Subsidiaries	Atrium Health System and Subsidiaries	UVMC and Controlled Affiliates	Other	Combining Adjustments	Consolidated Total
<b>Operating revenue</b>							
Net patient service revenue	\$ 898,747	\$ 390,079	\$ 224,969	\$ 176,187	\$ -	\$ -	\$ 1,689,982
Provision for uncollectible accounts	15,407	7,583	4,353	2,630	-	-	29,973
Net patient service revenue less provision for uncollectible accounts	883,340	382,496	220,616	173,557	-	-	1,660,009
Other operating revenue	52,062	29,328	12,096	9,535	161	(1,610)	101,572
Joint venture profits	1,882	901	-	-	-	(45)	2,738
Total operating revenue	937,284	412,725	232,712	183,092	161	(1,655)	1,764,319
<b>Operating expenses</b>							
Salaries and wages	391,870	180,648	98,484	82,317	959	(469)	753,809
Employee benefits	109,921	44,281	24,124	23,219	77	(86)	201,536
Supplies	145,583	82,197	46,901	20,164	11	-	294,856
Purchased services, insurance, and other	172,523	63,006	41,129	31,381	6,503	(1,055)	313,487
Hospital franchise tax	11,549	5,359	3,803	2,033	-	-	22,744
Depreciation and amortization	80,323	31,167	21,321	9,815	53	-	142,679
Interest	10,729	5,391	6,035	2,527	-	-	24,682
Total operating expenses	922,498	412,049	241,797	171,456	7,603	(1,610)	1,753,793
Income (loss) from operations before asset impairment	14,786	676	(9,085)	11,636	(7,442)	(45)	10,526
Impairment of long-lived assets	(1,038)	(138)	-	-	-	-	(1,176)
Income (loss) from operations	13,748	538	(9,085)	11,636	(7,442)	(45)	9,350
(Loss) income allocation related to joint operating agreement	(3,022)	15,718	(3,303)	(9,393)	-	-	-
Nonoperating gains, net	67,850	15,377	20,938	27,203	-	-	131,368
Excess (deficiency) of revenue over expenses	\$ 78,576	\$ 31,633	\$ 8,550	\$ 29,446	\$ (7,442)	\$ (45)	\$ 140,718

# Premier Health Partners and Affiliates

## Combining Balance Sheet (Dollars in Thousands)

December 31, 2012

	MedAmerica Health Systems and Subsidiaries	Samaritan Health Partners and Subsidiaries	Atrium Health System and Subsidiaries	UVMC and Controlled Affiliates	Combining Adjustments	Combined Total
<b>Assets</b>						
Current assets						
Cash and short-term investments	\$ 29,243	\$ 18,372	\$ 5,588	\$ 7,183	\$ —	\$ 60,386
Accounts receivable, net of allowances for doubtful accounts of \$21,722	158,526	54,071	36,696	23,137	—	272,430
Inventories	6,432	6,094	1,877	509	—	14,912
Prepaid expenses	12,770	4,752	2,737	2,022	—	22,281
Assets limited as to use	—	2,526	—	—	—	2,526
Estimated receivable from third parties	17,345	8,327	3,466	—	—	29,138
Amounts receivable under JOA	6,605	1,905	1,050	—	(9,560)	—
Due from affiliates — other	3,593	—	—	—	(3,593)	—
Other current assets	15,039	7,478	4,187	986	5	27,695
Total current assets	249,553	103,525	55,601	33,837	(13,148)	429,368
Assets limited as to use						
Board-designated investments	456,826	179,424	89,382	187,204	—	912,836
Other investments	63,935	26,518	17,216	17,399	—	125,068
Assets limited as to use	520,761	205,942	106,598	204,603	—	1,037,904
Property and equipment, net	703,648	206,850	236,157	81,445	—	1,228,100
Prepaid pension asset	—	902	—	—	—	902
Goodwill and intangible assets, net	29,349	3,962	822	—	—	34,133
Interest rate swap asset	—	—	—	23	—	23
Other long-term assets	47,015	15,683	1,858	6,674	—	71,230
Total assets	\$ 1,550,326	\$ 536,864	\$ 401,036	\$ 326,582	\$ (13,148)	\$ 2,801,660

# Premier Health Partners and Affiliates

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

December 31, 2012

	MedAmerica Health Systems and Subsidiaries	Samaritan Health Partners and Subsidiaries	Atrium Health System and Subsidiaries	UVMC and Controlled Affiliates	Combining Adjustments	Combined Total
<b>Liabilities and net assets</b>						
Current liabilities						
Accounts payable	\$ 37,586	\$ 13,523	\$ 8,413	\$ 4,934	\$ —	\$ 64,456
Accrued expenses	52,871	17,989	8,191	6,794	—	85,845
Current portion of long-term debt	8,240	10,326	3,531	2,545	—	24,642
Short term debt	—	2,526	—	—	—	2,526
Estimated payable to third parties	—	892	4,209	2,509	—	7,610
Amount due under JOA	—	—	—	9,560	(9,560)	—
Due to affiliates — other	—	1,803	1,441	344	(3,588)	—
Other current liabilities	21,527	11,164	2,821	5,506	—	41,018
Total current liabilities	120,224	58,223	28,606	32,192	(13,148)	226,097
Long-term debt, net of current portion	446,023	106,939	199,890	47,040	—	799,892
Reserve for professional liability	29,524	12,229	5,623	5,006	—	52,382
Pension obligation	176,546	—	3,594	25,122	—	205,262
Interest rate swap liability	25,000	35	19,440	—	—	44,475
Other long-term liabilities	29,073	17,089	7,226	14,531	—	67,919
Total liabilities	826,390	194,515	264,379	123,891	(13,148)	1,396,027
Net assets						
Unrestricted	692,755	334,445	129,343	199,826	—	1,356,369
Temporarily restricted	13,736	4,497	4,403	1,747	—	24,383
Permanently restricted	17,445	3,407	2,911	1,118	—	24,881
Total net assets	723,936	342,349	136,657	202,691	—	1,405,633
Total liabilities and net assets	\$ 1,550,326	\$ 536,864	\$ 401,036	\$ 326,582	\$ (13,148)	\$ 2,801,660

# Premier Health Partners and Affiliates

## Combining Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2012

	MedAmerica Health Systems and Subsidiaries	Samaritan Health Partners and Subsidiaries	Atrium Health System and Subsidiaries	UVMC and Controlled Affiliates	Combining Adjustments	Consolidated Total
<b>Operating revenue</b>						
Net patient service revenue	\$ 904,633	\$ 420,552	\$ 242,466	\$ 178,384	\$ —	\$ 1,746,035
Provision for uncollectible accounts	19,539	11,804	8,481	4,584	—	44,408
Net patient service revenue less provision for uncollectible accounts	885,094	408,748	233,985	173,800	—	1,701,627
Other operating revenue	58,751	31,488	12,229	10,421	(784)	112,105
Joint venture profits	3,270	888	—	—	2	4,160
Total operating revenue	947,115	441,124	246,214	184,221	(782)	1,817,892
<b>Operating expenses</b>						
Salaries and wages	391,365	191,817	96,356	82,595	—	762,133
Employee benefits	99,772	46,446	24,868	25,053	—	196,139
Supplies	147,845	85,958	50,680	19,915	—	304,398
Purchased services, insurance, and other	171,263	67,571	41,792	35,809	(784)	315,651
Hospital franchise tax	10,977	5,287	3,645	1,978	—	21,887
Depreciation and amortization	75,566	32,754	23,965	9,298	—	141,583
Interest	12,972	5,709	6,126	2,616	—	27,423
Total operating expenses	909,760	435,542	247,432	177,264	(784)	1,769,214
Income (loss) from operations before asset impairment	37,355	5,582	(1,218)	6,957	2	48,678
Impairment of long-lived assets	(4,350)	—	—	—	—	(4,350)
Income (loss) from operations	33,005	5,582	(1,218)	6,957	2	44,328
Income (loss) allocation related to joint operating agreement	6,605	1,905	1,050	(9,560)	—	—
Nonoperating gains, net	13,711	15,044	4,601	20,019	—	53,375
Excess of revenue over expenses	\$ 53,321	\$ 22,531	\$ 4,433	\$ 17,416	\$ 2	\$ 97,703

