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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 10-01-2013 , 2013, and ending 09-30-2014

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

C Name of organization
ASHLAND HOSPITAL CORPORATION

Doing Business As
KING'S DAUGHTERS MEDICAL CENTER

Number and street (or P O box if mail is not delivered to street address) | Room/suite
2201 LEXINGTON AVENUE

City or town, state or province, country, and ZIP or foreign postal code
ASHLAND, KY 41101

D Employer identification number
61-0444716

E Telephone number
(606)408-4000

G Gross receipts $ 485,860,347

F Name and address of principal officer
KRISTIE WHITLATCH
2201 LEXINGTON AVENUE
ASHLAND,KY 41101

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 KDMC COM

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

L Year of formation 1941

M State of legal domicile KY

Part I Summary

1 Briefly describe the organization's mission or most significant activities
TO PROVIDE COMMUNITY HEALTHCARE SERVICES TO CARE TO SERVE TO HEAL

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**	14
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	7
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	**5**	3,580
6	Total number of volunteers (estimate if necessary)	**6**	285
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	485,042
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	374,195	1,235,076
9	Program service revenue (Part VIII, line 2g)	452,296,162	407,319,972
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	9,778,710	14,272,339
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,775,826	4,422,217
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	465,224,893	427,249,604
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	160,047	56,509
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)	200,968,260	193,166,395
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)	264,662,867	241,125,122
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	465,791,174	434,348,026
19	Revenue less expenses Subtract line 18 from line 12	-566,281	-7,098,422

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	822,243,145	713,114,773
21	Total liabilities (Part X, line 26)	404,817,852	366,850,295
22	Net assets or fund balances Subtract line 21 from line 20	417,425,293	346,264,478

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

****** | 2015-08-14
Signature of officer | Date

AUTUMN MCFANN VICE PRESIDENT/CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
JULIUS C GREEN CPA JD				P00350393

Firm's name ▶ BAKER TILLY VIRCHOW KRAUSE LLP | Firm's EIN ▶ 39-0859910

Firm's address ▶ 1650 MARKET STREET SUITE 4500
PHILADELPHIA, PA 19103 | Phone no (215) 972-0701

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 CARE TO SERVE TO HEAL

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 $ 356,111,055 including grants of $ 56,509) (Revenue $ 406,820,883)

ORGANIZATIONAL INFORMATION KING'S DAUGHTERS MEDICAL CENTER (KDMC) IS A LOCALLY CONTROLLED, NOT-FOR-PROFIT, 465 LICENSED-BED REGIONAL REFERRAL CENTER, COVERING A 150-MILE RADIUS THAT INCLUDES SOUTHERN OHIO, EASTERN KENTUCKY AND WESTERN WEST VIRGINIA KDMC OFFERS CARDIAC, MEDICAL, SURGICAL, MATERNITY, PEDIATRIC, REHABILITATIVE, BARIATRIC, PSYCHIATRIC, CANCER, NEUROLOGICAL, PAIN CARE, WOUND CARE, AND HOME CARE SERVICES KDMC OPERATES MORE THAN 25 OFFICES IN EASTERN KENTUCKY AND SOUTHERN OHIO KDMC IS THE LARGEST EMPLOYER BETWEEN CHARLESTON, WEST VIRGINIA AND LEXINGTON, KENTUCKY OUR MISSION TO CARE TO SERVE TO HEAL OUR VISION WORLD CLASS CARE IN OUR COMMUNITIESCOMMUNITY DEMOGRAPHICS KDMC IS LOCATED IN EASTERN KENTUCKY, WHERE THE KENTUCKY, OHIO AND WEST VIRGINIA STATE LINES MEET KDMC'S PRIMARY SERVICE AREA ENCOMPASSES SIX COUNTIES IN TWO STATES, BOYD, CARTER, GREENUP, AND LAWRENCE COUNTIES IN KENTUCKY AND LAWRENCE AND SCIOTO COUNTIES IN OHIO MORE THAN 267,000 PEOPLE (U S CENSUS BUREAU) LIVE IN THE SIX-COUNTY PRIMARY SERVICE AREA WITH THE EXCEPTION OF TWO CITIES WITH POPULATIONS AROUND 20,000 THE AREA IS VERY RURAL, COVERING NEARLY 2,000 SQUARE MILES WITH A POPULATION DENSITY OF 126 PEOPLE PER SQUARE MILE NEARLY 21% OF THE POPULATION LIVES IN POVERTY, COMPARED WITH 18 8% FOR KENTUCKY, 15 8% FOR OHIO AND 15 4% FOR THE NATION MORE THAN 25% OF CHILDREN LIVE IN POVERTY THE POPULATION IS 97% WHITE, 2% BLACK AND ALL OTHER RACES 1% THE AVERAGE PER CAPITA INCOME IS $20,755, WELL BELOW THE LEVELS FOR KENTUCKY ($23,462), OHIO ($26,046) AND THE NATION ($28,155) IN KDMC'S PRIMARY MARKET AREA, 16% OF THOSE AGED 19-64 YEARS LACKED ANY FORM OF HEALTHCARE COVERAGE, COMPARED TO KENTUCKY-16 8%, OHIO-13% AND THE NATION-15 4%

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** ▶ 356,111,055

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21 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	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI 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**	Yes	
22	Did the organization report more than $5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? *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**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? *If so, complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		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	382		
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	3,580		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a		Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No" to line 3b, provide an explanation in Schedule O* . . .	3b		Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	**1a**	14		
	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**	7		
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 ▶ KY

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

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

▶ GREG WHITLOCK CONTROLLER 2201 LEXINGTON AVENUE
ASHLAND, KY 41101 (606) 408-0160

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) ADDINGTON STEPHEN DIRECTOR	30 30	X						0	0	0
(2) BURNETTE TOM DIRECTOR	30 1 00	X						0	0	0
(3) CANTRELL JIM DIRECTOR	30 30	X						0	0	0
(4) CASSIDY DAN DIRECTOR	30 1 30	X						0	0	0
(5) FORD RICHARD MD DIRECTOR	1 30 30	X						14,000	0	0
(6) HAMMONDS DONALD DO DIRECTOR	30 40 30	X						0	66,774	16,590
(7) HERNANDEZ RICH DIRECTOR	30 30	X						0	0	0
(8) KRIVCHENIA ALEXANDER MD DIRECTOR	1 30 30	X						26,688	0	0
(9) MCCANN KIM DIRECTOR	30 1 30	X						0	0	0
(10) MECCA RAYMOND MD DIRECTOR	50 30	X						1,000	0	0
(11) STEWART JOHN DIRECTOR	30 50	X						0	0	0
(12) VINCENT JOHN DIRECTOR	30 1 30	X						0	0	0
(13) JONES DAVID CHAIRMAN	1 00 5 80	X		X				0	0	0
(14) JACKSON FRED PRESIDENT/CEO (UNTIL DEC 2013)	41 00 9 00	X		X				1,209,166	0	30,383
(15) WHITLATCH KRISTIE PRESIDENT/CEO (AS OF DEC 2013)	41 00 9 00	X		X				538,465	0	156,840
(16) TREASURE JEFF TREASURER, VP/CFO (UNTIL FEB 2014)	41 00 9 00			X				298,543	0	11,243
(17) MCFANN AUTUMN TREASURER, VP/CFO (AS OF FEB 2014)	41 00 9 00			X				160,504	0	27,384

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) MAHANEY SHERYL SECRETARY, VP/CHIEF LEGAL	41 00 9 00			X				340,647	0	119,245
(19) FIORET PHILIP MD VP/CMO	40 00 50				X			666,089	0	178,022
(20) HIGGINS LARRY VP/CAO	40 00 1 30				X			401,015	0	135,772
(21) BOYKIN MAYOLA MD PHYSICIAN	40 00					X		768,676	0	31,148
(22) FRALEY ERIK MD PHYSICIAN	40 00					X		695,268	0	14,049
(23) HOWARD-CLAUDIO CANDACE MD PHYSICIAN	40 00					X		905,399	0	32,820
(24) MOTIMAYA ASH MD PHYSICIAN	40 00					X		852,370	0	31,204
(25) POWELL STELLA MD PHYSICIAN	40 00					X		768,076	0	29,254
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								7,645,906	66,774	813,954

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 ▶158

			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**		No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *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
BLANK ROME LLP ONE LOGAN SQUARE 130 NORTH 18TH ST PHILADELPHIA PA 19178	LEGAL	4,407,531
HOGAN LOVELLS US LLP COLUMBIA SQUARE 555 THIRTEENTH ST WASHINGTON DC 20004	LEGAL	3,338,225
DLA PIPER LLP (US) 500 8TH ST NW WASHINGTON DC 20004	LEGAL	2,332,310
STITES & HARBISON PLLC 250 W MAIN ST 2300 LEXINGTON FINAN LEXINGTON KY 405071758	LEGAL	2,113,323
FIRSTSOURCE SOLUTIONS USA LLC 6455 RELIABLE PARKWAY CHICAGO IL 60686	ELIGIBILITY SERVICES	1,558,764

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 ▶48

Part VIII Statement of Revenue

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

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . .	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations . . .	1d	1,048,277			
	e	Government grants (contributions)	1e	18,121			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	168,678			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f . . . . . ▶		1,235,076			
Program Service Revenue			Business Code				
	2a	NET PATIENT SVC REV	621110	393,593,853	393,453,216	140,637	
	b	PHARMACY	446110	12,905,636	12,853,196	52,440	
	c	MEANINGFUL USE REVENUES	621110	820,483	820,483		
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f . . . . . ▶		407,319,972			
	3	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶		10,181,143		-14,939	10,196,082
	4	Income from investment of tax-exempt bond proceeds . . ▶		3,106			3,106
	5	Royalties . . . . . ▶					
			(i) Real / (ii) Personal				
	6a	Gross rents	874,119 /				
	b	Less rental expenses	535,701 /				
	c	Rental income or (loss)	338,418 /				
	d	Net rental income or (loss) . . . . . ▶		338,418		892	337,526
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	60,215,623 / 1,947,509				
	b	Less cost or other basis and sales expenses	53,446,160 / 4,628,882				
	c	Gain or (loss)	6,769,463 / -2,681,373				
	d	Net gain or (loss) . . . . . ▶		4,088,090			4,088,090
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from fundraising events . . ▶					
	9a	Gross income from gaming activities See Part IV, line 19 . . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from gaming activities . . ▶					
	10a	Gross sales of inventory, less returns and allowances . a					
	b	Less cost of goods sold . . b					
	c	Net income or (loss) from sales of inventory . . ▶					
		Miscellaneous Revenue	Business Code				
	11a	CAFETERIA	722210	1,713,430			1,713,430
	b	INSURANCE SETTLEMENT	900099	1,500,000			1,500,000
	c	MANAGEMENT FEES	900099	271,750			271,750
	d	All other revenue		598,619		306,012	292,607
	e	**Total.** Add lines 11a–11d . . . . . ▶		4,083,799			
	12	**Total revenue.** See Instructions . . . . . ▶		427,249,604	407,126,895	485,042	18,402,591

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	56,509	56,509		
2 Grants and other assistance to individuals in the United States See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	4,019,074		4,019,074	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	149,005,873	130,650,856	18,355,017	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	3,881,155	3,403,385	477,770	
9 Other employee benefits	26,160,089	22,939,782	3,220,307	
10 Payroll taxes	10,100,204	8,664,965	1,435,239	
11 Fees for services (non-employees)				
a Management				
b Legal	4,049,834	367,844	3,681,990	
c Accounting	120,000		120,000	
d Lobbying	43,249	43,249		
e Professional fundraising services See Part IV, line 17				
f Investment management fees	644,487		644,487	
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	33,576,031	23,030,628	10,545,403	
12 Advertising and promotion	2,812,989		2,812,989	
13 Office expenses	2,730,162	1,492,669	1,237,493	
14 Information technology	5,588,903	5,573,347	15,556	
15 Royalties				
16 Occupancy	7,371,375	2,088,132	5,283,243	
17 Travel	381,183	281,832	99,351	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	595		595	
20 Interest	11,262,156		11,262,156	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	31,721,826	29,311,725	2,410,101	
23 Insurance	5,865,283	673,665	5,191,618	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a MEDICAL SUPPLIES	83,846,786	79,825,395	4,021,391	
b BAD DEBT EXPENSE	25,084,742	25,084,742		
c REPAIRS & MAINTENANCE	14,213,709	12,930,290	1,283,419	
d TAX (INC PROVIDER TAX)	7,655,721	7,605,732	49,989	
e All other expenses	4,156,091	2,086,308	2,069,783	
25 **Total functional expenses.** Add lines 1 through 24e	434,348,026	356,111,055	78,236,971	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		10,367,512	1	6,624,593
	2	Savings and temporary cash investments		13,218,373	2	6,499,950
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		66,616,975	4	67,625,033
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net		889,786	7	1,070,397
	8	Inventories for sale or use		10,012,046	8	9,792,796
	9	Prepaid expenses and deferred charges		8,047,601	9	9,865,542
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 687,220,855			
	b	Less accumulated depreciation	10b 417,803,167	292,008,311	10c	269,417,688
	11	Investments—publicly traded securities		225,954,740	11	191,770,871
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		6,259,393	13	5,732,621
	14	Intangible assets		587,059	14	747,691
	15	Other assets See Part IV, line 11		188,281,349	15	143,967,591
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		822,243,145	16	713,114,773
Liabilities	17	Accounts payable and accrued expenses		50,048,707	17	50,952,255
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		239,206,332	20	238,624,371
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties		2,517,625	23	99,770
	24	Unsecured notes and loans payable to unrelated third parties			24	15,000,000
	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		113,045,188	25	62,173,899
	26	**Total liabilities.** Add lines 17 through 25		404,817,852	26	366,850,295
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		417,425,293	27	346,264,478
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		417,425,293	33	346,264,478
	34	Total liabilities and net assets/fund balances		822,243,145	34	713,114,773

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	427,249,604
2	Total expenses (must equal Part IX, column (A), line 25)	2	434,348,026
3	Revenue less expenses Subtract line 2 from line 1	3	-7,098,422
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	417,425,293
5	Net unrealized gains (losses) on investments	5	1,791,542
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	-65,853,935
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	346,264,478

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		

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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
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

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

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

1 ☐ A church, convention of churches, or association of churches 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 C (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ Complete if the organization is described below. ▶ Attach to Form 990 or Form 990-EZ.
▶ See separate instructions. ▶ Information about Schedule C (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

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

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

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

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

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

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

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

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

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $ _____

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $ _____

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $ _____

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ▶ $ _____

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $ _____

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

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

A Check ▶ ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)

B Check ▶ ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000
Over $17,000,000	$1,000,000

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ Yes ☐ No

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

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

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		43,249
j	Total Add lines 1c through 1i			43,249
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

Return Reference	Explanation
PART II-B, LINE 1	$31,356 A PORTION OF THE DUES PAID TO THE KENTUCKY HOSPITAL ASSOCIATION ATTRIBUTABLE TO LOBBYING EXPENSES $675 A PORTION OF THE DUES PAID TO THE AMERICAN MEDICAL REHABILITATION PROVIDERS ATTRIBUTABLE TO LOBBYING EXPENSES $5,458 A PORTION OF THE DUES PAID TO THE AMERICAN HOSPITAL ASSOCIATION ATTRIBUTABLE TO LOBBYING EXPENSES $4,342 A PORTION OF THE DUES PAID TO THE AMERICAN COLLEGE OF CARDIOLOGY ATTRIBUTABLE TO LOBBYING EXPENSES $1,418 A PORTION OF DUES PAID TO THE KENTUCKY MEDICAL ASSOCIATION ATTRIBUTABLE TO LOBBYING

Part IV Supplemental Information *(continued)*

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
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

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

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

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

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

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

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

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

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

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

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

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

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

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

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

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

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

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

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

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

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

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

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

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

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

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

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

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

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

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

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

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

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

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

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

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

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

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

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

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		28,381,879		28,381,879
b Buildings		370,169,039	194,672,210	175,496,829
c Leasehold improvements				
d Equipment		279,583,255	217,307,233	62,276,022
e Other		9,086,682	5,823,724	3,262,958
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				269,417,688

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
(1) SELF INSURANCE FUNDS	182,049
(2) TRUSTEED FUNDS	7,699,103
(3) DEFERRED FINANCING COSTS	3,018,866
(4) DUE FROM RELATED PARTIES	115,734,974
(5) OTHER RECEIVABLES	2,152,599
(6) SWAP COLLATERAL FUNDS	15,180,000
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	143,967,591

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	
MALPRACTICE COSTS	17,141,155
ACCRUED PENSION	12,529,000
LONG-TERM RETENTION PLAN	1,983,624
INTEREST RATE SWAP AGREEMENTS	15,650,432
ESTIMATED THIRD PARTY PAYOR SETTLEMENTS	14,571,270
LEASES PAYABLE	298,418
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	62,173,899

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	394,244,884
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	1,791,542		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d	-35,148,164		
e	Add lines **2a** through **2d**			2e	-33,356,622
3	Subtract line **2e** from line **1**			3	427,601,506
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	-351,902		
c	Add lines **4a** and **4b**			4c	-351,902
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	427,249,604

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	405,739,873
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	351,902		
e	Add lines **2a** through **2d**			2e	351,902
3	Subtract line **2e** from line **1**			3	405,387,971
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	28,960,055		
c	Add lines **4a** and **4b**			4c	28,960,055
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	434,348,026

