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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

▶ Do not enter Social Security numbers on this form as it may be made public By law, the IRS generally cannot redact the information on the form

▶ Information about Form 990 and its instructions is at www.IRS.gov/form990

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 01-01-2013 , 2013, and ending 12-31-2013

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

C Name of organization
Kettering Medical Center

Doing Business As

Number and street (or P O box if mail is not delivered to street address) 2110 Leiter Road

Room/suite

City or town, state or province, country, and ZIP or foreign postal code
Miamisburg, OH 45342

D Employer identification number
31-0621866

E Telephone number
(937) 384-4550

G Gross receipts $ 682,488,958

F Name and address of principal officer
Roy Chew
2110 Leiter Road
Miamisburg, OH 45342

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

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

H(c) Group exemption number ▶

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

J Website: ▶ www khnetwork org

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation 1959

M State of legal domicile OH

Part I Summary

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

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	13
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	6
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	**5**	8,841
6	Total number of volunteers (estimate if necessary)	**6**	863
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	3,873,168
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	2,209,012	1,307,495
9	Program service revenue (Part VIII, line 2g)	627,237,648	654,102,997
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	27,851,722	26,674,225
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	40,840	125,721
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	657,339,222	682,210,438
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	158,410	186,964
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	271,005,967	273,937,099
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	294,843,123	290,754,532
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	566,007,500	564,878,595
19	Revenue less expenses Subtract line 18 from line 12	91,331,722	117,331,843

Revenue

Expenses

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	966,843,839	1,079,161,898
21	Total liabilities (Part X, line 26)	539,577,530	526,440,652
22	Net assets or fund balances Subtract line 21 from line 20	427,266,309	552,721,246

Net Assets or Fund Balances

Part II Signature Block

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

Sign Here

****** 2014-11-10
Signature of officer Date

Clifton Patten KHN CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Herbert L Lemaster CPA		2014-11-10		P00039882

Firm's name ▶ Clark Schaefer Hackett & Co — Firm's EIN ▶ 31-0800053

Firm's address ▶ 10100 Innovation Drive Suite 400 Dayton, OH 45342 — Phone no (937) 226-0070

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

To provide quality healthcare to individuals and the community as a whole in a Judeo-Christian manner

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 $ 447,544,734 including grants of $ 39,455) (Revenue $ 633,154,135)

Kettering Memorial Hospital, Sycamore Hospital, Kettering Behavioral Medicine Center, and other patient care related services provided care for 27,798 discharges, adult & ped days of 124,671, and 386,263 outpatient visits

4b (Code) (Expenses $ 13,695,645 including grants of $ 147,509) (Revenue $ 12,404,890)

Kettering College provided health educational programs for 1,208 students including 260 graduating

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** ▶ 461,240,379

Part IV Checklist of Required Schedules

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response 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 . .	1a	894		
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c			
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	8,841		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a		Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No" 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? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

Check if Schedule O contains a response 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	**1a**	13		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O				
b	Enter the number of voting members included in line 1a, above, who are independent	**1b**	6		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**			No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**			No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**			No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**			No
6	Did the organization have members or stockholders?	**6**			No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**			No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**			No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	**8a**		Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**			No

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

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

Section C. Disclosure

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

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

☐ Own website ☑ Another's website ☑ Upon request ☐ 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

▶Clifton Patten 2110 Leiter Road
Miamisburg, OH 45342 (937) 384-4550

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Fred Manchur KHN CEO	1 00 39 00	X						0	1,502,051	1,097,514
(2) Roy Chew KMC President	39 00 1 00	X		X				0	995,387	659,982
(3) Dave Weigley President, Columbia Union	1 00	X						0	0	0
(4) Raj Attiken President, Ohio Conference	1 00	X						0	0	0
(5) Jon Velasco MD Physician	1 00	X						0	0	0
(6) Candice Christenson RN Community Volunteer	1 00	X						0	0	0
(7) Randy Tanguay Community Volunteer	1 00	X						0	0	0
(8) Susan Kettering Community Volunteer	1 00	X						0	0	0
(9) Franklin Handel MD Physician	1 00	X						0	0	0
(10) Karl Kellawan MD Physician	1 00	X						0	0	0
(11) Tom Merle MD Physician	1 00	X						0	0	0
(12) Stewart Adam MD Physician	1 00	X						0	0	0
(13) Lee Hieronymus Community Volunteer	1 00	X						0	0	0
(14) Steve Chavez KMC VP of Finance & Operations	40 00			X				0	277,473	24,137
(15) Mark Smith Sycamore Hospital VP until 6/13	40 00				X			0	441,936	38,021
(16) Brenda Kuhn KMC VP of Patient Care Services	40 00				X			0	403,169	35,094
(17) Walter Sackett VP - Sycamore Hospital	40 00				X			0	376,022	36,775

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Michael Brendel VP of Clinical Services	40 00				X			0	235,012	21,961
(19) Rebekah Wang-Cheng MD Physician	40 00					X		268,142	0	18,877
(20) Donna Arand Clinical Polysomnographer	40 00					X		219,825	0	14,254
(21) Jason St Pierre Director	40 00					X		197,851	0	28,407
(22) Carolyn Peterson Director of Risk Management	40 00					X		195,930	0	16,715
(23) Mick Macomber Director of Legal Services	40 00					X		189,400	0	13,342
(24) Deanette Sisson Former Key Employee	0 00						X	0	230,685	23,046
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								1,071,148	4,461,735	2,028,125

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 119

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Southview Orthopedic Center Management L 40 N Main Street Suite 600 Dayton OH 45423	Healthcare Services	13,687,181
Dayton Anethesia & Pain Services LLC PO Box 638311 Cincinnati OH 452638311	Healthcare Services	10,326,926
Kettering Cardiovascular Ancillary Servi 2110 Leiter Road Miamisburg OH 45342	Healthcare Services	6,139,190
Danis Builders LLC 3233 Newmark Drive Miamisburg OH 45342	General Contractor	5,560,730
JR Remick Inc 3864 S Kettering Blvd Ste 200 Dayton OH 45439	Property Management	4,232,293

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 ▶ 130

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	1,019,631			
	e	Government grants (contributions)	1e	222,810			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	65,054			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f . . . . . ▶		1,307,495			
Program Service Revenue			Business Code				
	2a	Patient care services	622000	638,162,941	633,154,135		5,008,806
	b	Kettering College	611310	12,404,890	12,404,890		
	c	Reference lab	621500	1,698,972		1,698,972	
	d	Home health care	621610	1,694,708		1,694,708	
	e	Ambulatory health care	621999	141,486		141,486	
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f . . . . . ▶		654,102,997			
	3	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶		8,811,724		212,281	8,599,443
	4	Income from investment of tax-exempt bond proceeds . . ▶		3,217			3,217
	5	Royalties . . . . . ▶					
		(i) Real	(ii) Personal				
	6a	Gross rents					
	b	Less rental expenses					
	c	Rental income or (loss)					
	d	Net rental income or (loss) . . . . . ▶					
		(i) Securities	(ii) Other				
	7a	Gross amount from sales of assets other than inventory	17,766,432	371,372			
	b	Less cost or other basis and sales expenses	0	278,520			
	c	Gain or (loss)	17,766,432	92,852			
	d	Net gain or (loss) . . . . . ▶		17,859,284			17,859,284
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from fundraising events . . ▶					
	9a	Gross income from gaming activities See Part IV, line 19 . . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from gaming activities . . ▶					
	10a	Gross sales of inventory, less returns and allowances . a					
	b	Less cost of goods sold . . b					
	c	Net income or (loss) from sales of inventory . . ▶					
		Miscellaneous Revenue	Business Code				
	11a	Joint venture	900099	82,194		82,194	
	b	Other real estate activities	531390	36,300		36,300	
	c	Other services to buildings & dwe	561700	4,682		4,682	
	d	All other revenue		2,545		2,545	
	e	**Total.** Add lines 11a–11d . . . . . ▶		125,721			
	12	**Total revenue.** See Instructions . . . . . ▶		682,210,438	645,559,025	3,873,168	31,470,750

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				
2 Grants and other assistance to individuals in the United States See Part IV, line 22	186,964	186,964		
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	6,523,332		6,523,332	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	216,140,350	180,666,278	35,474,072	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	10,224,139	8,546,100	1,678,039	
9 Other employee benefits	27,581,216	23,054,444	4,526,772	
10 Payroll taxes	13,468,062	11,257,614	2,210,448	
11 Fees for services (non-employees)				
a Management	3,184,008		3,184,008	
b Legal	318,843	157,436	161,407	
c Accounting	40,763		40,763	
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees	2,056,646		2,056,646	
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	45,477,567	30,722,734	14,754,833	
12 Advertising and promotion	1,166,654	255,049	911,605	
13 Office expenses	8,173,951	7,699,738	474,213	
14 Information technology	9,841,101	909,478	8,931,623	
15 Royalties . .				
16 Occupancy	7,018,178	4,880,189	2,137,989	
17 Travel	732,758	617,616	115,142	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	234,372	209,540	24,832	
20 Interest	11,328,914	7,730,108	3,598,806	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	38,033,152	26,446,890	11,586,262	
23 Insurance	4,841,036	4,258,624	582,412	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a Medical supplies	108,943,524	108,882,078	61,446	
b Physician services	27,234,156	27,234,156		
c Hospital Assessment	8,106,030	8,106,030		
d Cost of goods sold	6,632,418	6,631,845	573	
e All other expenses	7,390,461	2,787,468	4,602,993	
25 **Total functional expenses.** Add lines 1 through 24e	564,878,595	461,240,379	103,638,216	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash–non-interest-bearing		14,937,203	1	114,683,479
	2	Savings and temporary cash investments		99,341,198	2	807,823
	3	Pledges and grants receivable, net		315,324	3	
	4	Accounts receivable, net		75,787,999	4	77,944,903
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net		806,829	7	785,238
	8	Inventories for sale or use		9,232,572	8	9,019,361
	9	Prepaid expenses and deferred charges		7,914,011	9	8,220,411
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 874,548,630			
	b	Less accumulated depreciation	10b 515,744,254	378,563,695	10c	358,804,376
	11	Investments—publicly traded securities		357,464,588	11	483,845,761
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets		3,700,000	14	3,700,000
	15	Other assets See Part IV, line 11		18,780,420	15	21,350,546
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		966,843,839	16	1,079,161,898
Liabilities	17	Accounts payable and accrued expenses		93,787,442	17	96,227,589
	18	Grants payable			18	
	19	Deferred revenue		1,825,727	19	1,355,426
	20	Tax-exempt bond liabilities		353,249,059	20	348,789,494
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties		648,549	24	468,375
	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		90,066,753	25	79,599,768
	26	**Total liabilities.** Add lines 17 through 25		539,577,530	26	526,440,652
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		427,266,309	27	552,721,246
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		427,266,309	33	552,721,246
	34	Total liabilities and net assets/fund balances		966,843,839	34	1,079,161,898

Part XI Reconcilliation 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	682,210,438
2	Total expenses (must equal Part IX, column (A), line 25)	2	564,878,595
3	Revenue less expenses Subtract line 2 from line 1	3	117,331,843
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	427,266,309
5	Net unrealized gains (losses) on investments	5	39,151,939
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	-31,028,845
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	552,721,246

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

Name of the organization
Kettering Medical Center

Employer identification number
31-0621866

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

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

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

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

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

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

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

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

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

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

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

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

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

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Non-functionally integrated

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

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

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

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

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

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 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 III **Support 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 D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 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*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Kettering Medical Center

Employer identification number
31-0621866

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

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

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

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

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

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

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

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

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

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

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

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

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

4 Describe in Part 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		35,896,915		35,896,915
b Buildings	288,000	442,967,233	270,860,054	172,395,179
c Leasehold improvements		3,054,817	1,617,799	1,437,018
d Equipment		384,702,768	243,266,401	141,436,367
e Other		7,638,897		7,638,897
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				358,804,376

Part VII **Investments—Other Securities.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

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

Part VIII **Investments—Program Related.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

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

Part IX **Other Assets.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11d See Form 990, Part X, line 15

(a) Description	(b) Book value
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

Part X **Other Liabilities.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1 (a) Description of liability	(b) Book value
Federal income taxes	
Accrued pension liability	9,191,693
Estimated amounts due to third-party payors	8,924,677
Interest rate swap agreements liability	34,995,242
Other long-term liabilities	135,603
Physician income guarantee commitments	305,834
Professional self-insurance liability	17,784,646
Reserve for payroll tax liability	2,163,889
Retirement plans liabilities	549,296
Synthetic lease obligations	5,548,888
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	79,599,768

