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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 07-01-2013 , 2013, and ending 06-30-2014

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

C Name of organization
KENNESTONE HOSPITAL INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
805 Sandy Plains Road
Suite

City or town, state or province, country, and ZIP or foreign postal code
Marietta, GA 300666340

D Employer identification number
58-2032904

E Telephone number
(770) 792-5023

G Gross receipts $ 836,438,847

F Name and address of principal officer
REYNOLD J JENNINGS
805 SANDY PLAINS ROAD
MARIETTA, GA 30066

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 wellstar org

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

L Year of formation 1993

M State of legal domicile GA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
To provide world-class charitable healthcare to the community

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**	17
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	10
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	**5**	0
6	Total number of volunteers (estimate if necessary)	**6**	389
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	570,939
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	0	0
9	Program service revenue (Part VIII, line 2g)	772,656,090	816,044,685
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-468,013	242,878
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	18,814,851	20,151,284
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	791,002,928	836,438,847
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	890	500
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)	289,902,566	291,503,229
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)	377,828,313	431,687,279
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	667,731,769	723,191,008
19	Revenue less expenses Subtract line 18 from line 12	123,271,159	113,247,839

Revenue

Expenses

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	571,422,413	650,984,427
21	Total liabilities (Part X, line 26)	279,660,854	265,817,652
22	Net assets or fund balances Subtract line 21 from line 20	291,761,559	385,166,775

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

Signature of officer — Date: 2015-05-08

JAMES SWARTZ VP ACCOUNTING
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
MATTHEW D PETROSKI				P00853132

Firm's name ▶ PricewaterhouseCoopers LLP — Firm's EIN ▶

Firm's address ▶ 2001 MARKET ST SUITE 1700
PHILADELPHIA, PA 19103

Phone no (770) 956-7827

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 CREATE AND DELIVER HIGH QUALITY HOSPITAL, PHYSICIAN AND OTHER HEALTHCARE RELATED SERVICES THAT IMPROVE THE HEALTH AND WELL-BEING OF THE INDIVIDUALS AND COMMUNITIES WE SERVE

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 $ 645,573,909 including grants of $ 500) (Revenue $ 816,044,685)

As discussed herein, Kennestone Hospital, Inc (an affiliate of Wellstar Health System, Inc) operates as a charitable organization consistent with the requirements of Internal Revenue Code Section 501(c)(3) and the "community benefit standard" of IRS Revenue Ruling 69-545 In this regard, the governing body of the organization and/or its parent is composed of prominent citizens in the community, medical staff privileges in the hospital are available to all qualified physicians in the area, consistent with the size and nature of the facility, one of the hospitals operates a full-time emergency room open to all regardless of the ability to pay, the hospital provides care to needy members of its community consistent with its charity care policy regardless of their ability to pay for these services and admits as patients those able to pay for care, either themselves or through third-party payers such as private health insurance or government programs such as Medicare and Medicaid, and the hospital's excess funds are generally applied to expansion and replacement of existing facilities and equipment, amortization of indebtedness, improvement in patient care, community benefit activities, and charity care Kennestone Hospital, Inc consists of two hospitals, Wellstar Kennestone and Wellstar Windy Hill These hospitals combined to invest approximately $101 4 million in capital expenditures for the fiscal period Wellstar Kennestone Hospital is a general acute hospital which provides a full range of inpatient and outpatient services for the overall health of the community The hospital is located in Marietta, Georgia The original hospital was constructed in 1950 The present main building was constructed in 1975 Kennestone is licensed to operate 633 beds and is currently staffed to operate 588 beds Wellstar Windy Hill Hospital is located in the unincorporated area of Cobb County in northwest metropolitan Atlanta It is an acute care hospital concentrating at the present time on long term care inpatient and outpatient services The original structure was built in 1973 and renovated in 1987 The beds at Windy Hill serve medically complex patients whose average stay is approximately 30 days Kennestone Hospital, Inc affiliated with Northwest Georgia Health System in 1993 In 1994 Northwest Georgia Health System helped form the Promina Health System and changed its name to Promina Northwest Health System In 1998 Promina Northwest changed its name to Wellstar Health System Wellstar became totally independent of Promina in 2000 Kennestone Hospital, Inc was organized in 1993 and is subordinate to, and subject to the authority of, Wellstar Health System and its governing board Kennestone offers most major inpatient clinical services, a variety of outpatient services, women's services and open heart surgery It is one of the largest hospitals in the state of Georgia Kennestone is also home to a variety of state-of-the-art procedures and equipment not offered elsewhere in the larger Atlanta metro service area The hospital has also opened several satellite outpatient imaging centers to provide easier access to our patient population One additional service offered on the campus of Kennestone is called Atherton Place This residential facility provides independent housing as well as assisted living to residents needing these services--especially the elderly Kennestone also now operates a residential hospice facility at Kennesaw Mountain near the Kennestone campus Windy Hill has transitioned its focus to long-term inpatient and outpatient services These services include a concentration in geriatrics, rehabilitation, orthopedics and senior care An additional service offered at Windy Hill Hospital includes a women's imaging department The following stats constitute the overall program services for the period ended June 30, 2013 Kennestone Hospital Total Adult Discharges-35,895 Med/Surg Short StayCases-1,073 Newborn Discharges-5,418 Emergency Room Visits-122,883 Total surgery cases-22,736 Non ED OP Radiology Procedures-151,685 Cath Lab Procedures-6,754 GI Lab Procedures-3,509 Radiology Oncology procedures-16,145 Total FTEs (Paid)-3,880 Windy Hill Hospital Total Adult Discharges-379 Total Surgery Cases-2,200 Non ED OP Radiology Procedures-10,205 GI Lab Procedures-312 Sleep Lab Procedures-1,928 Total FTEs (Paid)-248 Community Benefit Reporting Community Outreach and Health Improvements-$1,566,595 Unreimbursed Charity Care (at cost)-$44,751,019 (based on charges of $159 5 million) Health professions education-$221,678 Medicaid Shortfalls(at cost)-$5,664,727 Total community benefit expense for the two hospitals was $52,204,019 Community Benefits Detail Kennestone and Windy Hill, affiliates of Wellstar Health System, participate in many community and educational programs for the overall health and benefit of the area that it serves The following are examples of programs or services that are provided by Kennestone Hospital, Inc for the charitable benefit of the community Community Health/Education Wellstar's Marketing and Public Relations department provides free brochures on a variety of health-related topics such as blood pressure, diabetes, cholesterol, osteoporosis, and nutrition Kennestone Hospital specifically offers the community the space and instructors for many support groups and educational opportunities--some free of charge and others at a nominal fee (examples of the offerings are women's health, palliative care, birthing classes, etc) Kennestone and Windy Hill also offer free and/or low cost screenings for health issues such as blood pressure, cholesterol, flu shots, and others System-wide for the reporting period over 200,000 area residents were seen at either the screenings or health fairs School Health Program--This program is operated in conjunction with area school systems and seeks to teach school-aged children about health and safety topics such as dental health, water safety, seat belt safety and others Safe Kids-Cobb/Cherokee Wellstar and the Cobb Public Health Department sponsor safety education events on an annual basis to the community, specifically the Cobb County area The safety initiatives are centered around car seat checks, bike helmets, water safety and other preventive initiatives The mission is to reduce the number of accidental injuries for children ages 14 and under The SafeKids Cobb program provided 1,700 car seat checks with a number of car seats distributed to families in need The Partner-in-Education program provides health-related supplies and support to area elementary and middle schools Through the "Partners in Ministry" program, the Pastoral Care Department leads a partnership between the health system and local area congregations to link between the spiritual and clinical community needs Sponsorships and Community Activities As part of the October Breast Cancer Awareness Month WellStar and the WellStar Cancer Network has partnered with a local television station to sponsor "Buddy Check 11", an 11Alive program designed to encourage breast self exam The participants choose a buddy and subsequently remind their buddy to perform a monthly self exam The program is now in its third year WellStar Health System was the only Atlanta health system honored with a "Celebrating Our Heritage" Award by Renovacion Conyugal, a nonprofit organization dedicated to strengthening, supporting and empowering Latino youth WellStar has a 10-year partnership with the organization to provide financial and facility support Team members from the Acworth Health Park participated in the building of a Habitat for Humanity home in Acworth, Georgia The home was built on property donated to Northwest Atlanta Habitat by a retired Army Lt Col Ashley Ivey before his passing He had stipulated that a home be built and presented to a disabled veteran Accomplishments and Recognition Kennestone and Windy Hill Hospitals are accredited by the Joint Commission Wellstar was granted accreditation by the Intersocietal Commission for the Accreditation of Echocardiography Labs after rigorous testing and quality outcomes for diagnosis of heart disease All five Wellstar hospital labs earned "Accreditation with Distinction" from the College of American Pathologists (CAP), recognized as one of the most stringent in laboratory quality assurance Wellstar's labs are part of the 6,000 CAP-accredited laboratories nationwide Wellstar Sleep Disorders Center at Windy Hill Hospital offers world class care as one of the 10 largest sleep centers nationwide The center consists of 12 rooms with more board-certified sleep specialists on staff than any sleep center in the southeast US The program is accredited by the American Academy of Sleep Medicine As affiliates of Wellstar Health System, Kennestone and Windy Hill are part of a system that is ranked in the Top 100 in the nation according to Verispan's annual listing of the Top 100 In

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

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

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

4e **Total program service expenses** ▶ 645,573,909

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		No
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		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**		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *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**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
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**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
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**		No
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**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *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	0		
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c			
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	0		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	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			No
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			No
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			No
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**	17		
	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**	10		
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**		Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**		Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**		Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	**8a**		Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**			No

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

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	**10a**		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	**10b**		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	**11a**	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review 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**		No
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	**16b**		

Section C. Disclosure

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

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

▶ JAMES M SWARTZ 805 SANDY PLAINS ROAD
Marietta, GA 300666340 (770) 792-5023

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			

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			
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								3,403,901	19,174,750	2,522,359

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 ▶ 253

			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
Brasfield Gorrie, 1990 Vaughn Rd NW Suite 100 KENNESAW GA 30144	General Contractor	30,744,086
CDH Partners Inc, 675 Tower Road MARIETTA GA 30060	General Contractor	2,741,282
Batchelor and Kimball Inc, PO Box 70 LITHONIA GA 30058	Maintenance	4,690,645
Emory Clinic Inc, 101 W Ponce De Leon Ave Suite 400 DECATUR GA 30030	Medical Services	1,383,409
Quest Diagnostics, PO Box 740736 ATLANTA GA 303740736	Medical Services	2,055,540

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 ▶ 44

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				
	e Government grants (contributions)	1e				
	f All other contributions, gifts, grants, and similar amounts not included above	1f				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f		0			
Program Service Revenue		Business Code				
	2a PATIENT REVENUE	621990	809,994,301	809,994,301		
	b MEDICAL RECORDS	621990	420	420		
	c INDEPENDENT & ASSISTED LIVING REVENUE	623000	5,939,724	5,939,724		
	d PATIENT EDUCATION	621990	110,240	110,240		
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f		816,044,685			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)		0			
	4 Income from investment of tax-exempt bond proceeds		0			
	5 Royalties		0			
		(i) Real	(ii) Personal			
	6a Gross rents	453,313				
	b Less rental expenses					
	c Rental income or (loss)	453,313	0			
	d Net rental income or (loss)		453,313			453,313
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory		242,878			
	b Less cost or other basis and sales expenses					
	c Gain or (loss)		242,878			
	d Net gain or (loss)		242,878			242,878
	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b Less direct expenses	b				
	c Net income or (loss) from fundraising events		0			
	9a Gross income from gaming activities See Part IV, line 19	a				
	b Less direct expenses	b				
	c Net income or (loss) from gaming activities		0			
	10a Gross sales of inventory, less returns and allowances	a				
	b Less cost of goods sold	b				
	c Net income or (loss) from sales of inventory		0			
	Miscellaneous Revenue	Business Code				
	11a PHARMACY/RETAIL PHARMACY	446199	10,029,704		570,939	9,458,765
	b LAB OUTREACH	621990	230,848			230,848
	c CAFETERIA	621990	4,694,100			4,694,100
	d All other revenue		4,743,319			4,743,319
	e **Total.** Add lines 11a–11d		19,697,971			
	12 **Total revenue.** See Instructions		836,438,847	816,044,685	570,939	19,823,223

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	0			
2 Grants and other assistance to individuals in the United States See Part IV, line 22	500	500		
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4 Benefits paid to or for members	0			
5 Compensation of current officers, directors, trustees, and key employees	2,757,741	2,404,444	353,297	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7 Other salaries and wages	239,691,413	217,424,564	22,266,849	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	9,896,745	8,972,558	924,187	
9 Other employee benefits	21,276,382	19,297,416	1,978,966	
10 Payroll taxes	17,880,948	16,213,304	1,667,644	0
11 Fees for services (non-employees)				
a Management	0			
b Legal	50,436	0	50,436	
c Accounting	0			
d Lobbying	0			
e Professional fundraising services See Part IV, line 17	0			
f Investment management fees	0			
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	30,777,430	30,744,829	32,601	
12 Advertising and promotion	209,530	168,457	41,073	
13 Office expenses	30,288,579	28,169,185	2,119,394	
14 Information technology	0			
15 Royalties . .	0			
16 Occupancy	13,144,084	5,539,645	7,604,439	
17 Travel	243,510	206,311	37,199	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	260,119	199,627	60,492	
20 Interest	4,285	0	4,285	
21 Payments to affiliates	156,879,274	142,276,397	14,602,877	
22 Depreciation, depletion, and amortization	35,227,759	18,175,324	17,052,435	
23 Insurance	6,850,727		6,850,727	
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 REPAIRS & MAINTENANCE	12,217,321	9,867,634	2,349,687	
b MEDICAL SUPPLIES	145,349,422	145,865,932	-516,510	
c OTHER OPERATING EXPENSES	184,803	47,782	137,021	
d				
e All other expenses				
25 **Total functional expenses.** Add lines 1 through 24e	723,191,008	645,573,909	77,617,099	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		21,975	1	32,275
	2	Savings and temporary cash investments		-17,973	2	104,910
	3	Pledges and grants receivable, net		0	3	0
	4	Accounts receivable, net		147,987,765	4	193,622,402
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L		0	6	0
	7	Notes and loans receivable, net		0	7	0
	8	Inventories for sale or use		13,895,896	8	15,840,014
	9	Prepaid expenses and deferred charges		6,697,514	9	4,384,708
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 771,139,502			
	b	Less accumulated depreciation	10b 338,612,860	394,313,943	10c	432,526,642
	11	Investments—publicly traded securities		0	11	0
	12	Investments—other securities See Part IV, line 11		0	12	0
	13	Investments—program-related See Part IV, line 11		0	13	0
	14	Intangible assets		1,280,943	14	0
	15	Other assets See Part IV, line 11		7,242,350	15	4,473,476
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		571,422,413	16	650,984,427
Liabilities	17	Accounts payable and accrued expenses		32,046,308	17	29,668,001
	18	Grants payable		0	18	0
	19	Deferred revenue		0	19	0
	20	Tax-exempt bond liabilities		0	20	0
	21	Escrow or custodial account liability Complete Part IV of Schedule D		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		18,178	23	0
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		247,596,368	25	236,149,651
	26	**Total liabilities.** Add lines 17 through 25		279,660,854	26	265,817,652
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		291,761,559	27	385,166,775
	28	Temporarily restricted net assets		0	28	0
	29	Permanently restricted net assets		0	29	0
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ 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		291,761,559	33	385,166,775
	34	Total liabilities and net assets/fund balances		571,422,413	34	650,984,427