Part XIII Supplemental Information

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

Return Reference	Explanation
PART X, LINE 2	THE MEDICAL CENTER, KHF, KBNH, CDC, KHI, KDMT, KDMS, KDHF AND PHC HAVE BEEN RECOGNIZED BY THE IRS AS SECTION 501(C)(3) CHARITABLE ORGANIZATIONS SECTION 501(C)(3) ORGANIZATIONS ARE EXEMPT FROM FEDERAL AND STATE INCOME TAXES ON RELATED INCOME THESE ORGANIZATIONS DO NOT ENGAGE IN SIGNIFICANT UNRELATED ACTIVITIES AND THEREFORE NO TAX IS RECORDED
PART XI, LINE 2D - OTHER ADJUSTMENTS	CHANGE IN MARKET VALUE INTEREST RATE SWAP -2,846,352 CHANGE IN MARKET VALUE SELF INSURANCE FUNDS -78 BAD DEBT EXPENSES (NETTED AGAINST NET PATIENT SERVICE REVENUE ON F/S) -25,084,742 LOSS ON EARLY EXTINGUISHMENT OF DEBT (NETTED AGAINST OTHER REVENUE ON F/S) -3,875,313 PENSION LIABILITY ADJUSTMENT -3,421,235 ACCUMULATED LOSS ON SWAP 79,556
PART XI, LINE 4B - OTHER ADJUSTMENTS	RENTAL EXPENSES -535,701 CONTRIBUTIONS NETTED AGAINST EXPENSES ON F/S 183,799
PART XII, LINE 2D - OTHER ADJUSTMENTS	RENTAL EXPENSES 535,701 CONTRIBUTIONS NETTED AGAINST EXPENSES ON F/S -183,799
PART XII, LINE 4B - OTHER ADJUSTMENTS	BAD DEBT EXPENSES (NETTED AGAINST NET PATIENT SERVICE REVENUE ON F/S) 25,084,742 LOSS ON EARLY EXTINGUISHMENT OF DEBT (NETTED AGAINST OTHER REVENUE ON F/S) 3,875,313

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
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care ☑ 100% ☐ 150% ☐ 200% ☐ Other _____ %	3a	Yes	
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b	Yes	
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
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		
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)			7,809,534		7,809,534	1 910 %
b Medicaid (from Worksheet 3, column a)			77,397,483	51,346,535	26,050,948	6 370 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			85,207,017	51,346,535	33,860,482	8 280 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			3,314,241		3,314,241	0 810 %
f Health professions education (from Worksheet 5)			32,246		32,246	0 010 %
g Subsidized health services (from Worksheet 6)			276,264	203,997	72,267	0 020 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			53,232		53,232	0 010 %
j **Total.** Other Benefits			3,675,983	203,997	3,471,986	0 850 %
k **Total.** Add lines 7d and 7j			88,883,000	51,550,532	37,332,468	9 130 %

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			218,407		218,407	0 050 %
9 Other						
10 **Total**			218,407		218,407	0 050 %

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	15,238,505		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3	0		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	117,847,452		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	126,437,325		
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-8,589,873		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	Yes	

Part IV Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

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

Part V Facility Information

Section A. Hospital Facilities

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

	Name, address, primary website address, and state license number	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
	See Additional Data Table										

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group ASHLAND HOSPITAL CORPORATION

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**	Yes	
5	Did the hospital facility make its CHNA report widely available to the public?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website (list url) WWW KDMC COM/NEEDS			
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 100 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☐ Asset level			
c ☑ Medical indigency			
d ☑ Insurance status			
e ☑ Uninsured discount			
f ☑ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Residency			
i ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	**13**	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☑ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP?	**17**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			

Part V Facility Information *(continued)*

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

- **a** ☑ Notified individuals of the financial assistance policy on admission
- **b** ☑ Notified individuals of the financial assistance policy prior to discharge
- **c** ☑ Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills
- **d** ☑ Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- **e** ☐ Other (describe in Section C)

Policy Relating to Emergency Medical Care

		Yes	No
19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**19**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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

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

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? **21**

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

Part VI Supplemental Information

Provide the following information

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

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

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

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

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

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

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

Form and Line Reference	Explanation
PART I, LINE 7	KDMC USED WORKSHEET 2 PROVIDED IN THE 2013 SCHEDULE H INSTRUCTIONS (FORM 990) TO CALCULATE A COST TO CHARGE RATIO THIS RATIO WAS USED TO CALCULATE CHARITY CARE AT COST TO CALCULATE THE UNPAID COSTS OF MEDICAID, THE HOSPITAL'S COST ACCOUNTING SYSTEM WAS USED, ALONG WITH DATA FROM THE MEDICAID COST REPORT ALL OTHER ITEMS WERE REPORTED AT NET EXPENSE

Form and Line Reference	Explanation
PART I, LINE 7G	THERE ARE NO COSTS ATTRIBUTABLE TO PHYSICIAN CLINICS INCLUDED AS SUBSIDIZED HEALTH SERVICES

Form and Line Reference	Explanation
PART I, LN 7 COL(F)	THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS $25,084,742

Form and Line Reference	Explanation
PART II, COMMUNITY BUILDING ACTIVITIES	THE EXPENSES REPORTED IN PART II FOR COMMUNITY BUILDING ACTIVITIES ARE THE EXPENSES ASSOCIATED WITH RECRUITING PHYSICIANS TO MEDICALLY UNDER-SERVED AREAS (MURS) THESE EXPENSES ARE NECESSARY TO ENSURE OUR COMMUNITY IS STAFFED WITH THE PHYSICIANS TO MEET THE NEEDS OF THE PEOPLE LIVING HERE

Form and Line Reference	Explanation
PART III, LINE 2	KDMC USED WORKSHEET 2 PROVIDED IN THE 2012 SCHEDULE H INSTRUCTIONS (FORM 990) TO CALCULATE A COST TO CHARGE RATIO THIS RATIO WAS USED TO CALCULATE BAD DEBT EXPENSE AT COST

Form and Line Reference	Explanation
PART III, LINE 3	BAD DEBT EXPENSE IS RECORDED AFTER ANY DISCOUNTS AND PAYMENTS ARE MADE ONPATIENT ACCOUNTS HOWEVER, SINCE THE RECENT CHANGE IN THE FINANCIAL ASSISTANCE POLICY, THE BUSINESS OFFICE NO LONGER KEEPS TRACK OF "NO-RESPONSE" APPLICATIONS ANNUALLY AND DOES NOT FEEL THAT THE PORTION CONSIDERED TO BE A COMMUNITY BENEFIT IS MATERIAL

Form and Line Reference	Explanation
PART III, LINE 4	PATIENT ACCOUNTS RECEIVABLE ARE REPORTED AT NET REALIZABLE VALUE ACCOUNTS ARE WRITTEN OFF WHEN THEY ARE DETERMINED TO BE UNCOLLECTIBLE BASED UPON MANAGEMENT'S ASSESSMENT OF INDIVIDUAL ACCOUNTS IN EVALUATING THE COLLECTABILITY OF PATIENT ACCOUNTS RECEIVABLE, THE MEDICAL CENTER ANALYZES ITS PAST HISTORY AND IDENTIFIES TRENDS FOR EACH OF ITS MAJOR PAYOR SOURCES OF REVENUE TO ESTIMATE THE APPROPRIATE ALLOWANCE FOR DOUBTFUL ACCOUNTS AND PROVISION FOR BAD DEBTS FOR RECEIVABLES ASSOCIATED WITH SERVICES PROVIDED TO PATIENTS WHO HAVE THIRD-PARTY COVERAGE, THE MEDICAL CENTER ANALYZES CONTRACTUAL AMOUNTS DUE AND PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS AND A PROVISION FOR BAD DEBTS, IF NECESSARY FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PATIENTS (WHICH INCLUDES BOTH PATIENTS WITHOUT INSURANCE AND INSURED PATIENTS WITH DEDUCTIBLE AND COPAYMENT BALANCES), THE MEDICAL CENTER RECORDS A SIGNIFICANT PROVISION FOR BAD DEBTS IN THE PERIOD OF SERVICE ON THE BASIS OF ITS PAST EXPERIENCE, WHICH INDICATES THAT MANY PATIENTS ARE UNABLE OR UNWILLING TO PAY THE PORTION OF THEIR BILL FOR WHICH THEY ARE FINANCIALLY RESPONSIBLE THE DIFFERENCE BETWEEN THE BILLED RATES AND THE AMOUNTS ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS

Form and Line Reference	Explanation
PART III, LINE 8	THE HOSPITAL CONTINUES TO PROVIDE CARE TO ALL PRESENTING AND ADMITTED PATIENTS, REGARDLESS OF ABILITY TO PAY NOTWITHSTANDING THE COSTS TO PROVIDE CARE, RECEIVING "LESS" THAN WHAT IT COSTS TO PROVIDE ADEQUATE CARE TO MEDICARE COVERED LIVES DOES THE HOSPITAL A DISSERVICE THIS SHORTFALL SHOULD COUNT AS A COMMUNITY BENEFIT THE HOSPITAL USES THE ALLOWABLE COSTS PER THE MEDICARE COST REPORT THE 2014 COST REPORT DATA AND PROVIDER SUMMARY REPORT (PSR) WAS USED TO COMPUTE THE INFORMATION

Form and Line Reference	Explanation
PART III, LINE 9B	THE HOSPITAL DOES HAVE A WRITTEN POLICY FOR BAD DEBT IT IS A SYSTEM PROGRESSION WITH FOUR PATIENT STATEMENTS, ALONG WITH AN OUTBOUND CALLING PROCESS, AND IF NO PAYMENT ARRANGEMENTS ARE MADE DURING THIS TIME, THERE IS AUTOMATION TO THE COLLECTION AGENCY EACH BILL THAT A PATIENT RECEIVES HAS A STATEMENT STATING IF THEY ARE UNABLE TO PAY THEIR BILL TO CONTACT THE HOSPITAL'S FINANCIAL ASSISTANCE TEAM WITH A DIRECT LINE NUMBER ALSO, EACH SELF-PAY PATIENT IS CONTACTED BY THE HOSPITAL'S MEDICAID ELIGIBILITY VENDOR AS WELL AS RECEIVING A FINANCIAL ASSISTANCE APPLICATION

Form and Line Reference	Explanation
PART VI, LINE 2	WE USE A VARIETY OF RESOURCES TO HELP MAKE DECISIONS ON HOW TO BEST TARGET OUR ACTIVITIES, INCLUDING INFORMATION FROM OUR COMMUNITY HEALTH NEEDS ASSESSMENT, STATE AND COUNTY MORTALITY DATA WE ARE ACTIVELY INVOLVED IN THE COMMUNITY PARTICIPATING ON NON-PROFITS BOARDS, ATTENDING COMMUNITY PROGRAMS/MEETINGS AND OTHER ACTIVITIES TO HELP KEEP US INFORMED OF NEEDS, CONCERNS AND ISSUES ONCE WE KNOW WHAT ISSUES WE WANT TO TARGET, OUR COMMUNITY HEALTH INITIATIVES ARE BUILT INTO THE MEDICAL CENTER'S STRATEGIC PLAN IN FY 2014, THE HIGH INCIDENCE OF HEART DISEASE AND DIABETES WAS A TARGETED HEALTH CONCERN OVER THE COURSE OF THE YEAR, 141 COMMUNITY HEART HEALTH AND DIABETES SCREENINGS WERE HELD REACHING MORE THAN 9,850 ADULTS WE ALSO OFFERED A VARIETY OF SCREENINGS AND EDUCATIONAL PROGRAMS ON DOZENS OF TOPICS INCLUDING PHYSICAL ACTIVITY, FIRE SAFETY, FIRST AID, HAND WASHING AND CAR SEAT SAFETY REACHING MORE THAN 45,000 ADULTS AND 31,000 CHILDREN IN FY 14, A TOTAL OF 3,839 VOLUNTEER HOURS WERE COMPLETED BY KING'S DAUGHTERS TEAM MEMBERS

Form and Line Reference	Explanation
PART VI, LINE 3	THE MEDICAL CENTER'S FINANCIAL ASSISTANCE POLICY PROVIDES DIRECTION FOR FREE OR DISCOUNTED SERVICES TO RESIDENTS OF THE COMMUNITY WHO HAVE INADEQUATE FINANCIAL RESOURCES TO PAY FOR NECESSARY HEALTHCARE SERVICES PROVIDED BY KDMC THE POLICY STATES THAT THE MEDICAL CENTER WILL NOT DENY CARE TO ANY PATIENT REQUIRING CARE DUE TO THEIR INABILITY TO PAY THE FINANCIAL ASSISTANCE POLICY PROVIDES GUIDANCE TO PROVIDING ASSISTANCE BASED ON SLIDING SCALE METHODOLOGY AND THE FEDERAL POVERTY GUIDELINES ESTABLISHED BY THE DEPARTMENT OF HEALTH AND HUMAN SERVICES PATIENTS REQUIRING CARE WITH INCOME BELOW 300% OF THE FEDERAL POVERTY LEVEL QUALIFY FOR FREE OR REDUCED COST SERVICES THE FINANCIAL ASSISTANCE PROGRAM IS ON THE KDMC WEBSITE AND THE PHONE NUMBER TO ACCESS INFORMATION IS PROVIDED TO PATIENTS THROUGH THE PATIENT INFORMATION GUIDE AT ADMITTANCE TO THE HOSPITAL KDMC WORKS TO IDENTIFY PATIENTS THAT MAY HAVE LIMITED RESOURCES AND OFFERS FINANCIAL ASSISTANCE WHEN APPROPRIATE THERE ARE SIGNS POSTED IN VARIOUS REGISTRATION AREAS INFORMING PATIENTS OF THE PHONE NUMBER TO CALL IF THEY NEED FINANCIAL ASSISTANCE ON EACH PATIENT STATEMENT THE INFORMATION IS ALSO PRINTED WITH THE PHONE NUMBER WE ALSO HAVE FINANCIAL RESOURCE STAFF IN THE HEART AND VASCULAR CENTER AND PATIENT REGISTRATION, FURTHERMORE, WE UTILIZE A 3RD PARTY, CARDON OUTREACH, TO WORK WITH PATIENTS IN THEIR ROOMS

Form and Line Reference	Explanation
PART VI, LINE 4	KING'S DAUGHTERS MEDICAL CENTER IS LOCATED IN EASTERN KENTUCKY, WHERE THE KENTUCKY, OHIO AND WEST VIRGINIA STATE LINES MEET KDMC'S PRIMARY SERVICE AREA ENCOMPASSES SIX COUNTIES IN TWO STATES BOYD, CARTER, LAWRENCE AND GREENUP COUNTIES IN KENTUCKY AND LAWRENCE AND SCIOTO COUNTIES IN OHIO MORE THAN 267,000 PEOPLE (U S CENSUS BUREAU) LIVE IN THE SIX-COUNTY PRIMARY SERVICE AREA WITH THE EXCEPTION OF TWO CITIES WITH POPULATIONS AROUND 20,000 THE AREA IS VERY RURAL, COVERING NEARLY 2,000 SQUARE MILES WITH A POPULATION DENSITY OF 126 PEOPLE PER SQUARE MILE NEARLY 19% OF THE POPULATION LIVES IN POVERTY, COMPARED WITH 18 8% FOR KENTUCKY, 15 8% FOR OHIO AND 15 4% FOR THE NATION MORE THAN 25% OF CHILDREN LIVE IN POVERTY THE POPULATION IS 97% WHITE, 2% BLACK AND ALL OTHER RACES 1% THE AVERAGE PER CAPITA INCOME IS $20,755, WELL BELOW THE LEVELS FOR KENTUCKY ($23,462), OHIO ($26,046) AND THE NATION ($28,155) IN KDMC'S PRIMARY MARKET AREA, 17% OF THOSE AGED 19-64 YEARS LACKED ANY FORM OF HEALTHCARE COVERAGE, COMPARED TO KENTUCKY-9 8%, OHIO-11% AND THE NATION-13 4%

Form and Line Reference	Explanation
PART VI, LINE 5	TO REACH OUR COMMUNITIES AND TO PROVIDE THE BEST OUTREACH SERVICES POSSIBLE, WE PARTNER WITH A DIVERSE GROUP OF BOTH PUBLIC AND PRIVATE ENTITIES WE HAVE ESTABLISHED PARTNERSHIPS WITH AREA RETAILERS, HEALTH DEPARTMENTS, FACTORIES, CITY OF ASHLAND, LOCAL EMS SERVICES, AMERICAN RED CROSS, SUSAN G KOMEN FOR THE CURE, CARES, COMMUNITY KITCHEN, SAFE HARBOR, 16 SCHOOL DISTRICTS AND NEARBY COLLEGES AND UNIVERSITIES, SHELTER OF HOPE, ASHLAND AREA YMCA, AREA SENIOR CITIZENS CENTERS AND MORE THAN 100 CHURCHES WE SEND OUR OUTREACH TEAMS OUT INTO THE COMMUNITY TO MEET PEOPLE ON THEIR TIME AND IN THE PLACES THAT ARE COMFORTABLE FOR THEM - SCHOOLS, MALLS, CHURCHES, LIBRARIES, WORKSITES, GROCERY STORES AND MORE SERVICES PROVIDED INCLUDE MORE THAN 50 SCREENING AND EDUCATIONAL EVENTS EACH MONTH, MOBILE HEALTH SERVICES, COORDINATION OF A REGIONAL CPR TRAINING CENTER AND A MEALS ON WHEELS PROGRAM PATIENTS WITH ABNORMAL RESULTS FROM OUR HEALTH SCREENINGS RECEIVE A FOLLOW-UP LETTER REMINDING THEM OF THE IMPORTANCE OF SHARING THE RESULTS WITH THEIR HEALTHCARE PROVIDER THE BOARD OF DIRECTORS IS MADE UP OF UNCOMPENSATED COMMUNITY MEMBERS WHO ARE VOLUNTARILY PROVIDING GUIDANCE TO THE HOSPITAL ANY SURPLUS FUNDS ARE REINVESTED IN THE CAPITAL AND OPERATIONS OF THE HOSPITAL