2. Liability for uncertain tax positions In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740) Check here if the text of the footnote has been provided in Part XIII ☑

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
Part X, Line 2	The Network completed an analysis of its tax positions in accordance with applicable accounting guidance and determined that no amounts were required to be recognized in the consolidated financial statements at December 31, 2013 or 2012

Part XIII Supplemental Information *(continued)*

Return Reference	Explanation

Additional Data

Software ID:
Software Version:
EIN: 31-0621866
Name: Kettering Medical Center

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

1 (a) Description of Liability	(b) Book Value
Accrued pension liability	9,191,693
Estimated amounts due to third-party payors	8,924,677
Interest rate swap agreements liability	34,995,242
Other long-term liabilities	135,603
Physician income guarantee commitments	305,834
Professional self-insurance liability	17,784,646
Reserve for payroll tax liability	2,163,889
Retirement plans liabilities	549,296
Synthetic lease obligations	5,548,888

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

Employer identification number
31-0621866

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care ☑ 100% ☐ 150% ☐ 200% ☐ Other _____ %	3a	Yes	
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b	Yes	
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"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 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)			13,802,888	3,681,000	10,121,888	1 790 %
b Medicaid (from Worksheet 3, column a)			51,039,279	39,912,918	11,126,361	1 970 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			64,842,167	43,593,918	21,248,249	3 760 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1,674,068		1,674,068	0 300 %
f Health professions education (from Worksheet 5)			28,168,925	14,640,683	13,528,242	2 390 %
g Subsidized health services (from Worksheet 6)			16,602,645	6,304,933	10,297,712	1 820 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			757,159		757,159	0 130 %
j **Total.** Other Benefits			47,202,797	20,945,616	26,257,181	4 640 %
k **Total.** Add lines 7d and 7j			112,044,964	64,539,534	47,505,430	8 400 %

Part II Community Building Activities Complete this 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						
10 **Total**						

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

			Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1	Yes	
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount 2 5,017,497			
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 3 120,420			
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	123,899,657
6	Enter Medicare allowable costs of care relating to payments on line 5	6	122,289,167
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	1,610,490
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?
3

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)

Name of hospital facility or facility reporting group Kettering Behavioral Medicine Center

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) 3

			Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)				
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	1		No
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☐ A definition of the community served by the hospital facility			
b	☐ Demographics of the community			
c	☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☐ How data was obtained			
e	☐ The health needs of the community			
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☐ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 ___			
3	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	3		
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5	Did the hospital facility make its CHNA report widely available to the public?	5		
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☐ Hospital facility's website (list url) _____			
b	☐ Other website (list url) _____			
c	☐ Available upon request from the hospital facility			
d	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)			
a	☐ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☐ Prioritization of health needs in its community			
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7		
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a		
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $_____			

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 100 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☐ Asset level			
c ☑ Medical indigency			
d ☑ Insurance status			
e ☑ Uninsured discount			
f ☑ Medicaid/Medicare			
g ☑ State regulation			
h ☐ Residency			
i ☐ 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?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☑ The policy was attached to billing invoices			
c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☑ The policy was posted in the hospital facility's admissions offices			
e ☑ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in 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 ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ 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?	**19**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group Kettering Medical Center Group A

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) _____

			Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)				
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 13			
3	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	**3**	Yes	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**	Yes	
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website (list url) http //www ketteringhealth org/aboutus			
b	☐ Other website (list url) _____			
c	☑ Available upon request from the hospital facility			
d	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☐ Execution of the implementation strategy			
c	☑ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	**7**	Yes	
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	**8a**		No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	**8b**		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $_____			

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 100 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☐ Asset level			
c ☑ Medical indigency			
d ☑ Insurance status			
e ☑ Uninsured discount			
f ☑ Medicaid/Medicare			
g ☑ State regulation			
h ☐ Residency			
i ☐ 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?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☑ The policy was attached to billing invoices			
c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☑ The policy was posted in the hospital facility's admissions offices			
e ☑ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in 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 ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ 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?	**19**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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

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

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
Part V, Section A	Each facility listed is required to be licensed, registered or recognized as a healthcare facility under state law
Kettering Behavioral Medicine Center	Part V, Section B, Line 20d The hospital provided a discount on medically necessary hospital services to uninsured patients who do not qualify under the charity care policy
Kettering Behavioral Medicine Center	Part V, Section B, Line 22 The hospital charged patients an amount equal to gross charges in select circumstances This includes, for example, claims with insurance denials for non-cooperation
Part V, Section B	Facility Reporting Group A
Facility Reporting Group A consists of	- Facility 1 Kettering Memorial Hospital, - Facility 2 Sycamore Hospital
Facility 1 -- Kettering Memorial Hospital Part V, Section B, line 3	Partners in the data review process and in the process for identifying and prioritizing community health needs and services are the Board of Trustees and executive leadership of Kettering Medical Center, community health collaboratives featuring community, health, and business stakeholders/advocates organized by both Kettering Medical Center, and the Greater Dayton Area Hospital Association with its member hospitals These partners were consulted through the use of focus groups
Facility 1 -- Kettering Memorial Hospital Part V, Section B, line 4	Kettering Medical Center partnered with member hospitals of the Greater Dayton Area Hospital Association and Wright State University to prepare the Community Health Needs Assessment (CHNA) for the hospital's service area
Facility 1 -- Kettering Memorial Hospital Part V, Section B, line 20d	The hospital provided a discount on medically necessary hospital services to uninsured patients who do not qualify under the charity care policy
Facility 1 -- Kettering Memorial Hospital Part V, Section B, line 22	The hospital charged patients an amount equal to gross charges in select circumstances This includes, for example, claims for insurance denials for non-cooperation
Facility 2 -- Sycamore Hospital Part V, Section B, line 3	Partners in the data review process and in the process for identifying and prioritizing community health needs and services are the Board of Trustees and executive leadership of Sycamore Medical Center, community health collaboratives featuring community, health, and business stakeholders/advocates organized by both Sycamore Medical Center, and the Greater Dayton Area Hospital Association with its member hospitals These partners were consulted through the use of focus groups
Facility 2 -- Sycamore Hospital Part V, Section B, line 4	Sycamore Medical Center partnered with member hospitals of the Greater Dayton Area Hospital Association and Wright State University to prepare the Community Health Needs Assessment (CHNA) for the hospital's service area
Facility 2 -- Sycamore Hospital Part V, Section B, line 20d	The hospital provided a discount on medically necessary hospital services to uninsured patients who do not qualify under the charity care policy
Facility 2 -- Sycamore Hospital Part V, Section B, line 22	The hospital charged patients an amount equal to gross charges in select circumstances This includes, for example, claims with insurance denials for non-cooperation

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? **9**

	Name and address	Type of Facility (describe)
1	Kettering Sports Medicine 3490 Far Hills Ave Kettering, OH 45249	Outpatient Clinic & Diagnostic Center
2	Kettering Sports Medicine 2145 N Fairfield Rd Suite D Beavercreek, OH 45431	Outpatient Clinic & Diagnostic Center
3	Kettering Sports Medicine 25 S Tippecanoe Drive Tipp City, OH 45371	Outpatient Clinic & Diagnostic Center
4	Sugarcreek Health Center 6438 Wilmington Pike Dayton, OH 45459	Outpatient Clinic & Diagnostic Center
5	Wound Healing & Hyperbaric Medicine 4881 Sugar Maple Dr WPAFB Fairborn, OH 45433	Diagnostic & Treatment Center
6	Englewood Health Center 1250 W National RoadSuites 200500 Clayton, OH 45315	Urgent Care & Diagnostic Center
7	Franklin Physical Therapy & Fitness 333 Conover Drive Suite 1 Franklin, OH 45005	Physical Therapy Facility
8	Sycamore Primary Care Center 2115 Leiter Road Miamisburg, OH 45342	Outpatient Physician Clinic & Diagnostic Center
9	Indian Ripple Family Health Center 4428 Indian Ripple Road Dayton, OH 45440	Outpatient Physician Clinic
10		

Part VI Supplemental Information

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	The organization provides an annual community benefit report that is made available to the public
Part I, Line 7	Charity care is calculated using a cost to charge ratio following the methodology of Worksheet 2 Medical costs are calculated using a cost accounting system that addresses all patient segments Community health improvement services are calculated on the basis of direct expenditures Health professions education is calculated based on the Medicare cost report Subsidized health services is calculated based on the non-Medicare, Medicaid and charity care proportion of departmental losses for the specific programs Cash and in-kind contributions are calculated on the basis of direct expenditures

Form and Line Reference	Explanation
Part I, Line 7g	Subsidized health services represent the non-needs based and non-Medicare program losses of services the hospital offers
Part III, Line 4	A cost to charge ratio was used to determine the amount reported in Part III, Line 2 An industry average was used to compute the amount on Line 3 Discounts and payments on patient accounts reduce bad debt expense No portion of bad debt expense is reported as community benefit Text of footnote describing bad debt expense is as follows "Based on historical experience, a significant portion of the Network's uninsured patients will be unable or unwilling to pay for the services provided Thus, the Network records a significant provision for bad debts related to uninsured patients in the period the services are provided "

Form and Line Reference	Explanation
Part III, Line 8	The costing methodology used to determine Medicare costs is the Medicare cost report Medicare costs have not been included in community benefit in Part I A reconciliation between Medicare program amounts reportable in Section B and the total Medicare program is below Revenues Costs SurplusMedicare Section B $123,899,657 $122,289,167 $ 1,610,490Other Programs $ 92,752,376 $ 89,625,095 $ 3,127,281Total $216,652,033 $211,914,262 $ 4,737,771Other Medicare Programs include Medicare Part C and other programs not reportable in the Medicare cost report
Part III, Line 9b	Financial counselors work out a payment program for any amount due after the Charity Sliding Scale Discounts are applied Collection procedures consistent with self-pay accounts are applied to these balances

Form and Line Reference	Explanation
Part VI, Line 2	Kettering Medical Center, as part of Kettering Health Network, has dedicated an entire department to community health and wellness The Community Outreach Department is comprised of six coordinators who develop programs, screenings and other health related events The department also has four exercise physiologists, 20 nurses, two dietitians, a physician medical director, and many other resource personnel
Part VI, Line 3	Kettering Medical Center informs and educates patients or persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under Kettering Medical Center's charity care policy as follows -KMC has a financial assistance brochure that is included in all of the patient information kits given at the time of intake or registration into any facility or department -There is information posted in all of the admitting and registration areas about charity care and financial assistance -During the registration process there is specific scripting to ask patients if they would like to disclose family size and income to screen them for federal/state/local and hospital based charity/assistance programs This data is available for future visits as well -KMC has the reporting capability to review and screen any patient who may have been admitted during registration "off hours" for eligibility and assistance -KMC contracts with an outside agency for patient assistance in application process -The back of the patient statement shows the current and prior year Federal Poverty Guidelines and has the Financial Assistance Form to complete and mail in for consideration for KMC's HCAP or Charity Sliding Scale program -KMC's patient account representatives in customer service screen patients that are unable to pay their bill for the various financial assistance programs

Form and Line Reference	Explanation
Part VI, Line 4	KHN serves a population of approximately 1,631,000 in its primary and secondary service area The nine county service area includes Butler, Clark, Clinton, Darke, Greene, Miami, Montgomery, Preble and Warren counties Out of this service area, approximately 11 2% of area residents have income below $15,000 10 3% have income between $15,000 and $24,000 and 27 3% have income between $25,000 and $49,999 Portions of Clark, Darke and Preble counties have been identified as medically underserved by the Health Resources and Services Administration This nine county area is served by 15 hospitals, 8 of which are part of Kettering Health Network
Part VI, Line 5	Kettering Medical Center furthers its exempt purpose by promoting the health of the community by - Retaining a Board of Directors with a majority (excluding employees and contractors) living in the primary service area,-Extending medical staff privileges to all qualified physicians in its community for a majority of its departments,-Utilizing surplus funds to help support ongoing improvements in patient care through equipment upgrades, acquisition of the most advanced medical technology, upgrades of exising hospital structures, and construction of new facilities in order to provide accessible, efficient, quality care Medical and nursing education programs are also enhanced through purchase of state-of-the-art educational tools and dedicated learning centers of excellence Medical research is supported through the Innovation Center, cultivating new technologies and fostering best practices among partners from industry, academia, and health care