# MedAmerica Health Systems and Subsidiaries

## Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2013

	MedAmerica Health Systems Corporation	Miami Valley Hospital	MVHE, Inc.	Fidelity Health Care	Miami Valley Hospital Foundation	Dialysis Centers of Dayton, LLC	Eliminations	Consolidated Total
<b>Assets</b>								
Current assets:								
Cash and short-term investments	\$ 171	\$ 50,269	\$ 3,887	\$ 7,120	\$ 1,392	\$ 3,999	\$ 120	\$ 66,958
Accounts receivable, net of allowances for doubtful accounts of \$12,517	-	130,898	3,438	5,046	-	641	-	140,023
Inventories	-	6,905	-	303	-	-	-	7,208
Prepaid expenses	26	12,619	856	277	4	70	-	13,852
Estimated receivable from third parties	-	21,639	-	-	-	-	-	21,639
Due from affiliates – other	-	319	195	-	-	-	1,901	2,415
Other current assets	142	9,512	1,428	-	2,049	109	14	13,254
Total current assets	339	232,161	9,804	12,746	3,445	4,819	2,035	265,349
Assets limited as to use:								
Board-designated investments	-	554,745	-	-	20,526	-	-	575,271
Other investments	-	33,349	-	-	33,622	-	-	66,971
Assets limited as to use	-	588,094	-	-	54,148	-	-	642,242
Property and equipment, net	20,174	645,466	2,055	1,557	-	366	2,018	671,636
Goodwill and intangible assets, net	-	5,836	517	470	-	6,452	-	13,275
Other long-term assets	12,474	14,848	23,883	2	-	-	(1,428)	49,779
Total assets	\$ 32,987	\$ 1,486,405	\$ 36,259	\$ 14,775	\$ 57,593	\$ 11,637	\$ 2,625	\$ 1,642,281



# MedAmerica Health Systems and Subsidiaries

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

December 31, 2013

	MedAmerica Health Systems Corporation	Miami Valley Hospital	MVHE, Inc.	Fidelity Health Care	Miami Valley Hospital Foundation	Dialysis Centers of Dayton, LLC	Eliminations	Consolidated Total
<b>Liabilities and net assets</b>								
Current liabilities:								
Accounts payable	\$ 20	\$ 26,904	\$ 629	\$ 463	\$ 90	\$ 1	\$ 36	\$ 28,143
Accrued expenses	-	51,134	4,589	941	151	114	-	56,929
Current portion of long-term debt	-	10,128	-	-	-	-	72	10,200
Estimated payable to third party payor	-	312	-	-	-	-	-	312
Amount due under JOA	-	8,544	-	-	-	-	-	8,544
Due to affiliates – other	-	(5,632)	421	42	2,030	1,224	1,915	-
Other current liabilities	-	16,837	374	421	-	1,500	-	19,132
Total current liabilities	20	108,227	6,013	1,867	2,271	2,839	2,023	123,260
Long-term debt, net of current portion	17,710	428,769	35	-	-	-	602	447,116
Reserve for professional liability	-	22,695	-	-	-	-	-	22,695
Pension obligation	-	115,335	-	-	-	-	-	115,335
Interest rate swap liability	-	4,159	-	-	-	-	-	4,159
Other long-term liabilities	-	10,882	17,071	2	2,093	-	-	30,048
Total liabilities	17,730	690,067	23,119	1,869	4,364	2,839	2,625	742,613
Net assets:								
Unrestricted	15,257	796,338	13,140	12,906	21,504	8,798	-	867,943
Temporarily restricted	-	-	-	-	12,168	-	-	12,168
Permanently restricted	-	-	-	-	19,557	-	-	19,557
Total net assets	15,257	796,338	13,140	12,906	53,229	8,798	-	899,668
Total liabilities and net assets	\$ 32,987	\$ 1,486,405	\$ 36,259	\$ 14,775	\$ 57,593	\$ 11,637	\$ 2,625	\$ 1,642,281

# MedAmerica Health Systems and Subsidiaries

## Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2013

	MedAmerica Health Systems Corporation	Miami Valley Hospital	MVHE, Inc.	Fidelity Health Care	Miami Valley Hospital Foundation	Dialysis Centers of Dayton, LLC	Eliminations	Consolidated Total
<b>Operating revenue</b>								
Net patient service revenue	\$ -	\$ 805,954	\$ 44,419	\$ 41,877	\$ -	\$ 6,497	\$ -	\$ 898,747
Provision for uncollectible accounts	-	13,878	815	463	-	251	-	15,407
Net patient service revenue less provision for uncollectible accounts	-	792,076	43,604	41,414	-	6,246	-	883,340
Other operating revenue	1,933	54,583	1,532	19	-	24	(6,029)	52,062
Joint venture profits	7	308	1,568	-	-	-	(1)	1,882
Total operating revenue	1,940	846,967	46,704	41,433	-	6,270	(6,030)	937,284
<b>Operating expenses</b>								
Salaries and wages	-	333,377	34,038	23,926	-	529	-	391,870
Employee benefits	-	98,981	6,148	4,678	-	114	-	109,921
Supplies	-	134,495	5,062	4,773	-	1,253	-	145,583
Purchased services, insurance, and other	(16)	164,263	6,875	3,958	-	3,579	(6,136)	172,523
Hospital franchise tax	-	11,549	-	-	-	-	-	11,549
Depreciation and amortization	2,066	76,826	353	680	-	292	106	80,323
Interest	-	10,728	1	-	-	-	-	10,729
Total operating expenses	2,050	830,219	52,477	38,015	-	5,767	(6,030)	922,498
(Loss) income from operations before asset impairment	(110)	16,748	(5,773)	3,418	-	503	-	14,786
Impairment of long-lived assets	-	(246)	(792)	-	-	-	-	(1,038)
(Loss) income from operations	(110)	16,502	(6,565)	3,418	-	503	-	13,748
Loss allocation related to joint operating agreement	-	(3,022)	-	-	-	-	-	(3,022)
Nonoperating gains, net	-	66,295	6	1	1,548	-	-	67,850
(Deficiency) excess of revenue over expenses	\$ (110)	\$ 79,775	\$ (6,559)	\$ 3,419	\$ 1,548	\$ 503	\$ -	\$ 78,576

# MedAmerica Health Systems and Subsidiaries

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

	Year Ended December 31	
	2013	2012
<b>Net assets</b>		
Excess of revenue over expenses	\$ 78,576	\$ 53,321
Change in plan assets and benefit obligations of pension plans	84,147	(41,901)
Gain on sale of discontinued – dialysis business	26,652	–
Allocation of the gain on sale of discontinued operations relating to the Joint Operating Agreement	(5,522)	–
Discontinued operations – dialysis business	(12)	3,644
Loss on discontinued operations – kidney transplant program	(3,751)	–
Discontinued operations – kidney transplant program	(938)	(2,435)
Net gains on temporarily restricted and permanently restricted net assets and other	(3,420)	4,097
Increase in net assets	175,732	16,726
Net assets at beginning of year	723,936	707,210
Net assets at end of year	<u>\$ 899,668</u>	<u>\$ 723,936</u>

