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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011

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

C Name of organization
Butler Healthcare Providers

Doing Business As
Butler Memorial Hospital

Number and street (or P O box if mail is not delivered to street address)
One Hospital Way

Room/suite

City or town, state or country, and ZIP + 4
Butler, PA 16001

D Employer identification number
25-0965274

E Telephone number
(724) 284-4429

G Gross receipts $ 218,673,905

F Name and address of principal officer
Kenneth P DeFurio
One Hospital Way
Butler, PA 160014670

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

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

H(c) Group exemption number ▶

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

J Website: ▶ www butlerhealthsystem org

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

L Year of formation 1898

M State of legal domicile PA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
The misson of Butler Memorial Hospital is to be a healing presence in the communities we serve We exist to make a positive difference in the lives of people by providing compassionate, high quality care and comfort, and inspiring health and wellbeing

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	14
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	9
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	2,049
6	Total number of volunteers (estimate if necessary)	**6**	300
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	4,312,289
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	616,561

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	1,304,061	2,354,315
	9 Program service revenue (Part VIII, line 2g)	196,712,595	204,952,852
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,723,717	1,804,233
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	5,474,831	9,562,505
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	205,215,204	218,673,905
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	54,167	50,000
	14 Benefits paid to or for members (Part IX, column (A), line 4)		0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	98,762,897	102,100,965
	16a Professional fundraising fees (Part IX, column (A), line 11e)		0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	88,270,196	112,248,474
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	187,087,260	214,399,439
	19 Revenue less expenses Subtract line 18 from line 12	18,127,944	4,274,466

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	323,981,857	307,666,583
	21 Total liabilities (Part X, line 26)	196,627,380	174,484,811
	22 Net assets or fund balances Subtract line 21 from line 20	127,354,477	133,181,772

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

****** 2012-05-15
Signature of officer Date

Anne B Krebs VP of Finance
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ▶☐	PTIN
		2012-05-15		

Firm's name ▶ BUTLER MEMORIAL HOSPITAL — Firm's EIN ▶

Firm's address ▶ ONE HOSPITAL WAY
BUTLER, PA 16001 — Phone no ▶

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

The misson of Butler Memorial Hospital is to be a healing presence in the communities we serve We exist to make a positive difference in the lives of people by providing compassionate, high quality care and comfort, and inspiring health and wellbeing

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 exempt purpose achievements for each of the organization's three largest program services by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts 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 $ 213,454,381 including grants of $) (Revenue $ 208,783,466)

Butler Memorial Hospital (BMH) is an independent, community-based hospital that has served Butler County, PA, and the surrounding area for over 100 years BMH employs nearly 2,000 people, making it the largest employer in Butler County The hospital has grown into a regional referral center for the area It is the largest hospital facility between Pittsburgh and Erie It is comprised of 296 acute care beds and a 25 bed skilled nursing facility BMH serves approximately 14,000 acute care patients (admissions) and over 484,000 outpatients each year The Hospital maintains a deep commitment to its community, as is demonstrated through its broad service oferring It provides all levels of general medical and surgical care, emergency services,a robust psychiatric service,drug & alcohol treatment, family services, preventative & wellness programs and tertiary cardiovascular care It also has a network of 28 convenient, low cost outpatient sites that are located in communities throughout Butler County and the surrounding area

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** ▶ $ 213,454,381

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 instruction)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts where 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, 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 term, permanent,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, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	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, XII, and XIII 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, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *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 hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States 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 and 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, questions 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–24d and complete Schedule K. If "No," go to line 25*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**	Yes	
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**	Yes	
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	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," 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 a grant selection committee member, or to a person related to such an individual? *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**	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *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, Parts II, III, IV, and V, line 1*	**34**	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	**35**		No
a	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* ☐ Yes ☑ No			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	120		
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	2,049		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c		No
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?			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		No
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		No
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		No
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		No
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		No
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		No
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		No
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		No
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		No
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		No

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	14		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	9		
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	Yes	
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	Does the organization have members or stockholders?		6		No
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?		7a		No
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . .		7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