Form and Line Reference	Explanation
Part VI, Line 6	KMC and its affiliates promote the health of the communities served by the system as described below Kettering Medical Center, a part of the Kettering Health Network, is dedicated to the creation and maintenance of community wellness programs, support groups and health education programs KMC provides numerous screenings, family-focused classes, health fairs, conferences, donations and education programs to ensure the long-term well-being of people living in the community The Kettering Medical Center Foundation serves donors by providing assistance in fulfilling philanthropic wishes and maintaining an efficient conduit for gifts to benefit KMC and its affiliated programs and facilities The Foundation manages over 140 funds in support of programs, offering donors the confidence that their donations will meaningfully influence the program they choose to support Kettering College is a doctorate, master's and bachelor's degree-granting college with programs in human biology, nursing, medical sonography, physician assistant studies, occupational therapy, radiology technology, respiratory therapy and health sciences Associate degree options are available for some programs of study An average of 800 students prepare each year for service to the wider community The college is owned by KMC and is chartered by the Seventh-day Adventist Church, for whom health care has always been a key ministry to the wider public Kettering Affiliated Health Services, Inc includes Sycamore Glen Health Center, Sycamore Glen Retirement Community, and Kettering Breast Evaluation Centers These health care areas provide services to the surrounding communities which complement those services provided by KMC as part of the Kettering Health Network Medical research is supported through the Innovation Center which cultivates new technologies and fosters best practices among partners from industry, academia, and health care
Part VI, Line 7, Reports Filed With States	OH

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ **Attach to Form 990**

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Kettering Medical Center

Employer identification number
31-0621866

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . ☑ Yes ☐ No

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

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000. 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

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

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

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. 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
(1) Employee hardship	102	39,455			
(2) Scholarships	90	147,509			

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

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 23.**
▶ **Attach to Form 990.** ▶ **See separate instructions.**
▶ **Information about Schedule J (Form 990) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Kettering Medical Center

Employer identification number
31-0621866

Part I Questions Regarding Compensation

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

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use 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
Part I, Line 3	Compensation is established by a related organization The process of determining compensation of CEO's, executive directors, officers, and key employees is to have an independent board approve the compensation The compensation is determined to be reasonable compared to independent comparability data The approval of the amounts is documented in the Board minutes within the appropriate time frame At year end the organization reviews executive compensation by comparing the amounts approved to the amounts paid
Part I, Line 4b	The Network has a Supplemental Executive Retirement Plan available only to a certain class of management
part ii, column biii	Part II, Col Biii Column Biii includes compensation reported on the W-2 that may or may not have been included in the current year Statement of Operations and Changes in Net Assets

Additional Data

Software ID:
Software Version:
EIN: 31-0621866
Name: Kettering 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				
Fred Manchur KHN CEO	(I)	0	0	0	0	0	0	0
	(II)	1,125,462	276,700	99,889	1,081,190	16,324	2,599,565	0
Roy Chew KMC President	(I)	0	0	0	0	0	0	0
	(II)	775,388	147,708	72,291	638,441	21,541	1,655,369	0
Steve Chavez KMC VP of Finance & Operations	(I)	0	0	0	0	0	0	0
	(II)	247,841	28,542	1,090	6,917	17,220	301,610	0
Mark Smith Sycamore Hospital VP until 6/13	(I)	0	0	0	0	0	0	0
	(II)	366,785	73,847	1,304	13,987	24,034	479,957	0
Brenda Kuhn KMC VP of Patient Care Services	(I)	0	0	0	0	0	0	0
	(II)	337,546	61,088	4,535	13,987	21,107	438,263	0
Walter Sackett VP - Sycamore Hospital	(I)	0	0	0	0	0	0	0
	(II)	319,347	50,701	5,974	13,987	22,788	412,797	0
Michael Brendel VP of Clinical Services	(I)	0	0	0	0	0	0	0
	(II)	201,921	31,061	2,030	9,585	12,376	256,973	0
Rebekah Wang-Cheng MD Physician	(I)	232,537	32,041	3,564	14,287	4,590	287,019	0
	(II)	0	0	0	0	0	0	0
Donna Arand Clinical Polysomnographer	(I)	69,765	149,727	333	13,607	647	234,079	0
	(II)	0	0	0	0	0	0	0
Jason St Pierre Director	(I)	174,566	23,155	130	11,464	16,943	226,258	0
	(II)	0	0	0	0	0	0	0
Carolyn Peterson Director of Risk Management	(I)	170,170	22,966	2,794	11,313	5,402	212,645	0
	(II)	0	0	0	0	0	0	0
Mick Macomber Director of Legal Services	(I)	177,119	10,733	1,548	8,441	4,901	202,742	0
	(II)	0	0	0	0	0	0	0
Deanette Sisson Former Key Employee	(I)	0	0	0	0	0	0	0
	(II)	194,001	35,181	1,503	10,555	12,491	253,731	0

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Kettering Medical Center

Employer identification number
31-0621866

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 Butler Ohio	31-6000061	123550GJ8	07-13-2011	120,548,832	Construction and equipment of a hospital		X		X		X
B	County of Montgomery Ohio	31-6000172		12-10-2011	100,155,421	Current refund		X		X		X
C	County of Montgomery Ohio	31-6000172		05-01-2012	78,768,109	Current refund		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased				
3	Total proceeds of issue	121,509,414	100,155,421	78,768,109	
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows				
7	Issuance costs from proceeds	764,259	89,787	412,825	
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	120,731,865			
11	Other spent proceeds	13,290	100,065,634	78,355,284	
12	Other unspent proceeds				
13	Year of substantial completion	2012	2011	2012	

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X		X		X			
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X		X			
c	Are there any research agreements that may result in private business use of bond-financed property?	X		X		X			
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?	X		X		X			
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0 %		0 %		0 %			
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 %		0 %		0 %			
6	Total of lines 4 and 5	0 %		0 %		0 %			
7	Does the bond issue meet the private security or payment test?	X		X		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		X		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?								
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		X		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		X		X		
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X		X		X		
b	Exception to rebate?	X		X			X		
c	No rebate due?		X		X		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	X			X		
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X	X			X		
b	Name of provider	Merrill Lynch Capital Services		Merrill Lynch Capital Services					
c	Term of hedge	16 200000000000		16 200000000000					
d	Was the hedge superintegrated?		X		X				
e	Was the hedge terminated?		X		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		X		X		
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X		X		X		
7	Has the organization established written procedures to monitor the requirements of section 148?	X		X		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		X		X			

Part VI Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

Return Reference	Explanation

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, 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.

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2013

Open to Public Inspection

Name of the organization
Kettering Medical Center

Employer identification number
31-0621866

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

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

1 (a) Name of disqualified person	(b) 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? To	From	(e) Original principal amount	(f) Balance due	(g) In default? Yes	No	(h) Approved by board or committee? Yes	No	(i) Written agreement? 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) Julie Sackett	See below	28,899	Compensation		No
(2) Rachel Drusen	See below	84,237	Compensation		No
(3) Jared Keresoma	See below	69,100	Compensation		No

Part V Supplemental Information

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

Return Reference	Explanation
Part IV	Julie Sackett is a family member of Walter Sackett, Key Employee
Part IV	Rachel Drusen is a family member of Brenda Kuhn, Key employee
Part IV	Jared Keresoma is a family member of Fred Manchur, Board Member

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.
▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Kettering Medical Center

Employer identification number
31-0621866

990 Schedule O, Supplemental Information

Return Reference	Explanation
Form 990, Part VI, Section B, line 11	
Form 990, Part VI, Section B, line 12c	The Network regularly and consistently monitors and enforces compliance with the conflict of interest policy by making it part of the employees' annual reviews Employees must certify that they have read the conflict of interest policy and have disclosed any potential conflicts and agree to immediately notify Corporate Integrity if one should arise Board members are required to annually review the Network's policy, sign a conflict of interest statement, and notify the Network if a conflict should arise
Form 990, Part VI, Section B, line 15	The process of determining compensation of CEO's, executive directors, officers, and key employees is to have an independent board approve the compensation The compensation is determined to be reasonable compared to independent comparability data The approval of the amounts is documented in the Board minutes within the appropriate time frame At year end the organization reviews executive compensation by comparing the amounts approved to the amounts paid
Form 990, Part VI, Section C, line 19	The organization's governing documents, conflict of interest policy, and financial statements are available upon request
Form 990, Part XI, line 9	Net transfers to affiliate -31,099,050 Other changes, net 70,205
Part XII, Line 2c	The Board of Trustees is responsible for the oversight of the independent audit This process is consistent with the prior year
Pt XII, Line 3b	The organization operates an accredited college that receives federal funds As such it is required to have an A-133 audit The organization has completed the A-133 audit

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" 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.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Kettering Medical Center

Employer identification number
31-0621866

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

(a) Name, address, and EIN (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	(g) No
See Additional Data Table							

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) Alternate Solutions Homecare of Dayton LLC 1251 E Dorothy Lane Kettering, OH 45419 31-1745332	Health Services	OH	N/A	Unrelated	1,694,708	2,452,622		No			No	40 000 %
(2) Nephroceuticals LLC 2991 Newmark Drive Miamisburg, OH 45342 80-0276038	Health Services	OH	N/A	Related	3,094	106,551		No			No	1 110 %
(3) Premier Purchasing Partners LP 13034 Ballantyne Corporate Place Charlotte, NC 28277 33-0387407	Purchasing Contracts	NC	N/A	Related	2,833,572	2,486,975		No	82,194		No	0 800 %

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	(i) No
(1) Kettcor 2110 Leiter Road Miamisburg, OH 45342 31-1078381	Health Services	OH	N/A	C					No

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

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

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V?UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	

Part VII Supplemental Information

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

Return Reference	Explanation
Part V, Line 2	Kettering Medical Center is a conduit through which revenue is received and expenses are paid

Additional Data

Software ID:
Software Version:
EIN: 31-0621866
Name: Kettering Medical Center

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) Section 512(b)(13) controlled entity? No
(1) Alliance Physicians Inc 2110 Leiter Road Miamisburg, OH 45342 31-1175717	Physician Services	OH	501(c)(3)	509(a)(3)	Kettering Adventist Healthcare		No
(1) Beavercreek Medical Center 2110 Leiter Road Miamisburg, OH 45342 27-0712680	Hospital	OH	501(c)(3)	509(a)(1)	Kettering Adventist Healthcare		No
(2) Dayton Osteopathic Hospital 2110 Leiter Road Miamisburg, OH 45342 31-0564121	Hospital	OH	501(c)(3)	509(a)(1)	Kettering Adventist Healthcare		No
(3) The Fort Hamilton Hospital 2110 Leiter Road Miamisburg, OH 45342 31-0536662	Hospital	OH	501(c)(3)	509(a)(1)	Kettering Adventist Healthcare		No
(4) Fort Hamilton Hospital Foundation 2110 Leiter Road Miamisburg, OH 45342 45-2036966	Fundraising	OH	501(c)(3)	509(a)(3)	The Fort Hamilton Hospital		No
(5) Greene Foundation 2110 Leiter Road Miamisburg, OH 45342 31-0886949	Fundraising	OH	501(c)(3)	509(a)(3)	Greene Memorial Hospital		No
(6) Greene Memorial Hospital 2110 Leiter Road Miamisburg, OH 45342 31-0809436	Hospital	OH	501(c)(3)	509(a)(1)	Kettering Adventist Healthcare		No
(7) Greene Memorial Hospital Services Inc 2110 Leiter Road Miamisburg, OH 45342 31-1358549	Physician Services	OH	501(c)(3)	509(a)(3)	Kettering Adventist Healthcare		No
(8) Greene Oaks 2110 Leiter Road Miamisburg, OH 45342 31-0999724	Senior Healthcare Facilities	OH	501(c)(3)	509(a)(2)	Kettering Affiliated Health Services Inc		No
(9) Kettering Adventist Healthcare 2110 Leiter Road Miamisburg, OH 45342 31-1051688	Management	OH	501(c)(3)	509(a)(3)	N/A		No
(10) Kettering Afiliated Health Services Inc 2110 Leiter Road Miamisburg, OH 45342 31-1127485	Health Services	OH	501(c)(3)	509(a)(3)	Kettering Adventist Healthcare		No
(11) Kettering Medical Center Foundation 2110 Leiter Road Miamisburg, OH 45342 23-7419897	Fundraising	OH	501(c)(3)	509(a)(3)	Kettering Medical Center	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
Kettcor	A	212,281	FMV
Kettcor	R	474,054	FMV
Alliance Physicians Inc	J		FMV
Alliance Physicians Inc	L		FMV
Alliance Physicians Inc	M		FMV
Alliance Physicians Inc	N		FMV
Alliance Physicians Inc	Q		FMV
Alliance Physicians Inc	R	40,543,639	FMV
Beavercreek Medical Center	L		FMV
Beavercreek Medical Center	N		FMV
Beavercreek Medical Center	O		FMV
Beavercreek Medical Center	Q		FMV
Beavercreek Medical Center	R	9,894,951	FMV
Dayton Osteopathic Hospital	L		FMV
Dayton Osteopathic Hospital	N		FMV
Dayton Osteopathic Hospital	O		FMV
Dayton Osteopathic Hospital	Q		FMV
Dayton Osteopathic Hospital	S	7,921,082	FMV
The Fort Hamilton Hospital	L		FMV
The Fort Hamilton Hospital	N		FMV
The Fort Hamilton Hospital	O		FMV
The Fort Hamilton Hospital	Q		FMV
The Fort Hamilton Hospital	S	5,877,953	FMV
Fort Hamilton Hospital Foundation	L		FMV
Fort Hamilton Hospital Foundation	N		FMV