# MedAmerica Health Systems and Subsidiaries

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

	Year Ended December 31	
	2013	2012
<b>Operating activities</b>		
Increase in net assets	\$ 175,732	\$ 16,726
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	80,323	75,566
Provision for uncollectible accounts	15,407	19,539
Net gain on discontinued operations	(22,901)	—
Loss on extinguishment of debt	—	18,035
Impairment of long-lived assets	1,038	4,350
Change in the valuation of swap agreement liability	(21,016)	(2,357)
Change in plan assets and benefit obligations of pension plans	(84,147)	41,901
Unrealized gains on assets limited as to use	(35,615)	(11,677)
Net change in assets and liabilities		
Accounts receivable	3,084	(48,242)
Assets limited as to use	(85,866)	16,063
Other assets	6,117	10,334
Accounts payable and other accruals	(8,423)	(9,536)
Estimated payable to third parties	(3,982)	(18,226)
Other liabilities	21,611	(7,054)
Net cash provided by operating activities	41,362	105,422
<b>Investing activities</b>		
Proceeds from the sale of business and assets, net of closing costs	43,251	—
Purchases of property and equipment	(46,416)	(117,259)
Investment in New Market Tax Investment Fund	—	(12,500)
Net cash used in investing activities	(3,165)	(129,759)
<b>Financing activities</b>		
Proceeds from issuance of Premier Plaza debt	—	17,710
Proceeds from issuance of 2012 Series Bonds	—	128,640
Proceeds from long-term borrowings	8,310	—
Repayment of long-term debt and capital leases	(8,792)	(6,964)
Retirement of long-term debt	—	(128,265)
Net cash (used in) provided by financing activities	(482)	11,121
Net increase (decrease) in cash and short-term investments	37,715	(13,216)
Cash and short-term investments at beginning of year	29,243	42,459
Cash and short-term investments at end of year	\$ 66,958	\$ 29,243

# MedAmerica Health Systems and Subsidiaries

## Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2012

	MedAmerica Health Systems Corporation	Miami Valley Hospital	MVHE, Inc.	Fidelity Health Care	Miami Valley Hospital Foundation	Dialysis Centers of Dayton, LLC	Eliminations	Consolidated Total
<b>Assets</b>								
Current assets:								
Cash and short-term investments	\$ 621	\$ 16,191	\$ 4,221	\$ 3,626	\$ 453	\$ 4,039	\$ 92	\$ 29,243
Accounts receivable, net of allowances for doubtful accounts of \$11,300	—	147,618	2,724	5,207	—	2,977	—	158,526
Inventories	—	6,136	—	296	—	—	—	6,432
Prepaid expenses	—	11,261	803	256	7	443	—	12,770
Estimated receivable from third parties	—	17,345	—	—	—	—	—	17,345
Amounts receivable under JOA	—	6,605	—	—	—	—	—	6,605
Due from affiliates — other	211	4,345	635	191	—	—	(1,789)	3,593
Other current assets	141	11,735	1,104	—	2,067	—	(8)	15,039
Total current assets	973	221,236	9,487	9,576	2,527	7,459	(1,705)	249,553
Assets limited as to use:								
Board-designated investments	—	436,226	—	—	20,600	—	—	456,826
Other investments	235	32,589	—	—	31,111	—	—	63,935
Assets limited as to use	235	468,815	—	—	51,711	—	—	520,761
Property and equipment, net	22,005	674,253	2,670	1,514	—	1,082	2,124	703,648
Goodwill and intangible assets, net	—	7,753	101	470	—	21,025	—	29,349
Other long-term assets	12,451	16,755	19,234	2	—	—	(1,427)	47,015
Total assets	\$ 35,664	\$ 1,388,812	\$ 31,492	\$ 11,562	\$ 54,238	\$ 29,566	\$ (1,008)	\$ 1,550,326

# MedAmerica Health Systems and Subsidiaries

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

December 31, 2012

	MedAmerica Health Systems Corporation	Miami Valley Hospital	MVHE, Inc.	Fidelity Health Care	Miami Valley Hospital Foundation	Dialysis Centers of Dayton, LLC	Eliminations	Consolidated Total
<b>Liabilities and net assets</b>								
Current liabilities:								
Accounts payable	\$ 87	\$ 35,985	\$ 594	\$ 255	\$ 293	\$ 339	\$ 33	\$ 37,586
Accrued expenses	—	46,730	4,406	882	119	734	—	52,871
Current portion of long-term debt	—	8,168	—	—	—	—	72	8,240
Due to affiliates — other	—	—	525	623	232	407	(1,787)	—
Other current liabilities	141	20,792	265	315	—	14	—	21,527
Total current liabilities	228	111,675	5,790	2,075	644	1,494	(1,682)	120,224
Long-term debt, net of current portion	17,710	427,597	42	—	—	—	674	446,023
Reserve for professional liability	—	29,524	—	—	—	—	—	29,524
Pension obligation	—	176,546	—	—	—	—	—	176,546
Interest rate swap liability	—	25,000	—	—	—	—	—	25,000
Other long-term liabilities	—	13,162	13,959	2	1,950	—	—	29,073
Total liabilities	17,938	783,504	19,791	2,077	2,594	1,494	(1,008)	826,390
Net assets:								
Unrestricted	17,726	605,308	11,701	9,485	20,463	28,072	—	692,755
Temporarily restricted	—	—	—	—	13,736	—	—	13,736
Permanently restricted	—	—	—	—	17,445	—	—	17,445
Total net assets	17,726	605,308	11,701	9,485	51,644	28,072	—	723,936
Total liabilities and net assets	\$ 35,664	\$ 1,388,812	\$ 31,492	\$ 11,562	\$ 54,238	\$ 29,566	\$ (1,008)	\$ 1,550,326

# MedAmerica Health Systems and Subsidiaries

## Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2012

	MedAmerica Health Systems Corporation	Miami Valley Hospital	MVHE, Inc.	Fidelity Health Care	Miami Valley Hospital Foundation	Dialysis Centers of Dayton, LLC	Eliminations	Consolidated Total
<b>Operating revenue</b>								
Net patient service revenue	\$ -	\$ 818,783	\$ 41,497	\$ 37,111	\$ -	\$ 7,242	\$ -	\$ 904,633
Provision for uncollectible accounts	-	18,032	793	498	-	216	-	19,539
Net patient service revenue less provision for uncollectible accounts	-	800,751	40,704	36,613	-	7,026	-	885,094
Other operating revenue	1,130	60,362	1,638	3	-	32	(4,414)	58,751
Joint venture profits	11	292	3,061	-	-	-	(94)	3,270
Total operating revenue	1,141	861,405	45,403	36,616	-	7,058	(4,508)	947,115
<b>Operating expenses</b>								
Salaries and wages	-	329,059	37,546	21,202	-	3,558	-	391,365
Employee benefits	-	88,153	6,657	4,308	-	654	-	99,772
Supplies	-	137,223	4,578	4,415	-	1,629	-	147,845
Purchased services, insurance, and other	1,058	163,743	6,302	3,564	-	1,023	(4,427)	171,263
Hospital franchise tax	-	10,977	-	-	-	-	-	10,977
Depreciation and amortization	1,242	73,156	371	631	-	156	10	75,566
Interest	-	12,969	1	2	-	-	-	12,972
Total operating expenses	2,300	815,280	55,455	34,122	-	7,020	(4,417)	909,760
(Loss) income from operations before asset impairment	(1,159)	46,125	(10,052)	2,494	-	38	(91)	37,355
Impairment of long lived assets	-	(4,202)	(148)	-	-	-	-	(4,350)
(Loss) income from operations	(1,159)	41,923	(10,200)	2,494	-	38	(91)	33,005
Income allocation related to joint operating agreement	-	6,605	-	-	-	-	-	6,605
Nonoperating gains, net	-	13,048	5	7	651	-	-	13,711
(Deficiency) excess of revenue over expenses	\$ (1,159)	\$ 61,576	\$ (10,195)	\$ 2,501	\$ 651	\$ 38	\$ (91)	\$ 53,321