Form and Line Reference	Explanation
PART VI, LINE 6	KING'S DAUGHTERS MEDICAL CENTER IS PART OF AN AFFILIATED HEALTH CARE DELIVERY SYSTEM THE SYSTEM OPERATES ANOTHER HOSPITAL, KING'S DAUGHTERS MEDICAL CENTER OHIO ("KDOH") IN PORTSMOUTH, OH KDOH HAS BEEN SPECIFICALLY DESIGNED TO MEET THE HEALTHCARE NEEDS OF PORTSMOUTH AND ITS SURROUNDING AREAS KDOH OFFERS SERVICES RANGING FROM SURGERY, CARDIAC CARE AND URGENT CARE KDOH PROVIDES CHARITY CARE AND PARTICIPATES IN GOVERNMENT PROGRAMS THE SYSTEM PROVIDES PHYSICIAN SERVICES THROUGH TWO AFFILIATES, KENTUCKY HEART INSTITUTE AND KING'S DAUGHTERS MEDICAL SPECIALTIES, INC BOTH AFFILIATES PROVIDE CHARITY CARE AND PARTICIPATE IN GOVERNMENT PROGRAMS KING'S DAUGHTERS ALSO INCLUDES TWO OTHER AFFILIATES - KING'S DAUGHTERS MEDICAL TRANSPORT, WHICH SEEKS TO CONTINUOUSLY IMPROVE THE PRE- AND POST-HOSPITAL HEALTHCARE PROVIDED IN ALL OF ITS SERVICE AREAS WHILE ENSURING THAT EMERGENCY AND NON-EMERGENCY AMBULANCE SERVICE WILL BE AVAILABLE TO ALL THOSE IN NEED, AND KINGSBROOK NURSING HOME, WHICH PROVIDES QUALITY CARE TO PATIENTS, MEETING THE NEEDS AND DESIRES OF RESIDENTS AT VARIOUS LEVELS OF CARE, INCLUDING SHORT-TERM AND LONG-TERM CARE PART VI LINE 7 THE COMMUNITY BENEFIT REPORT IS NOT REPORTED WITH ANY STATE BUT IT IS AVAILABLE TO THE PUBLIC

Additional Data

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

990 Schedule H, Supplemental Information

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
ASHLAND HOSPITAL CORPORATION	
ASHLAND HOSPITAL CORPORATION	PART V, SECTION B, LINE 4 PORTSMOUTH HOSPITAL CORPORATION
ASHLAND HOSPITAL CORPORATION	PART V, SECTION B, LINE 7 SOME NEEDS IDENTIFIED BY KING'S DAUGHTERS' COMMUNITY HEALTH NEE DS ASSESSMENT ARE NOT ADDRESSED IN THIS PLAN THESE INCLUDE MENTAL HEALTH, SUBSTANCE ABUS E, ENVIRONMENTAL CONCERNS, LOW BIRTH WEIGHTS, UNEMPLOYMENT, POOR PARENTING, ETC THESE NEE DS EITHER A) ARE BEING ADDRESSED THROUGH OTHER AGENCIES/SERVICES, OR B) EXCEED THE SCOPE O F RESOURCES OR EXPERTISE FOR KING'S DAUGHTERS FEASIBLY TO ADDRESS
ASHLAND HOSPITAL CORPORATION	PART V, SECTION B, LINE 14G THE POLICY ITSELF WAS NOT POSTED, HOWEVER WE DO POST IN ALL R EGISTRATION AREAS THAT WE HAVE A FINANCIAL ASSISTANCE POLICY AVAILABLE, LIST SOME OF THE G UIDELINES AND THE PHONE NUMBERS TO CONTACT FOR AN APPLICATION WE ALSO POST THE APPLICATIO N ON OUR WEBSITE AND INFORMATION ABOUT THE POLICY
ASHLAND HOSPITAL CORPORATION	PART V, SECTION B, LINE 20D EVERY PATIENT IS CHARGED THE SAME AMOUNT REGARDLESS OF INSURA NCE COVERAGE PATIENT OUT-OF-POCKET BALANCES FOR THOSE PATIENTS WITHOUT INSURANCE COVERAGE ARE INITIALLY DISCOUNTED BY 50% THE REMAINING SELF-PAY BALANCE, AFTER INSURANCE PAYMENTS AND ADJUSTMENTS OR SELF-PAY DISCOUNT IS APPLIED, IS THEN ELIGIBLE FOR ADDITIONAL REDUCTIO N BASED ON A SLIDING SCALE WHICH CONSIDERS THE PATIENT'S/GUARANTOR'S GROSS ANNUAL HOUSEHOL D INCOME, HOUSEHOLD SIZE, AND THE AMOUNT OF DEBT OWED

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

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)
CENTER FOR ADVANCED IMAGING 2225 CENTRAL AVENUE ASHLAND,KY 41101	OUTPATIENT IMAGING CENTER
ASHLAND URGENT CARE 2245 WINCHESTER AVENUE ASHLAND,KY 41101	OUTPATIENT IMAGING CENTER
GRAYSON URGENT CARE I-64 INTERCHANGE GRAYSON,KY 41143	OUTPATIENT IMAGING CENTER
IRONTON URGENT CARE 912 PARK AVENUE IRONTON,OH 45638	OUTPATIENT IMAGING CENTER
OUTPATIENT SERVICES CENTER 480 23RD STREET ASHLAND,KY 41101	OUTPATIENT IMAGING CENTER
CATLETTSBURG FAMILY CARE CENTER 4004 LOUIS RD CATLETTSBURG,KY 41129	OUTPATIENT IMAGING CENTER
CEDAR KNOLL FAMILY CARE CENTERPEDIATRIC 10650 US ROUTE 60 ASHLAND,KY 41102	OUTPATIENT IMAGING CENTER
FLATWOODS FAMILY CARE 1107 BELLEFONTE RD FLATWOODS,KY 41139	OUTPATIENT IMAGING CENTER
GRAYSON MEDICAL SPECIALTIES 609 N CAROL MALONE BLVD GRAYSON,KY 41143	OUTPATIENT IMAGING CENTER
FLATWOODS MEDICAL SPECIALTIES 1109 BELLEFONTE RD FLATWOODS,KY 41139	OUTPATIENT IMAGING CENTER
OLIVE HILL FAMILY CARE CENTER 391 WEST TOM T HALL BOULEVARD OLIVE HILL,KY 41164	OUTPATIENT IMAGING CENTER
BURLINGTON FAMILY CARE CENTER 384 COUNTRY ROAD 120 SOUTH SOUTH POINT,OH 45680	OUTPATIENT IMAGING CENTER
IRONTON FAMILY CARE CENTER 912 PARK AVENUE IRONTON,OH 45638	OUTPATIENT IMAGING CENTER
JACKSON MEDICAL SPECIALTIES 14395 STATE ROUTE 93 JACKSON,OH 45640	OUTPATIENT IMAGING CENTER
PORTSMOUTH MEDICAL SPECIALTIES 2001 SCIOTO TRAIL PORTSMOUTH,OH 45662	OUTPATIENT IMAGING CENTER

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

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)
WHEELERSBURG FAMILY CARE 8750 OHIO RIVER ROAD WHEELERSBURG,OH 45694	OUTPATIENT IMAGING CENTER
SANDY HOOK FAMILY CARE CENTER STATE ROUTES 7 AND 32 SANDY HOOK,KY 41171	OUTPATIENT IMAGING CENTER
KDMC INPATIENT REHABILITATION 2201 LEXINGTON AVENUE ASHLAND,KY 41101	OUTPATIENT IMAGING CENTER
KDMC OCCUPATIONAL MEDICINE 2025 CARTER AVE ASHLAND,KY 41101	OUTPATIENT IMAGING CENTER
KDMC HOME HEALTH 399 DIEDERICH BLVD RUSSELL,KY 41169	OUTPATIENT IMAGING CENTER
KDMC HOME MEDICAL EQUIPMENT 1700 WINCHESTER AVE ASHLAND,KY 41101	OUTPATIENT IMAGING CENTER

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ **Attach to Form 990**

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

Part I General Information on Grants and Assistance

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

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

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

Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) PARAMOUNT ARTS CENTER 1300 WINCHESTER AVENUE ASHLAND, KY 41101	61-1181883	501(C)(3)	6,900				CONTRIBUTION TO SPRING FUNDRAISING GALA
(2) ASHLAND ALLIANCE 1730 WINCHESTER AVENUE ASHLAND, KY 41101	61-1347516	501(C)(6)	5,800				ECONOMIC DEVELOPMENT INVESTMENT AND AWARDS SPONSORSHIP

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

3 Enter total number of other organizations listed in the line 1 table . . . . ▶ 0

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. Part III can be duplicated if additional space is needed.

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

Part IV **Supplemental Information.** Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Return Reference	Explanation
PART I, LINE 2	KING'S DAUGHTERS MEDICAL CENTER MAKES GRANTS/CONTRIBUTIONS TO ORGANIZATIONS BASED ON THE NEED OF THE ORGANIZATION AND THE TYPE OF EVENT IT SUPPORTS MOST CONTRIBUTIONS ARE TO NON-PROFIT ORGANIZATIONS THAT FULFILL A NEED IN THE COMMUNITY, PROMOTE HEALTHY LIVING AND/OR ARE ECONOMIC-DEVELOPMENT BASED ALL REQUESTS MUST BE MADE IN WRITING TO KDMC OUTLINING WHAT IS NEEDED AND HOW IT WILL BE USED CONTRIBUTIONS ARE TRACKED AND DOCUMENTED

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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
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax idemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	**1b**		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?	**2**		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III			
	☑ Compensation committee	☐ Written employment contract		
	☑ Independent compensation consultant	☑ Compensation survey or study		
	☐ Form 990 of other organizations	☑ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**	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
PART I, LINE 4B	SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN PAYMENTS SHERYL MAHANEY - $53,091 PHILIP FIORET - $87,982 LARRY HIGGINS - $57,076 KRISTIE WHITLATCH - $51,727 SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN CONTRIBUTIONS/DEFERRALS SHERYL MAHANEY - $88,925 PHILIP FIORET - $146,664 LARRY HIGGINS - $110,745 KRISTIE WHITLATCH - $126,000 THE CEO AND VICE PRESIDENTS, WHOSE BENEFIT IN THE QUALIFIED TAX SHELTERED ANNUITY PLAN IS LIMITED DUE TO THE IRS COMPENSATION AND BENEFIT LIMITS, RECEIVE A BENEFIT RESTORATION CONTRIBUTION UNDER THE DEFERRED ANNUITY PLAN THAT IS PAID AS A TAXABLE DISTRIBUTION TO THE PARTICIPANT ANNUALLY
PART I, LINE 7	EMPLOYEES RECEIVED BONUSES BASED ON THE MEETING OF CERTAIN CUSTOMER SERVICE AND QUALITY MEASURES BY KDMC AS A WHOLE (SUCH AS A SPECIFIED LENGTH OF STAY, INPATIENT/OUTPATIENT SATISFACTION SCORES, AND OTHER QUALITY MEASURES) THE BONUS IS CALCULATED AS BASED ON A PERCENTAGE OF THE EMPLOYEE'S BASE ANNUAL COMPENSATION FOR EACH GOAL THAT IS MET AS DETERMINED BY THE BOARD OF DIRECTORS

Additional Data

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

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				
JACKSON FRED PRESIDENT/CEO (UNTIL DEC 2013)	(I) (II)	839,570 0	294,107 0	75,489 0	7,650 0	22,733 0	1,239,549 0	0 0
WHITLATCH KRISTIE PRESIDENT/CEO (AS OF DEC 2013)	(I) (II)	399,389 0	70,000 0	69,076 0	133,650 0	23,190 0	695,305 0	51,727 0
TREASURE JEFF TREASURER, VP/CFO (UNTIL FEB 2014)	(I) (II)	197,709 0	100,000 0	834 0	0 0	11,243 0	309,786 0	0 0
MCFANN AUTUMN TREASURER, VP/CFO (AS OF FEB 2014)	(I) (II)	151,051 0	9,399 0	54 0	4,932 0	22,452 0	187,888 0	0 0
MAHANEY SHERYL SECRETARY, VP/CHIEF LEGAL	(I) (II)	277,340 0	0 0	63,307 0	96,575 0	22,670 0	459,892 0	53,091 0
FIORET PHILIP MD VP/CMO	(I) (II)	539,936 0	0 0	126,153 0	154,314 0	23,708 0	844,111 0	87,982 0
HIGGINS LARRY VP/CAO	(I) (II)	320,109 0	0 0	80,906 0	118,395 0	17,377 0	536,787 0	57,076 0
BOYKIN MAYOLA MD PHYSICIAN	(I) (II)	768,616 0	0 0	60 0	7,650 0	23,498 0	799,824 0	0 0
FRALEY ERIK MD PHYSICIAN	(I) (II)	695,256 0	0 0	12 0	7,650 0	6,399 0	709,317 0	0 0
HOWARD-CLAUDIO CANDACE MD PHYSICIAN	(I) (II)	905,385 0	0 0	14 0	7,650 0	25,170 0	938,219 0	0 0
MOTIMAYA ASH MD PHYSICIAN	(I) (II)	852,338 0	0 0	32 0	7,650 0	23,554 0	883,574 0	0 0
POWELL STELLA MD PHYSICIAN	(I) (II)	768,055 0	0 0	21 0	7,650 0	21,604 0	797,330 0	0 0

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	KENTUCKY ECONOMIC DEVELOPMENT AUTHORITY (KEDFA)	61-0600439	491269CG9	09-24-2008	146,580,000	REFUND PRIOR BOND ISSUES		X		X		X
B	KENTUCKY ECONOMIC DEVELOPMENT AUTHORITY (KEDFA)	61-0600439	491269CY0	04-01-2010	75,000,000	HEALTHCARE FACILITIES, BUILDING AND EQUIPMENT		X		X		X
C	CITY OF ASHLAND KENTUCKY	61-6001775	044293AA6	04-01-2010	32,615,000	REFUND SERIES 1998 BONDS		X		X		X
D	CITY OF ASHLAND KENTUCKY	61-6001775	044293AM0	08-14-2014	125,085,000	REFUND PRIOR BOND ISSUES, PAY ISSUANCE COSTS		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	119,125,000	14,120,000	6,925,000	
2	Amount of bonds legally defeased				
3	Total proceeds of issue	145,708,338	73,888,959	33,986,558	125,085,000
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows				
7	Issuance costs from proceeds	1,423,351	1,170,837	507,546	1,588,800
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	12,574,982	65,039,141		
11	Other spent proceeds	131,710,005		33,479,012	123,496,200
12	Other unspent proceeds		7,678,981		
13	Year of substantial completion	2010	2010		2014

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X		X		X		X
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		X
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0 %		0 %		0 %		0 %	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 %		0 %		0 %		0 %	
6	Total of lines 4 and 5	0 %		0 %		0 %		0 %	
7	Does the bond issue meet the private security or payment test?		X		X		X		X
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		X
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?		X		X		X		X

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X		X		X
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X	X			X		X
b	Exception to rebate?		X		X	X		X	
c	No rebate due?	X			X		X		X
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?	X			X		X	X	
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X		X	X	
b	Name of provider								
c	Term of hedge							22 500000000000	
d	Was the hedge superintegrated?								X
e	Was the hedge terminated?								X

Part IV Arbitrage *(Continued)*

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

Part V Procedures To Undertake Corrective Action

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

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

Return Reference	Explanation
DATE REBATE COMPUTATION PERFORMED	ISSUER NAME KENTUCKY ECONOMIC DEVELOPMENT AUTHORITY (KEDFA) DATE THE REBATE COMPUTATION WAS PERFORMED 11/06/2013

Return Reference	Explanation
PART II, LINE 3, ISSUE A	SERIES 2008C BOND DISCOUNT $871,662 ALSO, THE BOND ISSUES LISTED ON SCHEDULE K, PART I, LINE A CONSISTED OF THREE SERIES SERIES 2008A, CUSIP 49126CG9, ISSUE PRICE 50,000,000 VARIABLE RATE ISSUE, SERIES 2008B, CUSIP 401269CH7, ISSUE PRICE 50,000,000, VARIABLE RATE ISSUE, SERIES 2008C, CUSIP 491269CJ3, ISSUE PRICE $46,580,000, FIXED RATE ISSUE

Return Reference	Explanation
PART II, LINE 3, ISSUE B	SERIES 2010A BOND DISCOUNT $1,318,161 05, OFFSET BY $207,120 INTEREST EARNED THROUGH SEPTEMBER 30, 2014

Return Reference	Explanation
PART II, LINE 3, ISSUE C	SERIES 2010B BOND PREMIUM $1,371,558 05