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
Fort Hamilton Hospital Foundation	O		FMV
Fort Hamilton Hospital Foundation	Q		FMV
Greene Foundation	L		FMV
Greene Foundation	N		FMV
Greene Foundation	O		FMV
Greene Foundation	Q		FMV
Greene Memorial Hospital	L		FMV
Greene Memorial Hospital	N		FMV
Greene Memorial Hospital	O		FMV
Greene Memorial Hospital	Q		FMV
Greene Memorial Hospital	S	430,207	FMV
Greene Memorial Hospital Services Inc	L		FMV
Greene Memorial Hospital Services Inc	N		FMV
Greene Memorial Hospital Services Inc	Q		FMV
Greene Memorial Hospital Services Inc	R	2,715,878	FMV
Greene Oaks	L		FMV
Greene Oaks	N		FMV
Greene Oaks	O		FMV
Greene Oaks	Q		FMV
Greene Oaks	S	226,152	FMV
Kettering Adventist Healthcare	L		FMV
Kettering Adventist Healthcare	M		FMV
Kettering Adventist Healthcare	N		FMV
Kettering Adventist Healthcare	O		FMV
Kettering Adventist Healthcare	Q		FMV

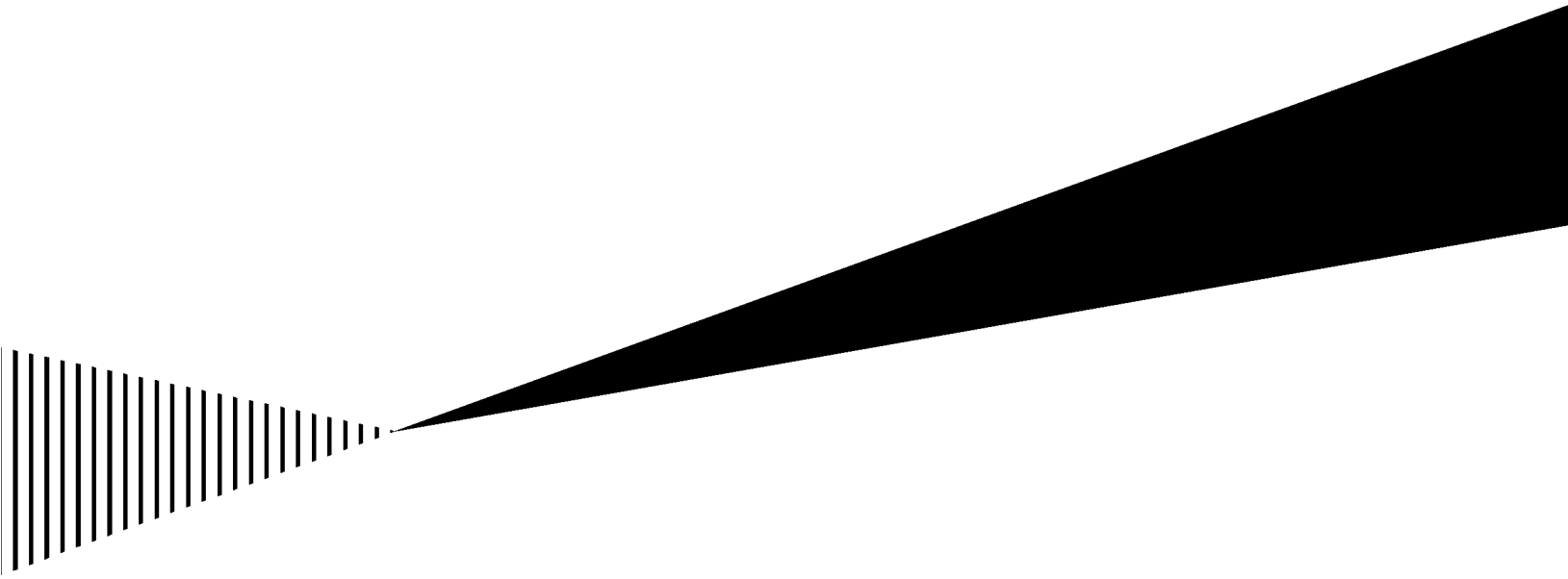
Form 990, Schedule R, Part V - Transactions With Related Organizations

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
Kettering Adventist Healthcare	S	8,783,072	FMV
Kettering Affiliated Health Services Inc	L		FMV
Kettering Affiliated Health Services Inc	N		FMV
Kettering Affiliated Health Services Inc	O		FMV
Kettering Affiliated Health Services Inc	Q		FMV
Kettering Affiliated Health Services Inc	R	112,517	FMV
Kettering Medical Center Foundation	C	1,019,631	FMV
Kettering Medical Center Foundation	J		FMV
Kettering Medical Center Foundation	L		FMV
Kettering Medical Center Foundation	M		FMV
Kettering Medical Center Foundation	N		FMV
Kettering Medical Center Foundation	O		FMV
Kettering Medical Center Foundation	Q		FMV
Kettering Medical Center Foundation	R	590,604	FMV

Consolidated Financial Statements and Supplementary Information

Kettering Health Network
Years Ended December 31, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP



Building a better working world

Kettering Health Network

Consolidated Financial Statements
and Supplementary Information

Years Ended December 31, 2013 and 2012

Contents

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Ernst & Young LLP
1900 Scripps Center
312 Walnut Street
Cincinnati, OH 45202

Tel +1 513 612 1400
Fax. +1 513 612 1730
ey com

Report of Independent Auditors

The Board of Directors
Kettering Health Network

We have audited the accompanying consolidated financial statements of Kettering Health Network, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Building a better working world

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kettering Health Network at December 31, 2013 and 2012, and the consolidated results of its operations and changes in net assets, and its cash flows for the years then ended, in conformity with U S generally accepted accounting principles

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April 23, 2014

Kettering Health Network

Consolidated Balance Sheets
(In Thousands)

	December 31 2013	2012
Assets		
Current assets		
Cash and cash equivalents	**$ 126,378**	$ 123,966
Current portion of assets whose use is limited	**7,649**	11,097
Patient accounts receivable, net of allowance for doubtful receivables (2013 – $53,791, 2012 – $55,631)	**129,833**	127,155
Other receivables	**28,036**	28,640
Inventories	**19,222**	19,116
Prepaid expenses and other current assets	**11,227**	10,682
Total current assets	**322,345**	320,656
Assets whose use is limited		
Board designated	**517,143**	392,313
Donor or agency restricted	**22,443**	18,903
Trustee-held assets	**21,000**	23,635
Total assets whose use is limited	**560,586**	434,851
Retirement plans assets	**10,364**	10,090
Unamortized long-term debt issuance costs	**3,378**	3,620
Property and equipment, net	**803,616**	824,875
Other long-term assets	**37,198**	37,184
Total assets	**$ 1,737,487**	$ 1,631,276

	December 31	
	2013	**2012**
Liabilities and net assets		
Current liabilities		
Accounts payable	**$ 54,973**	$ 65,504
Payroll-related liabilities	**65,764**	55,313
Other accrued liabilities	**51,672**	41,425
Accrued interest	**6,513**	6,639
Current portion of deferred revenue	**3,002**	4,179
Estimated amounts due to third-party payors	**1,752**	5,917
Current portion of long-term debt	**12,548**	12,076
Total current liabilities	**196,224**	191,053
Deferred revenue	**7,088**	7,700
Accrued pension liability	**22,384**	32,250
Professional self-insurance liability	**40,909**	42,018
Other long-term liabilities	**44,731**	52,718
Interest rate swap agreements liability	**35,857**	50,718
Long-term debt, net of current portion	**578,152**	590,556
Total liabilities	**925,345**	967,013
Net assets		
Unrestricted	**787,169**	642,077
Temporarily restricted	**18,788**	16,011
Permanently restricted	**6,185**	6,175
Total net assets	**812,142**	664,263
Total liabilities and net assets	**$ 1,737,487**	$ 1,631,276

See accompanying notes.

Kettering Health Network

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

	Year Ended December 31	
	2013	**2012**
Unrestricted revenue		
Patient service revenue (net of contractual provision and discounts)	**$ 1,321,304**	$ 1,219,612
Provision for bad debts	**(80,141)**	(69,332)
Net patient service revenue	**1,241,163**	1,150,280
Other revenue	**72,925**	77,651
Total unrestricted revenue	**1,314,088**	1,227,931
Expenses		
Salaries and wages	**538,035**	518,375
Employee benefits	**117,790**	118,367
Supplies and other	**335,975**	320,822
Purchased services	**143,575**	148,016
Depreciation	**84,971**	80,507
Interest	**29,302**	28,367
Total expenses	**1,249,648**	1,214,454
Excess of unrestricted revenue over expenses before other income (loss)	**64,440**	13,477
Other income (loss)		
Income on interest rate swap agreements	**14,640**	2,357
Other, primarily investment income	**54,016**	32,331
Loss on early extinguishment of debt	**–**	(2,392)
Excess of unrestricted revenue over expenses	**133,096**	45,773

Continued on next page.

Kettering Health Network

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

(In Thousands)

	Year Ended December 31	
	2013	**2012**
Unrestricted net assets		
Excess of unrestricted revenue over expenses	**$ 133,096**	$ 45,773
Net assets released from restrictions for capital	**992**	11,024
Change in plan assets and benefit obligation of pension plan	**10,830**	(5,640)
Other changes, net	**174**	(2,020)
Increase in unrestricted net assets	**145,092**	49,137
Temporarily restricted net assets		
Contributions and investment income from restricted investments	**5,202**	7,753
Net assets released from restrictions for capital	**(992)**	(11,024)
Net assets released from restrictions for operations	**(1,433)**	(1,411)
Increase (decrease) in temporarily restricted net assets	**2,777**	(4,682)
Permanently restricted net assets		
Contributions for endowment funds	**10**	37
Increase in permanently restricted net assets	**10**	37
Increase in net assets	**147,879**	44,492
Net assets at beginning of year	**664,263**	619,771
Net assets at end of year	**$ 812,142**	$ 664,263

See accompanying notes.