# Samaritan Health Partners and Subsidiaries

## Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2013

	Good Samaritan Hospital	Good Samaritan Hospital Foundation	Samaritan Family Care	Samaritan Behavioral Health	Eliminations	Consolidated Total
<b>Assets</b>						
Current assets:						
Cash and short-term investments	\$ 15,180	\$ 321	\$ 3,082	\$ 2,608	\$ —	\$ 21,191
Accounts receivable, net of allowances for doubtful accounts of \$4,553	46,063	—	1,853	349	—	48,265
Inventories	5,748	—	—	—	—	5,748
Prepaid expenses	5,643	—	475	90	—	6,208
Estimated receivable from third parties	7,511	—	—	—	—	7,511
Amounts receivable under JOA	24,960	—	—	—	—	24,960
Due from affiliates — other	(75)	—	—	—	75	—
Other current assets	3,603	98	862	152	—	4,715
Total current assets	108,633	419	6,272	3,199	75	118,598
Assets limited as to use:						
Board-designated investments	194,783	2,554	—	—	—	197,337
Other investments	18,173	8,201	—	—	—	26,374
Assets limited as to use	212,956	10,755	—	—	—	223,711
Property and equipment, net	191,880	62	770	222	—	192,934
Prepaid pension asset	26,811	—	—	—	—	26,811
Goodwill and intangible assets, net	3,376	—	13	—	—	3,389
Other long-term assets	677	—	20,545	—	—	21,222
Total assets	\$ 544,333	\$ 11,236	\$ 27,600	\$ 3,421	\$ 75	\$ 586,665



# Samaritan Health Partners and Subsidiaries

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

December 31, 2013

	Good Samaritan Hospital	Good Samaritan Hospital Foundation	Samaritan Family Care	Samaritan Behavioral Health	Eliminations	Consolidated Total
<b>Liabilities and net assets</b>						
Current liabilities:						
Accounts payable	\$ 10,070	\$ —	\$ 575	\$ 120	\$ —	\$ 10,765
Accrued expenses	13,882	52	3,036	616	—	17,586
Current portion of long-term debt	12,018	—	—	—	—	12,018
Estimated payable to third parties	—	—	—	837	—	837
Due to affiliates – other	—	105	116	41	75	337
Other current liabilities	6,582	81	448	178	—	7,289
Total current liabilities	42,552	238	4,175	1,792	75	48,832
Long-term debt, net of current portion	102,856	—	12	—	—	102,868
Reserve for professional liability	9,448	—	—	—	—	9,448
Pension obligation	5,948	—	—	—	—	5,948
Interest rate swap liability	1	—	—	—	—	1
Other long-term liabilities	1,695	—	17,014	—	—	18,709
Total liabilities	162,500	238	21,201	1,792	75	185,806
Net assets:						
Unrestricted	381,833	2,875	6,399	1,629	—	392,736
Temporarily restricted	—	4,659	—	—	—	4,659
Permanently restricted	—	3,464	—	—	—	3,464
Total net assets	381,833	10,998	6,399	1,629	—	400,859
Total liabilities and net assets	\$ 544,333	\$ 11,236	\$ 27,600	\$ 3,421	\$ 75	\$ 586,665

# Samaritan Health Partners and Subsidiaries

## Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2013

	Good Samaritan Hospital	Good Samaritan Hospital Foundation	Samaritan Family Care	Samaritan Behavioral Health	Eliminations	Consolidated Total
<b>Operating revenue</b>						
Net patient service revenue	\$ 356,890	\$ -	\$ 26,556	\$ 6,633	\$ -	\$ 390,079
Provision for uncollectible accounts	6,990	-	511	82	-	7,583
Net patient service revenue less provision for uncollectible accounts	349,900	-	26,045	6,551	-	382,496
Other operating revenue	25,704	-	684	5,257	(2,317)	29,328
Joint venture profits	-	-	901	-	-	901
Total operating revenue	375,604	-	27,630	11,808	(2,317)	412,725
<b>Operating expenses</b>						
Salaries and wages	152,247	-	20,485	7,916	-	180,648
Employee benefits	38,653	-	3,788	1,840	-	44,281
Supplies	79,396	-	2,759	42	-	82,197
Purchased services, insurance, and other	59,590	-	3,992	1,741	(2,317)	63,006
Hospital franchise tax	5,359	-	-	-	-	5,359
Depreciation and amortization	30,831	-	217	119	-	31,167
Interest	5,390	-	1	-	-	5,391
Total operating expenses	371,466	-	31,242	11,658	(2,317)	412,049
Income (loss) from operations before asset impairment	4,138	-	(3,612)	150	-	676
Impairment of long-lived assets	-	-	(138)	-	-	(138)
Income (loss) from operations	4,138	-	(3,750)	150	-	538
Income allocation related to joint operating agreement	15,718	-	-	-	-	15,718
Nonoperating gains (losses), net	15,006	809	(330)	(108)	-	15,377
Excess (deficiency) of revenue over expenses	\$ 34,862	\$ 809	\$ (4,080)	\$ 42	\$ -	\$ 31,633

Samaritan Health Partners and Subsidiaries

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

	Year Ended December 31	
	2013	2012
<b>Net assets</b>		
Excess of revenue over expenses	\$ 31,633	\$ 22,531
Transfer to CHI capital resource pool	(3,380)	(2,110)
Change in plan assets and benefit obligations of pension plans	24,727	10,627
Allocation of the gain on sale of discontinued operations relating to the Joint Operating Agreement	9,242	—
Net losses on temporarily restricted and permanently restricted net assets and other	(3,712)	(909)
Increase in net assets	<b>58,510</b>	<b>30,139</b>
Net assets at beginning of year	<b>342,349</b>	<b>312,210</b>
Net assets at end of year	<b>\$ 400,859</b>	<b>\$ 342,349</b>

See accompanying notes.

# Samaritan Health Partners and Subsidiaries

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

	Year Ended December 31	
	2013	2012
<b>Operating activities</b>		
Increase in net assets	\$ 58,510	\$ 30,139
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,167	32,754
Provision for uncollectible accounts	7,583	11,804
Impairment of long-lived assets	138	—
Change in the valuation of swap agreement liability	(34)	(73)
Change in plan assets and benefit obligations of pension plans	(24,727)	(10,627)
Unrealized gains on assets limited as to use	(11,533)	(12,353)
Net change in assets and liabilities:		
Accounts receivable	(1,777)	(16,776)
Assets limited as to use	(3,710)	4,075
Other assets	(21,602)	(1,403)
Accounts payable and other accruals	(3,291)	506
Estimated payable to third parties	761	(6,441)
Other liabilities	(6,018)	(4,239)
Net cash provided by operating activities	25,467	27,366
<b>Investing activities</b>		
Purchases of property and equipment	(16,481)	(21,916)
Net cash used in investing activities	(16,481)	(21,916)
<b>Financing activities</b>		
Proceeds from long term borrowings	3,989	—
Repayment of long-term debts and capital leases	(10,156)	(10,089)
Net cash used in financing activities	(6,167)	(10,089)
Net increase (decrease) in cash and short-term investments	2,819	(4,639)
Cash and short-term investments at beginning of year	18,372	23,011
Cash and short-term investments at end of year	\$ 21,191	\$ 18,372