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	836,438,847
2	Total expenses (must equal Part IX, column (A), line 25)	2	723,191,008
3	Revenue less expenses Subtract line 2 from line 1	3	113,247,839
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	291,761,559
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-19,842,623
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	385,166,775

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		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b		

Additional Data

Software ID:
Software Version:
EIN: 58-2032904
Name: KENNESTONE HOSPITAL INC

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

(A) Name and Title	(B) Average hours per week (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			
AVRIL P BECKFORD MD TRUSTEE	2 0 48 0	X						0	456,909	29,970
RANDALL BENTLEY JR TRUSTEE	1 0 5 0	X						0	20,619	0
OTIS BRUMBY III TRUSTEE	1 0 5 0	X						0	3,687	0
SHAN COOPER TRUSTEE	1 0 5 0	X						0	1,218	0
ROBERT N CROSS MD TRUSTEE	1 0 5 0	X						0	5,266	0
T E RUSTY DURHAM TRUSTEE	1 0 14 0	X						0	37,928	13,445
THOMAS GEARHARD MD TRUSTEE	2 0 48 0	X						0	484,242	72,307
DAVID HAFNER MD TRUSTEE	1 0 5 0	X						0	24,386	0
T FITZ JOHNSON TRUSTEE	1 0 5 0	X						0	18,008	0
CHARLES J JONES TRUSTEE	1 0 5 0	X						0	17,308	0
JANIE MADDOX TRUSTEE - CHAIR	1 0 5 0	X						0	19,581	0
GARY A MILLER TRUSTEE - VICE CHAIR	1 0 5 0	X						0	4,249	0
STEVEN W OWEIDA MD TRUSTEE	1 0 5 0	X						0	0	21,472
TOM PHILLIPS TRUSTEE	1 0 5 0	X						0	2,734	0
WALTER G ROBINSON TRUSTEE	1 0 5 0	X						0	10,640	0
FRANK ROS TRUSTEE	1 0 5 0	X						0	3,747	0
W ALLEN SEPARK TRUSTEE	1 0 7 0	X						0	9,844	0
JEFFERY THARP MD TRUSTEE	2 0 48 0	X						0	566,320	72,948
VALERY A AKOPOV MD VP & CHIEF HOSPITALISTS	2 0 48 0			X				0	394,355	53,783
DAVID W ANDERSON EXEC VP HR/OL/CCO	2 0 48 0			X				0	590,159	64,119
NICOLE V ASHE VP FINANCE & CFO WMG	2 0 48 0			X				0	256,832	46,130
BARBARA G BALLARD VP HOMECARE & HOSPICE	2 0 48 0			X				0	376,870	73,407
JOSEPH L BRYWCZYNSKI SVP HEALTH PARKS DEVELOPMENT	2 0 48 0			X				0	319,737	59,522
A JAMES BUDZINSKI EXEC VP and CFO	2 0 50 0			X				0	645,375	67,649
DONALD CAMPBELL MD SVP PHYS EDUC & STUDENT AFF	2 0 48 0			X				0	437,419	45,134

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

(A) Name and Title	(B) Average hours per week (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			
LAURA CARAMANICA VP CNO PATIENT CARE SRV KENNE	50 0 0 0			X				303,372	0	55,319
LEE RANDOLPH COOK VP MEDICINE & BEHAVIORAL HLTH	2 0 48 0			X				0	292,193	48,389
BARBARA B COREY SVP MANAGED CARE	2 0 48 0			X				0	353,009	44,619
BRUCE A DEAN VP REAL ESTATE & DEP GEN COUN	2 0 48 0			X				0	260,414	64,294
SARATH DEGALA VP REVENUE CYCLE MGMT	2 0 48 0			X				0	289,953	34,966
MARCIA DELK-PAYNE MD SVP MED AFFAIRS & CQO	2 0 48 0			X				0	434,313	51,552
MARTIN L GUTKIN VP FINANCE & HOSPITAL CFO	50 0 0 0			X				239,617	0	12,168
ROBERT D JANSEN MD EXEC VP & PRES WMG	2 0 48 0			X				0	791,804	71,531
REYNOLD J JENNINGS PRESIDENT & CEO	2 0 50 0			X				0	1,389,700	2,200
CHRISTOPHER M KANE SVP STRATEGIC PLAN & BUS DEV	2 0 48 0			X				0	403,363	54,031
BETH KOST VP COMPLIANCE & CHF PRVCY OFCR	2 0 48 0			X				0	278,339	37,798
ELLEN LANGFORD VP & COO WELLSTAR PHYS GRP	2 0 48 0			X				0	251,119	36,691
LOUIS W LITTLE SVP POST ACUTE & HOSP PRES	48 0 2 0			X				303,532	0	53,864
ROBERT M LUBITZ MD VP MEDICAL AFFAIRS KH	50 0 0 0			X				377,038	0	49,781
ROBERT MANDLER VP DIAGNOSTIC OUTREACH	2 0 48 0			X				0	274,343	59,721
CAROL B MAXWELL VP TALENT ACQUISTION	2 0 48 0			X				0	128,331	12,302
PATRICIA A MAYNE VP EMERGENCY SERVICES	50 0 0 0			X				226,244	0	41,555
KIMBERLY W MENEFEE SVP MARKETING & GOV'T AFFAIRS	2 0 48 0			X				0	334,382	49,550
JONATHAN B MORRIS MD SVP & CIO	2 0 48 0			X				0	479,551	47,874
BRADFORD B NEWTON VP INFO TECHNOLOGY ADMIN	2 0 48 0			X				0	215,090	38,727
LEO E REICHERT EXEC VP & GENERAL COUNSEL	2 0 48 0			X				0	595,331	27,431
MICHELLE M ROBINSON VP MARKETING/PR/INTERNAL COMM	2 0 48 0			X				0	230,978	33,982
DEBORAH ROEGGE DE VITA VP WOMEN & NEWBORN SVC LINE	2 0 48 0			X				0	243,970	8,440
CANDICE L SAUNDERS PRESIDENT & COO	2 0 48 0			X				108,137	539,392	65,639
CHRISTOPHER B SCULLEN VP PULMONARY OPERATIONS	2 0 48 0			X				0	196,607	2,497

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

(A) Name and Title	(B) Average hours per week (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			
JEFFERY D STANLEY VP PHARMACY & SYS COORDINATOR	2 0 48 0			X				0	200,737	27,947
JAMES M SWARTZ VP ACCOUNTING	2 0 48 0			X				0	228,870	36,502
MARY L TAVERNARO VP HUMAN RESOURCES OPERATIONs	2 0 48 0			X				0	241,535	41,187
ADAM C THOMPSON VP SURGERY	2 0 48 0			X				0	202,684	17,822
AMANDA TRASK VP OPERATIONS KENNESTONE	50 0 0 0			X				116,650	0	28,155
ANTHONY M TRUPIANO SVP SUPPLY CHAIN	2 0 48 0			X				0	361,685	47,393
MARY L WESLEY SVP NURSING SERVICES CNE	2 0 48 0			X				0	349,633	56,860
ROBIN WILSON MD SVP CHIEF HLTH INNOV OFFICER	2 0 48 0			X				0	510,364	28,431
DANIEL J WOODS SVP & PRES KENNESTONE HOSPITAL	48 0 2 0			X				425,017	73,209	80,773
CHESTER A ZBOROWSKI VP HEALTH PARK OPERATIONS	2 0 48 0			X				0	207,340	18,413
KRISTYN GREIFER MD VP POPULATION MANAGEMENT	2 0 48 0			X				0	263,708	10,138
PETER JUNGBLUT MD SVP & MEDICAL DIRECTOR WMG	2 0 48 0			X				0	358,267	56,395
JAMES CLEMENTS VP BUS DEV & STRATEGIC PRTNSHP	2 0 48 0			X				0	131,463	11,124
JIMMY FRANCIS VP INFO TECHNOLOGY OPERATIONS	2 0 48 0			X				0	150,343	580
STEVEN GRACE VP TALENT ACQUISITION	2 0 48 0			X				0	144,341	4,206
ELIZABETH LOUDERMILK VP ENT INTELLIGENCE & INTGRTN	2 0 48 0			X				0	240,446	11,978
SANDRA LUCIUS VP INFO TECHNOLOGY APPS	2 0 48 0			X				0	177,459	26,570
MICHAEL PAUL VP FACILITIES ENG SUPPORT SVCS	2 0 48 0			X				0	86,864	1,985
BETHANY ROBERTSON VP & CHIEF LEARNING OFFICER	2 0 48 0			X				0	200,645	39,317
RICHARD SIEGEL VP CARDIOLOGY & CVM ADMIN	2 0 48 0			X				0	337,829	62,810
DANIEL STYF SVP PW HEALTH PLAN	2 0 48 0			X				0	185,654	13,376
MONTE WILSON VP & COO KENNESTONE	50 0 0 0			X				143,154	0	3,318
BETTY BRAKOVICH VP CNO PATIENT CARE SERVICES	50 0 0 0			X				188,531	0	35,454
JYOTSNA R VANAPALLI RADIATION ONCOLOGY PHYSICIST	50 0 0 0					X		194,946	0	33,722
ROBERT J DeCOUX AVP HUMAN RESOURCES	50 0 0 0					X		169,607	0	34,564

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

(A) Name and Title	(B) Average hours per week (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			
LOUIS LOVETT AVP PHYSICIAN ADVISOR	50 0 0 0					X		272,157	0	66,672
ANN E GRAY RN CLINICAL NURSE	50 0 0 0					X		161,458	0	24,197
SHERRON KURTZ EXEC DIR SURGICAL SVCS KH/CH	50 0 0 0					X		174,441	0	14,912
MICHAEL L GRAUE FMR EXEC VP & COO	0 0 0 0						X	0	1,166,074	36,144
KENNETH C KUNZE MD FMR SVP & CHIEF MEDICAL OFCR	0 0 0 0						X	0	665,985	26,607

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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
KENNESTONE HOSPITAL INC

Employer identification number
58-2032904

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
KENNESTONE HOSPITAL INC

Employer identification number
58-2032904

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	(b) (c) Two years back	(d) Three years back	(e) Four years back
1a	Beginning of year balance					
b	Contributions					
c	Net investment earnings, gains, and losses					
d	Grants or scholarships					
e	Other expenditures for facilities and programs					
f	Administrative expenses					
g	End of year balance					

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Temporarily restricted endowment ▶

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

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

		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		44,606,550		44,606,550
b Buildings		419,537,115	139,192,632	280,344,483
c Leasehold improvements		15,653,494	5,325,086	10,328,408
d Equipment		287,118,891	193,551,030	93,567,861
e Other		4,223,452	544,112	3,679,340
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				432,526,642

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	0
ASSET RETIREMENT - OTHER LT	1,127,380
TAX EXEMPT BOND LIAB-DUE TO WHS	235,022,271
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	236,149,651

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
SCHEDULE D Part X Line 2 FIN 48 FOOTNOTE	The following footnote is related to the organization's application of FIN 48 (ASC 740) "Wellstar (including Douglas Hospital) and all but one of its affiliates have been recognized as exempt from Federal income tax under Internal Revenue Code Section 501 (a) as organizations described in Section 501 (c)(3) and, therefore, related income is generally not subject to Federal or state income taxes Community Assurance Corporation is a controlled foreign corporation not subject to Federal tax Wellstar applies FASB ASC 740, Income Taxes, which addresses accounting for uncertainties in income tax positions It also provides guidance on when tax positions are recognized in an entity's financial statements and how the values of these positions are determined There is no impact on Wellstar's combined financial statements as a result of the application of ASC 740 "

Part XIII Supplemental Information *(continued)*

Return Reference	Explanation

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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
KENNESTONE HOSPITAL INC

Employer identification number
58-2032904

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	3a	Yes	
	☐ 100% ☐ 150% ☐ 200% ☑ Other 125 %			
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	3b	Yes	
	☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other ____ %			
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	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)			27,774,515		27,774,515	3 840 %
b Medicaid (from Worksheet 3, column a)			66,335,267	54,978,129	11,357,138	1 570 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			94,109,782	54,978,129	39,131,653	5 410 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1,854,622		1,854,622	0 260 %
f Health professions education (from Worksheet 5)			267,012	52,457	214,555	0 030 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j **Total.** Other Benefits			2,121,634	52,457	2,069,177	0 290 %
k **Total.** Add lines 7d and 7j			96,231,416	55,030,586	41,200,830	5 700 %

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 35,944,468			
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 8,539,536			
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) 5 244,911,643			
6	Enter Medicare allowable costs of care relating to payments on line 5 6 300,420,166			
7	Subtract line 6 from line 5 This is the surplus (or shortfall) 7 -55,508,523			
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? 2

	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 KENNESTONE HOSPITAL

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A) 1

			Yes	No
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 12			
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**		No
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)			
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**		No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	**8a**		No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	**8b**		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $			

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 125 % 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 % 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**		No
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 WINDY HILL HOSPITAL

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 begining 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 12			
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		No
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		No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a		No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? $_____			

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 125 % 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 % 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**		No
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 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? _____

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

Part VI Supplemental Information

Provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Form and Line Reference	Explanation
Schedule H Part I Line 6a	Kennestone Hospital, Inc (consisting of Kennestone Hospital and Windy Hill Hospital) is an affiliate of Wellstar Health System, Inc which on an annual basis issues a community benefit report This report is subsequently distributed in and around the five county service area of the health system It is also annually filed with Cobb County and the state of Georgia Department of Community Health Additionally the information on community benefit is included in aggregate for Wellstar Health System, Inc and affiliated hospitals as part of the Georgia Hospital Association's annual report

Form and Line Reference	Explanation
Schedule H Part I Line 7	For purposes of the IRS Form 990 Schedule H, Wellstar Health System and Affiliates (including Kennestone and Windy Hill Hospitals) have estimated the current year cost to charge ratio for each hospital as it is reported in the annual community benefit report and as it will be reported in the state's Annual Hospital Financial Survey