Kettering Health Network

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended December 31	
	2013	**2012**
Operating activities		
Increase in net assets	**$ 147,879**	$ 44,492
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	**86,461**	82,030
Amortization of long-term debt issuance costs	**242**	277
Loss on early extinguishment of debt	**–**	2,392
Income on interest rate swap agreements	**(14,640)**	(2,357)
Restricted contributions	**(3,476)**	(6,109)
Net change in unrealized gains on investments	**(29,577)**	(6,510)
Change in plan assets and benefit obligation of pension plan	**(10,830)**	5,640
Provision for bad debts	**80,141**	69,332
Changes in assets and liabilities		
Accounts receivable, net	**(82,213)**	(66,960)
Inventories	**(106)**	(1,611)
Prepaid expenses and other current assets	**(1,207)**	(7,415)
Assets whose use is limited	**(92,711)**	(5,063)
Accounts payable	**(8,733)**	15,457
Other current liabilities	**15,227**	19,376
Other long-term liabilities	**(1,072)**	2,793
Net cash provided by operating activities	**85,385**	145,764
Investing activities		
Additions to property and equipment	**(79,051)**	(112,241)
Net decrease in other long-term assets	**3,571**	10,537
Net cash used in investing activities	**(75,480)**	(101,704)
Financing activities		
Principal payments of long-term debt	**(11,932)**	(13,572)
Refunding of long-term debt	**–**	(94,455)
Proceeds from issuance of long-term debt	**–**	94,771
Draws on line of credit	**–**	12,024
Payments on line of credit	**–**	(12,024)
Cost of long-term debt issuance	**–**	(504)
Proceeds from restricted contributions	**4,439**	11,182
Net cash used in financing activities	**(7,493)**	(2,578)
Increase in cash and cash equivalents	**2,412**	41,482
Cash and cash equivalents at beginning of year	**123,966**	82,484
Cash and cash equivalents at end of year	**$ 126,378**	$ 123,966

See accompanying notes

Kettering Health Network

Notes to Consolidated Financial Statements
(In Thousands)

December 31, 2013

1. Organization and Significant Accounting Policies

Organization

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

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

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

The Network provides health care services through Kettering Hospital, Sycamore Hospital, Grandview Hospital, Southview Hospital, Sycamore Glen Health Center, Kettering Behavioral Medical Center, Greene Memorial Hospital, Fort Hamilton Hospital, and Soin Medical Center, which opened for business on February 23, 2012 (collectively, the Hospitals)

1. Organization and Significant Accounting Policies (continued)

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

Fair Value Measurements

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

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

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

1. Organization and Significant Accounting Policies (continued)

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

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

Cash and Cash Equivalents

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

Net Patient Accounts Receivable

Net patient accounts receivable is reduced by an allowance for doubtful receivables based upon the historical collection experience of each of the Hospitals adjusted for current environmental risks and trends for each major payor source The Network's allowance for doubtful receivables is generally related to self-pay patient accounts receivable and is recognized in the period of service based on past collection experience For patient accounts receivable associated with self-pay patients, including patients with deductible and copayment balances for which third-party coverage provides for a portion of the services provided, the Network records an estimated provision for bad debts in the year of service Self-pay write-offs increased $10,809 for the year ended December 31, 2013, compared to the year ended December 31, 2012, due to changes in volume The allowance for doubtful receivables for self-pay patients as a percentage of self-pay

1. Organization and Significant Accounting Policies (continued)

accounts receivable was approximately 96% at December 31, 2013 and 2012 The total of write-offs of uncollectible accounts and reserves as a percentage of self-pay patient accounts has not changed significantly since December 31, 2012 The Network has not experienced significant changes in write-off trends and has not changed its charity care policy since December 31, 2012

Assets Whose Use Is Limited

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

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

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

Inventories

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

1. Organization and Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at historical cost except for donated or impaired items, which are recorded at fair market value at the date of donation or determination Expenditures, which materially increase values, change capacities or extend useful lives, are capitalized Depreciation, which includes amortization related to capital leases, is computed utilizing the straight-line method over the expected useful lives of the assets, which range from 3 to 40 years Total depreciation expense was $86,461 and $82,030 for the years ended December 31, 2013 and 2012, respectively, and is primarily included in depreciation expense

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

Select property and equipment purchased prior to year-end is excluded from the additions to property and equipment in the consolidated statements of cash flows, as cash payment was not made at the end of the year These excluded additions at December 31, 2013 and 2012, were $3,112 and $4,910, respectively

The Network evaluates the carrying value of long-lived assets and the related estimated remaining lives when events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed Any resulting impairment losses or additional required depreciation due to shortened useful lives are reflected as other, primarily investment income in the consolidated statements of operations and changes in net assets No impairment loss was recognized in 2013 or 2012

Unamortized Long-Term Debt Issuance Costs

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

1. Organization and Significant Accounting Policies (continued)

Investments in Unconsolidated Organizations

The Network maintains an ownership percentage of 50% or less in various joint ventures and other companies that do not require consolidation Certain of these investments are accounted for using the equity method of accounting The aggregate value of investments in unconsolidated organizations accounted for under the equity method of accounting was $13,499 and $13,311 at December 31, 2013 and 2012, respectively, and is included in other long-term assets

Goodwill and Identifiable Intangible Assets

Other long-term assets includes goodwill and identifiable intangible assets The carrying value of identifiable intangible assets was $2,704 and $4,018 at December 31, 2013 and 2012, respectively Identifiable intangible assets are amortized over their estimated expected life, which ranges from 3 to 10 years Amortization expense related to identifiable intangible assets was $1,313 and $1,293 for the years ended December 31, 2013 and 2012, respectively, and is included in supplies and other expenses The carrying value of goodwill was $11,358 at both December 31, 2013 and 2012 The Network annually performs an evaluation of goodwill for impairment considering qualitative and quantitative factors There was no impairment loss recognized in 2013 or 2012

Deferred Revenue

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

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

1. Organization and Significant Accounting Policies (continued)

In July 2012, the FASB issued Accounting Standards Update (ASU) 2012-01, *Continuing Care Retirement Communities – Refundable Advance Fees, to Amend ASC 954, Health Care Entities* The amendments in ASU 2012-01 affect continuing care retirement communities that have resident contracts that provide for a payment of a refundable advance fee upon reoccupancy of that unit by a subsequent resident 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 reoccupancy by a subsequent resident, which is limited to the proceeds of reoccupancy

Refundable advance fees that are contingent upon reoccupancy by a subsequent resident but are not limited to the proceeds of reoccupancy should be accounted for and reported as a liability For public and nonpublic entities, the amendments in this ASU are effective for annual and interim reporting periods beginning on or after December 15, 2013 Early adoption is permitted The Network elected to early adopt this amendment in ASU 2012-01 for year ended December 31, 2012, and has been applied throughout the year ended December 31, 2013 The adoption of ASU 2012-01, during the year ended December 31, 2012, did not have a material impact on the Network's consolidated statements of operations and changes in net assets, cash flows, or financial position

Description of Net Asset Classes

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

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Network are reported at fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or the condition is met The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets When a donor restriction expires, that is

(In Thousands)

1. Organization and Significant Accounting Policies (continued)

when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions for capital or operations

Net assets released from restriction for operations are shown as a reduction to supplies and other expense in the consolidated statements of operations and changes in net assets The amount of net assets released from restriction for operations was $1,433 and $1,411 for the years ended December 31, 2013 and 2012, respectively

Net Patient Service Revenue

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

	2013	2012
Medicare	**$ 604,601**	$ 546,757
Medicaid	**179,105**	157,064
Commercial and other third party	**456,831**	437,870
Self-pay	**80,767**	77,921
Total	**$ 1,321,304**	$ 1,219,612

(In Thousands)

1. Organization and Significant Accounting Policies (continued)

The American Recovery and Reimbursement Act of 2009 established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that meaningfully use certified electronic health record technology Payments under the program are calculated based upon estimated discharges, charity care, and other input data and are predicated upon the Network's attainment of program and attestation criteria and are subject to regulatory audit The Network has opted to follow a gain contingency method, under ASC 450, *Contingencies*, which provides for recognition once attainment of program and attestation criteria has been achieved and amounts can be reasonably estimated As a result, management estimated and recognized revenue of $11,193 and $11,694 within net patient service revenue for the years ended December 31, 2013 and 2012, respectively Amounts recognized are subject to change, with such changes impacting operations in the period in which they occur

Third-Party Reimbursement Activities

The amounts related to third-party reimbursement activities, reported in the consolidated financial statements, represent estimated settlements outstanding at December 31, 2013 and 2012, which the Network's management believes will approximate the final settlements after audit by the governmental agencies or other third-party payors Amounts reported in the consolidated financial statements consist of the following at December 31

	2013	2012
Other current receivables	**$ 10,564**	$ 11,934
Estimated amounts due to third-party payors	**(1,752)**	(5,917)
Other long-term liabilities	**(3,786)**	(2,438)
	$ 5,026	$ 3,579

Reimbursement for the majority of Medicare and Medicaid inpatient services and for Medicare capital costs is based on a prospectively determined fixed price, which varies, based on the illness or medical severity diagnostic related group (MS-DRG) The Network receives reimbursement for services provided under the Medicare and Medicaid programs for outpatients at amounts which approximate either the cost of providing the services or at fees based upon established rates Reimbursement for the majority of Medicare outpatient services is based on a

1. Organization and Significant Accounting Policies (continued)

prospectively determined fixed price, which varies based on the ambulatory payment classification (APC) The Network recognizes contractual adjustments for the Medicare and Medicaid programs when the related patient service revenue is reported in the consolidated financial statements These contractual adjustments represent the difference between established rates and the MS-DRG and APC payments and established reimbursement on a cost or fee schedule basis

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term The Network believes that it is in compliance with all applicable laws and regulations

During the normal course of business, the Network settles prior years' third-party receivables and liabilities for amounts different than previously estimated The effect of these settlements and other changes in estimates resulted in an increase in net patient service revenue of $6,971 in 2013, and $10,113 in 2012

The Network was a party to a settlement agreement dated April 5, 2012, with the United States Department of Health and Human Services (HHS), the Secretary of HHS, and the Centers for Medicare & Medicaid Services (CMS) The Network, along with a group of other Medicare providers, had challenged CMS' implementation of the rural floor neutrality provisions of the Balanced Budget Act of 1997, which effectively understated the amount paid through the inpatient prospective system for a number of years Under the settlement agreement, the Network received $6,100 during the year ended December 31, 2012, net of professional fees, and included this amount in the 2012 settlements and other changes in estimates above

Charity Care

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

(In Thousands)

1. Organization and Significant Accounting Policies (continued)

The estimated direct and indirect costs of charity care, quantified as the cost of free or discounted health services provided to persons who cannot afford to pay, was $35,529 and $30,679 for the years ended December 31, 2013 and 2012, respectively Charity care costs are estimated based on multiplying the ratio of costs to gross charges for all payments not attributable to other community benefits programs by the revenue recognized and written off for health services provided to persons who cannot afford to pay The Ohio Hospital Care Assurance Program (HCAP) provides some reimbursement to the Network for services provided to qualified persons who cannot afford to pay The amount of HCAP reimbursement was $12,498 and $14,747 for the years ended December 31, 2013 and 2012, respectively, and is included in net patient service revenue

Other Revenue

Other revenue includes Kettering College tuition revenue, certain investment income (loss), retail pharmacy revenue, cafeteria and other food service revenue, rental income, and other miscellaneous revenue

Other, Primarily Investment Income

Other, primarily investment income is made up of the following components for the years ended December 31

	2013	2012
Investment income	**$ 56,459**	$ 36,732
Interest expense	**–**	(360)
Other	**(2,443)**	(4,041)
	$ 54,016	$ 32,331

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

1. Organization and Significant Accounting Policies (continued)

Excess of Unrestricted Revenue Over Expenses

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

Federal Income Tax

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

The Network completed an analysis of its tax positions in accordance with applicable accounting guidance and determined that no amounts were required to be recognized in the consolidated financial statements at December 31, 2013 or 2012

Use of Estimates

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

(In Thousands)

1. Organization and Significant Accounting Policies (continued)

New Accounting Pronouncements

The FASB has issued ASU No 2011-11, *Disclosures About Offsetting Assets and Liabilities* (ASU 2011-11) ASU 2011-11 requires disclosures that affect all entities with financial instruments and derivatives that are either offset on the consolidated balance sheet in accordance with ASC 210-20-45 or ASC 815-10-45, or subject to a master netting arrangement, irrespective of whether they are offset on the consolidated balance sheet ASU 2011-11 is effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods The Network has adopted the provisions of ASU 2011-11 and made all required consolidated financial statement disclosures

2. Concentration of Credit Risk

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

	2013	2012
Medicare	**40%**	39%
Major commercial/managed care	**24**	23
Other	**18**	19
Medicaid	**13**	12
Self-pay	**5**	7
	100%	100%

(In Thousands)

3. Assets Whose Use Is Limited

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

	2013	2012
Cash and cash equivalents	**$ 34,174**	$ 28,806
Municipal debt securities	**23,204**	23,220
U S government debt securities	**40,453**	31,076
U S government agency debt securities	**48,491**	52,249
Corporate debt securities	**61,845**	54,441
Corporate equity securities	**275,988**	193,806
Mutual funds	**84,080**	60,374
Other	**–**	1,976
	568,235	445,948
Less current portion of assets whose use is limited	**7,649**	11,097
	$ 560,586	$ 434,851

The Network maintains diversification in its assets whose use is limited by allocating the assets to various asset classes and market segments and retains multiple professional investment firms with differing investment approaches Accordingly, based on this diversification, management does not believe there are any material concentrations of credit at December 31, 2013 or 2012

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

	2013	2012
Interest and dividend earnings	**$ 12,242**	$ 11,931
Net realized gains on investments	**20,748**	21,077
Net change in unrealized gains on investments	**28,264**	6,275
	$ 61,254	$ 39,283

(In Thousands)