Return Reference	Explanation
PART III LINE 9, PART IV LINE 7, AND PART V	WRITTEN PROCEDURES TO MONITOR COMPLIANCE WITH BOND REQUIREMENTS HAVE BEEN DRAFTED BUT HAVE NOT BEEN FINALIZED AS OF 9/30/14

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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
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

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

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

1 (a) Name of disqualified person	(b) 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

Additional Data

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

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) ANNE SLOAN	SISTER IN LAW OF JOHN STEWART, BOARD DIRECTOR	51,059	EMPLOYEE PAYROLL COMPENSATION FOR ANNE SLOAN		No
(2) ASHLAND AREA YMCA	TOM BURNETTE & KIM MCCANN,BOARD DIRECTORS, ON BOARD OF ASHLAND AREA YMCA	293,128	TOM BURNETTE AND KIM MCCANN ARE ON THE ASHLAND AREA YMCA BOARD ASHLAND HOSPITAL CORPORATION PAID THE YMCA VIA PAYROLL DEDUCTIONS FOR DUES FOR EMPLOYEES		No
(3) ASHLAND OFFICE SUPPLY	TOM BURNETTE, BOARD DIRECTOR, IS THE OWNER OF ASHLAND OFFICE SUPPLY	928,011	TOM BURNETTE IS OWNER OF ASHLAND OFFICE SUPPLY THE HOSPITAL PURCHASES OFFICE SUPPLIES & EQUIPMENT FROM ASHLAND OFFICE SUPPLY		No
(4) FRESENIUS MEDICAL CARE	DON HAMMONDS IS MEDICAL DIRECTOR	1,044,524	FRESENIUS MEDICAL PROVIDES INPATIENT DIALYSIS TREATMENT FOR THE HOSPITAL		No
(5) VAN ART PROPERTIES	SON OF JOHN STEWART, BOARD DIRECTOR, IS THE OWNER OF VAN ART PROPERTIES	472,001	THE SON OF JOHN STEWART IS THE OWNER OF VAN ART PROPERTIES THE HOSPITAL RENTS OFFICE SPACE FROM VAN ART PROPERTIES		No
(6) VANANTWERP MONGE JONES EDWARDS & MCCANN	KIM MCCANN IS A PARTNER IN THE LAW FIRM	245,191	PAYMENTS FOR LEGAL SERVICES		No
(7) CINDY GILLUM	SISTER OF KRISTIE WHITLATCH, CEO	23,061	EMPLOYEE PAYROLL COMPENSATION FOR CINDY GILLUM		No
(8) BROOKE VASS	SISTER OF AUTUMN MCFANN, CFO	59,365	EMPLOYEE PAYROLL COMPENSATION FOR BROOKE VASS		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
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

Return Reference	Explanation
FORM 990, PART III, LINE 4A	COMMUNITY HEALTH NEEDS ASSESSMENT DURING FISCAL YEAR 2013, KDMC CONDUCTED A COMPREHENSIVE COMMUNITY HEALTH NEEDS ASSESSMENT THE ASSESSMENT WAS CONDUCTED FOR KDMC'S PRIMARY MARKET (BOYD, CARTER, GREENUP & LAWRENCE COUNTIES, KENTUCKY AND LAWRENCE AND SCIOTO, COUNTIES, OHIO) AND SECONDARY MARKET COUNTIES OF FLOYD AND JOHNSON WHERE KDMC HAS A SIGNIFICANT PRESENCE THE ASSESSMENT SHOWED - LEADING CAUSES OF DEATH (AGE ADJUSTED) ARE PRIMARILY FROM CHRONIC DISEASES INCLUDING HEART DISEASE, CANCER, COPD, AND DIABETES UNINTENTIONAL INJURY IS ALSO A SIGNIFICANT CAUSE OF DEATH THESE RATES ARE HIGHER IN THE PRIMARY AND SECONDARY MARKET COUNTIES, THAN THE NATION -RESIDENTS LIVE UNHEALTHY LIFESTYLES WITH 30% OF ADULTS SMOKING, 37% OBESE, AND 37% PHYSICALLY INACTIVE THESE RATES ARE ALL WELL ABOVE THE NATIONAL AVERAGE -THE SERVICE AREA HAS A HIGH NUMBER OF VULNERABLE POPULATIONS, WITH SIX OF SEVEN COUNTIES SHOWING A HIGH LOW-BIRTH WEIGHT RATE OF 10 5% (8 6% NATIONALLY), 17% OF THE POPULATION UNINSURED AND 32% OF CHILDREN LIVING IN POVERTY -ENVIRONMENTAL FACTORS OFTEN CONTRIBUTE TO THE HEALTH OF THE COMMUNITY IN THE AREA THERE ARE BARRIERS TO LIVING HEALTHY, INCLUDING LOW ACCESS TO RECREATIONAL FACILITIES, LIMITED ACCESS TO HEALTHY FOODS AND A HIGHER THAN AVERAGE NUMBER OF FAST FOOD RESTAURANTS COMMUNITY INPUT WAS SOUGHT THROUGH FOCUS GROUPS AND SURVEYS, WITH THE FOLLOWING FINDINGS -FOCUS GROUP PARTICIPANTS CITED AS BARRIERS TO GOOD HEALTH IN SCIOTO COUNTY THE FOLLOWING UNHEALTHY LIFESTYLES (POOR NUTRITION AND PHYSICAL INACTIVITY) OBESITY DRUGS AND CRIME RELATED TO DRUGS TRANSPORTATION -RESPONDENTS TO THE HEALTH SURVEY CITED THE FOLLOWING TOP ISSUES IN THE COUNTY SUBSTANCE ABUSE OBESITY CHRONIC DISEASES - CANCER, HEART DISEASE, AND DIABETES AN IMPLEMENTATION PLAN WAS DEVELOPED AND APPROVED BY THE BOARD OF DIRECTORS, AND IMPLEMENTATION BEGAN IN 2014 THE FOLLOWING COMMUNITY ACTIVITIES WERE PLANNED AND EXECUTED WHILE KEEPING IN MIND THE ASSESSMENTS TOP PRIORITIES

Return Reference	Explanation	
	FORM 990, PART III, LINE 4A	COMMUNITY BUILDING ACTIVITIES COLLABORATION WITH COMMUNITY DURING 2014, KDMC IN COLLABOR ATION WITH THE KENTUCKY HEART FOUNDATION, WORKED WITH THE 75-MEMBER HEALTHY KIDS, HEALTHY COMMUNITIES COALITION TO WORK ON REDUCING CHILDHOOD OBESITY THROUGH POLICY, SYSTEMS, AND E NVIRONMENTAL CHANGE. KDMC WORKED WITH MEMBERS OF THE COALITION ON IMPLEMENTATION OF INCREA SED PHYSICAL ACTIVITY AND IMPROVED NUTRITION AMONG RESIDENTS IN THE TRI-STATE AREA AN EMP LOYEE OF KDMC HAS CHAIRED THE COALITION FOR MORE THAN FOUR YEARS AS CHAIR, THIS EMPLOYEE SPENT A GREAT DEAL OF TIME IN 2014 COORDINATING AND OVERSEEING THE WORK OF THE ENTIRE GROU P THIS EMPLOYEE'S WORK INCLUDED ATTENDING ALL COALITION MEETINGS, HELPING TO SET MEETING AGENDAS, TAKING AND DISTRIBUTING MINUTES, COMMUNICATING WITH PARTNERS, ASSISTING WITH FIND ING AND WRITING GRANTS, PLUS MORE. COALITION ACCOMPLISHMENTS INCLUDE THE FOLLOWING 1 HELD FOUR (4) HEALTHY KIDS, HEALTHY COMMUNITIES COALITION MEETINGS, 2 ATTENDED MEETINGS FOR TH E GREENUP COUNTY HEALTH DEPARTMENT'S MOBILIZING FOR ACTION THROUGH PLANNING AND PARTNERSHI PS (MAPP) PROCESS, 3 ASSISTED THE GREENUP COUNTY HEALTH DEPARTMENT WITH THEIR WALKABILITY ASSESSMENT OF THE CITY OF RACELAND, 4 PARTICIPATED IN NATIONAL WALK TO SCHOOL DAY WITH ASH LAND INDEPENDENT SCHOOLS, 5 ATTENDED HEALTHY CHOICES KY COALITION MEETINGS, 6 BEGAN DISCUS SIONS OF POTENTIAL MERGER WITH HEALTHY CHOICES KY AS MANY GRANT PROGRAMS ENDED IN 2013, T HE COALITION USED 2014 TO PLAN THE FUTURE AND DISCUSS A POTENTIAL MERGER WITH ANOTHER LOCA L COALITION OVER THE PAST SEVERAL YEARS, BOYD AND GREENUP COUNTIES HAD TWO SEPARATE COALI TIONS, ONE LED BY THE KENTUCKY HEART FOUNDATION AND THE OTHER BY OUR LADY OF BELLEFONTE HO SPITAL RECOGNIZING THE POWER OF PARTNERSHIPS, THE COALITION DECIDED TO JOIN EFFORTS AND M AXIMIZE RESOURCES THE NEW COALITION, HEALTHY CHOICES, HEALTHY COMMUNITIES (HCHC), COMBINE S THE EFFORTS OF BOTH COALITIONS MOVING FORWARD AS ONE ENTITY IN 2015, HEALTHY CHOICES, H EALTHY COMMUNITIES WILL SEEK TO CREATE A HEALTHIER PLACE TO LIVE, LEARN, WORK, AND PLAY BY EMBRACING A NEW WAY OF THINKING SO THAT HEALTHY CHOICES BECOME EASIER CHOICES FOR RESIDEN TS COALITION PARTNERS INCLUDE GOVERNMENT AGENCIES, COUNTY EXTENSION OFFICES, SCHOOLS, HEA LTH DEPARTMENTS, HOSPITALS, COLLEGES, AND OTHER LIKE-MINDED ORGANIZATIONS KDMC ALSO PARTN ERS WITH AREA RETAILERS, FACTORIES AND CHEMICAL PLANTS, CITY OF ASHLAND, LOCAL EMS SERVICE S, AMERICAN RED CROSS, AMERICAN HEART ASSOCIATION, SUSAN G KOMEN FOR THE CURE, CARES (LOC AL REFERRAL AGENCY), COMMUNITY KITCHEN, SAFE HARBOR, 16 SCHOOL DISTRICTS AND NEARBY COLLEG ES AND UNIVERSITIES, SHELTER OF HOPE, ASHLAND AREA YMCA, KENTUCKY STATE POLICE, OHIO HIGHW AY PATROL, AREA SENIOR CENTERS, AND MORE THAN 100 CHURCHES TO DELIVER HEALTH SERVICES AND EDUCATION TO RESIDENTS KDMC'S COMMUNITY HEALTH TEAM GOES OUT INTO THE COMMUNITY TO MEET P EOPLE ON THEIR TIME AND IN THE PLACES THAT ARE COMFORTABLE FOR THEM - SCHOOLS, MALLS, LIBR ARIES, WORKSITES, GROCERY STORES, AND MORE. KDMC SUPPORTS THE HEALTH OF THE COMMUNITY BY P ROVIDING FREE AND REDUCED COST SERVICES, INCLUDING HEALTH SCREENINGS AND HEALTH EDUCATION THESE SERVICES HELP INDIVIDUALS IDENTIFY THEIR PERSONAL HEALTH RISKS AND LEARN HOW TO IMP ROVE THEIR HEALTH THROUGH LIFESTYLE CHANGE OR WHEN NEEDED MEDICAL INTERVENTION DURING FIS CAL YEAR 2014, KDMC PROVIDED THE FOLLOWING HEALTH SCREENINGS -CARPAL TUNNEL - 75 ADULTS SERVED -ABI - 59 ADULTS SERVED -BMI - 14 ADULTS SERVED -DERMA SCAN - 86 ADULTS SERVED -GEN ERAL HEALTH (TOTAL CHOLESTEROL, BLOOD PRESSURE, AND BLOOD SUGAR) - 4,068 ADULTS SERVED -HE ALTHY HEART - (TOTAL CHOLESTEROL, BLOOD PRESSURE, BLOOD SUGAR & EKG) - 6,638 ADULTS SERVED -HEARING - 22 ADULTS SERVED -HEIGHTS AND WEIGHTS - 108 ADULTS SERVED -JOINT PAIN - 57 ADU LTS SERVED -LOW-DOSE CT - 4 ADULTS SERVED -LUNG FUNCTION - 89 ADULTS SERVED -MOBILE MAMMOG RAPHY - 988 WOMEN SERVED -OSTEOPOROSIS - 61 ADULTS SERVED -PROSTATE CANCER - 28 MEN SERVED -SLEEP APNEA - 6 ADULTS SERVED -SPORTS PHYSICALS - 101 ADULTS SERVED, 799 CHILDREN/YOUTH SERVED -SKIN CANCER - 205 ADULTS SERVED -VARICOSE VEIN - 79 ADULTS SERVED PATIENTS WITH AB NORMAL RESULTS FROM OUR HEALTH SCREENINGS RECEIVE A FOLLOW-UP LETTER REMINDING THEM OF THE IMPORTANCE OF SHARING THE RESULTS WITH THEIR HEALTHCARE PROVIDER IDENTIFYING THOSE AT RI SK FOR HEART AND VASCULAR DISEASE, EDUCATING THE PUBLIC ABOUT HEART ATTACK AND STROKE SIGN S AND SYMPTOMS, AND REDUCING TOBACCO USE THROUGHOUT THE REGION ARE AREAS OF FOCUS OUR REG ION HAS A HIGH INCIDENCE OF UNDIAGNOSED OR UNTREATED HEART AND VASCULAR DISEASE. HEALTH ED UCATION - BREAST CANCER - 2,314 ADULTS, 189 CHILDREN/YOUTH SERVED -CHF (HEART FAILURE) - 19 8 ADULTS - COLON CANCER - 693 ADULTS, 925 CHILDREN/YOUTH SERVED -DENTAL - 1,100 ADULTS, 410 CHILDREN/YOUTH SERVED -DIABETES - 2,209 ADULTS, 128 CHILDREN/YOUTH SERVED -EXERCISE - 183 ADULTS, 652 CHILDREN/YOUTH SERVED -FIRST AID - 16 ADULTS, 18 CHILDREN/YOUTH SERVED -HAND WASHING - 1,330 ADULTS, 341 CHILDREN/YOUTH SERVED

Return Reference	Explanation	
	FORM 990, PART III, LINE 4A	-HEALTH - 3,739 ADULTS, 842 CHILDREN/YOUTH SERVED -HEART - 3,511 ADULTS, 424 CHILDREN/YOUTH SERVED -IMMUNIZATION - 1,080 ADULTS, 400 CHILDREN/YOUTH SERVED -LUNG CANCER - 99 ADULTS - NUTRITION - 2,646 ADULTS, 5,309 CHILDREN/YOUTH SERVED -POISON PREVENTION - 255 ADULTS, 58 CHILDREN/YOUTH SERVED -PROSTATE CANCER - 432 ADULTS, 30 CHILDREN/YOUTH SERVED -SAFETY, OTHER - 3,197 ADULTS, 390 CHILDREN/YOUTH SERVED -SCHOOL BUS SAFETY - 1,166 ADULTS, 517 CHILDREN/YOUTH SERVED -SKIN CANCER - 1,018 ADULTS, 19 CHILDREN/YOUTH SERVED -STROKE - 2,268 ADULTS, 103 CHILDREN/YOUTH SERVED -SUMMER SAFETY - 1,253 ADULTS, 148 CHILDREN/YOUTH SERVED -TOBACCO - 1,549 ADULTS, 8,687 CHILDREN/YOUTH SERVED -WHEEL OF HEALTH - 7 ADULTS, 26 CHILDREN/YOUTH SERVED -ALL OTHERS - 525 ADULTS, 346 CHILDREN/YOUTH SERVED THIS INCLUDES BICYCLE SAFETY, BONE HEALTH, BREASTFEEDING, FIRE SAFETY, FLU, STUFFEE, AND VEHICLE SAFETY