Form and Line Reference	Explanation
Schedule H Part III Line 4	The following footnote is detailed in the Wellstar Health System, Inc and Affiliates Combined Financial Statements related to bad debt or uncollectible accounts "During 2011, Wellstar adopted the provisions of FASB Accounting Standards Update (2011-07), Healthcare Entities (Topic 954) ASU 2011-07 requires the reclassification of the provision for uncollectible accounts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts) " " Wellstar recognizes patient service revenue associated with services provided to patients with third-party payor coverage on the basis of contractual rates for the services rendered For uninsured patients that do not qualify for community financial aid, Wellstar recognizes revenue on the basis of its discounted rates for services provided On the basis of historical experience, a significant portion of Wellstar's uninsured patients are unable or unwilling to pay for the services provided Thus, Wellstar records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided " Subsequent to the end of the reporting period a propensity to pay review of patient accounts often results in prior year bad debt accounts which are deemed eligible for the organization's financial assistance policy Those bad debt accounts are reclassified as charity and thus our rationale for including in community benefit

Form and Line Reference	Explanation
Schedule H Part III Line 8	Kennestone and Windy Hill Hospitals are providers of inpatient and outpatient services to Medicare program beneficiaries at determined rates Without the participation in the Medicare program these patients may not have had convenient access to those services The Medicare shortfall on Part III Section B line 7 represents the uncompensated difference between the expected reimbursement and the Medicare charges for those services stated at cost We determine a cost to charge ratio for Medicare patients as part of the annual filing of the Medicare cost report

Form and Line Reference	Explanation
Sch H Part III Sec C Line 9b	The policy written for collection practices that applies to all Wellstar Health System entities incorporates guidelines for personnel in the admissions and patient access areas to be trained in identifying patients that might qualify for financial assistance It is also the policy of all Wellstar facilities to have at least one employee or contractor available at all times, especially in the hospitals with emergency rooms, who can provide assistance with the paperwork necessary to help patients who would qualify for governmental and other assistance programs

Form and Line Reference	Explanation
Schedule H Part V	Kennestone Hospital is a general acute care hospital providing a full range of services, is licensed to operate 633 beds, and is presently staffed to operate 588 beds It is located on an approximately 41-acre campus in Marietta, Georgia and is housed within a complex of connected buildings containing a total square footage in excess of 1,112,000 square feet The original hospital was constructed in 1950, major structural additions were made during the 1960s, 1975, 1998, and 2006 A new patient tower was completed in 2005 and greatly expanded the cardiac services capabilities of the hospital Additionally a fourth patient tower recently opened to transition the hospital to private rooms from the current semi-private bed methodology Kennestone Hospital provides medical, surgical, obstetrical, and rehabilitative inpatient care and outpatient care, including one of the busiest emergency rooms in the state of Georgia--recently designated a level II Trauma center for the service area The hospital experiences over 300,000 annual visits in its adult and pediatric emergency room facilities With its full range of inpatient and outpatient services the hospital has expanded programs in open-heart surgery and services including a Congestive Heart Failure Clinic which opened in February of 2012, ambulatory surgery, oncology services and surgery including cyberknife technology, radiology services and surgery, and women's and children's services In May of 2012, Kennestone began performing Transcatheter Aortic Valve Replacement surgery (TAVR) Windy Hill Hospital, located in the unincorporated area of Cobb County in northwest metropolitan Atlanta, is an acute care hospital concentrating on long-term acute inpatient and outpatient services It is licensed to operate 115 beds, is presently staffed to operate 55 beds, is located on an approximately 15-acre campus, and contains total square footage of approximately 100,000 square feet A twelve bed sleep disorder center is located at Windy Hill Windy Hill was originally constructed in 1973 and renovated in 1987 The main areas of focus for Windy Hill Hospital include long-term acute care, rehabilitation, orthopedics, and diagnostics Windy Hill also offers a service in the treatment of sleep disorders

Form and Line Reference	Explanation
Schedule H Part VI Line 2	Wellstar Health System (and affiliates) is a key stakeholder in MAPP, Mobilizing for Action through Planning and Partnerships MAPP, developed by the National Association of County and City Health Officials (NACCHO) in collaboration with the CDC, provides a structured guidance on creating and implementing a community-wide strategic planning process focused on improving the health and safety of our population Through MAPP, a broad collection of community partners and residents come together to identify and prioritize health and safety issues and to identify resources for addressing them The process results in an actionable community health improvement plan (CHIP) for measurable improvements in the community's health and quality of life as well as a scorecard for implementation and evaluation The resulting community plan does not focus on one agency or community health challenge, rather, MAPP provides a long-term strategy that addresses the multiple factors that affect health in the community Community involvement throughout the creation and the implementation of a health improvement plan results in creative solutions to community health problems with an improved focus on priorities, reduced duplication of services, increased collaboration on projects and activities, and increased capacity to garner additional resources Moreover, continous community involvement leads to community ownership of the process Community ownership, in turn, increases the credibility and sustainability of the health improvement efforts

Form and Line Reference	Explanation
Schedule H Part VI Line 3	Kennestone and Windy Hill Hospitals provide its patients with hospital personnel or contracted personnel who are trained in all aspects of governmental programs, payments plans, charity discounts, and other financial assistance offered to assist them in their hospital bills If the patient is eligible for federal or state assistance programs, a staff member is knowledgeable in the steps necessary to qualify those individuals If a patient is indigent or charity eligible they will be offered assistance through the hospital's charity and indigent care policy including the state's indigent care trust fund If the patient has no other insurance and fails to qualify for indigent care assistance, the financial counselor can then offer the patient an opportunity to accept a payment plan with discounted payment options based on their ability to pay immediately or over time All patient are afforded these opportunities

Form and Line Reference	Explanation
Schedule H Part VI Line 4	Kennestone and Windy Hill Hospitals are two of five hospitals that are affiliated with Wellstar Health System The primary service area of the system is located in the Northwest Georgia area and receives the majority of its patients from one of five counties (Cherokee, Cobb, Douglas, Bartow and Paulding) Generally about 85% to 90% of the patient volume comes from this service area although other health systems have a presence in the area as well Demographically the region is one of the fastest growing in the state as well as the country and the expansion of the services for the patient population reflects a desire to offer healthcare "closer to home" since Wellstar is considered a part of a larger metropolitan Atlanta market Economically the region is strong in per capita income but given recent trends a rise in the uninsured and indigent population has occured

Form and Line Reference	Explanation
Schedule H Part VI Line 5	As stated in the Wellstar Health System, Inc and Affiliates audited financial statments for the period ended June 30, 2013, Kennestone and Windy Hill Hospitals (affiliates of Wellstar Health System, Inc) operate as charitable organizations consistent with the requirements of Internal Revenue Code Sect 501 (c) (3) and the "community benefit standard" of IRS Ruling 69-545 In this regard the governing body of the organization and/or its parent is composed of prominent citizens in the community, medical staff privileges in the hospital are available to all qualifed physicians in the area consistent with the size and nature of the facility, Kennestone Hospital operates a full-time emergency room open to all regardless of ability to pay, and the hospitals (Kennestone and Windy Hill) provide care to the needy members of the community consistent with its charity care policy The hospital's excess funds are genrally applied to expansion and replacement of existing facilities and equipment, amortization of indebtedness, improvement fo patient care, community benefit activities, and charity care Kennestone Hospital committed approximately $91 6 million and Windy Hill Hospital committed approximately $9 8 million in capital expenditures for the year to meet those needs

Form and Line Reference	Explanation
Sch H Part V Line 13g	In addition to the other methods of posting the financial assistance policy, the hospital makes available for patients in admissions and outpatient registration areas a brochure including frequently asked questions

Form and Line Reference	Explanation
Part V Section B Line 1j	The Community Health Needs Assessment for both Kennestone and Windy Hill also provide a list of WellStar Health System CHNA collaborators including individuals, organizations and governmental agencies consulted that contributed special knowledge of medically underserved and low income populations and/or expertise in public health

Form and Line Reference	Explanation
Part V Section B Line 3	WellStar Kennestone and Windy Hill Hospitals integrated multiple sources of data from national and state web-based data platforms with multiple primary data gathering methods (see list below) As a partner in the strategic planning process utilized by Cobb & Douglas Public Health (CDPH) called Mobilizing for Action through Planning and Partners (MAPP) from the National Association of County & City Health Officials, the hospital leveraged the findings from community health needs assessments conducted in tax year 2012 Through a grant by the Centers for Disease Control and Prevention, WellStar Kennestone and Windy Hill partnered with CDPH and formed a coalition, Cobb 2020, to conduct its needs assessment via multiple modalities MAPP workgroups, focus groups, surveys, Key Informant interviews, and implementation teams to act upon identified strategic issues in the community To collect robust data for counties WellStar serves outside of Cobb, WellStar enlisted expertise of county and regional public health officials, independent consultants, and other Key Informants A listing of collaborators can be found in the Appendix of both of the hospital facility's CHNA reports publicly available at wellstar org Quantitative Data Sources Including 1 Georgia Department of Public Health, OASIS 2 Centers for Disease Control and Prevention (CDC) Vital Statistics 3 Agency for Healthcare Research and Quality (AHRQ) 4 U S Census Bureau 5 U S Department of Health and Human Services 6 Kaiser Permanente Web-Based CHNA Platform 7 Catholic Health Association CHNA resources 8 County Health Rankings & Roadmaps, University of Wisconsin 9 Healthy People 2020 10 Behavorial Risk Factor Surveillance System (BRFSS) 11 WellStar Health System - WellStar Kennestone & Windy Hill Hospital's FY2012 utilization data to assess service area zip codes accounting for 90 percent of hospital admissions and visits and primary service areas Qualitative Data Sources Including 1 Cobb County Focus Group Report-58 people participated in six focus group representing 14 zip codes Demographics varied among the groups indicative of the zip codes represented Two groups were conducted in Spanish and reflected low-income, low education attainment and medically underserved populations 2 MAPP Assessment Workgroups with representatives from Douglas and Cobb counties conducted four community assessments which helped develop the Cobb2020 Community Health Improvement Plan This included the 2011 Field Test Local Public Health System Assessment by the National Public Health Performance Standards Program (NPHPSP) 3 Cobb Key Informant Interview Report-20 participants identified by Cobb 2020's Community Strengths and Themes Workgroup to represent different sectors of the Cobb community who possessed above average knowledge of the healthcare issues, healthcare system or the community 4 Cobb MAPP Community Survey Report-44-question telephone surveys of 1,244 adults ages 18-94 performed by the A L Burruss Institute for Public Service and Research, Kennesaw State University 5 Cobb County 2010 - How Healthy Are We? 6 Cobb County MAPP Forces of Change Assessment Summary Report 7 Bartow, Cherokee and Paulding County Key Informant interviews of community stakeholders led by Ron Chapman, Principal, Magnetic North, LLC, a third-party consultant LLC, a third-party consultant

Form and Line Reference	Explanation
Part V Section B Line 4	While both WellStar Kennestone and WellStar Windy Hill each conduct its own community health needs assessment there may be some overlap with the other hospitals in WellStar Health System simply because of the geographic constraints and structure of the organization The community served therefore is defined by similar zip codes and areas of services

Form and Line Reference	Explanation
Part V Section B Line 7	Selection criteria for WellStar Kennestone and Windy Hill Hospital's prioritized health needs were primarily based upon the bandwidth to build a sustainable community benefit model focused on preventable health behaviors and access to care Sexually transmitted infections and teen pregnancy are not addressed leaving awareness education with schools, family and churches since the health needs are more cultural and societal Improvement to health needs stemming from socioeconomic and physical environmental such as air quality and transportation, gain traction from public policy and education A health system can complement efforts to impact policy, but has to rely on public health, state and local municipalities and federal governmental agencies to drive these types of health improvements Key questions when addressing health needs are do we have existing facilities and resources dedicated to the health needs showing clear disparities and poor performance? And do we have effective and feasible interventions, a successful solution that has the potential to solve multiple problems, and the opportunity to intervene at the prevention level? WellStar Health System, Inc and its affiliates will continue to address these and other questions

Form and Line Reference	Explanation
Part VI Line 6	WellStar Health System, Inc , as the parent corporation, and Cobb Hospital, Douglas Hospital, Kennestone Hospital, Paulding Medical Center and Windy Hill Hospital provide a variety of health care and related services to the community In addition a nursing home, two residential hospice facilities, an assisted living and retirement facility as well as a group of physicians provide a full continuum of care to the area we serve

Form and Line Reference	Explanation
Schedule H Part VI Item 2	In order to access the proposed Community Health Needs Assessment Implementation Strategy for Kennestone Hospital Inc (Kennestone and Windy Hill Hospitals), a link has been established at www wellstar org under the "about us" tab of the website

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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
KENNESTONE HOSPITAL INC

Employer identification number
58-2032904

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**		No
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**	Yes	
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**	Yes	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**	Yes	
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
Form 990 Schedule J Line 7	As part of the WellStar Executive Compensation Philosophy a performance pay plan was instituted several years ago whereby the WellStar Board od Trustees approves an annual incentive plan which consists of several performance goals or factors that upon attainment will result in payouts to eligible plan participants Those factors are People & Customer Service goal for employee for "Trust Index", Quality & Safety goal for clinical excellence and patient satisfaction, Financial goal for attaining a positive operating margin Confirmation of achieving these goals is received through the annual external audit process and approved by the Board of Trustees at that time
Schedule J	Pursuant to their respective employment agreements, the following groups of officers are entitled to severance payments based on their compensation at that time in the event of certain identified circumstances The severance payment periods are 24 months for Executive Vice Presidents, 18 months for Senior Vice Presidents and 12 months for Vice Presidents The following officers received severance pay during the period Michael Graue $323,718, Kenneth Kunze, MD $334351, and Elizabeth Person $41,928
Form 990, Schedule J, Part I, Line 1b & 2	While Wellstar Health System and its affiliates do not have a written policy regarding payment or reimbursement for the items listed in Part 1 Line 1a, the organization follows IRS guidelines in the payment of any of these items to individuals listed in Form 990 Part VII Section A These items are added as taxable wages on the individual's Form W-2 as appropriate
Compensation Exceptions	