3. Assets Whose Use Is Limited (continued)

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

	2013	2012
Other revenue, net	**$ 4,795**	$ 2,551
Other, primarily investment income	**56,459**	36,732
	$ 61,254	$ 39,283

Investment management expenses, which are paid to professional investment managers and custodial organizations, were $2,493 and $2,242 for the years ended December 31, 2013 and 2012, respectively, and are primarily recorded as a reduction in other, primarily investment income

There were no unexpended proceeds of the tax-exempt bond obligations at December 31, 2013 or 2012

4. Property and Equipment, Net

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

	2013	2012
Land improvements	**$ 48,442**	$ 45,045
Buildings and fixed equipment	**900,170**	843,723
Movable equipment	**553,182**	532,376
	1,501,794	1,421,144
Less accumulated depreciation	**(789,315)**	(716,332)
	712,479	704,812
Construction in progress	**14,840**	43,832
Land	**76,297**	76,231
	$ 803,616	$ 824,875

4. Property and Equipment, Net (continued)

Capitalized computer software development costs of $338 and $82 at December 31, 2013 and 2012, respectively, are included in construction in process related to a clinical information technology system implementation Unamortized computer software development costs, in addition to the amounts included in construction in process, net of accumulated amortization, are $89,809 and $96,302 at December 31, 2013 and 2012, respectively, and are included in movable equipment The amount amortized for the years ended December 31, 2013 and 2012, related to computer software development costs was $12,666 and $10,269, respectively, and is included in depreciation expense

The Network periodically evaluates property and equipment to determine whether assets may have been impaired. Management has determined there were no impairment issues related to property and equipment as of December 31, 2013 or 2012

The Network has entered into certain transactions with developers to construct medical office buildings or other structures on land which is owned by the Network The Network is currently, or will in the future, lease portions of these buildings from the developers Under applicable accounting guidance, the Network has determined that it maintains risk related to certain of these transactions and, as a result, has recorded the medical office buildings or other structures in property and equipment net, and a related liability, which is included in other long-term liabilities, of $30,652 and $42,703 at December 31, 2013 and 2012, respectively, related to these transactions

The depreciation expense of $1,490 and $1,523 at December 31, 2013 and 2012, respectively, recorded on these medical office buildings or other structures is excluded from depreciation expense on the consolidated statements of operations and changes in net assets and is included in other, primarily investment income Under the applicable accounting guidance, the rents related to these medical office buildings and other structures are recorded as a reduction in the recorded liability or as an increase to interest expense

(In Thousands)

5. Long-Term Debt

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

	2013	2012
Hospital Facilities Revenue Bonds, Series 1996, with fixed rates ranging from 5 50% to 6 25%, due in installments from 2009 through 2026, net of unamortized bond discount of $780 ($872 in 2012)	$ **51,062**	$ 53,780
Hospital Facilities Revenue Bonds, Greene County, Series 1999, with a variable rate of 0 10% (0 17% at December 31, 2012), due in installments from 1999 through 2024	**10,500**	11,155
Hospital Facilities Revenue Bonds, Series 2009, with fixed rates ranging from 5 00% to 5 50%, due in installments from 2023 through 2039, net of unamortized bond discount of $1,690 ($1,781 in 2012)	**98,310**	98,219
Hospital Facilities Revenue Bonds, Series 2011, with fixed rates ranging from 4 50% to 6 38%, due in installments from 2023 through 2041, net of unamortized bond discount of $4,237 ($4,443 in 2012)	**151,193**	150,987
Hospital Facilities Revenue Bonds, Series 2011A, with a variable rate of 1 23% (1 27% at December 31, 2012), due in installments from 2012 through 2022	**76,425**	83,450
Hospital Facilities Revenue Bonds, Series 2011B, with a variable rate of 1 12% (1 16% at December 31, 2012), due in installments from 2027 through 2047	**93,575**	93,575
Hospital Facilities Revenue Bonds, Series 2012 with fixed rates ranging from 4 75% to 5 25%, due in installments from 2023 through 2047, net of unamortized bond premium of $1,293 ($1,346 in 2012)	**94,633**	94,686
Total Hospital Facilities Revenue Bonds	**575,698**	585,852
Other notes payable	**2,075**	3,322
Capital lease obligations	**12,927**	13,458
	590,700	602,632
Less current portion of long-term debt	**(12,548)**	(12,076)
	$ **578,152**	$ 590,556

(In Thousands)

5. Long-Term Debt (continued)

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

2014	$ 12,357
2015	12,338
2016	11,491
2017	12,930
2018	13,412
Thereafter through 2047	528,172
	$ 590,700

At December 31, 2013 and 2012, the fair value of the fixed rate long-term debt is $404,610 and $430,157, respectively (carrying amount at December 31, 2013 and 2012, is $400,612 and $407,480, respectively) The fixed rate long-term has been valued based on trading history, if any, for the fixed rate long-term debt or the relationship of those fixed rate long-term debt yields with various market indices The index used in the analysis is from an observable market source The Network's long-term debt currently carries an A rating, and, as a result, management, through a third-party provider, used market data that represents A-rated tax-exempt municipal health care bonds to determine the yield and calculate fair value The yields used ranged from 0 43% to 5 49% and 0 82% to 4 76% for the years ended December 31, 2013 and 2012, respectively, based on the date of respective long-term debt principal payments Management has determined the carrying amount of the Network's variable rate long-term debt is representative of fair value as the interest rates associated with long-term debt are set by market participants The determination of the fair value of long-term debt is consistent with a Level 2 measurement in the fair value hierarchy

Interest payments made were $29,517 and $30,631 for the years ended December 31, 2013 and 2012, respectively Interest capitalized was $490 and $2,067 for the years ended December 31, 2013 and 2012, respectively

5. Long-Term Debt (continued)

The Network's Series 2009 Hospital Facilities Revenue Bonds fixed-rate bonds (Series 2009 Bonds) had been to finance the building of the Soin Medical Center and to pay the related costs of issuance Interest expense net of capitalized interest ($-0- and $540 for 2013 and 2012, respectively) of these Series 2009 Bonds is excluded from interest expense and is included in other, primarily investment income This presentation on the consolidated statements of operations and changes in net assets occurred until the Soin Medical Center was placed into service in February 2012

The Series 1999 Hospital Facilities Revenue Bonds, Greene County (Series 1999 Greene County Bonds) are secured by a letter of credit by JP Morgan Chase, which expires on July 22, 2017 Accordingly, the Series 1999 Greene County Bonds have been classified as long-term debt based on scheduled amortization The Series 2011B Hospital Facilities Revenue Bonds are subject to redemption clauses and are held by JP Morgan Chase through a private placement agreement which expires August 1, 2018 Accordingly, the Series 2011B Hospital Revenue Bonds have been classified as long-term debt based on the scheduled amortization

Outstanding long-term debt insured under municipal bond insurance policies is $51,062 at December 31, 2013 ($53,780 at December 31, 2012) Under the terms of these policies, the insurer guarantees the Network's payment of principal and interest The Obligated Group is liable for all long-term debt issued under an Obligated Group Master Trust Indenture, except for the Series 1999 Greene County Bonds, and has pledged gross unrestricted revenue as security to the bondholders The Series 1999 Greene County Bonds are an obligation of Greene under a separate Greene Master Trust Indenture The Obligated Group has entered into a guaranty agreement with the letter of credit bank to guarantee the payment of principal and interest of the Series 1999 Green County Bonds The Obligated Group is subject to certain covenants under its current long-term debt agreements, Master Trust Indenture, guarantee agreement, municipal bond insurance policies, and the standby bond purchase agreements Greene, on a stand-alone basis, is subject to certain covenants under its separate Greene Master Trust Indenture Management is not aware of any violations of these covenants at December 31, 2013 or 2012

In April 2012, the Network advance refunded the Series 2008B Hospital Facilities Revenue bonds with proceeds from the Series 2012 Hospital Facilities Revenue Bonds (Series 2012 Bonds) The Series 2012 bonds have a fixed rate with a final maturity of 2047 As a result of the advance refunding, the Network recorded a $2,392 loss on early extinguishment of debt for the year ended December 31, 2012

5. Long-Term Debt (continued)

Kettcor is a 25% partner in the Greater Dayton Surgery Center, LLC and the Dayton Surgical Properties, LLC Kettcor guaranteed 25% of both entities' outstanding long-term debt Greater Dayton Surgical Center, LLC's and Dayton Surgical Properties, LLC's outstanding long-term debt was $1,264 and $1,254, respectively, at December 31, 2013 ($1,410 and $1,364, respectively, at December 31, 2012) Kettcor is a 30% partner of Englewood Wenger Road Medical Properties, LLC Kettcor guaranteed 30% of Englewood Wenger Road Medical Properties, LLC's outstanding long-term debt, which is being used to fund the construction of a medical office building Englewood Wenger Road Medical Properties, LLC's outstanding long-term debt was $1,124 at December 31, 2013 ($1,170 at December 31, 2012) Kettcor is also a 50% partner of Medical Center at Elizabeth Place (MCEP) Kettcor guaranteed 50% of MCEP's outstanding debt for lease improvements and equipment MCEP's outstanding long-term debt was $1,587 at December 31, 2013 ($2,877 at December 31, 2012) The guarantee agreements are recorded as liabilities based on probability of payment and amount in the consolidated financial statements as required by ASC 460, *Guarantees*

6. Interest Rate Swap Agreements

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

(In Thousands)

6. Interest Rate Swap Agreements (continued)

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

Interest Rate Swap Agreement	Transaction Type	Interest Rate	Termination Date	Notional Amount		Valuation Amount	
				2013	2012	2013	2012
June 2005	Pay fixed	LIBOR	2024	**$ 9,428**	$ 10,017	**$ (861)**	$ (1,389)
October 2005	Pay fixed	3 99%	2022	**76,425**	83,450	**864**	(12,098)
March 2006	Pay variable	SIFMA	2014	**9,718**	12,612	**(112)**	(137)
March 2006	Pay variable	SIFMA	2022	**31,822**	32,137	**161**	(104)
March 2006	Pay fixed	LIBOR	2026	**44,130**	46,940	**(7,820)**	(11,249)
October 2007	Pay fixed	LIBOR	2047	**94,240**	94,240	**(15,342)**	(28,451)
December 2008	Pay variable	SIFMA	2022	**76,425**	83,450	**(8,062)**	459
May 2012	Pay variable	SIFMA	2017	**20,408**	20,408	**(880)**	479
May 2012	Pay variable	SIFMA	2017	**20,899**	20,899	**(1,021)**	559
May 2012	Pay variable	SIFMA	2017	**24,211**	24,211	**(1,428)**	512
May 2012	Pay variable	SIFMA	2017	**29,202**	29,202	**(1,356)**	701
						$ (35,857)	$ (50,718)

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

	2013	2012
Unrealized gains, net	**$ 14,926**	$ 2,681
Hedge de-designation impact	**(174)**	(218)
Settlements/realized losses, net	**(112)**	(106)
	$ 14,640	$ 2,357

Net payments to/from counterparty of $2,768 and $3,999 (expense) for the years ended December 31, 2013 and 2012, respectively, are excluded from income on interest rate swap agreements and included as an increase in interest expense

6. Interest Rate Swap Agreements (continued)

All of the Network's interest rate swap agreements, except the October 2005 and October 2007 interest rate swap agreements, which are insured, include provisions that require collateralization of the market value of the interest rate swap agreements that exceed certain thresholds The amount required for collateral is determined daily based on the current market value of the interest rate swap agreements All of the Network's interest rate swap agreements outstanding at December 31, 2013 and 2012, were issued pursuant to a single International Swaps and Derivatives Association, Inc ("ISDA") agreement with a single counterparty Therefore, all interest rate swap agreements are viewed under a master netting arrangement to determine the aggregate amount of collateral to be posted or received by the Network No collateral was required as of December 31, 2013 or 2012

7. Line of Credit

KAH has a line of credit with a limit of $25,000 at both December 31, 2013 and 2012, which expires on October 31, 2014, to provide working capital for various operations Interest is payable monthly at the London Interbank Offered Rate ("LIBOR") plus 75% at December 31, 2013 and 2012, on any outstanding balance There was no outstanding balance at December 31, 2013 or 2012

8. Retirement Plans

Kettering Medical Center Retirement Plan

On January 1, 1992, KAH initiated a defined contribution plan known as Kettering Medical Center Retirement Plan (the Kettering Plan) On January 1, 2001, the Kettering Plan, a church plan, was expanded to include the Grandview Affiliates (now referred to as the Network Plan) The Network provides a discretionary matching employer contribution for eligible employee contributions up to 25% of the first 4% of an employee's total pay Employees must have completed 1,000 worked hours in an eligible year to qualify for the Network's contributions In 2013, the Network recognized $16,068 ($14,963 in 2012) of expense related to the Network Plan, which is included in employee benefits in the consolidated statements of operations and changes in net assets