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

Section C. Disclosure

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

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 make these available Check all that apply

☑ Own website ☑ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶

Butler Healthcare Providers
One Hospital Way
Butler, PA 160014670
(724) 284-4429

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

Check if Schedule O contains a response to any question in this Part VII . . . . . ☑

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

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees 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, and 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 (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(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) Fiore C Londino Chairman	2 00	X		X				0	0	0
(2) Kenneth P DeFurio President and CEO	60 00	X		X				712,247	0	0
(3) Anne B Krebs VP of Finance	50 00			X				324,141	0	0
(4) Marcia Segraves Corporate Secretary	2 00	X		X				0	0	0
(5) D Kelly Agnew MD Trustee	1 00	X						0	0	0
(6) C Ross Betts MD Trustee	1 00	X						0	0	0
(7) T T Channapati MD Trustee	5 00	X						24,142	0	0
(8) David E Foreman Trustee	1 00	X						0	0	0
(9) Kathryn Helfer Trustee	1 00	X						0	0	0
(10) PattiAnn Kanterman Trustee	1 00	X						0	0	0
(11) Richard F Latuska MD Trustee	1 00	X						0	0	0
(12) Patricia Liebman Trustee	1 00	X						0	0	0
(13) Douglas K McClaine Trustee	1 00	X						0	0	0
(14) Robert M Smith PhD Trustee	1 00	X						0	0	0
(15) Margaret Weir Trustee	1 00	X						0	0	0
(16) Thomas Muzzonigro MD Trustee	1 00	X						6,000	0	0

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(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			
(17) Maureen A Gray VP Patient Svc Chief Nurse Officer	50 00				X			241,137	0	0
(18) Stephanie Roskovski VP of Operations	50 00				X			206,060	0	0
(19) A Thomas McGill MD VP Quality & Safety	55 00					X		378,277	0	0
(20) Michael Busch VP Strategic Planning	50 00					X		342,951	0	0
(21) John C Reefer MD	55 00					X		343,855	0	0
(22) Richard L Allen VP Strategic Facilities	50 00					X		275,928	0	0
(23) Paula L Hooper VP General Counsel	53 00					X		276,517	0	0
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								3,131,255		

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶ 39

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
Turner Construction Company Two PNC Plaza 620 Liberty Ave 27th Floor Pittsburgh, PA 152222719	Construction	3,350,992
Metz Associates Ltd Two Woodland Drive Dallas, PA 18612	Environmental/Dietar	2,260,935
MBM Contracting Inc 4999 Old Clairton Road Pittsburgh, PA 15236	Construction	2,110,173
Quest Diagnostics 875 Greentree Road Pittsburgh, PA 152203610	Laboratory Services	1,616,641
Advanced Imaging Inc 4198 Washington Road Mc Murray, PA 15317	Imaging Services	3,564,699

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 28

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . . 1a	6,458				
	b Membership dues 1b					
	c Fundraising events 1c					
	d Related organizations . . . 1d	1,051,664				
	e Government grants (contributions) 1e	1,241,743				
	f All other contributions, gifts, grants, and similar amounts not included above 1f	54,450				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . . ▶		2,354,315			
Program Service Revenue		Business Code				
	2a Net Patient Services	621500	204,952,852	201,583,122	3,369,730	
	b					
	c					
	d					
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		204,952,852			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		1,804,233			1,804,233
	4 Income from investment of tax-exempt bond proceeds . . ▶					
	5 Royalties . . . . . ▶					
		(i) Real	(ii) Personal			
	6a Gross Rents					
	b Less rental expenses					
	c Rental income or (loss)					
	d Net rental income or (loss) . . . . . ▶					
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory					
	b Less cost or other basis and sales expenses					
	c Gain or (loss)					
	d Net gain or (loss) . . . . . ▶					
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 . . ▶		0			
	9a Gross income from gaming activities See Part IV, line 19 . a					
	b Less direct expenses . . . . . b					
	c Net income or (loss) from gaming activities . . ▶					
	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 Other Income	900099	3,854,668	3,684,953	169,715	
	b Meaningful Use	900099	2,719,928	2,719,928		
	c Dietary/Cafeteria Sales	722210	1,419,602			1,419,602
	d All other revenue		1,568,307	795,463	772,844	
	e **Total.** Add lines 11a–11d . . . . . ▶		9,562,505			
	12 **Total revenue.** See Instructions . . . ▶		218,673,905	208,783,466	4,312,289	3,223,835

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) but are not required to complete columns (B), (C), and (D).