Additional Data

Software ID:
Software Version:
EIN: 58-2032904
Name: KENNESTONE HOSPITAL INC

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				
AVRIL P BECKFORD MD TRUSTEE	(I)	0	0	0	0	0	0	0
	(II)	389,384	60,399	7,126	28,100	1,870	486,879	0
THOMAS GEARHARD MD TRUSTEE	(I)	0	0	0	0	0	0	0
	(II)	384,953	90,185	9,104	43,876	28,431	556,549	0
JEFFERY THARP MD TRUSTEE	(I)	0	0	0	0	0	0	0
	(II)	468,886	90,202	7,232	45,600	27,348	639,268	0
VALERY A AKOPOV MD VP & CHIEF HOSPITALISTS	(I)	0	0	0	0	0	0	0
	(II)	310,404	70,715	13,236	28,100	25,683	448,138	0
DAVID W ANDERSON EXEC VP HR/OL/CCO	(I)	0	0	0	0	0	0	0
	(II)	404,417	159,785	25,957	45,600	18,519	654,278	0
NICOLE V ASHE VP FINANCE & CFO WMG	(I)	0	0	0	0	0	0	0
	(II)	214,535	31,427	10,870	22,501	23,629	302,962	0
BARBARA G BALLARD VP HOMECARE & HOSPICE	(I)	0	0	0	0	0	0	0
	(II)	232,916	126,392	17,562	45,600	27,807	450,277	0
JOSEPH L BRYWCZYNSKI SVP HEALTH PARKS DEVELOPMENT	(I)	0	0	0	0	0	0	0
	(II)	260,476	40,655	18,606	45,600	13,922	379,259	0
A JAMES BUDZINSKI EXEC VP and CFO	(I)	0	0	0	0	0	0	0
	(II)	526,234	102,668	16,473	45,600	22,049	713,024	0
DONALD CAMPBELL MD SVP PHYS EDUC & STUDENT AFF	(I)	0	0	0	0	0	0	0
	(II)	319,526	97,801	20,092	26,376	18,758	482,553	0
LAURA CARAMANICA VP CNO PATIENT CARE SRV KENNE	(I)	265,225	25,731	12,416	45,600	9,719	358,691	0
	(II)	0	0	0	0	0	0	0
LEE RANDOLPH COOK VP MEDICINE & BEHAVIORAL HLTH	(I)	0	0	0	0	0	0	0
	(II)	250,291	29,549	12,353	28,100	20,289	340,582	0
BARBARA B COREY SVP MANAGED CARE	(I)	0	0	0	0	0	0	0
	(II)	294,105	45,904	13,000	21,192	23,427	397,628	0
BRUCE A DEAN VP REAL ESTATE & DEP GEN COUN	(I)	0	0	0	0	0	0	0
	(II)	222,219	26,013	12,182	45,600	18,694	324,708	0
SARATH DEGALA VP REVENUE CYCLE MGMT	(I)	0	0	0	0	0	0	0
	(II)	256,000	24,631	9,322	14,300	20,666	324,919	0
MARCIA DELK-PAYNE MD SVP MED AFFAIRS & CQO	(I)	0	0	0	0	0	0	0
	(II)	361,498	56,423	16,392	45,600	5,952	485,865	0
MICHAEL L GRAUE FMR EXEC VP & COO	(I)	0	0	0	0	0	0	0
	(II)	539,531	596,480	30,063	22,000	14,144	1,202,218	0
MARTIN L GUTKIN VP FINANCE & HOSPITAL CFO	(I)	186,244	36,693	16,680	0	12,168	251,785	0
	(II)	0	0	0	0	0	0	0
ROBERT D JANSEN MD EXEC VP & PRES WMG	(I)	0	0	0	0	0	0	0
	(II)	576,801	191,534	23,469	45,600	25,931	863,335	0
REYNOLD J JENNINGS PRESIDENT & CEO	(I)	0	0	0	0	0	0	0
	(II)	975,000	392,445	22,255	0	2,200	1,391,900	0

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				
CHRISTOPHER M KANE SVP STRATEGIC PLAN & BUS DEV	(I)	0	0	0	0	0	0	0
	(II)	333,404	52,038	17,921	28,100	25,931	457,394	0
BETH KOST VP COMPLIANCE & CHF PRVCY OFCR	(I)	0	0	0	0	0	0	0
	(II)	238,762	27,950	11,627	22,218	15,580	316,137	0
KENNETH C KUNZE MD FMR SVP & CHIEF MEDICAL OFCR	(I)	0	0	0	0	0	0	0
	(II)	557,251	79,798	28,936	21,789	4,818	692,592	0
ELLEN LANGFORD VP & COO WELLSTAR PHYS GRP	(I)	0	0	0	0	0	0	0
	(II)	215,010	25,595	10,514	17,494	19,197	287,810	0
LOUIS W LITTLE SVP POST ACUTE & HOSP PRES	(I)	241,301	46,915	15,316	30,800	23,064	357,396	0
	(II)	0	0	0	0	0	0	0
ROBERT M LUBITZ MD VP MEDICAL AFFAIRS KH	(I)	339,914	25,182	11,942	45,600	4,181	426,819	0
	(II)	0	0	0	0	0	0	0
ROBERT MANDLER VP DIAGNOSTIC OUTREACH	(I)	0	0	0	0	0	0	0
	(II)	209,039	45,374	19,930	45,168	14,553	334,064	0
PATRICIA A MAYNE VP EMERGENCY SERVICES	(I)	173,645	40,128	12,471	21,180	20,375	267,799	0
	(II)	0	0	0	0	0	0	0
KIMBERLY W MENEFEE SVP MARKETING & GOV'T AFFAIRS	(I)	0	0	0	0	0	0	0
	(II)	275,658	43,175	15,549	28,100	21,450	383,932	0
JONATHAN B MORRIS MD SVP & CIO	(I)	0	0	0	0	0	0	0
	(II)	360,500	104,879	14,172	22,174	25,700	527,425	0
BRADFORD B NEWTON VP INFO TECHNOLOGY ADMIN	(I)	0	0	0	0	0	0	0
	(II)	187,990	17,821	9,279	20,733	17,994	253,817	0
LEO E REICHERT EXEC VP & GENERAL COUNSEL	(I)	0	0	0	0	0	0	0
	(II)	477,407	93,142	24,782	0	27,431	622,762	0
MICHELLE M ROBINSON VP MARKETING/PR/INTERNAL COMM	(I)	0	0	0	0	0	0	0
	(II)	191,580	29,902	9,496	13,817	20,165	264,960	0
DEBORAH ROEGGE DE VITA VP WOMEN & NEWBORN SVC LINE	(I)	0	0	0	0	0	0	0
	(II)	190,963	41,450	11,557	0	8,440	252,410	0
CANDICE L SAUNDERS PRESIDENT & COO	(I)	88,750	16,120	3,267	7,554	3,408	119,099	0
	(II)	442,689	80,407	16,296	37,680	16,997	594,069	0
CHRISTOPHER B SCULLEN VP PULMONARY OPERATIONS	(I)	0	0	0	0	0	0	0
	(II)	168,216	19,691	8,700	953	1,544	199,104	0
JEFFERY D STANLEY VP PHARMACY & SYS COORDINATOR	(I)	0	0	0	0	0	0	0
	(II)	172,016	19,203	9,518	20,004	7,943	228,684	0
JAMES M SWARTZ VP ACCOUNTING	(I)	0	0	0	0	0	0	0
	(II)	195,357	22,869	10,644	15,918	20,584	265,372	0
MARY L TAVERNARO VP HUMAN RESOURCES OPERATIONs	(I)	0	0	0	0	0	0	0
	(II)	206,877	24,217	10,441	27,803	13,384	282,722	0
ADAM C THOMPSON VP SURGERY	(I)	0	0	0	0	0	0	0
	(II)	162,787	19,056	20,841	0	17,822	220,506	0

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				
ANTHONY M TRUPIANO SVP SUPPLY CHAIN	(I)	0	0	0	0	0	0	0
	(II)	261,720	84,521	15,444	45,600	1,793	409,078	0
MARY L WESLEY SVP NURSING SERVICES CNE	(I)	0	0	0	0	0	0	0
	(II)	285,516	48,277	15,840	43,701	13,159	406,493	0
ROBIN WILSON MD SVP CHIEF HLTH INNOV OFFICER	(I)	0	0	0	0	0	0	0
	(II)	386,250	107,359	16,755	0	28,431	538,795	0
DANIEL J WOODS SVP & PRES KENNESTONE HOSPITAL	(I)	357,456	49,403	18,158	44,249	25,378	494,644	0
	(II)	62,440	7,977	2,792	7,069	4,077	84,355	0
CHESTER A ZBOROWSKI VP HEALTH PARK OPERATIONS	(I)	0	0	0	0	0	0	0
	(II)	161,710	35,101	10,529	0	18,413	225,753	0
JYOTSNA R VANAPALLI RADIATION ONCOLOGY PHYSICIST	(I)	187,914	5,598	1,434	20,302	13,420	228,668	0
	(II)	0	0	0	0	0	0	0
ROBERT J DeCOUX AVP HUMAN RESOURCES	(I)	154,128	12,461	3,018	10,096	24,468	204,171	0
	(II)	0	0	0	0	0	0	0
KRISTYN GREIFER MD VP POPULATION MANAGEMENT	(I)	0	0	0	0	0	0	0
	(II)	219,245	36,675	7,788	0	10,138	273,846	0
PETER JUNGBLUT MD SVP & MEDICAL DIRECTOR WMG	(I)	0	0	0	0	0	0	0
	(II)	288,480	47,451	22,336	40,100	16,295	414,662	0
JIMMY FRANCIS VP INFO TECHNOLOGY OPERATIONS	(I)	0	0	0	0	0	0	0
	(II)	96,160	39,913	14,270	0	580	150,923	0
ELIZABETH LOUDERMILK VP ENT INTELLIGENCE & INTGRTN	(I)	0	0	0	0	0	0	0
	(II)	206,215	24,140	10,091	0	11,978	252,424	0
SANDRA LUCIUS VP INFO TECHNOLOGY APPS	(I)	0	0	0	0	0	0	0
	(II)	161,658	12,427	3,374	23,999	2,571	204,029	0
BETHANY ROBERTSON VP & CHIEF LEARNING OFFICER	(I)	0	0	0	0	0	0	0
	(II)	177,162	16,307	7,176	11,898	27,419	239,962	0
RICHARD SIEGEL VP CARDIOLOGY & CVM ADMIN	(I)	0	0	0	0	0	0	0
	(II)	266,559	59,361	11,909	40,777	22,033	400,639	0
DANIEL STYF SVP PW HEALTH PLAN	(I)	0	0	0	0	0	0	0
	(II)	148,086	30,000	7,568	9,327	4,049	199,030	0
LOUIS LOVETT AVP PHYSICIAN ADVISOR	(I)	240,000	22,707	9,450	41,547	25,125	338,829	0
	(II)	0	0	0	0	0	0	0
ANN E GRAY RN CLINICAL NURSE	(I)	158,701	599	2,158	14,492	9,705	185,655	0
	(II)	0	0	0	0	0	0	0
SHERRON KURTZ EXEC DIR SURGICAL SVCS KH/CH	(I)	157,186	9,895	7,360	11,394	3,518	189,353	0
	(II)	0	0	0	0	0	0	0
BETTY BRAKOVICH VP CNO PATIENT CARE SERVICES	(I)	153,834	22,360	12,337	22,263	13,191	223,985	0
	(II)	0	0	0	0	0	0	0

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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.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
KENNESTONE HOSPITAL INC

Employer identification number
58-2032904

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
See Additional Data Table					

Part V Supplemental Information

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

Return Reference	Explanation
Form 990 Schedule L Part IV	All transactions listed in Schedule L Part IV are for interested parties or in this case family members of either trustees or officers of Kennestone Hospital, Inc or its related organizations The transactions all represent payment of services as employees of Wellstar Health System

Additional Data

Software ID:
Software Version:
EIN: 58-2032904
Name: KENNESTONE HOSPITAL INC

Form 990, Schedule L, Part IV - Business Transactions Involving Interested Persons

(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) Pamela Etheridge	Wife of Officer	61,285	Employee of WellStar		No
(2) Greg Fortgang	Son-in-Law of Trustee	100,521	Employee of WellStar		No
(3) George Fleming	Brother of Officer	66,332	Employee of WellStar		No
(4) Matthew Maddox	Son of Trustee	78,440	Employee of WellStar		No
(5) Bonnie Miller	Wife of Trustee	34,394	Employee of WellStar		No
(6) Jessica Haney	Daughter of Officer	62,455	Employee of WellStar		No
(7) Greg Kost	Brother-in-law of officer	49,327	Employee of WellStar		No
(8) Jennifer Haney	Daughter-in-law of offcer	79,812	Employee of WellStar		No

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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
KENNESTONE HOSPITAL INC

Employer identification number
58-2032904

Return Reference	Explanation
Form 990 Part V Line 2	All compensation amounts reported on Form 990 Part V, Part VII, and Part IX as well as Schedule J represent compensation provided to individuals that provide services to the organization Likewise, the number of employees reported on Form 990 represent the number of individuals providing services to the organization All Federal employment tax responsibilities for these individuals (including Federal Employment Tax reporting responsibilities) are handled by Wellstar Health System, Inc (EIN 58-1649541)

Return Reference	Explanation
Form 990 Part VI Section B Lines 12A - 12C	Our conflict of interest policy requires all covered persons to annually review the policy and then complete, sign and return the Conflicts of Interest Survey and Attestation to the Compliance Office The Policy requires an on-going disclosure obligation in the event a conflict arises during the year The following is our process to regularly and consistently monitor and enforce the policy Compliance identifies all covered persons who must complete the Survey and Attestation Compliance verifies that the Survey and Attestation is distributed to these persons Compliance verifies that these persons return a fully completed and signed Survey and Attestation Compliance reviews each completed and signed Survey and Attestation to identify all conflicts listed in the document All conflicts, potential conflicts and incidences of non-compliance are referred to the Chief Compliance Officer The CCO takes appropriate action to completely resolve all identified conflicts and incidences of non-compliance

Return Reference	Explanation
Form 990 Part VI Lines 15A & 15B	Wellstar engages the Hay Group to work with the governing board to review and recommend executive compensation The executive compensation process at Wellstar is overseen by a committee of independent trustees, which follows a board-approved executive compensation philosophy The compensation committee consists of five trustees as well as the CEO in an advisory role and not a voting member Further in committee discussions about the compensation for the Chief Executive Officer, The CEO will recuse himself/herself from that process but is a non-voting committee member for discussions on all other officers The executive compensation philosophy empowers the committee to oversee the executive compensation process and administer the executive compensation program on behalf of the full board of trustee of Wellstar, provided, however, the full Board of Trustees evaluates and approves the compensation of the Chief Executive Officer The philosophy requires annual disclosure of the committee's actions and decisions to the full board, which it has done The committee is guided by the board-approved philosophy Overall, the philosophy is intended to reward for organizational and individual performance When performance is at a predetermined targeted level, the compensation is intended to be at or around the median of compensation paid to similar positions at similar organizations (the "market") Wellstar's executive compensation philosophy defines the market as being comprised of comparable not-for-profit health care delivery systems, i e , not-for-profit organizations similar in complexity and scale to Wellstar To assist the committee in fulfilling its duties, the committee engaged the Hay Group to provide market compensation data to compare to the Wellstar positions whose compensation the committee oversees The committee uses this data to provide context when making decisions in administering the compensation program Accurate minutes of the committee's discussion and decisions are recorded during each committee meeting, and reviewed and approved by the full Board of Trustees at its next scheduled meeting

Return Reference	Explanation
Form 990 Part IV Line 12 & Part IX	Kennestone Hospital, Inc is audited on an annual basis by an outside auditing firm, KPMG, and as part of that audit a consolidated financial statement is issued for all of WellStar Health System, Inc and its Affiliates "The independent auditors report includes the accounts of Wellstar and its controlled affiliates, Kennestone Hospital, Inc , Cobb Hospital, Inc , Douglas Hospital, Inc , Paulding Medical Center, Inc , Wellstar Foundation, Inc CHS Foundation, Inc , Community Assurance Company, Ltd , various Wellstar owned physician practices, a hospice facility, a nursing facility, home health business, and entities for infusion therapy and durable medical equipment All significant intercompany accounts and transactions have been eliminated in combination The Board of Trustees of Wellstar has the authority to approve appointments of the members of the board of trustees of all affiliate corporations "

Return Reference	Explanation
Form 990 Part IV Line 24a & Part X	For purposes of the Form 990 reporting, Wellstar Health System, Inc (EIN 58-1649541) will list all tax-exempt bonds issued since January 1, 2003 on Schedule K as it typically allocates the proceeds of the bonds to members of the Obligated Group (including the hospitals and physician group) Kennestone Hospital, Inc will report this tax exempt bond liability on Part X, Line 25 Other Liabilities-Due to WHS, Inc

Return Reference	Explanation
Form 990 Part VI Section A Lines 6, 7a & 7b	As per the Articles of Incorporation, the sole member of the organization is Wellstar Health System, Inc , a GA nonprofit corporation As sole member, Wellstar Health System, Inc holds certain powers of election and approval in connection with the governing body of the organization These powers are presented in detail in the governing documents which the company makes available to the public upon request

Return Reference	Explanation
Form 990 General Statement	The officers devote their time to all of the organizations within Wellstar Health System that are listed in Schedule R, Part II As such, the total hours worked by the officers across all organizations exceeds 40 hours a week.