(In Thousands)

8. Retirement Plans (continued)

Kettering Defined Benefit Retirement and Health Care Benefit Plans

The Kettering Affiliates participated in noncontributory, defined benefit retirement and health care benefit plans (the Plans) through December 31, 1991 The Plans are multi-employer plans administered by the General Conference of Seventh-day Adventists and cover substantially all full-time employees who were at least 20 years of age at December 31, 1991 The Plans are exempt from compliance with the Employee Retirement Income Security Act of 1974 (ERISA) The Plans were frozen effective December 31, 1991

Contributions to the Plans are determined by the Plans' administrators and generally approximate funding levels recommended by consulting actuaries Although there is no liability to the Kettering Affiliates upon withdrawal from the Plans, withdrawal by other participating entities would likely increase amounts assessed to the Kettering Affiliates and other remaining participants in future years Management believes that any withdrawal liability will not have a material impact on the consolidated financial statements

Contributions are allocated to participating organizations based upon total employee hours paid in 1991 There were no contributions in 2013 or 2012

The Network sponsors certain retirement plans, as defined in the following paragraphs, for the benefit of select employees These retirement plans require the Network to record long-term assets and/or long-term liabilities for the future benefit of these employees

Amounts recorded in the consolidated balance sheets related to these retirement plans are as follows at December 31

Retirement Plan	Retirement Plan Assets 2013	Retirement Plan Assets 2012	Accrued Retirement Plan Liability 2013	Accrued Retirement Plan Liability 2012
Supplemental Retirement Allowance Plan	**$ 1,172**	$ 2,609	**$ 1,172**	$ 2,609
457(b) Eligible Deferred Compensation Plan	**9,192**	7,481	**9,192**	7,481
Grandview Defined Benefit Pension Plan	**–**	–	**12,020**	22,160
	$ 10,364	$ 10,090	**$ 22,384**	$ 32,250

8. Retirement Plans (continued)

Supplemental Retirement Allowance Plan Summary

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

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

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

457(b) Eligible Deferred Compensation Plan

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

(In Thousands)

8. Retirement Plans (continued)

Grandview Defined Benefit Pension Plan

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

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

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

	2013	2012
Change in benefit obligation		
Benefit obligation at beginning of period	**$ 62,047**	$ 52,634
Service cost	**121**	121
Interest cost	**2,322**	2,371
Actuarial (gain) loss	**(6,368)**	9,042
Benefits paid	**(2,337)**	(2,121)
Benefit obligation at end of period	**55,785**	62,047
Change in plan assets		
Fair value of plan assets at beginning of period	**39,887**	35,172
Actual return on plan assets	**5,019**	3,639
Employer contributions	**1,196**	3,197
Benefits paid	**(2,337)**	(2,121)
Fair value of plan assets at end of period	**43,765**	39,887
Underfunded status	**$ (12,020)**	$ (22,160)

(In Thousands)

8. Retirement Plans (continued)

The accumulated benefit obligation of the Grandview Plan was $55,785 and $62,047 at December 31, 2013 and 2012, respectively

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

	2013	2012
Net actuarial loss	**$ 17,768**	$ 28,598
Accumulated shortfall of employer contributions over net periodic pension expense	**(5,748)**	(6,438)
	$ 12,020	$ 22,160

The net actuarial loss is amortized as a component of net period pension expense, only if losses exceed 10% of the greater of the projected benefit obligation or the fair value of plan assets The net actuarial loss included in unrestricted net assets which is expected to be recognized in net periodic pension expense during the year ending December 31, 2014 is $686

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

	2013	2012
Net actuarial (gain) loss	**$ (8,215)**	$ 8,064
Amortization of net actuarial loss	**(2,615)**	(2,424)
	$ (10,830)	$ 5,640

(In Thousands)

8. Retirement Plans (continued)

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

	2013	2012
Service cost	**$ 121**	$ 121
Interest cost	**2,322**	2,369
Expected return on plan assets	**(3,171)**	(2,660)
Amortization of net actuarial loss	**2,615**	2,424
	$ 1,887	$ 2,254

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

	2013	2012
Discount rate	**4.69%**	3 81%
Expected return on plan assets	**8.00%**	8 00%

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

	2013	2012
Discount rate	**3.81%**	4 60%
Expected return on plan assets	**8.00%**	8 00%

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

(In Thousands)

8. Retirement Plans (continued)

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

	2013	2012
Cash and cash equivalents	**$ 1,763**	$ 1,354
Municipal debt securities	**1,503**	1,994
U S government debt securities	**4,143**	3,129
U S government agency debt securities	**5,485**	5,747
Corporate debt securities	**6,733**	4,862
Corporate equity securities	**24,132**	22,801
Mutual funds	**6**	–
	$ 43,765	$ 39,887

The Grandview Plan's plan assets are invested in a portfolio that provides for asset allocation strategies across equity and debt markets in the United States The portfolio's objective is to maximize total return, consisting of current income and capital appreciation, without assuming undue risk Strategies are followed which increase or decrease investments in the equity and debt markets based upon ongoing analysis The active management process combines judgments about the value of the equity and debt markets and the relative value of a wide variety of securities within these markets Consideration is given to several variables, including productivity, inflation, global competitiveness, and risk The Network's objective is to have 50% invested in corporate equity securities or mutual funds, 45% invested in U S government, U S government agency, municipal and corporate debt securities, and 5% invested in cash and cash equivalents

The Network maintains diversification in its plan assets by allocating assets to various asset classes and market segments Accordingly, based on this diversification, management does not believe there are any concentrations of credit at December 31, 2013 or 2012

(In Thousands)

8. Retirement Plans (continued)

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

	December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**$ 1,763**	**$ –**	**$ –**	**$ 1,763**
Municipal debt securities	**–**	**1,503**	**–**	**1,503**
U S government debt securities	**2,898**	**1,245**	**–**	**4,143**
U S government agency debt securities	**978**	**4,507**	**–**	**5,485**
Corporate debt securities				
Asset-backed securities	**–**	**302**	**–**	**302**
Communications	**–**	**550**	**–**	**550**
Consumer	**–**	**1,080**	**–**	**1,080**
Energy	**–**	**698**	**–**	**698**
Financial	**–**	**2,859**	**–**	**2,859**
Other	**24**	**1,220**	**–**	**1,244**
Total corporate debt securities	**24**	**6,709**	**–**	**6,733**
Corporate equity securities				
Basic materials	**1,137**	**–**	**–**	**1,137**
Communications	**2,515**	**–**	**–**	**2,515**
Consumer	**7,622**	**–**	**–**	**7,622**
Energy	**2,691**	**–**	**–**	**2,691**
Financial	**4,197**	**–**	**–**	**4,197**
Industrial	**3,272**	**–**	**–**	**3,272**
Technology	**2,577**	**–**	**–**	**2,577**
Other	**121**	**–**	**–**	**121**
Total corporate equity securities	**24,132**	**–**	**–**	**24,132**
Mutual funds				
Other	**6**	**–**	**–**	**6**
Total mutual funds	**6**	**–**	**–**	**6**
	$ 29,801	**$ 13,964**	**$ –**	**$ 43,765**

(In Thousands)

8. Retirement Plans (continued)

	December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 1,354	$ –	$ –	$ 1,354
Municipal debt securities	–	1,994	–	1,994
U S government debt securities	2,257	872	–	3,129
U S government agency debt securities	–	5,747	–	5,747
Corporate debt securities				
Consumer	–	998	–	998
Financial	–	3,022	–	3,022
Other	–	842	–	842
Total corporate debt securities	–	4,862	–	4,862
Corporate equity securities				
Basic materials	1,521	–	–	1,521
Communications	2,928	–	–	2,928
Consumer	6,095	–	–	6,095
Energy	2,777	–	–	2,777
Financial	3,428	–	–	3,428
Industrial	3,595	–	–	3,595
Technology	2,351	–	–	2,351
Other	106	–	–	106
Total corporate equity securities	22,801	–	–	22,801
	$ 26,412	$ 13,475	$ –	$ 39,887

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

Because of the change in funding requirements resulting from the Pension Protection Act (PPA), the Network cannot say with certainty whether there will be any required contribution for 2014, or whether there will be any required quarterly contributions The Network does not anticipate that any funding will be required The Network may choose to continue contributions, though, to achieve its goal of fully funding the Grandview Plan

(In Thousands)

8. Retirement Plans (continued)

The projected benefit payments for the Grandview Plan are as follows

2014	$	2,373
2015		2,492
2016		2,629
2017		2,760
2018		2,929
2019–2023		16,613

9. Commitments and Contingencies

Litigation

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

General and Professional Liability

The Network is self-insured for professional and general liability losses through an irrevocable trust Losses from asserted claims and unasserted claims identified under the Network's incident reporting system are accrued based on estimates that incorporate the Network's past experience as well as other considerations, including the nature of each claim or incident An accrual has been made for possible losses attributable to incidents that may have occurred but that have not been identified under the incident reporting system An actuary has been engaged to determine the appropriate liability to be recorded The liability for all identified and unidentified claims was estimated as the present value of the future claim payments using a discount rate of 2 75% in both 2013 and 2012 In the opinion of management, the reserve for professional and general liability losses is adequate to provide for any liabilities arising from these claims within the self-insurance retention levels

(In Thousands)

9. Commitments and Contingencies (continued)

Operating Leases

The Network leases certain buildings and equipment from third parties, including those discussed in Note 4, in the form of noncancelable operating leases Rental expense for certain buildings and equipment was $18,830 and $17,823 for the years ended December 31, 2013 and 2012, respectively The following is a schedule of aggregate future minimum payments under noncancelable operating leases as of December 31, 2013

2014	$ 14,840
2015	10,900
2016	7,150
2017	5,145
2018	4,293
Thereafter	15,513
	$ 57,841

10. Functional Expenses

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

	2013	2012
Education	**$ 13,526**	$ 15,131
Health care services	**1,063,759**	1,020,953
General and administrative	**172,363**	178,370
	$ 1,249,648	$ 1,214,454

The carrying amount reported in the consolidated balance sheets for current assets and current liabilities are reasonable estimates of fair value due to the short-term nature of these financial instruments These financial instruments are not required to be recorded at fair value on a recurring basis and therefore are not disclosed in the accompanying table under ASC 820

(In Thousands)

11. Fair Value Measurements

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

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 126,378	$ –	$ –	$ 126,378
Assets whose use is limited				
Cash and cash equivalents	34,174	–	–	34,174
Municipal debt securities	–	23,204	–	23,204
U S government debt securities	28,677	11,776	–	40,453
U S government agency debt securities	9,526	38,965	–	48,491
Corporate debt securities				
Asset-backed securities	–	3,917	–	3,917
Communications	–	4,540	–	4,540
Consumer	–	8,725	–	8,725
Energy	–	6,769	–	6,769
Financial	–	25,337	–	25,337
Other	–	12,557	–	12,557
Total corporate debt securities	–	61,845	–	61,845
Corporate equity securities				
Basic materials	12,951	–	–	12,951
Communications	32,573	–	–	32,573
Consumer	88,328	–	–	88,328
Energy	30,774	–	–	30,774
Financial	47,364	–	–	47,364
Industrial	35,990	–	–	35,990
Technology	26,296	–	–	26,296
Other	1,712	–	–	1,712
Total corporate equity securities	275,988	–	–	275,988
Mutual funds				
Equity	22,000	–	–	22,000
Debt	59,446	2,287	–	61,733
Other	347	–	–	347
Total mutual funds	81,793	2,287	–	84,080
Total assets whose use is limited	430,158	138,077	–	568,235
Retirement plan assets	10,364	–	–	10,364
Total assets at fair value	$ 566,900	$ 138,077	$ –	$ 704,977
Liabilities				
Interest rate swap agreements liability	$ –	$ –	$ 35,857	$ 35,857
Total liabilities at fair value	$ –	$ –	$ 35,857	$ 35,857

(In Thousands)