Return Reference	Explanation	
	FORM 990, PART III, LINE 4A	OTHER SERVICES FLU SHOTS DURING THE FISCAL YEAR, KDMC PROVIDED 1,305 FREE FLU SHOTS THRO UGHOUT THE COMMUNITY FLU SHOTS ARE DELIVERED THROUGH A VARIETY OF SETTINGS AND IN MULTIPL E COUNTIES SERVED BY THE MEDICAL CENTER CARDON OUTREACH IN 2014, KDMC PARTNERED WITH CAR DON OUTREACH TO HELP ENSURE THAT PATIENTS WHO ARE ELIGIBLE FOR HEALTH COVERAGE UNDER MEDIC AID OR THE AFFORDABLE CARE ACT GET PROPERLY ENROLLED ENROLLMENT FOR MEDICAID AND OTHER ME DICAL ASSISTANCE PROGRAMS IS AVAILABLE THROUGH KINGS DAUGHTERS AT NO COST MEALS ON WHEELS THE KDMC MEALS ON WHEELS PROGRAM IS A COLLABORATIVE EFFORT BETWEEN THE MEDICAL CENTER, A SHLAND COMMUNITY KITCHEN AND CARES KDMC PROVIDES COORDINATION FOR THE PROGRAM WHICH SERVE S RESIDENTS WITHIN THE CITY OF ASHLAND IN ADDITION TO A COORDINATOR, KDMC SUPPORTS THE PR OGRAM BY SUPPLEMENTING THE AMOUNT PAID BY THE CLIENTS IN ORDER TO PROVIDE HEALTHY NUTRITIO US MEALS KDMC TEAM MEMBERS, LOCAL CHURCHES, AND COMMUNITY RESIDENTS VOLUNTEER TO DELIVER THE MEALS TO 50 RECIPIENTS EACH DAY, MANY OF WHOM ARE ELDERLY AND CONFINED TO THEIR HOMES DELIVERIES INCLUDE A HOT MEAL, COLD MEAL, BREAKFAST, SNACK, AND TWO MILKS KDMCS MEALS-ON -WHEELS PROGRAM IS MUCH MORE THAN A FOOD DELIVERY SERVICE VISITING WITH RECIPIENTS DURING MEAL DELIVERY IS AN OPPORTUNITY TO CARE FOR THEM IN OTHER WAYS VOLUNTEERS OFTEN SHOVEL S NOW, TAKE OUT TRASH, OR GET THE MAIL FOR THE RECIPIENT IN 2014, THERE WERE A TOTAL OF 3,0 38 VOLUNTEERED HOURS BY BOTH KDMC TEAM MEMBERS AND COMMUNITY MEMBERS AND 7,520 MEALS WERE SERVED TO APPROXIMATELY 610 PEOPLE PINK LADIES DAY KDMC, THROUGH FUNDING FROM SUSAN G K OMEN LEXINGTON, PROVIDED BREAST CANCER EDUCATION, FREE SCREENING MAMMOGRAMS, AND FOLLOW-UP TESTING FOR WOMEN AGE 40-64 YEARS OLD THAT WERE UNDERINSURED OR UNINSURED IN EIGHT COUNTI ES IN KENTUCKY APPROXIMATELY 60 WOMEN WERE PROVIDED WITH FREE SCREENING MAMMOGRAMS AND MO RE THAN 50 WERE PROVIDED WITH FINANCIAL ASSISTANCE FOR DIAGNOSTIC TESTING, ULTRASOUND AND BIOPSIES SUPPORT GROUPS KDMC PROVIDED A VARIETY OF SUPPORT GROUPS IN 2014 THAT WERE FREE TO ALL INTERESTED COMMUNITY MEMBERS SUPPORT GROUPS OFFERED WERE ADULT DIABETES, YOUTH DI ABETES, SURGICAL WEIGHT LOSS, BREAST CANCER, AND PREGNANCY AND INFANT LOSS TEAM MEMBERS V OLUNTEERED 54 5 HOURS AND SERVED 147 ADULTS AND 18 CHILDREN FAITHWORKS FAITHWORKS IS A H EALTH MINISTRY PROGRAM THAT WAS OFFERED TO MORE THAN 100 CHURCHES IN 2014 AS PART OF KDMC' S COMMITMENT TO THE FAITH COMMUNITY THE GOAL IS TO PROMOTE WELLNESS BY ENABLING CHURCHES TO ENCOURAGE AND EMPOWER PEOPLE TO TAKE BETTER CARE OF THEMSELVES EDUCATION AND SCREENING MATERIALS ARE PROVIDED FREE OF CHARGE TO OVER 100 PARTICIPATING CHURCHES GO RED FOR GIRL SCOUTS GO RED FOR GIRL SCOUTS IS A PROGRAM THAT TOOK PLACE IN FEBRUARY 2014 IN HONOR OF AMERICAN HEART MONTH FUNDED BY KING'S DAUGHTERS, GIRLS HAD THE OPPORTUNITY TO EXPLORE EXE RCISE TECHNIQUES SUCH AS ZUMBA, SAVOR EXOTIC FRUITS SUCH AS PASSION FRUIT AND STAR FRUIT, AND LEARN HOW EVERY DAY ACTIVITIES SUCH AS BRUSHING THEIR TEETH CAN HELP THEIR HEARTS KING 'S DAUGHTERS, ITS COMMUNITY RELATIONS TEAM, AND THE GIRL SCOUTS ALL AIM TO TEACH GIRLS HEA LTHY CHOICES AT AN EARLIER AGE. GIRLS WHO PARTICIPATED IN THE PROGRAM RECEIVED MATERIALS T O SHARE WHAT THEY HAD LEARNED WITH THEIR FAMILIES CANCER REGISTRIES KDMC ENTERED CANCER DATA FOR 2014 INTO THE CANCER PATIENT DATA MANAGEMENT SYSTEM FOR BENEFIT OF THE KENTUCKY S TATE CANCER REGISTRY THE REGISTRY TRACKS PATIENT DEMOGRAPHICS, TYPE OF TUMOR FOUND, TREAT MENT FOR CANCER DIAGNOSIS PLUS MORE AND FOLLOWS PATIENTS UNTIL DEATH OVER THE YEARS, THIS PROCESS HAS HELPED IN PREPARING HUNDREDS OF CANCER RESEARCH PROJECTS AND PROPOSALS IN AD DITION, IT HAS ALSO HELPED SUB-GEOGRAPHIC AREAS OF THE STATE TO IDENTIFY CANCER CONTROL IS SUES THAT COULD NOT HAVE BEEN SEEN WITHOUT A POPULATION-BASED CANCER REGISTRY AND TO TARGE T THEIR LIMITED RESOURCES THE PROCESS HAS RESULTED IN THE IMPLEMENTATION OF MANY CANCER C ONTROL INTERVENTIONS LIFELINE SCREENING DEVICES KING'S DAUGHTERS OFFERS PHILLIP'S LIFELI NE MEDICAL ALERT SYSTEM AT A NOMINAL COST TO COMMUNITY MEMBERS THAT LIVE ALONE AND ARE AT HIGH RISK FOR FALLS OR MEDICAL EMERGENCIES THIS DEVICE IS ACCESSIBLE TO COMMUNITY RESIDEN TS WITHIN THE LOCAL DIALING AREA IN 2014, KDMC HAD 3,636 PARTICIPANTS MEGA HEART XL KDM C BROUGHT MEGA HEART XL, A SCIENTIFICALLY ACCURATE 25-FOOT INFLATABLE REPLICA OF THE HUMAN HEART, TO THE ASHLAND TOWN CENTER MALL IN 2014 THE MEGA HEART PROVIDED VISITORS OF THE M ALL WITH A HIGHLY INTERACTIVE, EDUCATIONAL EXPERIENCE FEATURING THE HEART'S MOST CRITICAL COMPONENTS, NORMAL HEART FUNCTIONS, AND EXAMPLES OF HEART TRAUMA AND DISEASE. CANCER SURVI VOR'S DAY KDMC HOSTED A CANCER SURVIVOR'S DAY CELEBRATION IN FY2014 FOR APPROXIMATELY 275 CANCER SURVIVORS SURVIVORS RECEIVED A MEAL PLUS AN ABUNDANCE OF CANCER EDUCATION FREE OF COST PARTICIPANTS RECEIVED A PAMPHLET ON RECOMMENDED EXAMS FOR MEN AND WOMEN AND APPROPR IATE AGES FOR THOSE EXAMS IN ADDITION, EDUCATION

Return Reference	Explanation	
	FORM 990, PART III, LINE 4A	ON MAMMOGRAMS, BREAST CANCER, SKIN CANCER, LUNG CANCER, PROSTATE CANCER, AND COLON CANCER WERE ALSO PROVIDED PARTICIPANTS ALSO HAD THE OPPORTUNITY TO SPEAK WITH SEVERAL ONCOLOGY N URSES DURING THE CELEBRATION CANCER SURVIVOR'S DAY IS OPEN TO ALL CANCER SURVIVORS, NOT J UST THOSE FROM KDMC ADDITIONAL INFORMATION THAT SHOWS HOW MUCH KDMC AND ITS TEAM MEMBERS CARE ABOUT THE COMMUNITY HOSPITALITY HOUSE FAMILIES THAT LIVE OUTSIDE OUR COMMUNITY WITH LIMITED RESOURCES (FINANCIAL, TRANSPORTATION, FAMILY SUPPORT) WHO HAVE A LOVED ONE IN CRI TICAL CARE ARE REFERRED BY KDMC SOCIAL WORKERS TO THE KDMC HOSPITALITY HOUSE GUESTS OF TH E HOSPITALITY HOUSE INCLUDE ADULT FAMILY MEMBERS OR CAREGIVERS OF EITHER CRITICALLY ILL PA TIENTS RECEIVING CARE AT KDMC, OR QUALIFY ING OUTPATIENTS RECEIVING EXTENDED THERAPEUTIC CA RE IN NEARLY ALL CASES, GUESTS LIVE OUTSIDE A 30-MILE RADIUS OF ASHLAND THE HOUSE DOES N OT CHARGE FAMILIES TO STAY, HOWEVER A NUMBER OF THE GUESTS MAKE A VOLUNTARY CONTRIBUTION THERE IS ALSO A VARIETY OF FREE FOOD AND SNACKS AVAILABLE TO FAMILIES STAY ING AT THE HOUSE MORE THAN 929 FAMILY MEMBERS WERE SERVED BY THE HOSPITALITY HOUSE DURING THE YEAR IF FA MILIES DON'T QUALIFY FOR THE HOSPITALITY HOUSE, KDMC WORKS WITH SOCIAL SERVICES TO PURCHAS E A HOTEL ROOM FOR QUALIFY ING FAMILIES AT NO COST TO THE FAMILIES FAMILIES IN NEED KDMC SEES MANY FAMILIES THAT CAN'T AFFORD FOOD WHILE STAY ING WITH THEIR LOVED ONE IN THE HOSPIT AL IN RESPONSE, KDMC WORKS WITH SOCIAL WORKERS TO PROVIDE MEAL TICKETS, FREE OF CHARGE, T O THOSE FAMILIES IN NEED IN ADDITION, KDMC WILL ALSO PROVIDE PERSONAL HY GIENE ITEMS, IF N EEDED, AND GAS CARDS TO FAMILIES IF THEIR LOVED ONE IS TRANSFERRED TO ANOTHER FACILITY IN 2014, KDMC SPENT APPROXIMATELY $10,000 TO PROVIDE FOR FAMILIES IN NEED SPIRITUAL SERVICE S THE PASTORAL CARE SERVICE DEPARTMENT EMPLOY S TWO FULL-TIME CHAPLAINS TO PROVIDE SPIRITU AL AND EMOTIONAL SUPPORT FOR OUR PATIENTS, THEIR FAMILIES AND FRIENDS, AND FOR THE STAFF O F KING'S DAUGHTERS MEDICAL CENTER ONE-ON-ONE COUNSELING AS WELL AS GROUP COUNSELING, WHIC H INCLUDES GRIEF SUPPORT AND PALLIATIVE CARE FOR END-OF-LIFE PATIENTS AND THEIR FAMILIES, ARE OFFERED BY THE DEPARTMENT RESEARCH KDMC THROUGH ITS ONCOLOGY SERVICES AND THE KENTUC KY HEART FOUNDATION OFFER CUTTING EDGE RESEARCH OPPORTUNITIES TO PATIENTS AT KDMC MORE TH AN 500 PATIENTS PARTICIPATE IN RESEARCH STUDIES OFFERED AT KDMC NORTHEAST KENTUCKY CARE C ENTER KDMC TEAM MEMBERS PROVIDED 123 VOLUNTEER HOURS FOR THE NORTHEAST KENTUCKY CARE CENT ER, A LOCAL NOT-FOR-PROFIT FREE CLINIC FOR THE UNINSURED A TOTAL OF 139 PEOPLE WERE SEEN AT THIS CLINIC IN 2014 MY CHART KDMC PROVIDES A FREE TOOL TO PATIENTS TO HELP THEM MANAG E THEIR OWN HEALTH MY CHART GIVES PATIENTS PERSONALIZED ACCESS TO PARTS OF THEIR MEDICAL RECORD PATIENTS CAN VIEW THEIR HEALTH SUMMARY, TRACK HEALTH OVER TIME, AND SCHEDULE APPOI NTMENTS AS NEEDED CONTINUING NURSING EDUCATION KING'S DAUGHTERS PROVIDES CONTINUING NURS ING EDUCATION TO NURSES INSIDE AND OUTSIDE OF KDMC SELECT CONFERENCES AND OTHER LEARNING OPPORTUNITIES ARE AVAILABLE TO THE PUBLIC FREE OF CHARGE BLOOD DRIVES KDMC PARTNERED WIT H THE AMERICAN RED CROSS TO HOST MONTHLY BLOOD DRIVES A TOTAL OF 110 75 HOURS WERE VOLUNT EERED BY KDMC TEAM MEMBERS TO WORK THE DRIVES A TOTAL OF 298 COMMUNITY MEMBERS AND TEAM M EMBERS DONATED BLOOD KDMC ALSO PROVIDED SNACKS FOR EACH DRIVE HOPE'S PLACE CHOCOLATE EXT RAVAGANZA EACH YEAR KDMC TEAM MEMBERS CREATE AND DONATE BASKETS FOR AUCTION TO RAISE MONE Y FOR HOPE'S PLACE CHILDREN ADVOCACY CENTER KDMC TEAM MEMBERS DONATED MORE THAN 60 BASKET S IN 2014

Return Reference	Explanation
FORM 990, PART III, LINE 4A	BUILD-A-BED KDMC TEAM MEMBERS MADE GENEROUS DONATIONS OF BLANKETS, COMFORTERS, PILLOWS, BOOKS, HYGIENE ITEMS, AND STUFFED ANIMALS FOR BUILD-A-BED MOREHEAD, AN AGENCY THAT MAKES A DIFFERENCE IN CHILDREN'S LIVES MANY KENTUCKY CHILDREN GO TO BED EACH NIGHT IN MAKESHIFT CIRCUMSTANCES - SLEEPING ON THE FLOOR, COUCH, WITH PARENTS, OR SIBLINGS BACKPACK PROGRAM KDMC TEAM MEMBERS MADE BACKPACKS FOR 140 ELEMENTARY AGED CHILDREN TO ENSURE STUDENTS START THE YEAR WITH THE NECESSARY SCHOOL SUPPLIES AND AT LEAST ONE NEW OUTFIT ADOPT-A-FAMILY KDMC TEAM MEMBERS ADOPTED 200 FAMILIES AT CHRISTMAS TIME. THEY PROVIDED GIFTS AND FOOD TO THOSE IN NEED RIVER CITIES HARVEST KDMC TEAM MEMBERS DONATED MORE THAN 14,000 POUNDS OF FOOD TO RIVER CITIES HARVEST IN 2014 JOE STEVENS COAT DRIVE ON A COLD DAY, EMERGENCY DEPARTMENT NURSE JOE STEVENS GAVE HIS OWN COAT TO A PATIENT WHO DIDN'T HAVE ONE. IT WAS A SIMPLE ACT OF KINDNESS, BUT NOT OUT OF CHARACTER FOR JOE, WHO COULD ALWAYS BE COUNTED ON TO PRACTICE RANDOM ACTS OF KINDNESS IN 2012, JOE PASSED AWAY AFTER A LONG BATTLE WITH CANCER INSPIRED BY JOE'S GIVING SPIRIT, HIS FRIENDS AND CO-WORKERS DETERMINED TO HONOR HIS LIFE THROUGH AN ANNUAL COAT DRIVE TO BENEFIT THE HOMELESS AND THOSE IN NEED IN 2014, THE KDMC TEAM DONATED OVER 1,000 COATS, HATS, AND GLOVES TO LOCAL ORGANIZATIONS THAT DISTRIBUTE CLOTHES TO THE NEEDY HABITAT FOR HUMANITY IN THE WINTER OF 2014, KING'S DAUGHTERS DONATED TWO TRUCKLOADS OF USED OFFICE FURNITURE TO THE HUNTINGTON, WEST VIRGINIA AREA HABITAT FOR HUMANITY RESTORE. RESTORE PROCEEDS FUND HABITAT FOR HUMANITY PROJECTS IN THE AREA IN ADDITION TO RESTORE, KING'S DAUGHTERS DONATED ITEMS TO MANY OTHER COMMUNITY ORGANIZATIONS AND SCHOOLS AFFILIATED HEALTH CARE SYSTEM ROLES KDMC IS PART OF AN AFFILIATED HEALTH CARE DELIVERY SYSTEM. THE SYSTEM ALSO PROVIDES PHYSICIAN SERVICES THROUGH KING'S DAUGHTERS MEDICAL SPECIALTIES (KDMS). BOTH KDMC AND KDMS PROVIDE CHARITY CARE AND PARTICIPATE IN GOVERNMENT PROGRAMS

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

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 6	KING'S DAUGHTERS HEALTH SYSTEM IS THE SOLE CORPORATE MEMBER OF ASHLAND HOSPITAL CORPORATION

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7A	AS THE PARENT ORGANIZATION OF THE HEALTH CARE SYSTEM, KDHS HAS CERTAIN GOVERNANCE RIGHTS WITH RESPECT TO AHC THOSE RIGHTS INCLUDE ELECTING OR REMOVING AHC'S DIRECTORS AND OFFICERS