Return Reference	Explanation
Form 990 Part VI Line 11A	Internal staff prepare the organization's Form 990 Before filing the return with the Internal Revenue Service an external accounting firm, PricewaterhouseCoopers, reviews and sign-offs on the completed return of each organization The current year Form 990 is then reviewed by the Finance Committee along with a question and answer session A motion is then made by the Finance committee to approve the returns and present to the full board copies of the forms in an electronic (pdf format) version as well as a hard copy The organization's CFO or designee subsequently signs the return for either manual or electronic filing by the appropriate due date

Return Reference	Explanation
FORM 990 PART VI SECTION C Line 19	The organization and its subsidiaries are subject to the Open Records Law in the State of Georgia Therefore, by law, citizens are permitted to inspect and copy its governing documents, policies and financial statements as may be requested from time to time Additionally, the organization's Form 990 is made readily available on the Guidestar website Periodically, the organization publishes its financial performance in the local newspaper for citizens to review, and it also publishes a community benefit report once a year for distribution to the public

Return Reference	Explanation
Form 990 Part XI Line 9	For the reporting period Kennestone Hospital, Inc had a change in net assets of ($19,842,623) related to transfers to affiliates as part of the allocation of income statement and balance sheet transactions over the year

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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
KENNESTONE HOSPITAL INC

Employer identification number
58-2032904

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
(1) CHS Foundation Inc 805 Sandy Plains Road Marietta, GA 30066 58-1649540	Foundation	GA	501(C)(3)	11 Type 2	WHS Inc	Yes	
(2) Cobb Hospital Inc 805 Sandy Plains Road Marietta, GA 30066 58-0968382	Healthcare	GA	501(C)(3)	3	WHS Inc	Yes	
(3) Douglas Hospital Inc 805 Sandy Plains Road Marietta, GA 30066 58-2026750	Healthcare	GA	501(C)(3)	3	WHS Inc	Yes	
(4) Paulding Medical Center Inc 805 Sandy Plains Road Marietta, GA 30066 58-2095884	Healthcare	GA	501(C)(3)	3	WHS Inc	Yes	
(5) Wellstar Foundation Inc 805 Sandy Plains Road Marietta, GA 30066 58-1627413	Foundation	GA	501(C)(3)	11 Type 2	WHS Inc	Yes	
(6) Wellstar Health System Inc 805 Sandy Plains Road Marietta, GA 30066 58-1649541	Healthcare	GA	501(C)(3)	11 Type 2	NA		No

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) Disproprtionate 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) Cobb Hospital Parking Company LLC 805 Sandy Plains Road Marietta, GA 300666340 75-2999669	Parking	GA	NA	N/A								
(2) Kennestone East Parking Deck LLC 805 Sandy Plains Road Marietta, GA 300666340 20-0537100	Parking	GA	NA	N/A								

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) Community Assurance Co 3rd Fl Barclays House Shedden Rd George Town, Grand Cayman CJ 58-1649541	Insurance	CJ		C-CORP				Yes	

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		No
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c		No
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		
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		No
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		No
m Performance of services or membership or fundraising solicitations by related organization(s)	1m		No
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n		No
o Sharing of paid employees with related organization(s)	1o		No
p Reimbursement paid to related organization(s) for expenses	1p		No
q Reimbursement paid by related organization(s) for expenses	1q		No
r Other transfer of cash or property to related organization(s)	1r		No
s Other transfer of cash or property from related organization(s)	1s		No

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

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

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

Additional Data

Software ID:
Software Version:
EIN: 58-2032904
Name: KENNESTONE HOSPITAL INC

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) CHS Foundation Inc 805 Sandy Plains Road Marietta, GA 30066 58-1649540	Foundation	GA	501(C)(3)	11 Type 2	WHS Inc	Yes	
(1) Cobb Hospital Inc 805 Sandy Plains Road Marietta, GA 30066 58-0968382	Healthcare	GA	501(C)(3)	3	WHS Inc	Yes	
(2) Douglas Hospital Inc 805 Sandy Plains Road Marietta, GA 30066 58-2026750	Healthcare	GA	501(C)(3)	3	WHS Inc	Yes	
(3) Paulding Medical Center Inc 805 Sandy Plains Road Marietta, GA 30066 58-2095884	Healthcare	GA	501(C)(3)	3	WHS Inc	Yes	
(4) Wellstar Foundation Inc 805 Sandy Plains Road Marietta, GA 30066 58-1627413	Foundation	GA	501(C)(3)	11 Type 2	WHS Inc	Yes	
(5) Wellstar Health System Inc 805 Sandy Plains Road Marietta, GA 30066 58-1649541	Healthcare	GA	501(C)(3)	11 Type 2	NA		No

KPMG

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2000
303 Peachtree Street, N E
Atlanta, GA 30308-3210

Independent Auditors' Report

The Board of Trustees
WellStar Health System, Inc

We have audited the accompanying combined financial statements of WellStar Health System, Inc and affiliates (WellStar), which comprise the combined balance sheets as of June 30, 2014 and 2013, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly in all material respects, the financial position of WellStar Health System, Inc and affiliates as of June 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended, in accordance with U S generally accepted accounting principles

KPMG LLP

Atlanta, Georgia
October 28, 2014

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Balance Sheets

June 30, 2014 and 2013

Assets		2014	2013
		(In thousands)	
Current assets			
Cash and cash equivalents	$	34,237	17,280
Patient accounts receivable, less allowance for uncollectible accounts of approximately $209 5 million and $242 9 million at June 30, 2014 and 2013, respectively		349,790	260,747
Assets limited as to use – required for current liabilities		1,179	8,948
Other current assets		68,425	62,410
Total current assets		453,631	349,385
Assets limited as to use		694,344	800,487
Property and equipment, net		1,116,877	919,062
Other assets		78,380	73,480
Total assets	$	2,343,232	2,142,414
Liabilities and Net Assets			
Current liabilities			
Accounts payable	$	113,063	88,669
Accrued salaries, wages, and benefits		60,124	53,203
Line of credit		57,000	—
Other accrued expenses		39,895	33,408
Current installments of long-term debt and capital lease obligations		7,574	7,632
Total current liabilities		277,656	182,912
Long-term debt and capital lease obligations, excluding current installments		495,842	504,195
Self-insurance reserves		78,283	70,829
Accrued pension liability		163,476	94,152
Other long-term liabilities		50,660	46,300
Total liabilities		1,065,917	898,388
Net assets			
Unrestricted		1,262,583	1,233,918
Temporarily restricted		9,983	6,140
Permanently restricted		4,749	3,968
Total net assets		1,277,315	1,244,026
Commitments and contingencies			
Total liabilities and net assets	$	2,343,232	2,142,414

See accompanying notes to combined financial statements

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Statements of Operations

Years ended June 30, 2014 and 2013

	2014	2013
	(In thousands)	
Unrestricted revenue, gains, and other support		
Patient service revenue, net of contractual allowances and discounts	$ 1,876,157	1,762,272
Provision for uncollectible accounts	(275,180)	(255,231)
Net patient service revenue	1,600,977	1,507,041
Other revenue	46,485	39,833
Total unrestricted revenue, gains, and other support	1,647,462	1,546,874
Expenses		
Salaries and employee benefits	951,785	904,360
Supplies and other expenses	505,358	470,350
Depreciation and amortization	92,584	85,631
Interest	11,007	15,586
Total expenses	1,560,734	1,475,927
Operating income before EMR costs, loss from winter storms and organization restructure	86,728	70,947
Implementation cost associated with systemwide EMR	(38,253)	(3,714)
Loss from winter storms	(13,499)	—
Organization restructure costs	(5,541)	—
Operating income	29,435	67,233
Nonoperating gains (losses)		
Investment income, net	61,622	52,121
Change in fair value of interest rate swap	(254)	8,028
Loss on disposal of property and equipment	(349)	(1,105)
Loss on extinguishment of long-term debt	—	(6,490)
Unrestricted revenue, gains, and other support in excess of expenses and losses	90,454	119,787
Accrued pension liability adjustments	(70,487)	130,816
Assets released from restriction used for the purchase of property and equipment	81	169
Other	8,617	2,641
Increase in unrestricted net assets	$ 28,665	253,413

See accompanying notes to combined financial statements

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Statements of Changes in Net Assets

Years ended June 30, 2014 and 2013

	2014	2013
	(In thousands)	
Permanently restricted net assets		
Contributions	$ 771	162
Inflation adjustment to corpus as required by donor	10	11
Increase in permanently restricted net assets	781	173
Temporarily restricted net assets		
Contributions	3,872	2,540
Net assets released from restrictions	(712)	(1,048)
Net investment income	852	490
Fair value adjustment	(169)	(19)
Increase in temporarily restricted net assets	3,843	1,963
Increase in unrestricted net assets	28,665	253,413
Increase in net assets	33,289	255,549
Net assets, beginning of year	1,244,026	988,477
Net assets, end of year	$ 1,277,315	1,244,026

See accompanying notes to combined financial statements

WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Combined Statements of Cash Flows

Years ended June 30, 2014 and 2013

	2014	2013
	(In thousands)	
Cash flows from operating activities		
Increase in net assets	$ 33,289	255,549
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	92,770	85,725
Amortization of bond discount, premium, and issue costs	(350)	(561)
Loss on sale of property and equipment	349	1,105
Realized and unrealized gains on trading investments, net	(62,105)	(40,951)
Change in fair value of interest rate swap	254	(8,028)
Loss on extinguishment of long-term debt	—	6,490
Restricted contributions and related investment income	(781)	(196)
Equity in losses of joint ventures	11,242	2,850
Changes in operating assets and liabilities		
Patient accounts receivable	(89,043)	(35,225)
Other current assets	(6,015)	(14,099)
Other assets	7,010	(17,098)
Accounts payable, accrued salaries, wages and benefits, and other accrued expenses	35,896	25,696
Self-insurance reserves	7,454	5,014
Accrued pension liability	69,324	(130,848)
Other long-term liabilities	(4,133)	12,797
Net cash provided by operating activities	95,161	148,220
Cash flows from investing activities		
Purchases of property and equipment	(287,858)	(249,435)
Purchases of assets limited as to use	(548,175)	(708,916)
Proceeds from the sale of assets limited as to use	724,192	788,052
Contributions to joint ventures	(9,325)	—
Distributions from joint ventures	104	290
Healthcare business acquisitions	(15,610)	(582)
Net cash used in investing activities	(136,672)	(170,591)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	—	122,367
Refunding of long-term debt	—	(121,287)
Payment of bond issuance costs	—	(564)
Principal repayments of long-term debt and capital lease obligations	(7,745)	(8,777)
Proceeds from line of credit draws	57,000	—
Deferred gain on leasing transaction	8,432	—
Restricted contributions and related investment income	781	196
Net cash provided by (used in) financing activities	58,468	(8,065)
Net increase (decrease) in cash and cash equivalents	16,957	(30,436)
Cash and cash equivalents, beginning of year	17,280	47,716
Cash and cash equivalents, end of year	$ 34,237	17,280

See accompanying notes to combined financial statements

(1) Summary of Significant Accounting Policies

WellStar Health System, Inc (WellStar) is a multidimensional integrated healthcare organization, headquartered in Marietta, Georgia, which provides inpatient, outpatient, physician care, and emergency services for residents of northwest Georgia The significant accounting policies used by WellStar in preparing and presenting its combined financial statements follow

(a) Organization and Business

The combined financial statements include the accounts of WellStar and its controlled affiliates, including Kennestone Hospital, Inc , Cobb Hospital, Inc , Douglas Hospital, Inc , Paulding Medical Center, Inc , WellStar Foundation, Inc (WellStar Foundation), CHS Foundation, Inc , Community Assurance Company, Ltd (CAC), WellStar Health Ventures, LLC d/b/a WellStar OrthoSport, an outpatient rehab service, WellStar IPA, LLC, and WellStar Medical Group, LLC, a multi-specialty group of WellStar owned physician practices

All significant intercompany accounts and transactions have been eliminated in combination

The Board of Trustees (the Board) of WellStar has the authority to approve appointments of the members of the boards of trustees of all affiliates The Board includes at least one representative from each of the affiliates

(b) Use of Estimates

The preparation of financial statements in conformity with U S generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenue, and expenses, as well as disclosure of contingent assets and liabilities Actual results could differ from those estimates

Significant items subject to such estimates and assumptions include the determination of the allowances for uncollectible accounts and contractual adjustments, self-insurance reserves, estimated third-party payor settlements, and the actuarially determined benefit liability related to WellStar's pension plan In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates associated with these programs will change by a material amount in the near term

(c) Cash Equivalents

WellStar considers investments in highly liquid debt instruments with an original maturity of three months or less to be cash equivalents

(d) Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the combined balance sheets Fair value is measured in accordance with relevant accounting literature and discussed in note 15 to the combined financial statements

Investment income items (including realized and unrealized gains and losses on investments, interest, dividends, and equity in earnings (losses) of joint ventures) are included in unrestricted revenue, gains, and other support in excess of expenses and losses in the combined statements of operations, unless restricted by the donor or law

(e) Assets Limited as to Use

Assets limited as to use primarily include assets set aside by the Board for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, assets held by trustees under indenture agreements, assets held under self-insurance funding arrangements and donor restricted assets Amounts required to meet related current liabilities of WellStar are classified as current assets in the accompanying combined balance sheets

(f) Costs of Borrowing

Bond issuance costs and bond discounts and premiums are amortized over the terms of the related bond issues

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets Capitalized interest specifically related to tax-exempt borrowings is recorded net of income earned on related trusteed assets

(g) Property and Equipment

Property and equipment are stated at cost Provisions for depreciation are computed using the straight-line method based on the estimated useful lives of the assets Equipment under capital lease obligations is amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the equipment Such amortization is included in depreciation and amortization in the combined financial statements

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from unrestricted revenue, gains, and other support in excess of expenses and losses Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service Contributions restricted to the purchase of property and equipment or other restricted purposes, which restrictions are met within the same year as received, are reported as increases in unrestricted net assets in the accompanying combined financial statements

(h) Inventories

Inventories, consisting principally of medical supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out method) or replacement market

(i) Other Assets

Other assets include, among other things, investments in joint ventures and costs in excess of the fair value of the net tangible assets of certain acquired businesses (goodwill) Investments in joint ventures are accounted for using the equity method or cost method if ownership is not significant Cost method investments in joint ventures are reviewed annually for impairment

(j) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment and purchased intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized to the extent that the carrying amount of the asset exceeds its fair value

(k) Goodwill

WellStar applies the provisions of FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, as it relates to subsequent accounting for goodwill and other intangible assets acquired in an acquisition

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized Goodwill is reviewed for impairment at least annually The goodwill impairment test is a two-step test Under the first step, the fair value of the reporting unit is compared to its carrying value (including goodwill) If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and step two of the impairment test (measurement) must be performed Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit's goodwill Fair value of the reporting unit is determined using the market approach If the fair value of the reporting unit exceeds its carrying value following step one, step two is not performed

WellStar performs its annual impairment review of goodwill each July 1 and when a triggering event occurs between annual impairment tests

During the years ended June 30, 2013 and 2014, WellStar did not identify any material reporting unit at risk of failing step one of the goodwill impairment test The fair value of all reporting units is substantially in excess of their carrying value and therefore no impairment loss was recorded for the years ended June 30, 2013 and 2014

(Continued)

(l) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by WellStar is restricted by donors for a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by WellStar in perpetuity.