# Samaritan Health Partners and Subsidiaries

## Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2012

	Good Samaritan Hospital	Good Samaritan Hospital Foundation	Samaritan Family Care	Samaritan Behavioral Health	Eliminations	Consolidated Total
<b>Assets</b>						
Current assets:						
Cash and short-term investments	\$ 12,380	\$ 350	\$ 3,436	\$ 2,206	\$ —	\$ 18,372
Accounts receivable, net of allowances for doubtful accounts of \$4,621	51,658	—	1,682	731	—	54,071
Inventories	6,094	—	—	—	—	6,094
Prepaid expenses	4,290	—	350	112	—	4,752
Assets limited as to use	2,526	—	—	—	—	2,526
Estimated receivable from third parties	8,327	—	—	—	—	8,327
Amounts receivable under JOA	1,905	—	—	—	—	1,905
Other current assets	6,055	246	883	294	—	7,478
Total current assets	93,235	596	6,351	3,343	—	103,525
Assets limited as to use:						
Board-designated investments	177,476	1,948	—	—	—	179,424
Other investments	18,763	7,755	—	—	—	26,518
Assets limited as to use	196,239	9,703	—	—	—	205,942
Property and equipment, net	205,353	62	1,169	266	—	206,850
Prepaid pension asset	902	—	—	—	—	902
Goodwill and intangible assets, net	3,939	—	23	—	—	3,962
Other long-term assets	785	—	14,898	—	—	15,683
Total assets	\$ 500,453	\$ 10,361	\$ 22,441	\$ 3,609	\$ —	\$ 536,864

# Samaritan Health Partners and Subsidiaries

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

December 31, 2012

	Good Samaritan Hospital	Good Samaritan Hospital Foundation	Samaritan Family Care	Samaritan Behavioral Health	Eliminations	Consolidated Total
<b>Liabilities and net assets</b>						
Current liabilities:						
Accounts payable	\$ 12,983	\$ —	\$ 398	\$ 142	\$ —	\$ 13,523
Accrued expenses	14,526	82	2,731	650	—	17,989
Current portion of long-term debt	10,326	—	—	—	—	10,326
Short-term debt	2,526	—	—	—	—	2,526
Estimated payable to third parties	—	—	—	892	—	892
Due to affiliates — other	1,236	221	220	126	—	1,803
Other current liabilities	10,351	114	490	209	—	11,164
Total current liabilities	51,948	417	3,839	2,019	—	58,223
Long-term debt, net of current portion	106,926	—	13	—	—	106,939
Reserve for professional liability	12,229	—	—	—	—	12,229
Interest rate swap liability	35	—	—	—	—	35
Other long-term liabilities	3,593	—	13,496	—	—	17,089
Total liabilities	174,731	417	17,348	2,019	—	194,515
Net assets:						
Unrestricted	325,722	2,040	5,093	1,590	—	334,445
Temporarily restricted	—	4,497	—	—	—	4,497
Permanently restricted	—	3,407	—	—	—	3,407
Total net assets	325,722	9,944	5,093	1,590	—	342,349
Total liabilities and net assets	\$ 500,453	\$ 10,361	\$ 22,441	\$ 3,609	\$ —	\$ 536,864

# Samaritan Health Partners and Subsidiaries

## Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2012

	Good Samaritan Hospital	Good Samaritan Hospital Foundation	Samaritan Family Care	Samaritan Behavioral Health	Eliminations	Consolidated Total
<b>Operating revenue</b>						
Net patient service revenue	\$ 388,785	\$ —	\$ 25,246	\$ 6,521	\$ —	\$ 420,552
Provision for uncollectible accounts	11,086	—	622	96	—	11,804
Net patient service revenue less provision for uncollectible accounts	377,699	—	24,624	6,425	—	408,748
Other operating revenue	27,595	—	877	5,040	(2,024)	31,488
Joint venture profits	—	—	888	—	—	888
Total operating revenue	405,294	—	26,389	11,465	(2,024)	441,124
<b>Operating expenses</b>						
Salaries and wages	163,084	—	20,926	7,807	—	191,817
Employee benefits	40,415	—	4,161	1,870	—	46,446
Supplies	83,381	—	2,543	34	—	85,958
Purchased services, insurance, and other	63,844	—	3,949	1,802	(2,024)	67,571
Hospital franchise tax	5,287	—	—	—	—	5,287
Depreciation and amortization	32,434	—	241	79	—	32,754
Interest	5,709	—	—	—	—	5,709
Total operating expenses	394,154	—	31,820	11,592	(2,024)	435,542
Income (loss) from operations	11,140	—	(5,431)	(127)	—	5,582
Income allocation related to joint operating agreement	1,905	—	—	—	—	1,905
Nonoperating gains (losses), net	15,131	322	(306)	(103)	—	15,044
Excess (deficiency) of revenue over expenses	\$ 28,176	\$ 322	\$ (5,737)	\$ (230)	\$ —	\$ 22,531

# Atrium Health System and Subsidiaries

## Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2013

	Atrium Medical Center	Atrium Medical Center Foundation	Middletown Surgery Center	Eliminations	Consolidated Total
<b>Assets</b>					
Current assets:					
Cash and short-term investments	\$ 16,140	\$ 239	\$ 985	\$ —	\$ 17,364
Accounts receivable, net of allowances for doubtful accounts of \$3,404	34,759	—	356	—	35,115
Inventories	1,522	—	105	—	1,627
Prepaid expenses	3,766	2	81	—	3,849
Estimated receivable from third parties	3,602	—	—	—	3,602
Other current assets	1,930	304	3	—	2,237
Total current assets	61,719	545	1,530	—	63,794
Assets limited as to use:					
Board-designated investments	90,051	6,426	—	—	96,477
Other investments	8,915	9,615	—	—	18,530
Assets limited as to use	98,966	16,041	—	—	115,007
Property and equipment, net	216,795	2,050	5,238	—	224,083
Prepaid pension asset	3,829	—	—	—	3,829
Goodwill and intangible assets, net	822	—	—	—	822
Other long-term assets	4,996	—	1	(3,220)	1,777
Total assets	\$ 387,127	\$ 18,636	\$ 6,769	\$ (3,220)	\$ 409,312



# Atrium Health System and Subsidiaries

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

December 31, 2013

	Atrium Medical Center	Atrium Medical Center Foundation	Middletown Surgery Center	Eliminations	Consolidated Total
<b>Liabilities and net assets</b>					
Current liabilities:					
Accounts payable	\$ 7,383	\$ 20	\$ 263	\$ —	\$ 7,666
Accrued expenses	7,719	48	6	—	7,773
Current portion of long-term debt	4,485	—	202	—	4,687
Estimated payable to third parties	1,417	—	—	—	1,417
Amount due Under JOA	6,548	—	—	—	6,548
Due to affiliates — other	672	849	—	—	1,521
Other current liabilities	3,109	—	—	—	3,109
Total current liabilities	31,333	917	471	—	32,721
Long-term debt, net of current portion	193,031	261	5,775	—	199,067
Reserve for professional liability	5,386	—	—	—	5,386
Interest rate swap liability	8,008	—	—	—	8,008
Other long-term liabilities	6,573	909	—	—	7,482
Total liabilities	244,331	2,087	6,246	—	252,664
Net assets:					
Unrestricted	142,663	8,655	523	(3,220)	148,621
Temporarily restricted	133	4,605	—	—	4,738
Permanently restricted	—	3,289	—	—	3,289
Total net assets	142,796	16,549	523	(3,220)	156,648
Total liabilities and net assets	\$ 387,127	\$ 18,636	\$ 6,769	\$ (3,220)	\$ 409,312