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 7B	AS THE PARENT ORGANIZATION OF THE HEALTH CARE SYSTEM, KDHS HAS CERTAIN GOVERNANCE RIGHTS WITH RESPECT TO AHC THOSE RIGHTS REQUIRE CERTAIN SIGNIFICANT AHC ACTIONS TO NOW ALSO BE APPROVED BY KDHS, INCLUDING, AMONG OTHERS, A CHANGE OF MEMBERSHIP OR SALE OF AHC, ELECTING OR REMOVING AHC'S DIRECTORS AND OFFICERS, AMENDING AHC'S ARTICLES AND BYLAWS, OR ANY BANKRUPTCY, LIQUIDATION OR DISSOLUTION OF AHC, INCLUDING THE TAX-EXEMPT ORGANIZATION TO WHOM AHC'S ASSETS ARE DISTRIBUTED UPON ITS DISSOLUTION KDHS' BOARD OF TRUSTEES MAY IDENTIFY ADDITIONAL AHC ACTIONS THAT MUST BE APPROVED BY KDHS IN ADDITION TO THOSE SPECIFICALLY LISTED IN AHC'S ARTICLES AND BYLAWS

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

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

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 15	AT THE DIRECTION OF THE HUMAN RESOURCES & COMPENSATION COMMITTEE OF THE BOARD, KDMC ENGAGES AON HEWITT, A LEADING INDEPENDENT GLOBAL HUMAN CAPITAL AND COMPENSATION CONSULTING COMPANY TO ASSIST IN DETERMINING COMPENSATION OF THE CEO AND VICE PRESIDENTS THIS IS AN ANNUAL PROCESS AND AON HEWITT'S MOST RECENT EXECUTIVE COMPENSATION REVIEW WAS PERFORMED IN 2014 AON HEWITT IS NOT ENGAGED IN ANY OTHER WORK WITH KDMC THE PRINCIPLE OBJECTIVE OF THIS STUDY WAS TO ASSEMBLE A DETAILED PROFILE OF THE CURRENT COMPENSATION LEVELS AVAILABLE TO EXECUTIVES MANAGING SIMILAR TASKS AND RESPONSIBILITIES AS MEMBERS OF THE KDHS EXECUTIVE TEAM MOREOVER, THE OBJECTIVE WAS TO COMPILE MARKET DATA FOR EACH POSITION THAT WAS REFLECTIVE OF THE PAY LEVELS OFFERED BY INDEPENDENT, NOT-FOR-PROFIT HEALTH CARE ORGANIZATIONS OF COMPARABLE SIZE (I E., $470 MILLION IN ANNUAL REVENUE) WITH OPERATIONS IN THE UNITED STATES THE AON HEWITT DATA COUPLED WITH THE PERFORMANCE OF THE ORGANIZATION AS WELL AS THE PERSONAL PERFORMANCE OF EACH EXECUTIVE IS THE BASIS FOR KDHS'S HUMAN RESOURCE & COMPENSATION COMMITTEE'S REVIEW AND RECOMMENDATIONS, AND THE BOARD'S REVIEW AND APPROVAL OF ANNUAL COMPENSATION INCREASES THE PROCESS INCLUDES A REVIEW AND APPROVAL BY INDEPENDENT PERSONS, COMPARABILITY DATA AND CONTEMPORANEOUS SUBSTANTIATION OF THE DELIBERATION AND DECISION THIS PROCESS WAS USED TO DETERMINE COMPENSATION FOR THE FOLLOWING POSITIONS PRESIDENT/CEO VP, CHIEF ADMINISTRATIVE OFFICER VP, CHIEF COMPLIANCE OFFICER VP, CHIEF FINANCIAL OFFICER VP, CHIEF LEGAL & REGULATORY OFFICER/GENERAL COUNSEL VP, CHIEF MEDICAL OFFICER VP, CHIEF STRATEGY/INFORMATION SERVICES & TECHNOLOGY OFFICER VP, EXECUTIVE DIRECTOR KING'S DAUGHTERS INTEGRATED PHYSICIANS VP, FACILITIES VP, PATIENT SERVICES/CHIEF NURSING OFFICER

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

Return Reference	Explanation
FORM 990, PART XI, LINE 9	CHANGE IN MARKET VALUE INTEREST RATE SWAP -2,846,352 CHANGE IN MARKET VALUE SELF INSURANCE FUNDS -78 PENSION LIABILITY ADJUSTMENT -3,421,235 WRITE OFF OF DUE FROM AFFILIATE -59,665,826 ADJUSTMENT FOR ACCUMULATED LOSS ON SWAP 79,556

Return Reference	Explanation
FORM 990, PART XI, LINE 9, CHANGES IN NET ASSETS	KENTUCKY HEART INSTITUTE (KHI), A RELATED ENTITY OF KDMC, CEASED OPERATIONS ON MARCH 31, 2014 AND SUBSTANTIALLY ALL ASSETS WERE TRANSFERRED TO KING'S DAUGHTERS MEDICAL SPECIALTIES, A RELATED ENTITY OF BOTH KHI AND KDMC AS A RESULT, ALL KHI AFFILIATED BALANCES WERE WRITTEN OFF THROUGH THE FUND BALANCE OF KDMC

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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
ASHLAND HOSPITAL CORPORATION

Employer identification number
61-0444716

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

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

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) 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	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) ASHLAND MEDICAL PROPERTIES INC 2201 LEXINGTON AVENUE ASHLAND, KY 41101 61-1079090	RENTALS	KY	ASHLAND HOSPITAL CORPORATION	C		50,661	100 000 %	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	Yes	
b Gift, grant, or capital contribution to related organization(s)	1b	Yes	
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		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j		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	Yes	
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	Yes	
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	Yes	
s Other transfer of cash or property from related organization(s)	1s	Yes	

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

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

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

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

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

Part VII Supplemental Information

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

Return Reference	Explanation

Additional Data

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) ASHLAND NURSING HOME CORP 2500 STATE ROUTE 5 ASHLAND, KY 41102 61-1386016	NURSING HOME	KY	501(C)(3)	9	ASHLAND HOSPITAL CORPORATION	Yes	
(1) CHILD DEVELOPMENT CENTER CORP 2201 LEXINGTON AVENUE ASHLAND, KY 41101 01-0560598	CHILD CARE	KY	501(C)(3)	9	ASHLAND HOSPITAL CORPORATION	Yes	
(2) KENTUCKY HEART INSTITUTE 2201 LEXINGTON AVENUE ASHLAND, KY 41101 61-1255904	PHYSICIANS	KY	501(C)(3)	9	ASHLAND HOSPITAL CORPORATION	Yes	
(3) KENTUCKY HEART FOUNDATION 2201 LEXINGTON AVENUE ASHLAND, KY 41101 26-0791997	MEDICAL RESEARCH	KY	501(C)(3)	7	ASHLAND HOSPITAL CORPORATION	Yes	
(4) KENTUCKY MEDICAL LOGISTICS INC 425 22ND STREET ASHLAND, KY 41101 26-4736971	MEDICAL TRANSPORT	KY	501(C)(3)	9	ASHLAND HOSPITAL CORPORATION	Yes	
(5) KING'S DAUGHTERS HEALTH FOUNDATION INC 2201 LEXINGTON AVENUE ASHLAND, KY 41101 61-1035701	FUNDRAISING	KY	501(C)(3)	11-III-FI	ASHLAND HOSPITAL CORPORATION	Yes	
(6) KING'S DAUGHTERS HEALTH SYSTEM INC 2201 LEXINGTON AVENUE ASHLAND, KY 41101 27-4553836	HEALTHCARE	KY	501(C)(3)	11-II	N/A		No
(7) KING'S DAUGHTERS MEDICAL SPECIALTIES INC 2201 LEXINGTON AVENUE ASHLAND, KY 41101 26-4183569	PHYSICIANS	KY	501(C)(3)	9	ASHLAND HOSPITAL CORPORATION	Yes	
(8) PORTSMOUTH HOSPITAL CORP 1901 ARGONNE AVENUE PORTSMOUTH, OH 45662 45-3215312	HEALTHCARE	OH	501(C)(3)	3	ASHLAND HOSPITAL CORPORATION	Yes	

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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
ASHLAND NURSING HOME CORP	R	1,002,729	ALL TRANSACTIONS
ASHLAND NURSING HOME CORP	S	1,044,660	BETWEEN COMPANIES
CHILD DEVELOPMENT CENTER CORP	R	115,818	ARE CAPTURED
KENTUCKY HEART FOUNDATION INC	A	28,764	IN THE DUE TO/FROM
KENTUCKY HEART FOUNDATION INC	O	325,359	ACCOUNTS THE TYPES OF
KENTUCKY HEART FOUNDATION INC	R	363,813	TRANSACTIONS THAT HIT THIS
KENTUCKY HEART INSTITUTE INC	R	2,024,483	ACCOUNT ARE TRACKED MONTHLY
KENTUCKY MEDICAL LOGISTICS INC	R	993,563	
KENTUCKY MEDICAL LOGISTICS INC	S	1,000,000	
KING'S DAUGHTERS MEDICAL SPECIALTIES INC	O	3,615,761	
KING'S DAUGHTERS MEDICAL SPECIALTIES INC	R	10,229,737	
KING'S DAUGHTERS MEDICAL SPECIALTIES INC	S	55,268	
PORTSMOUTH HOSPITAL CORPORATION	B	454,286	
PORTSMOUTH HOSPITAL CORPORATION	R	7,466,510	
PORTSMOUTH HOSPITAL CORPORATION	S	6,915,603	
KING'S DAUGHTERS HEALTH FOUNDATION INC	S	1,048,277	

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

Consolidated Financial Statements

Years Ended September 30, 2014 and 2013

With Independent Auditors' Report

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

Consolidated Financial Statements

Years Ended September 30, 2014 and 2013

Contents

BAKER TILLY

formerly
PARENTEBEARD

Baker Tilly Virchow Krause LLP
20 Stanwix St Ste 800
Pittsburgh PA 15222-4808
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Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Ashland Hospital Corporation and Subsidiaries d/b/a King's Daughters Medical Center, which comprise the consolidated balance sheets as of September 30, 2014 and 2013, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ashland Hospital Corporation and Subsidiaries d/b/a King's Daughters Medical Center as of September 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Pittsburgh, Pennsylvania
December 5, 2014

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

Consolidated Balance Sheets

	September 30	
	2014	**2013**
Assets		
Current assets:		
Cash and cash equivalents	$ 18,765,347	$ 19,454,469
Short-term investments	6,077	10,412,330
Patient accounts receivable, less allowance for doubtful accounts of $31,712,000 in 2014 and $50,905,000 in 2013	80,489,437	80,104,010
Inventories	11,014,419	11,325,501
Current portion of assets limited as to use	18,483,346	3,794,526
Other current assets	14,291,668	27,762,923
Total current assets	143,050,294	152,853,759
Assets limited as to use:		
By board of directors	191,777,697	225,961,540
By donors	718,517	1,460,093
By trusteed funds	15,180,000	-
By self-insurance trust agreements	12,205,264	11,618,465
By bond indenture agreements	7,699,103	10,373,519
Total assets limited as to use	227,580,581	249,413,617
Less assets limited as to use that are required for current liabilities	(18,483,346)	(3,794,526)
	209,097,235	245,619,091
Property, plant and equipment, net of accumulated depreciation	310,515,988	337,883,981
Other assets:		
Deferred financing costs, net of accumulated amortization of $431,000 in 2014 and $552,000 in 2013	3,018,866	2,556,017
Other	10,379,672	10,116,766
Total other assets	13,398,538	12,672,783
Total assets	$ 676,062,055	$ 749,029,614

See notes to consolidated financial statements

	September 30	
	2014	2013
Liabilities and net assets		
Current liabilities:		
Line of credit	$ 15,000,000	$ -
Accounts payable and accrued expenses	30,263,158	31,439,939
Accrued salaries, wages and related liabilities	28,587,756	26,357,863
Accrued governmental settlement (Note 16)	-	48,900,000
Accrued interest payable	1,750,698	1,698,185
Estimated third-party payor settlements	14,571,270	17,086,624
Current portion of long-term debt	6,087,537	8,268,661
Total current liabilities	96,260,419	133,751,272
Estimated malpractice liabilities, net of current portion	13,837,809	17,843,823
Long-term debt, net of current portion	233,655,052	235,202,766
Interest rate swap agreements	15,650,432	12,804,081
Accrued pension obligation	12,529,000	10,444,000
Other long-term liabilities	1,983,624	2,139,429
Total liabilites	373,916,336	412,185,371
Net assets:		
Unrestricted net assets	301,379,942	335,286,078
Temporarily restricted net assets	628,835	1,421,387
Permanently restricted net assets	136,942	136,778
Total net assets	302,145,719	336,844,243
Total liabilities and net assets	$ 676,062,055	$ 749,029,614

See notes to consolidated financial statements

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

Consolidated Statements of Operations and Changes in Net Assets

	Years Ended September 30	
	2014	2013
Unrestricted revenues, gains, and other support		
Patient service revenues (net of contractual allowances and discounts)	$ 484,169,357	$ 521,577,708
Provision for bad debts	(35,964,513)	(54,191,252)
Net patient service revenues less provision for bad debts	448,204,844	467,386,456
Other revenues	21,477,626	18,500,594
Total unrestricted revenues, gains, and other support	469,682,470	485,887,050
Expenses		
Salaries and wages	221,315,178	228,386,251
Employee benefits	49,395,226	49,358,884
Supplies and other expenses	135,421,869	149,798,401
Purchased services	45,934,972	35,509,088
Depreciation and amortization	37,708,604	41,303,107
Interest expense	11,423,564	10,523,218
Provider tax expense	7,598,268	7,600,688
Total expenses	508,797,681	522,479,637
Operating loss	(39,115,211)	(36,592,587)
Investment income, net	17,549,847	15,953,385
Change in fair value of interest rate swap agreements	(2,846,352)	9,259,482
Loss on early retirement of debt	(3,875,313)	-
Other loss, net	(3,078,815)	(974,461)
Excess of expenses over revenues before government settlement	(31,365,844)	(12,354,181)
Government settlement	-	(48,900,000)
Excess of expenses over revenues after government settlement	(31,365,844)	(61,254,181)
Pension liability adjustment	(3,421,235)	12,094,731
Other	88,555	185,671
Change in net assets	(34,698,524)	(48,973,779)
Net assets, beginning of year	336,844,243	385,818,022
Net assets, end of year	$ 302,145,719	$ 336,844,243

See notes to consolidated financial statements

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

Consolidated Statements of Cash Flows

	Years Ended September 30	
	2014	2013
Operating activities and other income		
Change in net assets	$ (34,698,524)	$ (48,973,779)
Adjustments to reconcile change in net assets to net cash used in operating activities and other income		
Depreciation and amortization	37,708,604	41,303,107
Provision for bad debts	35,964,513	54,191,252
Net realized and unrealized gains on investments	(13,475,831)	(9,154,266)
Change in fair value of interest rate swap agreements	2,846,352	(9,259,482)
Loss on early retirement of debt	3,875,313	-
Pension liability adjustment	3,421,235	(12,094,731)
Other changes in assets and liabilities		
Patient accounts receivable	(36,349,940)	(57,207,346)
Other current and noncurrent assets	14,103,309	(11,355,555)
Estimated third-party payor settlements	(2,515,354)	(5,547,054)
Accrued government settlement	(48,900,000)	48,900,000
Other current and noncurrent liabilities	(386,416)	(8,350,779)
Estimated malpractice liabilities	(4,006,014)	4,011,889
Net cash used in operating activities and other income	(42,412,753)	(13,536,744)
Investing activities		
Change in assets limited as to use	35,308,867	6,836,191
Short-term investments	10,406,253	10,517,835
Purchases of property, plant, and equipment, net	(10,803,460)	(38,744,920)
Net cash provided by (used in) investing activities	34,911,660	(21,390,894)
Financing activities		
Proceeds from long term debt	125,085,000	-
Proceeds from line of credit	15,000,000	-
Proceeds from note payable	119,097	-
Deferred financing costs	(1,588,800)	-
Repayment of long-term debt	(10,803,326)	(8,984,612)
Retirement of long term debt	(121,000,000)	-
Net cash provided by (used in) financing activities	6,811,971	(8,984,612)
Decrease in cash and cash equivalents	(689,122)	(43,912,250)
Cash and cash equivalents, beginning of year	19,454,469	63,366,719
Cash and cash equivalents, end of year	$ 18,765,347	$ 19,454,469
Supplemental Disclosures		
Cash paid for interest	$ 11,371,051	$ 10,539,408
Property acquired through capital lease	$ -	$ 3,875,240

See notes to consolidated financial statements

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

Notes to Consolidated Financial Statements

Years Ended September 30, 2014 and 2013

1. Organization

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

2. Accounting Policies

Use of Estimates

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

Cash and Cash Equivalents and Short-Term Investments

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

The Medical Center maintains its cash balances with various financial institutions. From time to time throughout the year, the Medical Center's on deposit cash balances may exceed amounts that are fully insured under federal deposit insurance coverage. The Medical Center also has repurchase agreements that are not covered under FDIC insurance that are included in cash and cash equivalents. The repurchase agreements are secured by U.S. Treasury Obligations held by a financial institution.