FASB ASC 958 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also requires disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

WellStar has historically and to-date received a limited amount of donor-restricted endowment funds. The Board has interpreted Georgia's State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. Income from WellStar's donor-restricted endowment funds is generally restricted to specific donor-directed purposes, and is therefore accounted for within temporarily restricted net assets until expended in accordance with the donor's stipulations. WellStar oversees individual donor-restricted endowment funds to ensure that the fair value of the original gift is preserved.

WellStar invests donor-restricted endowment funds within the framework of WellStar's overall investment management program.

(m) Unrestricted Revenue, Gains, and Other Support in Excess of Expenses and Losses

The combined statements of operations include unrestricted revenue, gains, and other support in excess of expenses and losses. Changes in unrestricted net assets, which are excluded from unrestricted revenue, gains, and other support in excess of expenses and losses, include assets released from restriction used for the purchase of property and equipment and the recognition of pension and postretirement liability adjustments arising during the current period.

(n) Net Patient Service Revenue

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

WellStar applies the provisions of FASB Accounting Standards Update (ASU) 2011-07, *Healthcare Entities (Topic 954)*. ASU 2011-07 requires the classification of the provision for uncollectible accounts associated with patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) rather than as an operating expense. ASU 2011-07 also requires enhanced disclosure about healthcare entities' policies for recognizing revenue and assessing uncollectible accounts, and disclosures of patient service revenue and qualitative and quantitative information about changes in the allowance for uncollectible accounts.

(Continued)

(o) Charity Care

WellStar provides care to patients who meet certain criteria under its charity care policies without charge or at amounts less than its established rates. Because WellStar does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.

WellStar applies the provisions of FASB ASU 2010-23, *Health Care Entities (Topic 954) Measuring Charity Care for Disclosure*. ASU 2010-23 amends ASC Subtopic 954-605, *Health Care Entities – Revenue Recognition*, to require that cost be used as the measurement basis for charity care disclosure purposes. The method used to estimate such costs as well as any funds received to offset or subsidize charity services provided should also be disclosed.

(p) Income Taxes

WellStar and all but one of its affiliates have been recognized as exempt from federal income tax under Internal Revenue Code Section 501(a) as organizations described in Section 501(c)(3), and therefore, related income is generally not subject to federal or state income taxes. CAC is a controlled foreign corporation not subject to federal tax.

WellStar applies FASB ASC 740, *Income Taxes*, which addresses accounting for uncertainties in income tax positions. It also provides guidance on when tax positions are recognized in an entity's financial statements and how the values of these positions are determined. There is no impact on WellStar's combined financial statements as a result of the application of ASC 740.

(q) Contributions

Unconditional promises to give cash and other assets to WellStar are reported at estimated fair value at the date the promise is received. Conditional promises to give are recognized when the conditions are substantially met while indications of intentions to give are not recorded. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use or timing of use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported as net assets released from restrictions.

(r) Derivative Instruments and Hedging Activities

At the effective date of any hedge accounting election, WellStar designates the associated derivative as either (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge) or (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). WellStar formally assesses, both at inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, WellStar discontinues hedge accounting prospectively. To the extent that hedge ineffectiveness is associated with these changes in fair value, it is recognized in unrestricted revenue, gains, and other support in excess of expenses and losses. WellStar monitors the effectiveness of interest rate swaps designated as hedges on a quarterly basis.

Should hedge accounting be discontinued because it is determined that the derivative no longer qualifies as an effective cash flow hedge, WellStar continues to carry the derivative on the combined balance sheet at its fair value with subsequent changes in fair value included in unrestricted revenue, gains, and other support in excess of expenses and losses Gains and losses that were accumulated in unrestricted net assets are amortized on a straight-line basis over the remaining life of the derivative in the determination of unrestricted revenue, gains, and other support in excess of expenses and losses

WellStar does not currently apply hedge accounting to its derivative instrument

(s) Asset Retirement Obligations

WellStar recognizes the fair value of its liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made When the liability is initially recorded, WellStar capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset Over time, the liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the recorded liability is recognized as a gain or loss in the combined statements of operations

(t) Retirement Benefits

WellStar applies the recognition, measurement, and disclosure provisions of FASB ASC 715, *Compensation – Retirement Benefits* ASC 715 requires that WellStar recognize the unfunded status of its defined benefit pension plan and postretirement plan on its combined balance sheet, measure plan assets and benefit obligations as of fiscal year-end and apply the applicable disclosure requirements ASC 715 also provides guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan

(u) Recently Adopted Accounting Standards

In October 2012 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-05 *Not-for-Profit Entities Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* This ASU requires not-for-profit entities to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without the entity imposing any limitations for sale and were converted nearly immediately into cash The ASU was effective for WellStar in the fiscal year ending June 30, 2014, and the adoption did not have a material effect on the combined financial statements

The FASB issued ASU 2013-04, *Liabilities (Topic 405), Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date*, in February 2013 ASU 2013-04 requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed as the sum of the amount the entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the entity expects to pay on behalf of its co-obligors The ASU is

effective for WellStar in the fiscal year ending June 30, 2015. ASU 2013-04 is to be applied retrospectively to all prior periods presented for those obligations resulting from joint and several liability arrangements within the ASU's scope that exist at the beginning of an entity's fiscal year of adoption. Management has not evaluated the impact of this ASU on its combined financial statements.

(v) Immaterial Correction of Error

The combined statements of cash flows for the year ended June 30, 2013 has been revised to correct immaterial errors related to the reporting of purchases and proceeds from sales of assets limited as to use within the investing activities section of the combined statement of cash flows.

Purchases and proceeds from the sales of assets limited as to use for the year ended June 30, 2013 have been reported on a gross basis, increasing purchases of assets limited as to use by $708.9 million and proceeds from the sale of assets limited as to use by $788.1 million within the investing activities section of the 2013 combined statement of cash flows. Previously these activities were reported on a net basis as an increase in assets limited as to use of $61.7 million. This error correction has no effect on the total amount of net cash used in investing activities for the year ended June 30, 2013. Management has concluded that this error was not material to the 2013 combined financial statements.

Realized gains (losses) on assets limited as to use have been reported as a reconciling item between change in net assets and net cash provided by operating activities, decreasing 2013 net cash flows from operating activities and increasing net cash flows from investing activities by $17.5 million. Previously this amount was reported as an operating cash flow. Management has concluded that this error was not material to the 2013 combined financial statement.

(w) Subsequent Events

WellStar has evaluated subsequent events through October 28, 2014, the date the combined financial statements were issued.

(x) Reclassifications

Certain reclassifications have been made to the 2013 combined financial statements to conform to the current year presentation.

(2) Assets Limited as to Use

The composition of assets limited as to use follows

	2014	2013
	(In thousands)	
By the Board for capital improvements and other system needs		
Cash and cash equivalents	$ 12,055	15,473
Asset backed securities	39,968	38,637
Mortgage backed securities	84,546	40,498
Obligations of the U S government and its agencies	57,842	131,223
Corporate debt securities – domestic	150,893	143,320
Corporate debt securities – international	17,773	18,411
Corporate equity securities – domestic	172,104	251,095
Corporate equity securities – international	69,615	46,306
Mutual funds	10,213	10,709
	615,009	695,672
Under self-insurance funding arrangements		
Cash and cash equivalents	2,746	2,482
Asset backed securities	2,723	—
Mortgage backed securities	8,200	12,889
Obligations of the U S government and its agencies	15,910	16,425
Corporate debt securities – domestic	32,645	25,815
International investments	2,407	2,581
	64,631	60,192
By donor stipulation		
Cash and cash equivalents	7,262	5,115
Corporate debt securities – domestic	1,486	1,318
Corporate equity securities – domestic	4,189	3,067
International investments	742	269
Other	1,025	339
	14,704	10,108
Under bond indenture agreements – held by trustee		
Cash and cash equivalents	1,179	43,463
	695,523	809,435
Less amounts classified as current assets	1,179	8,948
	$ 694,344	800,487

(Continued)

The composition of net investment income follows

	2014	2013
	(In thousands)	
Net investment income included in nonoperating gains		
Net realized gains on investments	$ 56,261	17,486
Interest and dividend income	10,759	14,020
Net unrealized gain on trading investments	5,844	23,465
Equity in losses of joint ventures, net	(11,242)	(2,850)
	61,622	52,121
Temporarily and permanently restricted net investment income	862	501
	$ 62,484	52,622

(3) Other Current Assets

The composition of other current assets follows

	2014	2013
	(In thousands)	
Inventories	$ 34,447	29,303
Prepaid expenses	20,442	17,663
Other receivables	13,536	15,444
	$ 68,425	62,410

(4) Property and Equipment

A summary of property and equipment follows

	2014	2013
	(In thousands)	
Land and land improvements	$ 124,179	115,467
Buildings and fixtures	823,114	658,448
Equipment	926,893	748,232
	1,874,186	1,522,147
Less accumulated depreciation and amortization	878,430	791,307
	995,756	730,840
Construction in progress	121,121	188,222
	$ 1,116,877	919,062

(Continued)

Construction in progress at June 30, 2014 is principally comprised of costs incurred to complete expansion and renovation projects at various affiliates' facilities The estimated remaining cost to complete projects in progress through October 2015 is approximately $290 0 million at June 30, 2014 WellStar's present capital improvements program provides for planned capital expenditures during fiscal years 2015 through 2019 as follows 2015 – $185 0 million, 2016 – $223 0 million, 2017 – $245 0 million, 2018 – $146 0 million, and 2019 – $128 0 million

(5) Other Assets

The composition of other assets follows

	2014	2013
	(In thousands)	
Goodwill and other intangible assets	$ 53,267	40,718
Other long-term receivables	6,605	15,260
Investments in joint ventures	12,590	13,092
Bond issuance costs	2,461	2,970
Prepaid expenses, long term	3,457	1,440
	$ 78,380	73,480

Other long-term receivables largely consist of a portfolio of patient accounts in process of qualifying for Medicaid eligibility These receivables are carried at net realizable value based on WellStar's historical experience with such accounts

On April 9, 2013 WellStar entered into an agreement to acquire interest in a health insurance company Commensurate with the acquisition, Wellstar entered into a loan and investment agreement to loan the health insurance company an amount equal to the initial capital contribution pending meeting certain contingencies, at which time the loan would convert to a 50% ownership interest All contingencies were met during fiscal 2014 and the loan converted to ownership interest

The ownership interest in the health insurance company is accounted for using the equity method in the accompanying combined balance sheet Start-up losses of the joint venture are recognized as a component of investment income in the accompanying combined statements of operations totaling ($11 2) million and ($2 9) million in fiscal 2014 and 2013, respectively

(Continued)

Under the provisions of the agreement, WellStar is required to make minimum additional capital contributions and fund certain estimated future losses of the health insurance company as defined in the agreement WellStar may be required under the agreement to provide additional capital contributions or loss funding as determined and agreed to by the owners of the health insurance company Estimated future capital contributions are approximately $18 million

Effective January 1, 2014, the health insurance company became the plan administrator for WellStar's employee medical plan WellStar paid approximately $2 4 million to its related party for fees relating to administration of the WellStar employee medical plan during fiscal 2014

(6) Long-Term Debt and Capital Lease Obligations

	2014	2013
	(In thousands)	
Hospital authority revenue anticipation certificates issued in April 2004 Variable weekly interest rates, interest payments due monthly, principal payments due annually April 1, 2032 through 2034	$ 25,000	25,000
Hospital authority revenue anticipation improvement certificates issued in October 2005 Variable weekly interest rates, interest payments due weekly, principal payments due annually April 1, 2037 through 2040	60,000	60,000
Hospital authority revenue anticipation improvement certificates issued in October 2005 Interest rates range from 4 0% to 6 25% per annum, interest payments due semiannually on April 1 and October 1 Principal payments due annually April 1, 2012 through 2037	55,000	56,125
Hospital authority revenue anticipation certificates issued in April 2006 Variable weekly interest rates, interest payments due monthly, principal payments due annually April 1, 2034 through 2036	25,000	25,000
Hospital authority revenue anticipation refunding and improvement certificates issued in November 2011 Interest rates range from 3 0% to 5 25% per annum, interest payments due semiannually on April 1 and October 1, principal payments due annually April 1, 2012 through 2041	116,050	119,605
Hospital authority revenue anticipation improvement certificates issued in June 2012 Interest rates range from 3 0% to 5 0% per annum, interest payments due semiannually on April 1 and October 1 Principal payments due annually April 1, 2017 through 2042	31,250	31,250
Hospital authority revenue anticipation improvement certificates issued in June 2012 Variable weekly interest rates, interest payments due monthly, principal payments due April 1, 2041 through 2043	68,750	68,750

(Continued)