# Atrium Health System and Subsidiaries

## Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2013

	Atrium Medical Center	Atrium Medical Center Foundation	Middletown Surgery Center	Eliminations	Consolidated Total
<b>Operating revenue</b>					
Net patient service revenue	\$ 221,125	\$ -	\$ 3,844	\$ -	\$ 224,969
Provision for uncollectible accounts	4,191	-	162	-	4,353
Net patient service revenue less provision for uncollectible accounts	216,934	-	3,682	-	220,616
Other operating revenue	12,227	-	-	(131)	12,096
Total operating revenue	229,161	-	3,682	(131)	232,712
<b>Operating expenses</b>					
Salaries and wages	97,794	-	690	-	98,484
Employee benefits	23,967	-	157	-	24,124
Supplies	46,264	-	637	-	46,901
Purchased services, insurance, and other	40,170	-	1,090	(131)	41,129
Hospital franchise tax	3,803	-	-	-	3,803
Depreciation and amortization	20,723	-	598	-	21,321
Interest	5,546	-	489	-	6,035
Total operating expenses	238,267	-	3,661	(131)	241,797
(Loss) income from operations	(9,106)	-	21	-	(9,085)
Expense allocation related to joint operating agreement	(3,303)	-	-	-	(3,303)
Nonoperating gains, net	20,854	75	9	-	20,938
Excess of revenue over expenses	\$ 8,445	\$ 75	\$ 30	\$ -	\$ 8,550

# Atrium Health System and Subsidiaries

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

	Year Ended December 31	
	2013	2012
<b>Net assets</b>		
Excess of revenue over expenses	\$ 8,550	\$ 4,433
Change in plan assets and benefit obligations of pension plans	9,307	(1)
Gain on sale of discontinued – dialysis business	4,987	–
Allocation of the gain on sale of discontinued operations relating to the Joint Operating Agreement	(3,245)	–
Discontinued operations – dialysis business	191	688
Net gains on temporarily restricted and permanently restricted net assets and other	201	838
Increase in net assets	19,991	5,958
Net assets at beginning of year	136,657	130,699
Net assets at end of year	<u>\$ 156,648</u>	<u>\$ 136,657</u>

# Atrium Health System and Subsidiaries

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

	Year Ended December 31	
	2013	2012
<b>Operating activities</b>		
Increase in net assets	\$ 19,991	\$ 5,958
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	21,321	23,965
Provision for uncollectible accounts	4,353	8,481
Net gain on discontinued operations	(4,987)	—
Change in the valuation of swap agreement liability	(12,622)	(1,108)
Change in plan assets and benefit obligations of pension plans	(9,307)	1
Unrealized gains on assets limited as to use	(7,348)	(2,163)
Net change in assets and liabilities:		
Accounts receivable	(2,772)	(13,474)
Assets limited as to use	(1,061)	(10,266)
Other assets	2,211	4,810
Accounts payable and other accruals	(1,654)	(540)
Estimated payable to third parties	(2,928)	(5,034)
Other liabilities	10,762	(1,588)
Net cash provided by operating activities	15,959	9,042
<b>Investing activities</b>		
Proceeds from the sale of business and assets, net of closing costs	5,300	—
Purchases of property and equipment	(8,544)	(10,672)
Net cash used in investing activities	(3,244)	(10,672)
<b>Financing activities</b>		
Proceeds from long term borrowings	2,659	—
Repayment of long-term debts and capital leases	(3,598)	(2,809)
Net cash used in financing activities	(939)	(2,809)
Net increase (decrease) in cash and short-term investments	11,776	(4,439)
Cash and short-term investments at beginning of year	5,588	10,027
Cash and short-term investments at end of year	\$ 17,364	\$ 5,588

# Atrium Health System and Subsidiaries

## Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2012

	Atrium Medical Center	Atrium Medical Center Foundation	Middletown Surgery Center	Eliminations	Consolidated Total
<b>Assets</b>					
Current assets:					
Cash and short-term investments	\$ 4,535	\$ 471	\$ 582	\$ —	\$ 5,588
Accounts receivable, net of allowances for doubtful accounts of \$3,375	36,433	—	263	—	36,696
Inventories	1,771	—	106	—	1,877
Prepaid expenses	2,652	3	82	—	2,737
Estimated receivable from third parties	3,466	—	—	—	3,466
Amounts receivable under JOA	1,050	—	—	—	1,050
Other current assets	3,883	298	6	—	4,187
Total current assets	53,790	772	1,039	—	55,601
Assets limited as to use:					
Board-designated investments	83,081	6,301	—	—	89,382
Other investments	9,626	7,590	—	—	17,216
Assets limited as to use	92,707	13,891	—	—	106,598
Property and equipment, net	228,347	2,074	5,736	—	236,157
Goodwill and intangible assets, net	822	—	—	—	822
Other long-term assets	5,077	—	1	(3,220)	1,858
Total assets	\$ 380,743	\$ 16,737	\$ 6,776	\$ (3,220)	\$ 401,036

# Atrium Health System and Subsidiaries

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

December 31, 2012

	Atrium Medical Center	Atrium Medical Center Foundation	Middletown Surgery Center	Eliminations	Consolidated Total
<b>Liabilities and net assets</b>					
Current liabilities:					
Accounts payable	\$ 8,205	\$ 77	\$ 131	\$ —	\$ 8,413
Accrued expenses	8,145	42	4	—	8,191
Current portion of long-term debt	3,360	—	171	—	3,531
Estimated payable to third parties	4,209	—	—	—	4,209
Due to affiliates — other	115	1,326	—	—	1,441
Other current liabilities	2,822	—	(1)	—	2,821
Total current liabilities	26,856	1,445	305	—	28,606
Long-term debt, net of current portion	193,655	257	5,978	—	199,890
Reserve for professional liability	5,623	—	—	—	5,623
Pension obligation	3,594	—	—	—	3,594
Interest rate swap liability	19,440	—	—	—	19,440
Other long-term liabilities	6,395	831	—	—	7,226
Total liabilities	255,563	2,533	6,283	—	264,379
Net assets:					
Unrestricted	125,046	7,024	493	(3,220)	129,343
Temporarily restricted	134	4,269	—	—	4,403
Permanently restricted	—	2,911	—	—	2,911
Total net assets:	125,180	14,204	493	(3,220)	136,657
Total liabilities and net assets	\$ 380,743	\$ 16,737	\$ 6,776	\$ (3,220)	\$ 401,036

# Atrium Health System and Subsidiaries

## Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2012

	Atrium Medical Center	Atrium Medical Center Foundation	Middletown Surgery Center	Eliminations	Consolidated Total
<b>Operating revenue</b>					
Net patient service revenue	\$ 239,480	\$ —	\$ 2,986	\$ —	\$ 242,466
Provision for uncollectible accounts	8,304	—	177	—	8,481
Net patient service revenue less provision for uncollectible accounts	231,176	—	2,809	—	233,985
Other operating revenue	12,374	—	—	(145)	12,229
Total operating revenue	243,550	—	2,809	(145)	246,214
<b>Operating expenses</b>					
Salaries and wages	95,729	—	627	—	96,356
Employee benefits	24,731	—	137	—	24,868
Supplies	50,315	—	365	—	50,680
Purchased services, insurance, and other	41,182	—	755	(145)	41,792
Hospital franchise tax	3,645	—	—	—	3,645
Depreciation and amortization	23,274	—	691	—	23,965
Interest	5,621	—	505	—	6,126
Total operating expenses	244,497	—	3,080	(145)	247,432
Loss from operations	(947)	—	(271)	—	(1,218)
Income allocation related to joint operating agreement	1,050	—	—	—	1,050
Nonoperating gains (losses), net	4,610	(19)	10	—	4,601
Excess (deficiency) of revenue over expenses	\$ 4,713	\$ (19)	\$ (261)	\$ —	\$ 4,433