2. Accounting Policies (continued)

Patient Accounts Receivable and Net Patient Service Revenues

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

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

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

2. Accounting Policies (continued)

Patient Accounts Receivable and Net Patient Service Revenues (continued)

The Medical Center's allowance for doubtful accounts for self-pay patients was 40% and 48%, respectively, of self-pay accounts receivable at September 30, 2014 and 2013. In addition, the Medical Center's self-pay account write-offs (net of recoveries) decreased to $18,422,031 in 2014 from $35,178,081 in 2013 due to more patients qualifying for Medicaid under the Affordable Care Act. The Medical Center does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

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

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, per diem payments, and contracted amounts. The Medical Center recognizes patient service revenues associated with services provided to patients who have third-party payor coverage on the basis of these established rates for the services rendered. For uninsured patients that do not qualify for charity care, the Medical Center recognizes revenues on the basis of its standard rates, discounted in accordance with the Medical Center's policy. On the basis of historical experience, a significant portion of the Medical Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Medical Center records a significant provision of bad debts related to uninsured patients in the period the services are provided. Patient service revenues, net of contractual allowances and discounts (but before the provisions for bad debts), recognized in 2014 and 2013 from these major payor sources, are as follows:

2. Accounting Policies (continued)

Patient Accounts Receivable and Net Patient Service Revenues (continued)

	September 30, 2014			
	Third-Party Government Payors	Third-Party Commercial Payors	Self-Pay	Total All Payors
Patient service revenues (net of contractual allowances and discounts)	$ 249,726,486	$ 221,199,947	$ 13,242,924	$ 484,169,357

	September 30, 2013			
	Third-Party Government Payors	Third-Party Commercial Payors	Self-Pay	Total All Payors
Patient service revenues (net of contractual allowances and discounts)	$ 246,511,993	$ 242,696,076	$ 32,369,639	$ 521,577,708

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

Charity Care

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

Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's ability to pay, the Medical Center utilizes the generally recognized Federal Poverty Guidelines, but also includes certain cases where incurred charges are significant when compared to income. Charity care provided in 2014 and 2013, measured at established rates, was approximately $18,217,000 and $42,782,000, respectively, due to more patients qualifying for Medicaid under the Affordable Care Act. These charges are not included in net patient service revenues. The estimated cost of charity care provided in 2014 and 2013 was $5,848,000 and $13,700,000, respectively.

2. Accounting Policies (continued)

Inventories

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

Assets Limited as to Use and Investments

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

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

Interest Rate Swap Agreements

The Medical Center has entered into certain interest rate swap agreements, considered to be derivative instruments, in connection with its debt management program. The Medical Center records its derivative instruments as either assets or liabilities in the accompanying consolidated balance sheets at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship. The Medical Center's derivatives are not designated as hedges. Accordingly, the derivative gain or loss related to the change in fair value is included in excess of expenses over revenues. During the years ended September 30, 2014 and 2013, the Medical Center amortized approximately $80,000 of the accumulated derivative obligation included as a component of net assets, which is included in interest expense in the accompanying consolidated financial statements. The accumulated derivative obligation on previously designated hedges excluded from the excess of expenses over revenues was approximately $1,420,000 and $1,500,000 at September 30, 2014 and 2013, respectively.

2. Accounting Policies (continued)

Property, Plant, and Equipment

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

The Medical Center reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. Any write-downs due to impairment are charged to operations at the time impairment is identified. Management determined that no impairment write-downs were necessary in 2014 and 2013.

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

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

Deferred Financing Costs

Deferred financing costs consist of the costs incurred in conjunction with the issuance of bonds. The Medical Center's policy is to amortize deferred financing costs over the term of the bonds using the bonds outstanding method. Amortization expense was $121,027 and $117,730 for the years ended September 30, 2014 and 2013, respectively.

Unamortized Bond Discount and Premium

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

Estimated Malpractice Liabilities

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

2. Accounting Policies (continued)

Excess of Expenses over Revenues

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

Operating Income and Nonoperating Gains and Losses

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

Federal Income Taxes

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

Meaningful Use of Electronic Health Records

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

2. Accounting Policies (continued)

Meaningful Use of Electronic Health Records (continued)

Once the Medical Center meets the requirements for an incentive payment, a preliminary payment is made by The Centers for Medicare & Medicaid Services based on discharge data from the Medical Center's most recently filed cost report. The final amount of the payment is determined at the time the cost report for the period beginning in the payment year is settled, based on discharge data from that cost report. The Medical Center attested as a meaningful user for the years ended September 30, 2014 and 2013. As such, the Medical Center recognized approximately $1,367,000 and $1,163,000 at September 30, 2014 and 2013, respectively, as grant income under the Medicare program. The Medical Center recognized $0 and $1,328,000 at September 30, 2014 and 2013, respectively, as grant income under the Medicaid program. This grant income is included in other operating revenues in the accompanying consolidated statements of operations.

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

Advertising Costs

Advertising costs are expensed as incurred. Such costs amounted to approximately $2,760,000 and $2,330,000 in 2014 and 2013, respectively.

2. Accounting Policies (continued)

New Accounting Standards

Revenue Recognition:

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. Under the requirements of ASU No. 2014-09, the core principle is that entities should recognize revenue to depict the transfer of promised goods or services to customers (patients) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Medical Center will be required to retrospectively adopt the guidance in ASU No. 2014-09 for years beginning after December 15, 2016; early application is not permitted. The Medical Center has not yet determined the impact of adoption of ASU No. 2014-09 on its consolidated financial statements.

3. Medicare and Medicaid Programs

The Medical Center is a provider of services under contractual arrangements with the Medicare and Medicaid Programs (Programs). Approximately 47% and 18%, respectively, of the Medical Center's 2014 net patient service revenues were derived from services to patients covered by these Programs. Comparable percentages for 2013 were 49% and 13%, respectively.

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

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

In the health care industry, laws and regulations governing the Programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Certain reimbursement from the Programs is determined from annual cost reports, which are subject to audit by the Programs. Management believes that adequate provisions have been made for reasonable adjustments that may result from final settlements. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines and penalties, and exclusions from the Programs. The Medical Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing, except as disclosed at Note 16.

The Commonwealth of Kentucky legislation imposes a tax on health care providers. The legislation also provides a system for limited reimbursement for services provided to indigent patients. The Medical Center incurred provider tax expense of approximately $7,598,000 and $7,601,000 in 2014 and 2013, respectively, and received a reimbursement benefit of approximately $2,967,000 and $3,372,000 in 2014 and 2013, respectively.

4. Property, Plant, and Equipment

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

	2014	2013
Land	$ 29,424,128	$ 30,399,116
Land improvements	9,648,339	9,676,723
Buildings	190,606,348	191,539,299
Building improvements	212,706,576	211,034,742
Equipment	303,456,248	299,006,815
Construction in process	2,211,120	2,305,933
	748,052,759	743,962,628
Less accumulated depreciation	437,536,771	406,078,647
	$ 310,515,988	$ 337,883,981

Depreciation expense, including amortization of capital leases, was $37,584,996 and $41,182,797 for the years ended September 30, 2014 and 2013, respectively.

5. Assets Limited as to Use

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

	2014	2013
By Board of Directors:		
Cash and cash equivalents	$ 2,092,343	$ 3,526,250
Common stock and equity mutual funds	102,097,417	129,184,876
Corporate bonds and notes	22,218,405	23,740,685
Bond mutual funds	27,484,258	32,188,812
U.S. Treasury obligations	13,054,508	14,639,198
U.S. Government agency obligations	2,715,689	2,702,185
Real estate fund	22,115,077	19,979,534
	$ 191,777,697	$ 225,961,540
By donors:		
Cash and cash equivalents	$ 718,517	$ 1,460,093
By trusteed funds:		
Cash and cash equivalents	$ 15,180,000	$ -
By self-insurance trust agreements:		
Cash and cash equivalents	$ 189,584	$ 184,061
Common stock and equity mutual funds	2,051,148	1,917,039
Corporate bonds and notes	9,961,822	9,513,500
U.S. Government agency obligations	2,710	3,865
	$ 12,205,264	$ 11,618,465
By bond indenture agreements:		
Cash and cash equivalents	$ 7,699,103	$ 10,373,519

5. Assets Limited as to Use (continued)

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

	2014	2013
Corporate bonds and notes	$ 6,077	$ 10,412,330

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

	2014	2013
Interest and dividend income	$ 5,691,702	$ 6,835,086
Realized gains on investments	11,414,974	4,027,353
Unrealized gains on investments	2,060,857	5,126,913
	$ 19,167,533	$ 15,989,352
Amounts included in other revenues	$ 1,617,686	$ 35,967
Amounts included in investment income, net	17,549,847	15,953,385
	$ 19,167,533	$ 15,989,352

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

6. Retirement Plans

Through January 1, 2011, the Medical Center sponsored a defined benefit plan covering eligible employees who qualify as to age and length of service. Pension benefits are generally based upon years of service and an employee's average monthly compensation during their years of service. The Medical Center's funding policy is to contribute amounts to the plan sufficient to meet all minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the Medical Center may determine appropriate from time to time. Pension plan assets are primarily invested in listed and readily marketable stocks and bonds. A measurement date of September 30 was used for the plan at September 30, 2014 and 2013.

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

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

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

6. Retirement Plans (continued)

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

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

	2014	2013
Defined benefit plan:		
Service cost	$ 343,000	$ 431,000
Interest cost	3,371,724	3,104,638
Expected return on plan assets	(4,411,602)	(4,264,715)
Net amortization	473,643	831,808
Net periodic pension (credit) cost	(223,235)	102,731
Defined contribution plans	5,265,494	5,308,346
Total retirement benefit costs	$ 5,042,259	$ 5,411,077

Included in unrestricted net assets at September 30, 2014 and 2013, are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized actuarial loss of $23,860,243 and $20,438,746, respectively. There was no unrecognized net prior service cost for the years ended September 30, 2014 or 2013. No prior service cost is expected to be recognized during the year ended September 30, 2015. The actuarial loss expected to be recognized during the year ended September 30, 2015 is $592,884.

6. Retirement Plans (continued)

The following table sets forth the defined benefit plan's funded status and amounts recognized in the Medical Center's consolidated balance sheets, as measured at September 30, 2014 and 2013:

	2014	2013
Change in projected benefit obligation:		
Benefit obligation, beginning of year	$ 67,457,261	$ 76,455,140
Service cost	343,000	431,000
Interest cost	3,371,724	3,104,638
Actuarial loss (gain)	4,397,375	(9,472,005)
Benefits paid	(3,330,211)	(3,061,512)
Projected benefit obligation, end of year	72,239,149	67,457,261
Change in plan assets:		
Fair value of plan assets, beginning of year	57,013,261	53,019,140
Actual return on plan assets	4,913,527	6,055,633
Employer contributions	1,113,000	1,000,000
Benefits paid	(3,329,639)	(3,061,512)
Fair value of plan assets, end of year	59,710,149	57,013,261
Underfunded status	$ (12,529,000)	$ (10,444,000)

The underfunded status is included in long-term liabilities as accrued pension obligation at September 30, 2014 and 2013.

The net (decrease) increase recognized as a pension liability adjustment included in changes in unrestricted net assets was $(3,421,235) and $12,094,731 for the years ended September 30, 2014 and 2013, respectively. There was no net prior service cost recognized in the minimum pension liability included in changes in unrestricted net assets for the years ended September 30, 2014 and 2013, respectively.

No plan assets are expected to be returned to the Medical Center during the fiscal year-ended September 30, 2015. The accumulated benefit obligation was $72,239,149 and $67,457,261 at September 30, 2014 and 2013, respectively.

6. Retirement Plans (continued)

Assumptions:

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

	2014	2013
Discount rate	4.57%	5.13%
Rate of compensation increase	N/A	N/A

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

	2014	2013
Discount rate	5.13%	4.15%
Rate of compensation increase	N/A	N/A
Expected return on plan assets	7.97%	8.25%

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

6. Retirement Plans (continued)

Plan Assets:

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

	Target	2014	2013
Asset Class			
Equity	60.0%	57.9%	60.9%
Fixed income	40.0	39.7	38.5
Cash and cash equivalents	-	2.4	0.6
	100.0%	100.0%	100.0%

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

The following table sets forth by level, within the fair value hierarchy (Note 10), the plan assets at fair value as of September 30, 2014:

	Fair Value	Quoted Prices in Active Markets (Level 1)
Money market mutual funds	$ 1,499,726	$ 1,499,726
Mutual funds (A)	57,347,393	57,347,393
Exchange traded funds	863,030	863,030
	$ 59,710,149	$ 59,710,149

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

6. Retirement Plans (continued)

The following table sets forth by level, within the fair value hierarchy, the plan assets at fair value as of September 30, 2013:

	Fair Value	Quoted Prices in Active Markets (Level 1)
Money market mutual funds	$ 397,514	$ 397,514
Mutual funds (A)	54,276,999	54,276,999
Exchange traded funds	2,338,748	2,338,748
	$ 57,013,261	$ 57,013,261

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

At September 30, 2014 and 2013, the Plan did not have any assets or liabilities whose fair value were measured using Level 2 and Level 3 inputs.

The following is a description of the valuation methodologies used for the plan's assets measured at fair value:

Money market mutual funds: The carrying amounts approximate fair value because of the short maturity of these financial instruments.

Mutual funds and exchange traded funds: Valued at the net asset value ("NAV") of shares (basis for trade) held by the Medical Center at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Medical Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

6. Retirement Plans (continued)

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

Cash Flows:

The Medical Center currently expects to make a contribution of $1,125,000 to the defined benefit plan during the fiscal year ending September 30, 2015 in order to satisfy minimum funding requirements. Management will evaluate funding status during the year and may elect to make additional voluntary contributions.

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

Years Ending September 30:	
2015	$ 3,434,000
2016	3,567,000
2017	3,793,000
2018	3,955,000
2019	4,089,000
2020 through 2024	22,219,000

7. Lines of Credit

The Medical Center has a line of credit with a bank in the amount of $15 million at September 30, 2014. The note has a variable interest rate equal to LIBOR plus 1.25% with a floor of 3.0% at September 30, 2014. Borrowings under the line of credit were $15,000,000 at September 30, 2014 and the line expires on November 25, 2014.

8. Long-Term Debt

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

	2014	2013
Variable Rate Medical Center Revenue Bonds, Series 2008A [A]	$ -	$ 49,500,000
Variable Rate Medical Center Revenue Bonds, Series 2008B [A]	-	49,500,000
Medical Center Revenue Bonds, Series 2008C [B]	27,455,000	44,800,000
Medical Center Revenue Bonds, Series 2010A [C]	60,880,000	68,070,000
Medical Center Revenue Bonds, Series 2010B [C]	25,690,000	28,175,000
Medical Center Revenue Bonds, Series 2014 [D]	125,085,000	-
Capital Lease Payable - Software [E]	213,398	1,560,566
Capital Lease Payable - Other [F]	805,050	2,704,528
Other	99,770	-
	240,228,218	244,310,094
Less unaccreted bond discount	(1,441,097)	(1,886,601)
Plus unamortized bond premium	955,468	1,047,934
	239,742,589	243,471,427
Current portion	(6,087,537)	(8,268,661)
Total long-term debt	$ 233,655,052	$ 235,202,766

8. Long-Term Debt (continued)

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

The Series 2008A Bonds and Series 2008B Bonds were variable rate demand bonds in which the interest rate was determined every 7 days by a remarketing agent. The Series 2008A and Series 2008B Bonds were refunded in August of 2014 using a portion of the proceeds from the Series 2014 Bonds.

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

The Series 2008C Bonds are fixed rate bonds with serial and term maturities at interest rates ranging from 4% to 6.5%. Interest is payable semi-annually on February 1 and August 1. The Series 2008C Bonds are subject to retirement in varying principal payments through 2038. The Series 2008C Bonds maturing after February 1, 2018 are subject to an optional redemption prior to maturity on or after February 1, 2018, in whole at any time or in part on any interest payment date, at a redemption price equal to the principal amount thereof, plus interest accrued to the date fixed for redemption. A portion of the proceeds of the Series 2014 Bonds were used to redeem 36.54% of the August 14, 2014 outstanding principal on the Series 2008C Bonds.

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

8. Long-Term Debt (continued)

The Series 2010A Bonds are fixed rate bonds with serial and term maturities at interest rates ranging from 3% to 5%. Interest is payable semi-annually on February 1 and August 1. The Series 2010A Bonds are subject to retirement in varying principal payments through 2040. The Series 2010A Bonds maturing after February 1, 2020 are subject to an optional redemption prior to maturity on or after February 1, 2020, in whole at any time or in part on any interest payment date, at a redemption price equal to the principal amount thereof, plus interest accrued to the date fixed for redemption. A portion of the proceeds of the Series 2014 Bonds were used to redeem 10.56% of the August 14, 2014 outstanding principal on the Series 2010A Bonds.

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

[D] In August 2014, the City of Ashland, Kentucky issued $125.085 million of Medical Center Revenue Bonds, Series 2014 (the Series 2014 Bonds) dated August 14, 2014 on behalf of the Medical Center. The proceeds of the Series 2014 were used to refund the Series 2008A and 2008B Bonds, redeem 10.56% of the August 14, 2014 outstanding principal balance of the Series 2010A Bonds, redeem 36.54% of the August 14, 2014 outstanding principal balance of the Series 2008C Bonds, and pay related costs of issuance.

The Series 2014 Bonds were issued in the SIFMA Index Rate Mode. The SIFMA Index Rate is a variable per annum rate of interest equal to the sum of (i) the Applicable Spread plus (ii) the SIFMA Index as of the day of determination, but in any case not exceeding the Maximum Rate which is 11% per annum. The SIFMA interest rate as of September 30, 2014 is 1.73%. Interest is payable semi-annually on February 1 and August 1. The Series 2014 Bonds, which are subject to retirement in varying principal payments through 2040, are subject to optional redemption, in whole or in part, at any time at a redemption price equal to the principal amount of such Series 2014 Bonds to be redeemed, plus accrued interest thereon to the redemption date. The Series 2014 Bonds are secured by a security interest in the Gross Receipts of the Medical Center.