11. Fair Value Measurements (continued)

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 123,966	$ –	$ –	$ 123,966
Assets whose use is limited				
Cash and cash equivalents	28,806	–	–	28,806
Municipal debt securities	–	23,220	–	23,220
U S government debt securities	22,595	8,481	–	31,076
U S government agency debt securities	–	52,249	–	52,249
Corporate debt securities				
Asset-backed securities	–	5,800	–	5,800
Communications	–	5,561	–	5,561
Consumer	–	8,372	–	8,372
Energy	–	3,121	–	3,121
Financial	–	20,934	–	20,934
Other	–	10,653	–	10,653
Total corporate debt securities	–	54,441	–	54,441
Corporate equity securities				
Basic materials	13,499	–	–	13,499
Communications	20,459	–	–	20,459
Consumer	58,938	–	–	58,938
Energy	21,252	–	–	21,252
Financial	32,291	–	–	32,291
Industrial	26,228	–	–	26,228
Technology	19,765	–	–	19,765
Other	1,374	–	–	1,374
Total corporate equity securities	193,806	–	–	193,806
Mutual funds				
Equity	11,328	–	–	11,328
Debt	46,141	–	–	46,141
Other	2,905	–	–	2,905
Total mutual funds	60,374	–	–	60,374
Other	–	1,976	–	1,976
Total assets whose use is limited	429,547	140,367	–	569,914
Retirement plan assets	10,090	–	–	10,090
Total assets at fair value	$ 439,637	$ 140,367	$ –	$ 580,004
Liabilities				
Interest rate swap agreements liability	$ –	$ –	$ 50,718	$ 50,718
Total liabilities at fair value	$ –	$ –	$ 50,718	$ 50,718

11. Fair Value Measurements (continued)

Cash and Cash Equivalents and Assets Whose Use Is Limited

The Network's cash and cash equivalents and assets whose use is limited are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources, primarily matrix pricing, with reasonable levels of price transparency Matrix pricing, primarily used for marketable debt securities, is based on quoting prices for securities with similar coupons, ratings, and maturities, rather than on specific bids and offers for the specific security The types of financial instruments based on quoted market prices in active markets include most U S government debt securities, corporate equity securities, mutual funds, and money market securities (cash equivalents) Such instruments are generally classified within Level 1 of the fair value hierarchy The Network does not adjust the quoted market price for such financial instruments

The types of financial instruments valued based on quoted market prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency include U S government agency debt securities, municipal debt securities, certain U S government debt securities, corporate debt securities, as well as certain thinly traded corporate equity securities Such financial instruments are generally classified within Level 2 for the fair market value hierarchy Primarily all of the Network's marketable debt securities, including corporate asset-backed obligations, are actively traded and the recorded fair value reflects current market conditions However, due to the inherent volatility in the investment market, there is at least a possibility that recorded investment values may change by a material amount in the near term

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

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

(In Thousands)

11. Fair Value Measurements (continued)

Interest Rate Swap Agreements

The Network participates in interest rate swap agreements to manage its exposures to fluctuations in interest rates and overall long-term debt portfolio The Network's interest rate swap agreements are not traded on an exchange The valuation of interest rate swap agreements is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each interest rate swap agreement based on the respective fixed rates and the LIBOR (or Securities Industry and Financial Markets Association ("SIFMA")) yield curve adjusted for the spread between the LIBOR (or SIFMA) yield curve and the Federal funds rate for collateralized portions of the liability The valuation of the Network interest rate swap agreements is performed by the Network's counterparty and validated through the use of an independent third-party valuation, including the unobservable inputs used in the calculation Management monitors the changes in the Network's interest rate swap agreements period to period and ensures all significant changes are disclosed in the consolidated financial statements

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

Interest Rate Swap Agreement	Variable Rate Curve 2013	Variable Rate Curve 2012	Fixed Rate 2013	Fixed Rate 2012	Discount Rate 2013	Discount Rate 2012
June 2005	LIBOR	LIBOR	**3.29%**	3 29%	Avg of LIBOR curve	Avg of LIBOR curve
October 2005	3 99%	3 99%	**3.99%**	3 99%	3 99%	3 99%
March 2006	SIFMA	SIFMA	**5.63%**	5 28%	Avg of SIFMA curve	Avg of SIFMA curve
March 2006	SIFMA	SIFMA	**5.50%**	5 15%	Avg of SIFMA curve	Avg of SIFMA curve
March 2006	LIBOR	LIBOR	**4.48%**	4 48%	Avg of LIBOR curve	Avg of LIBOR curve
October 2007	LIBOR	LIBOR	**3.57%**	3 57%	Avg of LIBOR curve	Avg of LIBOR curve
December 2008	SIFMA	SIFMA	**N/A**	N/A	Avg of SIFMA curve	Avg of SIFMA curve
May 2012	SIFMA	SIFMA	**5.00%**	5 00%	Avg of SIFMA curve	Avg of SIFMA curve
May 2012	SIFMA	SIFMA	**4.75%**	4 75%	Avg of SIFMA curve	Avg of SIFMA curve
May 2012	SIFMA	SIFMA	**5.00%**	5 00%	Avg of SIFMA curve	Avg of SIFMA curve
May 2012	SIFMA	SIFMA	**5.25%**	5 25%	Avg of SIFMA curve	Avg of SIFMA curve

(In Thousands)

11. Fair Value Measurements (continued)

The discounted cash flow analysis reflects the contractual terms of the interest rate swap agreements, including the period to maturity, and uses observed market-based inputs, including interest rate curves and implied volatilities Valuation adjustments are required to be considered in the determination of fair value This includes amounts to reflect counterparty credit quality and liquidity risk Although the Network has determined that certain of the inputs used to value its interest rate swap agreements fall within Level 2 of the fair value hierarchy, certain inputs and the credit valuation adjustment associated with the interest rate swap agreements utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Network or the counterparty As a result, the Network has determined that its interest rate swap agreements in their entirety are classified in Level 3 of the fair value hierarchy Increases (decreases) in any of those inputs, specifically assumptions related to the LIBOR or SIFMA curves, in isolation would result in lower (higher) fair value measurement that could be material to the consolidated financial statements However, based on historical experience, the inputs, including the LIBOR and SIFMA curves, typically change gradually over time

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

	Interest Rate Swap Agreements
Fair value at December 31, 2011	$ 54,979
Unrealized losses	146
Unrealized gains	(2,827)
Settlements	(1,580)
Fair value at December 31, 2012	$ 50,718
Fair value at December 31, 2012	**$ 50,718**
Unrealized losses	**6,977**
Unrealized gains	**(21,903)**
Settlements	**65**
Fair value at December 31, 2013	**$ 35,857**

11. Fair Value Measurements (continued)

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

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

12. Subsequent Events

The Network has evaluated and disclosed any subsequent events through April 23, 2014, which is the date the consolidated financial statements were issued and made publicly available

Supplementary Information

EY
Build ng a better
work ng world

Ernst & Young LLP
1900 Scripps Center
312 Walnut Street
Cincinnati, OH 45202

Tel +1 513 612 1400
Fax. +1 513 612 1730
ey com

Report of Independent Auditors on Supplementary Information

The Board of Directors
Kettering Health Network

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

E Y

April 23, 2014

Kettering Health Network

Consolidating Balance Sheet – Assets

(In Thousands)

December 31, 2013

	Total Obligated Group	Other Entities	Eliminations	Consolidated
Assets				
Current assets				
Cash and cash equivalents	$ 118,655	$ 7,723	$ –	$ 126,378
Current portion of assets whose use is limited	7,649	–	–	7,649
Patient accounts receivable, net of allowance for doubtful receivables	106,410	25,492	(2,069)	129,833
Other receivables	19,479	8,557	–	28,036
Inventories	15,737	3,485	–	19,222
Prepaid expenses and other current assets	9,753	1,474	–	11,227
Total current assets	277,683	46,731	(2,069)	322,345
Assets whose use is limited				
Board designated	492,193	24,950	–	517,143
Donor or agency restricted	878	21,565	–	22,443
Trustee-held assets	10,609	10,391	–	21,000
Total assets whose use is limited	503,680	56,906	–	560,586
Retirement plans assets	9,192	1,172	–	10,364
Unamortized long-term debt issuance costs	3,123	255	–	3,378
Property and equipment, net	678,201	125,415	–	803,616
Other long-term assets	20,787	16,411	–	37,198
Total assets	$ 1,492,666	$ 246,890	$ (2,069)	$ 1,737,487

Kettering Health Network

Consolidating Balance Sheet – Liabilities and Net Assets

(In Thousands)

December 31, 2013

	Total Obligated Group	Other Entities	Eliminations	Consolidated
Liabilities and net assets				
Current liabilities				
Accounts payable	$ 48,277	$ 6,696	$ –	$ 54,973
Payroll-related liabilities	47,430	18,334	–	65,764
Other accrued liabilities	28,341	25,400	(2,069)	51,672
Accrued interest	6,007	506	–	6,513
Current portion of deferred revenue	141	2,861	–	3,002
Estimated amounts due to (from) third-party payors	2,472	(720)	–	1,752
Current portion of long-term debt	11,270	1,278	–	12,548
Total current liabilities	143,938	54,355	(2,069)	196,224
Deferred revenue	1,215	5,873	–	7,088
Accrued pension liability	21,212	1,172	–	22,384
Professional self-insurance liability	31,696	9,213	–	40,909
Other long-term liabilities	39,321	5,410	–	44,731
Interest rate swap agreements liability	34,996	861	–	35,857
Long-term debt, net of current portion	538,118	40,034	–	578,152
Total liabilities	810,496	116,918	(2,069)	925,345
Net assets				
Unrestricted	681,594	105,575	–	787,169
Temporarily restricted	576	18,212	–	18,788
Permanently restricted	–	6,185	–	6,185
Total net assets	682,170	129,972	–	812,142
Total liabilities and net assets	$ 1,492,666	$ 246,890	$ (2,069)	$ 1,737,487

Kettering Health Network

Consolidating Statement of Operations and Changes in Net Assets
(In Thousands)

Year Ended December 31, 2013

	Total Obligated Group	Other Entities	Eliminations	Consolidated
Unrestricted revenue				
Patient service revenue (net of contractual provision and discount)	$ 1,059,521	$ 297,513	$ (35,730)	$ 1,321,304
Provision for bad debts	(54,668)	(25,473)	–	(80,141)
Net patient service revenue	1,004,853	272,040	(35,730)	1,241,163
Other revenue, net	56,611	62,157	(45,843)	72,925
Total unrestricted revenue	1,061,464	334,197	(81,573)	1,314,088
Expenses				
Salaries and wages	349,961	198,217	(10,143)	538,035
Employee benefits	82,304	39,936	(4,450)	117,790
Supplies and other	255,375	82,123	(1,523)	335,975
Purchased services	161,019	48,139	(65,583)	143,575
Depreciation	70,325	14,646	–	84,971
Interest	26,172	3,130	–	29,302
Total expenses	945,156	386,191	(81,699)	1,249,648
Excess of unrestricted revenue over expenses (expenses over unrestricted revenue) before support allocation and other income	116,308	(51,994)	126	64,440
Support allocation	(7,932)	8,058	(126)	–
Excess of unrestricted revenue over expenses (expenses over unrestricted revenue) before other income	108,376	(43,936)	–	64,440
Other income				
Income on interest rate swap agreements	14,219	421	–	14,640
Other, primarily investment income	47,862	6,154	–	54,016
Excess of unrestricted revenue over expenses (expenses over unrestricted revenue)	170,457	(37,361)	–	133,096

Continued on next page

Kettering Health Network

Consolidating Statement of Operations and Changes in Net Assets (continued)

(In Thousands)

Year Ended December 31, 2013

	Total Obligated Group	Other Entities	Eliminations	Consolidated
Unrestricted net assets				
Excess of unrestricted revenue over expenses (expenses over unrestricted revenue)	$ 170,457	$ (37,361)	$ –	$ 133,096
Net assets released from restrictions for capital	834	158	–	992
Transfer (to) from affiliate	(28,535)	28,535	–	–
Change in plan assets and benefit obligation of pension plan	10,830	–	–	10,830
Other changes, net	71	103	–	174
Increase (decrease) in unrestricted net assets	153,657	(8,565)	–	145,092
Temporarily restricted net assets				
Contributions and investment income (from restricted investments	686	4,516	–	5,202
Net assets released from restrictions for capital	(431)	(561)	–	(992)
Net assets released from restrictions for operations	(252)	(1,181)	–	(1,433)
(Increase) in temporarily restricted net assets	3	2,774	–	2,777
Permanently restricted net assets				
Contributions for endowment funds	–	10	–	10
Increase in permanently restricted net assets	–	10	–	10
Increase (decrease) in net assets	153,660	(5,781)	–	147,879
Net assets at beginning of year	528,510	135,753	–	664,263
Net assets at end of year	$ 682,170	$ 129,972	$ –	$ 812,142

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