	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 U S See Part IV, line 21	50,000	50,000		
2	Grants and other assistance to individuals in the U S See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	3,332,896		3,332,896	
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	74,628,849	67,204,531	7,424,318	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	9,173,631	9,173,631		
9	Other employee benefits	9,441,917	9,441,917		
10	Payroll taxes	5,523,672	4,854,326	669,346	
a	Fees for services (non-employees) Management				
b	Legal	323,134		323,134	
c	Accounting	120,000		120,000	
d	Lobbying				
e	Professional fundraising services *See Part IV, line 17*				
f	Investment management fees				
g	Other	13,748,606	10,916,194	2,832,412	
12	Advertising and promotion	724,044	263,930	460,114	
13	Office expenses	49,090,448	47,929,362	1,161,086	
14	Information technology	1,888,596	1,888,596		
15	Royalties				
16	Occupancy	4,795,198	4,314,456	480,742	
17	Travel	533,164	119,379	413,785	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	87,083	72,522	14,561	
20	Interest	5,990,380		5,990,380	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	14,031,153		14,031,153	
23	Insurance	1,353,997	14,994	1,339,003	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	Bad Debt	8,741,047		8,741,047	
b	Physician Fees	5,105,409	2,668,780	2,436,629	
c	Miscellaneous	4,771,157	2,953,903	1,817,254	
d	Recruitment	368,593			
e	Organizational Dues	349,268			
f	All other expenses	227,197			
25	**Total functional expenses.** Add lines 1 through 24f	214,399,439	161,866,521	51,587,860	0
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		2,715	1	2,875
	2	Savings and temporary cash investments		14,552,724	2	25,275,539
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		21,608,199	4	27,674,587
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	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) Schedule L			6	
	7	Notes and loans receivable, net		1,805,925	7	1,713,996
	8	Inventories for sale or use		2,892,860	8	3,040,910
	9	Prepaid expenses and deferred charges		3,225,060	9	2,946,874
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 302,369,244			
	b	Less accumulated depreciation	10b 143,566,451	155,724,422	10c	158,802,793
	11	Investments—publicly traded securities		114,895,581	11	78,984,616
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		3,364,450	13	3,622,868
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		5,909,921	15	5,601,525
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		323,981,857	16	307,666,583
Liabilities	17	Accounts payable and accrued expenses		30,628,011	17	20,148,787
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		136,953,820	20	135,309,188
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		29,045,549	25	19,026,836
	26	**Total liabilities.** Add lines 17 through 25		196,627,380	26	174,484,811
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		125,887,342	27	131,773,372
	28	Temporarily restricted net assets		1,467,135	28	1,408,400
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, 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		127,354,477	33	133,181,772
	34	Total liabilities and net assets/fund balances		323,981,857	34	307,666,583

Part XI Reconcilliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI . . . . . ☐

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	218,673,905
2	Total expenses (must equal Part IX, column (A), line 25)	2	214,399,439
3	Revenue less expenses Subtract line 2 from line 1	3	4,274,466
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	127,354,477
5	Other changes in net assets or fund balances (explain in Schedule O)	5	
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	133,181,772

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII . . . . . ☐

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? . .	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separated basis			
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		No

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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.**

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Butler Healthcare Providers

Employer identification number
25-0965274

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 - Other

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 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? Yes	(iv) No	(v) Did you notify the organization in col (i) of your support? Yes	(v) No	(vi) Is the organization in col (i) organized in the U S ? Yes	(vi) No	(vii) Amount of support
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) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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 2010 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2009 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2010.** 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—2009.** If the organization did not check the 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—2010.** 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—2009.** 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)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(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)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(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 section501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15	Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	**15**	
16	Public support percentage from 2009 Schedule A, Part III, line 15	**16**	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f))	**17**	
18	Investment income percentage from **2009** Schedule A, Part III, line 17	**18**	