# UVMC and Controlled Affiliates

## Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2013

	Upper Valley Medical Center	UVMC Foundation	UVMC Nursing Care, Inc.	Med-Terra, Inc.	UVMC (Parent Co.)	UVMC Management Corporation	Upper Valley Professional Corporation	Eliminations	Consolidated Total
<b>Assets</b>									
Current assets									
Cash and short-term investments	\$ 6,427	\$ 519	\$ 5,956	\$ 2,329	\$ 127	\$ 344	\$ 2,075	\$ -	\$ 17,777
Accounts receivable, net of allowance for doubtful accounts of \$2,361	20,283	-	1,898	-	-	-	1,184	-	23,365
Inventories	685	-	-	-	-	-	9	-	694
Prepaid expenses	2,102	-	80	6	-	-	213	-	2,401
Estimated receivable from third parties	1,753	-	-	-	-	-	-	-	1,753
Other current assets	445	32	40	14	-	8	593	11	1,143
Total current assets	31,695	551	7,974	2,349	127	352	4,074	11	47,133
Assets limited as to use									
Board-designated investments	49,678	12,524	2,367	-	140,262	-	-	-	204,831
Other investments	14,019	2,501	-	-	-	-	-	-	16,520
Assets limited as to use	63,697	15,025	2,367	-	140,262	-	-	-	221,351
Property and equipment, net	58,969	-	7,498	24,149	-	-	687	-	91,303
Interest rate swap asset	361	-	-	-	-	-	-	-	361
Other long-term assets	3,251	-	-	-	30	1,606	1,888	-	6,775
Total assets	\$ 157,973	\$ 15,576	\$ 17,839	\$ 26,498	\$ 140,419	\$ 1,958	\$ 6,649	\$ 11	\$ 366,923



# UVMC and Controlled Affiliates

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

December 31, 2013

	Upper Valley Medical Center	UVMC Foundation	UVMC Nursing Care, Inc.	Med-Terra, Inc.	UVMC (Parent Co.)	UVMC Management Corporation	Upper Valley Professional Corporation	Eliminations	Consolidated Total
<b>Liabilities and net assets</b>									
Current liabilities									
Accounts payable	\$ 5,237	\$ 27	\$ 772	\$ 948	\$ -	\$ 5	\$ 355	\$ -	\$ 7,344
Accrued expenses	6,289	-	850	-	-	45	908	-	8,092
Current portion of long-term debt	3,274	-	-	-	-	-	-	-	3,274
Estimated payable to third parties	2,301	-	3	-	-	-	-	-	2,304
Amount due under JOA	9,868	-	-	-	-	-	-	-	9,868
Due to affiliates – other	14	(5)	1	(58)	-	84	510	11	557
Other current liabilities	2,133	-	752	340	47	113	585	-	3,970
Total current liabilities	29,116	22	2,378	1,230	47	247	2,358	11	35,409
Long-term debt, net of current portion	45,969	-	-	-	-	-	-	-	45,969
Reserve for professional liability	3,794	-	-	-	-	-	-	-	3,794
Pension obligation	12,622	-	-	-	-	-	-	-	12,622
Other long-term liabilities	2,068	-	9,201	-	-	1,606	1,888	-	14,763
Total liabilities	93,569	22	11,579	1,230	47	1,853	4,246	11	112,557
Net assets									
Unrestricted	64,404	11,703	6,260	25,268	140,372	105	2,403	-	250,515
Temporarily restricted	-	2,605	-	-	-	-	-	-	2,605
Permanently restricted	-	1,246	-	-	-	-	-	-	1,246
Total net assets	64,404	15,554	6,260	25,268	140,372	105	2,403	-	254,366
Total liabilities and net assets	\$ 157,973	\$ 15,576	\$ 17,839	\$ 26,498	\$ 140,419	\$ 1,958	\$ 6,649	\$ 11	\$ 366,923

# UVMC and Controlled Affiliates

## Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2013

	Upper Valley Medical Center	UVMC Foundation	UVMC Nursing Care, Inc.	Med-Terra, Inc.	UVMC (Parent Co.)	UVMC Management Corporation	Upper Valley Professional Corporation	Eliminations	Consolidated Total
<b>Operating revenues</b>									
Net patient service revenue	\$ 138,952	\$ -	\$ 19,261	\$ -	\$ -	\$ -	\$ 17,974	\$ -	\$ 176,187
Provision for uncollectible accounts	1,347	-	263	-	-	-	1,020	-	2,630
Net patient service revenue less provision for uncollectible accounts	137,605	-	18,998	-	-	-	16,954	-	173,557
Other operating revenue	6,916	-	1,259	2,218	-	637	499	(1,994)	9,535
Total operating revenue	144,521	-	20,257	2,218	-	637	17,453	(1,994)	183,092
<b>Operating expenses</b>									
Salaries and wages	58,451	-	8,732	-	-	534	14,936	(336)	82,317
Employee benefits	19,169	-	2,136	-	-	100	1,920	(106)	23,219
Supplies	16,973	-	2,017	-	-	-	1,174	-	20,164
Purchased services, insurance, and other	22,396	-	5,416	768	(7)	3	4,358	(1,553)	31,381
Hospital franchise tax	2,033	-	-	-	-	-	-	-	2,033
Depreciation and amortization	7,976	-	782	937	-	-	120	-	9,815
Interest	2,527	-	-	-	-	-	-	-	2,527
Total operating expenses	129,525	-	19,083	1,705	(7)	637	22,508	(1,995)	171,456
Income (loss) from operations	14,996	-	1,174	513	7	-	(5,055)	1	11,636
Loss allocation related to joint operating agreement	(9,393)	-	-	-	-	-	-	-	(9,393)
Nonoperating gains, net	5,766	2,191	54	-	19,191	-	1	-	27,203
Excess (deficiency) of revenue over expenses	\$ 11,369	\$ 2,191	\$ 1,228	\$ 513	\$ 19,198	\$ -	\$ (5,054)	\$ 1	\$ 29,446

# UVMC and Controlled Affiliates

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

	Year Ended December 31	
	2013	2012
<b>Net assets</b>		
Excess of revenues over expenses	\$ 29,446	\$ 17,416
Change in plan assets and benefit obligations of pension plans	16,908	8,002
Gain on sale of discontinued – dialysis business	6,520	–
Allocation of the gain on sale of discontinued operations relating to the Joint Operating Agreement	(475)	–
Discontinued operations – dialysis business	171	878
Net gains on temporarily restricted and permanently restricted net assets and other	(895)	(187)
Increase in net assets	51,675	26,109
Net assets at beginning of year	202,691	180,057
Less cumulative effect of accounting change (Note A)	–	(3,475)
Adjusted net assets at beginning of year	202,691	176,582
Net assets at end of year	\$ 254,366	\$ 202,691