	2014	2013
	(In thousands)	
Hospital authority revenue anticipation improvement certificates issued in November 2012 Interest rates range from 3 0% to 5 25% per annum, interest payments due annually April 1, 2014 through 2032	$ 105,750	108,400
	486,800	494,130
Add unamortized premium	17,695	18,598
Less unamortized discount	(1,179)	(1,223)
Total hospital revenue certificates	503,316	511,505
Various other notes payable and capital lease obligations, with interest rates ranging from 5 00% to 6 00% Interest and principal payments made monthly or annually, maturing through June 2015	100	322
Total long-term debt and capital lease obligations	503,416	511,827
Less current installments	7,574	7,632
	$ 495,842	504,195

On November 15, 2012, WellStar issued Revenue Anticipation Refunding Certificates Series 2012 in the original principal amount of $108 5 million to provide funds to refund the Hospital Authority of Cobb County Revenue Anticipation Refunding and Improvement Certificates Series 2003 and to pay for certain costs of issuance The proceeds of the 2012 Revenue Anticipation Refunding Certificates were deposited in a defeasance trust The Series 2012 Certificates bear interest at fixed rates and are supported by an intergovernmental contract with Cobb County Kennestone Hospital Authority In accordance with relevant accounting literature, WellStar recognized a $6 5 million loss on extinguishment during 2013 resulting from the write-off of unamortized bond issuance costs, premiums, and discounts associated with the Series 2003 Certificates refunded The loss is included in unrestricted revenue, gains, and other support in excess of expenses and losses in the accompanying 2013 combined statements of operations

On June 28, 2012, WellStar issued Revenue Anticipation Certificates Series 2012A and Series 2012B in the original principal amount of $31 25 million and $68 75 million, respectively, to finance a portion of the costs of the planning, design, acquisition, construction, installation, and equipping of a 112-bed replacement acute care hospital in Paulding County The Series 2012A Certificates bear interest at fixed rates and are supported by an intergovernmental contract with Paulding County, Georgia The Series 2012B Certificates bear interest at a variable rate and are secured by a direct-pay letter of credit facility expiring June 2017 Interest rates are set weekly by the remarketing agent based upon prevailing rates for the contract period related to the remarketed tranche In the event a market for variable rate instruments is not sustained, the letter of credit agreements require the bank to purchase the certificates

On November 1, 2011, WellStar issued Revenue Anticipation Refunding and Improvement Certificates, Series 2011, in the original principal amount of $123 8 million to finance the costs of certain capital improvements, to refund all of the outstanding Series 1999 Certificates and to pay for certain costs of

(Continued)

issuance In accordance with relevant accounting literature, WellStar recognized a $1 6 million loss on extinguishment resulting from the write-off of associated unamortized bond issuance costs, premiums and discounts related to the Series 1999 Certificates refunded

The Series 2005A Certificates in the original principal amount of $60 0 million bear interest at a fixed rate and are supported by bond insurance The Series 2005B Certificates in the original principal amount of $60 0 million bear interest at a variable rate and are supported by standby bond purchase agreements, bond insurance, and a direct-pay letter of credit facility expiring August 2015 Interest rates are set weekly by the remarketing agent based upon prevailing rates for the contract period related to the remarketed tranche In the event a market for variable rate instruments is not sustained, the letter of credit agreements require the bank to purchase the certificates

The 2004 and 2006 revenue certificates bear interest at variable rates and are secured by direct-pay letters of credit expiring August 2017 Interest rates are set weekly by the remarketing agent based upon prevailing rates for the contract period related to the remarketed tranche In the event a market for variable rate instruments is not sustained, the letter of credit agreements require the bank to purchase the certificates

The average annual interest rate on WellStar's variable rate obligations approximated 0 07% and 0 16% for the years ended June 30, 2014 and 2013, respectively

Certain trusteed assets described in note 2 and the future net revenue of WellStar are pledged as security for payment of the various series of hospital revenue certificates outlined above Substantially all of WellStar's long-term debt agreements subject WellStar to certain debt covenants typical of such obligations

WellStar maintains a $21 0 million revolving line of credit with a bank for routine working capital needs The facility is secured by deposits with the bank and expires February 15, 2015 WellStar anticipates renewal of this facility at expiration under substantially the same terms and conditions as the existing facility There were no amounts outstanding under this facility at June 30, 2014 or 2013

During 2014, WellStar entered into an additional general purpose $79 0 million revolving line of credit to support operating cash flow resulting from temporary increases in accounts receivable, net, associated with the implementation of the software information technology contract described in note 17 The facility is secured by deposits with the bank and expires December 16, 2014 WellStar does not anticipate renewal of this facility at expiration The amount outstanding at June 30, 2014 included in the accompanying combined balance sheet totaled $57 0 million

WellStar paid interest of approximately $17 2 million and $17 5 million in 2014 and 2013, respectively Interest capitalized on capital projects was approximately $6 2 million and $1 9 million in 2014 and 2013, respectively

Future maturities of long-term debt and capital lease obligations follow (in thousands)

2015	$	7,574
2016		7,820
2017		8,870
2018		9,780
2019		10,230
Thereafter		442,626
		486,900
Add unamortized premium		17,695
Less unamortized discounts		(1,179)
	$	503,416

(7) Derivative Instruments

WellStar synthetically converted $60 0 million (the notional amount) of the 2005 Certificates (note 6) from variable rate debt to fixed rate debt through an interest rate swap agreement with a counterparty In general, the swap obligates WellStar to pay interest at a fixed rate of 3 45% and receive interest at 67% of LIBOR The notional amount amortizes in the same fashion and the swap matures at the same date as the related 2005 Certificates

WellStar's credit risk involves the possible default of the counterparty Collateral may be required in the future based on WellStar's credit rating, the insurer's credit rating, or market valuations of the swaps At June 30, 2014 and through the date these combined financial statements were issued, no such collateral was required

The swap's fair value, if positive, is included in other assets in the accompanying combined balance sheets If negative, the swap's fair value is included in other long-term liabilities in the accompanying combined balance sheets The following is a summary of the derivative outstanding at June 30, 2014 and 2013 (dollar amounts in thousands)

2014

Related bond issuance	Notional amount	Maturity date	Average variable rate received	Fixed rate paid	Increase in interest expense	Swap fair value
2005	$ 60,000	April 2040	0 11%	3 45%	$ 2,029	(12,621)

2013

Related bond issuance	Notional amount	Maturity date	Average variable rate received	Fixed rate paid	Increase in interest expense	Swap fair value
2005	$ 60,000	April 2040	0 14%	3 45%	$ 1,972	(12,367)

(Continued)

(8) Net Patient Service Revenue and Patient Accounts Receivable

Certain affiliates of WellStar have agreements with governmental and other third-party payors that provide for reimbursement to such affiliates at amounts different from established rates Contractual adjustments under third-party reimbursement programs represent the difference between billings at established rates for services and amounts reimbursed by third-party payors A summary of the basis of reimbursement with major third-party payors follows

- *Medicare* – Inpatient and outpatient services rendered to Medicare program beneficiaries are generally paid at prospectively determined rates These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors Additionally, payments for certain other reimbursable items are made at tentative rates, with final settlements determined after submission of annual cost reports and audits by the Medicare fiscal intermediary The cost reports of all WellStar affiliates have been audited and substantially settled for all fiscal years through June 30, 2011 with the exception of one affiliate hospital that is final settled through June 30, 2010 Net revenue from the Medicare program accounted for approximately 30 6% and 29 5% of WellStar's net patient service revenue for the years ended June 30, 2014 and 2013, respectively
- *Medicaid* – Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge Outpatient services are generally paid based upon cost reimbursement methodologies WellStar's Medicaid cost reports have been final settled through June 30, 2010 for all WellStar affiliates Net revenue from the Medicaid program accounted for approximately 8 1% and 8 9% of WellStar's net patient service revenue for the years ended June 30, 2014 and 2013, respectively

During 2014 and 2013, net patient service revenue increased by approximately $5 2 million and $2 9 million, respectively, due to changes in estimates for open Medicare and Medicaid cost reports and removal of allowances previously estimated that are no longer necessary as a result of final settlements WellStar has incorporated the most current and relevant data received from Medicare and Medicaid in the preparation of associated estimates at both June 30, 2014 and 2013

WellStar's affiliate hospitals participate in the Georgia Medicare Upper Payment Limit (UPL) program for providers participating in the State of Georgia (the State) Medicaid program WellStar's net reimbursement benefit associated with the program, totaling approximately $4 3 million and $7 3 million in fiscal years 2014 and 2013, respectively, is recognized as a reduction in related contractual adjustments in the accompanying combined statements of operations There can be no assurance that WellStar will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified

WellStar's affiliate hospitals participate in the Georgia Indigent Care Trust Fund (ICTF) Under the provisions of the ICTF, Medicaid disproportionate share hospitals (DSH) may contribute funds to be used by the State in the Medicaid Program that are supplemented by federal funds (combination dollars) The combination dollars are returned to DSH as additional Medicaid inpatient reimbursement WellStar's net reimbursement benefit associated with the program, totaling approximately $17 5 million and $15 0 million in fiscal years 2014 and 2013, respectively, is recognized as additional Medicaid reimbursement and, therefore, is reflected as a reduction in associated contractual adjustments in the accompanying combined statements of operations

The State's determination related to WellStar's participation in the fiscal year 2015 plan is currently in process, and the terms of the fiscal year 2015 plan have not been finalized. Accordingly, contributions to the State plan during 2015 and related amounts to be potentially received from Medicaid during 2014 have not been established. There can be no assurance that WellStar will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

Certain affiliates of WellStar have also entered into other reimbursement arrangements providing for payment methodologies, which include prospectively determined rates per discharge, capitated payment arrangements, discounts from established charges, and prospectively determined per diem rates.

The composition of net patient service revenue follows:

		2014	2013
		(In thousands)	
Gross patient service revenue, net of charity care charges foregone	$	5,631,879	5,167,896
Less provisions for contractual and other adjustments		3,755,722	3,405,624
Less provision for uncollectible accounts		275,180	255,231
Net patient service revenue	$	1,600,977	1,507,041

WellStar recognizes patient service revenue associated with services provided to patients with third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for community financial aid, WellStar recognizes revenue on the basis of its discounted rates for services provided. On the basis of historical experience, a significant portion of WellStar's uninsured patients are unable or unwilling to pay for the services provided. Thus, WellStar records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the period from these major payor sources, is as follows:

		2014	2013
		(In thousands)	
Third party payors	$	1,674,460	1,552,960
Self pay		201,697	209,312
Total	$	1,876,157	1,762,272

(9) Community Benefits and Uncompensated Care

WellStar maintains records to identify and monitor the level of charity care it provides through its affiliates. These records include the costs and amount of charges foregone for services and supplies furnished under its Community Financial Aid Policy. WellStar owns and operates two indigent clinics located on the campuses of two of its hospitals. In addition, WellStar provides free lab and medical

(Continued)

imaging services for a local community clinic as well as funding for nurse practitioner services for a disadvantaged population within the community

WellStar also participates in certain governmental insurance programs, including Medicare and Medicaid Under these programs, WellStar provides care to patients at payment rates, which are determined by the federal and state governments, regardless of WellStar's actual charges In some cases, these programs pay WellStar at amounts which are less than its cost of providing services

Following is the cost to provide care to those patients qualifying for Community Financial Aid along with the unreimbursed cost of providing care to Medicare and Medicaid beneficiaries and other patients These costs are determined using a cost-to-charge ratio

	2014	2013
	(In thousands)	
Cost of providing charity care	$ 110,860	85,221
Unreimbursed cost of providing care to Medicaid beneficiaries	25,505	24,335
Unreimbursed cost of providing care to Medicare beneficiaries	98,433	58,092
Unreimbursed cost of providing care to other patients	65,387	52,567
Cost of other community programs	7,769	6,721
	$ 307,954	226,936

During 2010, the State of Georgia adopted into law the Provider Payment Agreement Act (the Act) The Act provides that each hospital shall be assessed a provider payment in the amount of 1 45% of net patient service revenue of the hospital based on the annual financial survey filed with the State of Georgia Department of Community Health and such payments be recognized as a community benefit In fiscal 2014 and 2013, WellStar affiliate hospitals made $16 0 million and $15 5 million, respectively, in provider payments and recognized such payments as a reduction in net patient service revenue in the accompanying combined financial statements

WellStar offers many wellness and educational services at little or no cost to the community Health fairs are held throughout the year at convenient locations, providing various health screenings, such as mammograms, bone density, blood pressure, and cholesterol checks A large number of educational programs are offered for all ages These programs include bicycle safety, car seat safety, defensive driving, CPR, and first-aid classes Flu shots are available to the community during flu season and health screenings, medical supplies, and immunizations are provided to children through local health departments and health fairs The costs of these services are included in unrestricted revenue, gains, and other support in excess of expenses and losses in the accompanying combined statements of operations

(10) Employee Benefit Plans

(a) Pension Plan

WellStar sponsors a defined benefit pension plan (the Plan) covering all employees who have attained the age of 21 and completed one year of service as defined in the Plan WellStar contributes an amount sufficient to fund the Plan as determined by consulting actuaries

On November 1, 2012, WellStar amended the Plan to modify the benefit formula at normal retirement effective as of June 30, 2013

The changes in the projected benefit obligation as of June 30, 2014 and 2013 follow

		2014	2013
		(In thousands)	
Projected benefit obligation, beginning of year	$	593,354	646,509
Service cost		26,057	32,453
Interest cost		31,598	29,424
Actuarial loss (gain)		113,197	(35,813)
Benefits paid		(16,600)	(14,520)
Plan amendments		—	(64,699)
Projected benefit obligation, end of year	$	747,606	593,354

The accumulated benefit obligation at June 30, 2014 and 2013 is $624 5 million and $495 9 million, respectively

The changes in the fair value of plan assets, funded status of the Plan, and the status of amounts recognized in WellStar's combined balance sheets as of June 30, 2014 and 2013 follow

		2014	2013
		(In thousands)	
Fair value of plan assets, beginning of year	$	499,202	421,509
Actual return on plan assets		79,928	50,003
Employer contributions		21,600	42,210
Benefits paid		(16,600)	(14,520)
Fair value of assets, end of year	$	584,130	499,202
Accrued pension liability – funded status	$	(163,476)	(94,152)

(Continued)

The components of net periodic pension cost for 2014 and 2013 follow

	2014	2013
	(In thousands)	
Service cost	$ 26,057	32,453
Interest cost	31,598	29,424
Expected return on plan assets	(40,118)	(36,373)
Amortization of prior service cost	(7,702)	(5,135)
Amortization of net loss	10,602	21,809
	$ 20,437	42,178

The amounts accumulated in unrestricted net assets in the combined balance sheets follow

	2014	2013
	(In thousands)	
Prior service cost	$ (51,862)	(59,565)
Actuarial loss	209,586	146,802
	$ 157,724	87,237

WellStar is expected to amortize $16 6 million of net loss from unrestricted net assets into net periodic pension cost during fiscal 2015 and prior service cost credit of $(7 7) million

Weighted average assumptions used to determine benefit obligations in the accompanying combined balance sheets at June 30

	2014	2013
Discount rate	4 66%	5 40%
Rate of compensation increase	3 30	3 30

Weighted average assumptions used to determine net periodic pension cost for the years ended June 30