8. Long-Term Debt (continued)

[E] In January 2008, the Medical Center entered into a license fee agreement for a term of 68 months for software which was implemented in November 2008. The license fee agreement is recorded at the present value of minimum payments in the amount of approximately $8 million. Monthly principal and interest payments of $101,135 are being made. The interest rate was imputed at 5.25% which is considered the Medical Center's incremental borrowing rate at the inception of the lease. This agreement expired in July 2013.

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

In August 2013, the Medical Center entered into a perpetual license conversion agreement for a term of 16 months for software which was implemented in November 2008. The license fee agreement is recorded at the present value of minimum payments in the amount of approximately $1,578,000. Monthly principal and interest payments of $101,135 are being made. The interest rate was imputed at 4.00% which is considered the Medical Center's incremental borrowing rate at the inception of the lease.

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

	2014	2013
Building	$ 339,350	$ 339,350
Equipment	7,822,832	7,822,832
Less accumulated depreciation	(3,095,743)	(1,579,051)
	$ 5,066,439	$ 6,583,131

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

8. Long-Term Debt (continued)

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

	Bonds	Capital Leases	Other
Years Ending September 30			
2015	$ 5,045,000	$ 1,018,448	$ 99,770
2016	5,435,000	-	-
2017	5,665,000	-	-
2018	5,890,000	-	-
2019	6,135,000	-	-
Thereafter	210,940,000	-	-
	$ 239,110,000	$ 1,018,448	$ 99,770

The Medical Center paid interest of approximately $11,371,000 and $10,539,000 during 2014 and 2013, respectively. The Medical Center capitalized interest costs of approximately $412,000 and $792,000 during 2014 and 2013, respectively.

During 2014, the Master Trust Indenture for the Medical Center's revenue bonds was amended to forego a debt service coverage covenant for years ending September 30, 2014 and 2015.

9. Interest Rate Swap Agreements

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Medical Center has entered into several interest rate swap agreements for a portion of its floating rate debt. The fair value of the agreements, $15,650,432 and $12,804,081 as of September 30, 2014 and 2013, respectively, were determined by a third-party valuation specialist and are recorded as long-term liabilities within the consolidated balance sheets. The agreements are as follows:

On May 23, 2001, the Medical Center entered into an interest rate swap agreement that provides for the Medical Center to receive interest from the counterparty of 68% of the one-month LIBOR rate and to pay interest to the counterparty at a fixed rate of 4.07% on notional amounts of $12,700,000 and $13,200,000 at September 30, 2014 and 2013, respectively. The agreement will expire on February 1, 2031. Under the agreement, the Medical Center pays interest amounts every six months commencing on August 1, 2001 and receives interest amounts every 35th calendar day, with the settlements included in interest expense.

On August 10, 2004, the Medical Center entered into an interest rate swap agreement that provides for the Medical Center to receive interest from the counterparty of the one-month LIBOR rate and to pay interest to the counterparty at a fixed rate of 5.618% on notional amounts of $21,000,000 at September 30, 2014 and 2013. The agreement will expire on February 1, 2034. Under the agreement, the Medical Center pays interest amounts every six months commencing on February 1, 2005 and receives interest amounts every 5th Monday commencing on September 27, 2004, with the settlements included in interest expense.

9. Interest Rate Swap Agreements (continued)

On October 26, 2005, the Medical Center entered into an interest rate swap agreement that provides for the Medical Center to receive interest from the counterparty of the one-month LIBOR rate and to pay interest to the counterparty at a fixed rate of 5.293% on notional amounts of $24,262,000 and $24,948,000 at September 30, 2014 and 2013, respectively. The agreement will expire on September 1, 2036. Under the agreement, the Medical Center pays interest amounts every six months commencing on March 1, 2007 and receives interest amounts monthly, with the settlements included in interest expense.

On June 20, 2006, the Medical Center entered into an interest rate swap agreement that provides for the Medical Center to receive interest from the counterparty of the ten-year LIBOR rate less 63 basis points and to pay interest to the counterparty at the one-month LIBOR rate on notional amounts of $24,262,000 and $24,948,000 at September 30, 2014 and 2013, respectively. The agreement will expire on September 1, 2036. Under the agreement, the Medical Center pays or receives the net interest amounts monthly, with the monthly settlements included in interest expense.

As a result of these interest rate swap agreements, interest expense was increased by $2,441,726 and $2,496,996 for the years ended September 30, 2014 and 2013, respectively.

10. Disclosures About Fair Value of Assets and Liabilities

The Medical Center measures its assets and liabilities at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the same term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

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

The fair value of financial instruments listed below was determined using the following valuation hierarchy at September 30, 2014 and 2013:

	2014				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets - Recurring fair value measurements:					
Short term investments					
Corporate bonds and notes	$ 6,077	$ 6,077	$ -	$ 6,077	$ -
Assets limited as to use					
Money market mutual funds	25,115,026	25,115,026	25,115,026	-	-
Common stock	29,574,002	29,574,002	29,574,002	-	-
Mutual funds (A)	102,823,342	102,823,342	102,823,342	-	-
Corporate bonds and notes	32,180,227	32,180,227	-	32,180,227	-
U S Treasury obligations	13,054,508	13,054,508	-	13,054,508	-
U S Government agency obligations	2,718,399	2,718,399	-	2,718,399	-
Real estate investment fund	22,115,077	22,115,077	-	-	22,115,077
	227,580,581	227,580,581	157,512,370	47,953,134	22,115,077
Total assets	$ 227,586,658	$ 227,586,658	$ 157,512,370	$ 47,959,211	$ 22,115,077
Assets disclosed at fair value:					
Cash and cash equivalents	$ 18,765,347	$ 18,765,347	$ 18,765,347	$ -	$ -
Liabilities - Recurring fair value measurements:					
Interest rate swap agreements	$ (15,650,432)	$ (15,650,432)	$ -	$ (15,650,432)	$ -
Liabilities disclosed at fair value:					
Long-term debt	$ (239,110,000)	$(246,470,067)	$ -	$(246,470,067)	$ -

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

	2013				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets - Recurring fair value measurements:					
Short term investments					
Corporate bonds and notes	$ 10,412,330	$ 10,412,330	$ -	$ 10,412,330	$ -
Assets limited as to use					
Money market mutual funds	14,280,569	14,280,569	14,280,569	-	-
Common stock	38,092,878	38,092,878	38,092,878	-	-
Mutual funds (B)	126,237,238	126,237,238	126,237,238	-	-
Corporate bonds and notes	33,366,790	33,366,790	-	33,366,790	-
U S Treasury obligations	14,639,198	14,639,198	-	14,639,198	-
U S Government agency obligations	2,817,410	2,817,410	-	2,817,410	-
Real estate investment fund	19,979,534	19,979,534	-	-	19,979,534
	249,413,617	249,413,617	178,610,685	50,823,398	19,979,534
Total assets	$ 259,825,947	$ 259,825,947	$ 178,610,685	$ 61,235,728	$ 19,979,534
Assets disclosed at fair value:					
Cash and cash equivalents	$ 19,454,469	$ 19,454,469	$ 19,454,469	$ -	$ -
Liabilities - Recurring fair value measurements:					
Interest rate swap agreements	$ (12,804,081)	$ (12,804,081)	$ -	$ (12,804,081)	$ -
Liabilities disclosed at fair value:					
Long-term debt	$ (240,045,000)	$(247,627,406)	$ -	$(247,627,406)	$ -

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

(A) Twenty-seven percent of mutual funds invest in fixed income investments. Thirty-six percent invest in international equities. Thirty-seven percent of mutual funds invest in alternative investments.

(B) Twenty-six percent of mutual funds invest in fixed income investments. Thirty-nine percent invest in international equities. Thirty-five percent of mutual funds invest in alternative investments.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value and for financial instruments disclosed at fair value. There have been no changes in methodologies used at September 30, 2014 and 2013.

Cash and cash equivalents: The carrying amounts approximate fair value because of the short maturity of these financial instruments.

Common stock: Valued at closing price reported on the active market on which the individual securities are traded.

Money market and Mutual funds: Valued at the net asset value ("NAV") of shares (basis for trade) held by the Medical Center at year end.

Corporate bonds and notes, U S treasury obligations and U S government agency obligations: Valued based on spreads of published interest rate curves.

Interest rate swap agreements: Valued based on information supplied by the Counter Party to the swap. The fair value takes into consideration the prevailing interest rate environment, the specific terms and conditions of the agreements, and considers the credit risk of the Medical Center and the Counter Party. The value represents the estimated exit price the Medical Center would pay to terminate the agreements.

Long-term debt: Valued based on current rates offered for similar issues with similar security liens and maturities.

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

The Medical Center measures its real estate investment fund (the Fund) at fair value based on the Fund's underlying investments using unobservable inputs (Level 3) in accordance with accounting principles generally accepted in the United States of America. Changes to the real estate investment fund in 2014 and 2013 were as follows:

	2014	2013
Beginning balance	$ 19,979,534	$ 10,431,532
Realized and unrealized gains	2,321,136	1,695,041
Advisory fees	(185,593)	(147,039)
Purchases	-	8,000,000
Ending balance	$ 22,115,077	$ 19,979,534

The following table shows quantitative information about significant unobservable inputs utilized by independent appraisers in determining the fair values of the Fund's real estate investments at September 30, 2014 and 2013. The cash flow models used in the valuations include estimated cash inflows and outflows over a specified holding period. Property cash flows may include contractual rental revenues, projected future rental revenues and expenses and forecasted capital costs, including tenant improvements and leasing commissions, based upon current market conditions and expectations for change. Property capitalization and discount rates are based on the location, type and nature of each property, as well as current and anticipated market conditions. Mortgage cash flow projections may include contractual interest payments and participation in projected property cash flows. Mortgage capitalization and discount rates are based on rates applied to the underlying property valuation, but also consider market interest rates, loan-to-value ratio, remaining mortgage term and specific terms of the mortgage.

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

As of September 30, 2014

Property / Investment Type	Fair Value at 9/30/2014 ($ in millions)	OAR (%)	Average Discount Rate (%)	Discount Rate Range (%)	Average Exit Cap Rate (%)	Exit Cap Rate Range (%)	Average Market Rental Growth Rate Forcast (%)				Average Expense Growth Rate (%)
							Yr. 1	Yr. 2	Yr. 3	Long-term	
Apartments											
Equity	$ 11	5 2	7 0	6 75 - 7 75	5 8	5 50 - 6 50	4 1	3 5	3 0	3 0	3 0
Mortgage	13 9	N/A	6 7	5 88 - 8 10	5 1	4 55 - 5 75	3 1	3 3	3 2	3 1	3 0
Hotel											
Mortgage	2 0	N/A	7 6	5 50 - 9 00	7 2	7 13 - 7 25	4 5	4 3	3 7	3 0	3 0
Industrial											
Equity	0 7	7 4	8 6	8 25 - 9 00	7 1	6 75 - 7 50	2 2	2 6	3 0	3 0	3 0
Mortgage	0 7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Office											
Mortgage	0 3	N/A	7 5	7 50	4 6	4 55	4 0	3 0	3 0	3 0	3 0
Retail											
Equity	0 8	6 5	8 6	8 50 - 9 00	7 7	7 25 - 7 75	0 8	1 6	3 0	3 0	3 0
Mortgage	2 6	N/A	7 1	6 50 - 7 50	6 6	6 00 - 7 30	3 0	3 0	3 0	3 0	3 0
Average											
Equity	2 6	6 2	7 9	6 75 - 9 00	6 7	5 50 - 7 75	2 6	2 7	3 0	3 0	3 0
Mortgage	19 5	N/A	6 8	5 50 - 9 00	5 5	4 55 - 7 30	3 2	3 3	3 3	3 1	3 0

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

As of September 30, 2013

Property / Investment Type	Fair Value at 9/30/2013 ($ in millions)	OAR (%)	Average Discount Rate (%)	Discount Rate Range (%)	Average Exit Cap Rate (%)	Exit Cap Rate Range (%)	Average Market Rental Growth Rate Forcast (%) Yr. 1	Yr. 2	Yr. 3	Long-term	Average Expense Growth Rate (%)
Apartments											
Equity	$ 23	5 3	7 2	6 75 - 7 75	6 1	5 75 - 7 00	3 9	3 9	3 0	3 0	3 0
Mortgage	11 5	N/A	6 9	3 00 - 8 75	5 3	4 75 - 6 00	3 4	3 6	3 6	3 1	3 0
Hotel											
Mortgage	1 3	N/A	8 2	5 75 - 9 25	7 8	7 50 - 8 25	5 7	5 4	3 0	3 0	3 0
Industrial											
Equity	0 7	5 9	8 8	7 50 - 11 00	7 2	7 00 - 8 00	2 4	2 7	3 3	3 0	3 0
Mortgage	1 1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Office											
Mortgage	0 3	N/A	7 8	7 75	5 8	5 75	4 0	4 0	3 0	3 0	3 0
Retail											
Equity	0 7	6 1	9 3	9 00 - 11 00	8 3	8 00 - 9 50	0 8	1 7	3 0	3 0	3 0
Mortgage	2 1	N/A	7 6	7 25 - 8 25	6 8	6 00 - 7 50	3 0	3 0	3 0	3 0	3 0
Average											
Equity	3 7	5 6	7 9	6 75 - 11 00	6 7	5 75 - 9 50	3 1	3 3	3 1	3 0	3 0
Mortgage	16 3	N/A	7 1	3 00 - 9 25	5 7	4 75 - 8 25	3 6	3 7	3 4	3 1	3 0

11. Concentration of Credit Risk

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

	2014	2013
Medicare	40 %	39 %
Medicaid	17	15
Anthem/Blue Cross	6	8
Patients	22	26
Other third-party payers	15	12
	100 %	100 %

12. Functional Expenses

The Medical Center provides general health care services to residents within the communities served by the Medical Center. Approximately 84% of the Medical Center's expenses related to health care services and 16% related to general and administrative costs for both of the years ended September 30, 2014 and 2013.

13. Commitments

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. Total rent expense for the years ended September 30, 2014 and 2013 for all operating leases was approximately $3,624,000 and $3,674,000, respectively. Future rental commitments, as of September 30, 2014, for all noncancellable operating leases with terms in excess of one year are as follows: $3,259,000 – 2015, $2,930,000 – 2016, $2,660,000 – 2017, $2,202,000 – 2018, $1,602,000 – 2019 and $8,295,000 – thereafter.

14. Self-Insurance

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

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

14. Self-Insurance (continued)

IHIL was incorporated in the Cayman Islands on August 3, 2012 and insures the risks of the Medical Center and its subsidiaries. IHIL did not charge insurance premiums to the Medical Center during the year ended September 30, 2014 and 2013, respectively. The fair value of assets in IHIL was approximately $12,020,000 and $11,430,000 at September 30, 2014 and 2013, respectively. IHIL assets are controlled by the Medical Center and are reflected in the accompanying consolidated financial statements.

The Medical Center has recorded a reserve of approximately $17,141,000 and $21,638,000 in 2014 and 2013, respectively, for asserted and unasserted professional and general claims. The estimated current portion of the obligation of approximately $3,303,000 and $3,795,000 in 2014 and 2013, respectively, is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. The estimated liability for such malpractice and professional and general liability claims is not discounted in the accompanying consolidated financial statements. The Medical Center is also self-insured for workers' compensation and employee health benefits.

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

The Medical Center has established an irrevocable trust fund for the payment of medical malpractice claim settlements. Professional insurance consultants have assisted the Medical Center in determining amounts to be deposited in the trust fund. The balance on deposit in the irrevocable trust was $12,205,264 and $11,618,465 at September 30, 2014 and 2013, respectively.

15. Temporarily and Permanently Restricted Net Assets

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

15. Temporarily and Permanently Restricted Net Assets (continued)

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

	2014	2013
Temporarily restricted:		
Education Funds	$ 37,594	$ 9,650
Program Funds	591,241	1,411,737
	$ 628,835	$ 1,421,387
Permanently restricted:		
Boyd County Medical Society Scholarship Fund	$ 136,942	$ 136,778
	$ 136,942	$ 136,778

16. Significant Estimates and Concentrations

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

Allowance for Net Patient Service Revenue Adjustments

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

Malpractice Claims

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

16. Significant Estimates and Concentrations (continued)

Litigation

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

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

In February 2014, the Medical Center and the United States of America, acting through the DOJ and on behalf of the Office of Inspector General (OIG-HHS) of the Department of Health and Human Services (HHS) (collectively the "United States") and the Commonwealth of Kentucky, reached an agreement to settle the DOJ's review related to unnecessary diagnostic cardiac catheterizations and coronary stents. Under the terms of the agreement, the Medical Center was required to pay $40.9 million ("Settlement Amount") to the United States. Accordingly, $40.9 million was included in the current accrued governmental settlement at September 30, 2013 for the Settlement Amount. An additional $8 million was included in the current accrued government settlement at September 30, 2013 for legal fees associated with the investigation and settlement. In addition to the settlement, the Medical Center entered into a Corporate Integrity Agreement with the OIG-HHS in May of 2014. During 2014, the $40.9 million government settlement and the $8 million of legal fees were paid.

Pension and Other Postretirement Benefit Obligations

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

16. Significant Estimates and Concentrations (continued)

Investments

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

Current Economic Conditions

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

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

17. Subsequent Events

Subsequent events have been evaluated through December 5, 2014, which is the date the financial statements were available to be issued.