## UVMC and Controlled Affiliates

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

	Year Ended December 31	
	2013	2012
<b>Operating activities</b>		
Increase in net assets	\$ 51,675	\$ 22,634
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,815	9,298
Provision for uncollectible accounts	2,630	4,584
Net gain on discontinued operations	(6,520)	—
Change in the valuation of swap agreement liability	(339)	(914)
Change in plan assets and benefit obligations of pension plans	(16,908)	(8,002)
Unrealized gains on assets limited as to use	(10,403)	(11,060)
Net change in assets and liabilities:		
Accounts receivable	(2,858)	(8,076)
Net change in assets limited as to use	(6,345)	(4,434)
Other assets	(822)	(831)
Accounts payable and accrued expenses	1,832	1,611
Estimated payable to third parties	(1,958)	(1,399)
Other liabilities	2,772	6,199
Net cash provided by operating activities	22,571	9,610
<b>Investing activities</b>		
Proceeds from the sale of business and assets, net of closing costs	6,962	2,816
Purchases of property and equipment	(17,915)	(10,482)
Net cash used in investing activities	(10,953)	(7,666)
<b>Financing activities</b>		
Proceeds from long term borrowings	1,662	—
Repayment of long-term debts and capital leases	(2,686)	(2,115)
Net cash used in financing activities	(1,024)	(2,115)
Net increase (decrease) in cash and short-term investments	10,594	(171)
Cash and short-term investments at beginning of year	7,183	7,354
Cash and short-term investments at end of year	\$ 17,777	\$ 7,183

# UVMC and Controlled Affiliates

## Consolidating Balance Sheet (Dollars in Thousands)

December 31, 2012

	Upper Valley Medical Center	UVMC Foundation	UVMC Nursing Care, Inc.	UVMC Med-Terra, Inc.	UVMC (Parent Co.)	UVMC Management Corporation	Upper Valley Professional Corporation	Eliminations	Consolidated Total
<b>Assets</b>									
Current assets:									
Cash and short-term investments	\$ 636	\$ 679	\$ 2,690	\$ 1,367	\$ 169	\$ 354	\$ 1,288	\$ —	\$ 7,183
Accounts receivable, net of allowances for doubtful accounts of \$2,426	19,855	—	2,122	—	—	—	1,160	—	23,137
Inventories	509	—	—	—	—	—	—	—	509
Prepaid expenses	1,693	—	90	12	—	—	227	—	2,022
Due from affiliates – other	—	—	—	3,000	—	—	3,000	(6,000)	—
Other current assets	590	127	—	54	—	7	208	—	986
Total current assets	23,283	806	4,902	4,433	169	361	5,883	(6,000)	33,837
Assets limited as to use:									
Board-designated investments	47,253	9,154	3,742	—	127,055	—	—	—	187,204
Other investments	14,898	2,501	—	—	—	—	—	—	17,399
Assets limited as to use	62,151	11,655	3,742	—	127,055	—	—	—	204,603
Property and equipment, net	57,468	—	8,075	15,349	—	—	553	—	81,445
Interest rate swap asset	23	—	—	—	—	—	—	—	23
Other long-term assets	3,467	—	—	—	30	1,403	1,774	—	6,674
Total assets	\$ 146,392	\$ 12,461	\$ 16,719	\$ 19,782	\$ 127,254	\$ 1,764	\$ 8,210	\$ (6,000)	\$ 326,582

# UVMC and Controlled Affiliates

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

December 31, 2012

	Upper Valley Medical Center	UVMC Foundation	UVMC Nursing Care, Inc.	UVMC Med-Terra, Inc.	UVMC (Parent Co.)	UVMC Management Corporation	Upper Valley Professional Corporation	Eliminations	Consolidated Total
<b>Liabilities and net assets</b>									
Current liabilities:									
Accounts payable	\$ 4,004	\$ 11	\$ 411	\$ 78	\$ —	\$ 8	\$ 422	\$ —	\$ 4,934
Accrued expenses	4,920	23	1,036	—	—	49	766	—	6,794
Current portion of long-term debt	2,545	—	—	—	—	—	—	—	2,545
Estimated payable to third parties	2,448	—	61	—	—	—	—	—	2,509
Amount due under JOA	9,560	—	—	—	—	—	—	—	9,560
Due to affiliates – other	6,281	—	—	—	—	—	63	(6,000)	344
Other current liabilities	3,734	—	621	449	64	110	528	—	5,506
Total current liabilities	33,492	34	2,129	527	64	167	1,779	(6,000)	32,192
Long-term debt, net of current portion	47,040	—	—	—	—	—	—	—	47,040
Reserve for professional liability	5,006	—	—	—	—	—	—	—	5,006
Pension obligation	24,621	—	—	—	—	501	—	—	25,122
Other long-term liabilities	2,103	—	9,251	—	—	1,403	1,774	—	14,531
Total liabilities	112,262	34	11,380	527	64	2,071	3,553	(6,000)	123,891
Net assets (deficit):									
Unrestricted	34,130	9,562	5,339	19,255	127,190	(307)	4,657	—	199,826
Temporarily restricted	—	1,747	—	—	—	—	—	—	1,747
Permanently restricted	—	1,118	—	—	—	—	—	—	1,118
Total net assets (deficit)	34,130	12,427	5,339	19,255	127,190	(307)	4,657	—	202,691
Total liabilities and net assets	\$ 146,392	\$ 12,461	\$ 16,719	\$ 19,782	\$ 127,254	\$ 1,764	\$ 8,210	\$ (6,000)	\$ 326,582

# UVMC and Controlled Affiliates

## Consolidating Statement of Operations (Dollars in Thousands)

Year Ended December 31, 2012

	Upper Valley Medical Center	UVMC Foundation	UVMC Nursing Care, Inc.	Med-Terra, Inc.	UVMC (Parent Co.)	UVMC Management Corporation	Upper Valley Professional Corporation	Summit Group Holding Company	Eliminations	Consolidated Total
<b>Operating revenues</b>										
Net patient service revenue	\$ 143,117	\$ -	\$ 19,470	\$ -	\$ -	\$ -	\$ 15,797	\$ -	\$ -	\$ 178,384
Provision for uncollectible accounts	3,421	-	233	-	-	-	930	-	-	4,584
Net patient service revenue less provision for uncollectible accounts	139,696	-	19,237	-	-	-	14,867	-	-	173,800
Other operating revenue	8,080	-	1,203	1,940	-	741	914	-	(2,457)	10,421
Total operating revenue	147,776	-	20,440	1,940	-	741	15,781	-	(2,457)	184,221
<b>Operating expenses</b>										
Salaries and wages	60,799	-	8,792	-	-	596	13,004	-	(596)	82,595
Employee benefits	21,027	-	1,918	-	-	142	2,108	-	(142)	25,053
Supplies	16,820	-	2,188	4	-	-	903	-	-	19,915
Purchased services, insurance, and other	26,716	-	5,465	1,262	4	2	4,078	-	(1,718)	35,809
Hospital franchise tax	1,978	-	-	-	-	-	-	-	-	1,978
Depreciation and amortization	7,606	-	812	778	-	-	102	-	-	9,298
Interest	2,616	-	-	-	-	-	-	-	-	2,616
Total operating expenses	137,562	-	19,175	2,044	4	740	20,195	-	(2,456)	177,264
Income (loss) from operations	10,214	-	1,265	(104)	(4)	1	(4,414)	-	(1)	6,957
Expense allocation related to joint operating agreement	(9,560)	-	-	-	-	-	-	-	-	(9,560)
Nonoperating gains, net	5,563	1,155	344	-	12,957	-	-	-	-	20,019
Excess (deficiency) of revenue over expenses	\$ 6,217	\$ 1,155	\$ 1,609	\$ (104)	\$ 12,953	\$ 1	\$ (4,414)	\$ -	\$ (1)	\$ 17,416

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