	2014	2013
Discount rate	5 40%	4 87%
Expected return on plan assets	8 00	8 00
Rate of compensation increase	3 30	3 30

Plan Assets

The Plan's investment objectives are to protect long-term asset value by applying prudent, low-risk, high-quality investment disciplines and to enhance the values by maximizing investment returns

(Continued)

through active security management within the framework of the Plan's investment policy Asset allocation strategies and investment management structure are designed to meet the Plan's investment objectives

WellStar's pension plan target and weighted average asset allocations follow

	Target allocation	Plan assets at June 30	
		2014	2013
Plan assets			
Cash and cash equivalents	—%	3%	4%
Equity securities – domestic	50	58	53
Debt securities – domestic	40	32	37
Debt and equity securities – international	10	7	6
	100%	100%	100%

The expected long-term rate of return assumption is based on the targeted asset allocation and the average return to be earned over the period of payment of the expected benefits included in the benefit obligation In developing the expected returns, consideration is given to actual returns earned on the components of pension plan assets, projection of returns, current economic conditions, and historical rates of return, volatilities, and interactions of asset classifications

In accordance with FASB ASC 820, WellStar has categorized its pension assets, based on the priority of inputs used in related valuation techniques, into a three-level fair value hierarchy as described in note 15

Cash Flows

WellStar expects to contribute approximately $29 0 million to the Plan in fiscal 2015

Expected Future Benefit Payments

Benefit payments are expected to be paid as follows (in thousands)

2015	$ 19,597
2016	21,609
2017	24,164
2018	27,110
2019	30,069
2020–2024	202,854

Other Items

WellStar uses the straight-line method to amortize prior service cost

(b) Other Benefits

WellStar also has a 403(b) defined contribution benefit plan, which covers substantially all employees Eligible employees may contribute up to 20% of compensation in any one year, subject to a regulatory limit WellStar makes matching contributions equal to 50% of employees' contributions, not to exceed 4% of total compensation Employees vest in WellStar contributions on a "cliff" basis after three years of service WellStar contributed approximately $8 9 million and $7 9 million to the plan during the years ended June 30, 2014 and 2013, respectively

WellStar also sponsors an unfunded postretirement medical plan covering members of the Board of Trustees and their dependents upon retirement from completion of 12 years of Board service The unfunded status of the plan at June 30, 2014 and 2013 is $1 5 million and $9 5 million, respectively, and is included in other long-term liabilities in the accompanying combined balance sheets The plan is measured as of June 30 using a discount rate of 4 66% and 5 40% at June 30, 2014 and 2013, respectively The assumed healthcare trend rate is 7 5% initially decreasing to an ultimate rate of 5 0%

(11) Business and Credit Concentrations

WellStar grants credit to patients, substantially all of whom reside in the service areas of WellStar's affiliates WellStar generally does not require collateral or other security in extending credit to patients, however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e g , Medicare, Medicaid, Managed Care, capitated, and other preferred provider arrangements and commercial insurance policies)

The mix of net receivables from patients and third-party payors follows

	2014	2013
Managed Care	38%	37%
Medicare	29	28
Medicaid	17	16
Patients	11	11
Other third-party payors	5	8
	100%	100%

Patient accounts receivable are reduced by an allowance for uncollectible accounts In evaluating the collectibility of accounts receivable, WellStar analyzes its past history and identifies trends for each of its major payor sources of revenue along with current economic factors to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts Management routinely reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts For receivables associated with services provided to patients who have third-party coverage, WellStar analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for uncollectible accounts, if necessary For receivables associated with self-pay patients, WellStar records a significant provision for uncollectible accounts in the period of service on the basis of

(Continued)

its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts WellStar did not change its community financial aid policy (which is inclusive of both charity care and discounts for qualifying patients) during fiscal 2014 As part of the implementation of the EMR described in note 17, WellStar is able to identify patients who qualify under its community financial aid policy earlier in the process thereby reducing the allowance for uncollectible accounts WellStar does not maintain a material allowance for uncollectible accounts from third-party payors nor did it have material write-offs from third-party payors during 2014 or 2013

(12) Self-Insurance Programs

WellStar has established a wholly owned captive insurance company, CAC, for the purpose of self-insuring first-dollar coverage related to general liability, professional liability, and workers' compensation risks on a claims made basis WellStar funds CAC in amounts as determined by consulting actuaries General and professional liability risks are self-insured at an underlying annual coverage layer totaling $2 0 million and $7 0 million per individual loss, respectively, and $27 0 million for aggregate claims Workers' compensation coverage is self-insured for individual claims up to $500 thousand

CAC also provides first-dollar coverage for Directors and Officers, property, and automobile policies WellStar is also self-insured through other arrangements for employee group health insurance, generally up to $1 0 million of lifetime coverage per employee

Losses for all self-insured coverages are managed through the Risk Management and Claims Committee process Identified and incurred-but-not-reported losses are accrued based on estimates that incorporate WellStar's past experience, as well as other considerations such as the nature of each claim or incident, relevant trend factors, and advice from consulting actuaries The identified and estimated incurred-but-not-reported losses included in the accompanying combined balance sheets at both June 30, 2014 and 2013 have been discounted at 2 5%

WellStar also maintains substantial excess liability coverage for amounts in excess of the above-described limits through the provisions of certain claims-made insurance policies To the extent that any claims-made coverage is not renewed or replaced with equivalent insurance, claims based on occurrences during the term of such coverage, but reported subsequently, would be uninsured Management believes, based on incidents identified through WellStar's incident reporting system and other reporting procedures, that any such claims would not have a material effect on WellStar's operations or financial position In any event, management anticipates that the claims-made coverages currently in place will be renewed or replaced with equivalent insurance as the terms of these coverages expire

(13) Leases

WellStar leases certain property, buildings, and equipment under cancelable and noncancelable operating leases expiring through June 30, 2030. Future minimum rental payments required under noncancelable leases having an initial term of more than one year follow (in thousands):

Fiscal year	
2015	$ 18,007
2016	13,571
2017	12,082
2018	9,839
2019	8,200
Thereafter	52,510
	$ 114,209

Rental expense was approximately $24.5 million and $21.4 million for fiscal years 2014 and 2013, respectively.

(14) Functional Expenses

WellStar provides healthcare services to individuals generally residing within its geographic location. Expenses related to providing these services are characterized functionally as follows:

	2014	2013
	(In thousands)	
Healthcare services	$ 1,165,717	1,064,306
General and administrative	452,310	415,335
	$ 1,618,027	1,479,641

(15) Fair Value of Financial Instruments

In accordance with FASB ASC 820, WellStar has categorized its financial instruments, based on the priority of inputs used in related valuation techniques, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

When available, WellStar generally uses quoted market prices to determine fair value, and classifies such items as Level 1. WellStar's Level 2 securities are bonds and other debt securities whose fair values are determined by independent vendors. The vendors compile prices from various sources and may apply matrix pricing for similar bonds or loans where no price is observable in an actively traded market. If available, the vendor may also use quoted prices for recent trading activity of assets with similar characteristics to the bond being valued. WellStar does not consider any of its investment holdings to be Level 3 securities.

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The fair value hierarchy of assets limited as to use at June 30 follows

	2014		
	Level 1	Level 2	Total
		(In thousands)	
By the Board for capital improvements and other system needs			
Cash and cash equivalents	$ 12,055	—	12,055
Asset backed securities	—	39,968	39,968
Mortgage backed securities	—	84,546	84,546
Obligations of the U S government and its agencies	57,842	—	57,842
Corporate debt securities – domestic	—	150,893	150,893
Corporate debt securities – international	—	17,773	17,773
Corporate equity securities – domestic	172,104	—	172,104
Corporate equity securities – international	69,615	—	69,615
Mutual funds	10,213	—	10,213
	321,829	293,180	615,009
Under self-insurance funding arrangement			
Cash and cash equivalents	2,746	—	2,746
Asset backed securities	—	2,723	2,723
Mortgage backed securities	—	8,200	8,200
Obligations of the U S government and its agencies	15,910	—	15,910
Corporate debt securities – domestic	—	32,645	32,645
International investments	—	2,407	2,407
	18,656	45,975	64,631
By donor stipulation			
Cash and cash equivalents	7,262	—	7,262
Corporate debt securities – domestic	—	1,486	1,486
Corporate equity securities – domestic	4,189	—	4,189
International investments	—	742	742
Other	—	1,025	1,025
	11,451	3,253	14,704
Under bond indenture agreements – held by trustee			
Cash and cash equivalents	1,179	—	1,179
	$ 353,115	342,408	695,523

(Continued)

	2013		
	Level 1	Level 2	Total
		(In thousands)	
By the Board for capital improvements and other system needs			
Cash and cash equivalents	$ 15,473	—	15,473
Asset backed securities	—	38,637	38,637
Mortgage backed securities	—	40,498	40,498
Obligations of the U S government and its agencies	131,223	—	131,223
Corporate debt securities – domestic	—	143,320	143,320
Corporate debt securities – international	—	18,411	18,411
Corporate equity securities – domestic	251,095	—	251,095
Corporate equity securities – international	46,306	—	46,306
Mutual funds	10,709	—	10,709
	454,806	240,866	695,672
Under self-insurance funding arrangement			
Cash and cash equivalents	2,482	—	2,482
Mortgage backed securities	—	12,889	12,889
Obligations of the U S government and its agencies	16,425	—	16,425
Corporate debt securities – domestic	—	25,815	25,815
International investments	—	2,581	2,581
	18,907	41,285	60,192
By donor stipulation			
Cash and cash equivalents	5,115	—	5,115
Corporate debt securities – domestic	—	1,318	1,318
Corporate equity securities – domestic	3,067	—	3,067
International investments	—	269	269
Other	—	339	339
	8,182	1,926	10,108
Under bond indenture agreements – held by trustee			
Cash and cash equivalents	43,463	—	43,463
	$ 525,358	284,077	809,435

The carrying amounts of all applicable asset and liability financial instruments reported in the combined balance sheets (except various debt instruments) approximate their estimated fair values, in all material respects, at June 30, 2014 and 2013 Fair value of a financial instrument is defined as the amount which

(Continued)

would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date

The fair values of WellStar's various debt instruments have been estimated using Level 2 inputs, such as interest rates currently available to WellStar for borrowings having similar character, collateral, and duration The aggregate fair value of such instruments approximates $513 3 million and $506 7 million at June 30, 2014 and 2013, respectively No adjustment for such fair value measurements is reflected or required in the accompanying combined balance sheets

WellStar has categorized its derivative instrument into the three-level fair value hierarchy The interest rate swap entered into by WellStar is executed over the counter and valued using the net present value of the cash flow streams as no quoted market prices exist for such instruments WellStar also employs an independent third party to perform a mark-to-market valuation assessment on the swap to assess the reasonableness of the valuation otherwise received by WellStar The derivative instrument entered into above is classified by WellStar as Level 2 within the fair value hierarchy

The fair value hierarchy of pension plan assets at June 30, 2014 and 2013 follows

	2014		
	Level 1	Level 2	Total
		(In thousands)	
Cash and cash equivalents	$ 18,465	—	18,465
Mortgage- and other asset-backed securities	—	32,100	32,100
Obligations of the U S government and its agencies	45,941	280	46,221
Corporate debt securities – domestic	—	108,134	108,134
Corporate debt securities – international	—	11,745	11,745
Corporate equity securities – domestic	335,256	—	335,256
Corporate equity securities – international	32,209	—	32,209
	$ 431,871	152,259	584,130

(Continued)

	2013		
	Level 1	Level 2	Total
		(In thousands)	
Cash and cash equivalents	$ 20,764	—	20,764
Mortgage- and other asset-backed securities	—	39,343	39,343
Obligations of the U S government and its agencies	56,114	257	56,371
Corporate debt securities – domestic	—	87,635	87,635
Corporate debt securities – international	—	3,788	3,788
Corporate equity securities – domestic	263,238	—	263,238
Corporate equity securities – international	28,063	—	28,063
	$ 368,179	131,023	499,202

(16) Endowment

WellStar Foundation has two separate endowments The Hodges Fund and the Tranquility Angel Fund The Hodges Fund is comprised of one investment account established for providing nursing scholarships Related investment income is temporarily restricted until scholarships are appropriated for expenditure by the WellStar Foundation Board The related donor documents also call for an annual CPI adjustment to the corpus balance each year The Tranquility Angel Fund consists of two separate investment accounts established for providing support to Hospice care patients and supporting functions Related investment income is classified as temporarily restricted net assets until such amounts are appropriated for expenditure in accordance with the donor's intent

Endowment net assets and classification of related unappropriated income at June 30, 2014 and 2013 follow (in thousands)

	2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted net assets	$ —	1,736	4,749	6,485

	2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted net assets	$ —	947	3,968	4,915

(Continued)

The change in endowment net assets and related income classifications for the year ended June 30, 2014 and 2013 follows (in thousands)

	2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Beginning of year	$ —	947	3,968	4,915
Contributions	—	—	771	771
Other	—	(50)	—	(50)
Investment return				
Interest and dividend income	—	95	—	95
Net appreciation	—	744	10	754
	—	839	10	849
End of year	$ —	1,736	4,749	6,485

	2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Beginning of year	$ —	491	3,795	4,286
Contributions	—	—	162	162
Other	—	(37)	—	(37)
Investment return				
Interest and dividend income	—	89	—	89
Net appreciation	—	404	11	415
	—	493	11	504
End of year	$ —	947	3,968	4,915

(17) Information Technology Contract

WellStar has entered into a software and services agreement with a major information technology vendor The agreement generally commits WellStar to the purchase of a variety of information technology products and services from this vendor for a defined payment stream over the term of the contract Certain software license and support fees totaling approximately $16 5 million were capitalized during fiscal 2013 with recognition of an associated liability related to WellStar`s acquisition of these intangible assets Other contract costs are evaluated for capitalization or expense recognition under relevant accounting literature as associated products and/or services are provided

(Continued)

The following table summarizes the future payment commitments by year under the contract as of June 30, 2014

		Capitalized software obligation
		(In thousands)
Payable in fiscal year		
2015	$	2,631
2016		3,157
2017		2,894
Total		8,682
Less amounts representing interest at 3 38%		415
Total obligation	$	8,267

Capitalized software obligation totaled $8 7 million and $11 6 million at June 30, 2014 and 2013, respectively, and is included in other long-term liabilities in the accompanying combined balance sheets Interest expense incurred under the agreement in fiscal 2014 and 2013 was approximately $352 thousand and $454 thousand, respectively

The natural classification of implementation costs associated with systemwide Electronic Medical Records (EMR) that did not meet the criteria for capitalization under relevant accounting literature included in the accompanying combined statements of operations follow

		2014	2013
		(In thousands)	
Salaries and employee benefits	$	29,967	3,226
Supplies and other expenses		8,100	395
Depreciation and amortization		186	93
Total	$	38,253	3,714