19a **33 1/3% support tests—2010.** 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—2009.** 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.** Supplemental Information. Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

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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, 11, or 12.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Butler Healthcare Providers

Employer identification number
25-0965274

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 may 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 pleasure)
☐ Preservation of an historically importantly land area
☐ Protection of natural habitat
☐ Preservation of a certified historic structure
☐ Preservation of open space

2 Complete lines 2a–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	2d	

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable 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 170(h)(4)(B)(ii)? ☐ Yes ☑ No

9 In Part XIV, 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, 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 XIV, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116, 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 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 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 XIV

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 XIV 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 XIV

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 Investment earnings or 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 year end balance held as

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Term endowment ▶

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

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

Part VI Investments—Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		2,577,581		2,577,581
b Buildings		84,599,665	26,622,465	57,977,200
c Leasehold improvements		6,229,162	2,058,384	4,170,778
d Equipment		199,423,334	111,463,944	87,959,390
e Other		9,539,502	3,421,657	6,117,845
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				158,802,794

Part VII Investments—Other Securities. 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) should equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Benbrook Medical Holdings	124,154	
(2) Chart Insurance Captive	2,063,540	
(3) Benbrook II	214,450	
(4) Butler Physicians Realty	102,515	
(5) Vie Care Butler	128,110	
(6) South Butler Medical	146,000	
(7) Medcare - DME	844,099	
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶	3,622,868	

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) Splt $ Life Insurance	1,292,171
(2) Delta Development Grp Fees	299,944
(3) VHA of PA	200,000
(4) Debt Issuance Costs	2,411,139
(5) Net Assets of Butler Health System Foundation	1,398,271
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	5,601,525

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
Pension liability	14,125,384
Third party settlements	4,901,452
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	19,026,836

2. Fin 48 (ASC 740) Footnote In Part XIV, 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 (ASC740)

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	218,673,905
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	214,399,439
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	4,274,466
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	4,274,466

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

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

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
		Part X (2) Fin 48 Footnote The system accounts for uncertainty in income taxes using a recognition threshold of more-likely-than not to be sustained upon examination by the appropriate taxing authority Measurement of the tax uncertainty occurs if the recognition threshold is met Management determined there were no tax uncertainties that met the recognition threshold in 2011 and 2010 The system's policy is to recognize interest related to unrecognition tax benefits in interest expense and penalties in operating expenses The system's federal income tax and informational returns for 2009, 2008, and 2007 (fiscal years ended June 30, 2010, 2009, and 2008) remain subject to examination by the Internal Revenue Service

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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.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Butler Healthcare Providers

Employer identification number
25-0965274

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," is it a written policy?	1b	Yes	
2	If the organization has multiple hospitals, 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 hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☑ 200% ☐ Other ____ %	3a	Yes	
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other ____ %	3b	Yes	
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine 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		No
6a	Does the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	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 Worksheets 1 and 2)			3,084,129	442,402	2,641,727	1 240 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			26,239,145	17,303,631	8,935,514	4 190 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)			213,025	168,084	44,941	0 020 %
d **Total** Financial Assistance and Means-Tested Government Programs			29,536,299	17,914,117	11,622,182	5 450 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			293,327	15,645	277,682	0 130 %
f Health professions education (from Worksheet 5)			394,089		394,089	0 190 %
g Subsidized health services (from Worksheet 6)			18,116,344	11,862,511	6,253,833	2 930 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			187,740		187,740	0 090 %
j **Total** Other Benefits			18,991,500	11,878,156	7,113,344	3 340 %
k **Total.** Add lines 7d and 7j			48,527,799	29,792,273	18,735,526	8 790 %

Part II Community Building Activities during the tax year, and describe in Part VI how its community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

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

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense (at cost)	2	2,409,910		
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	1,222,212		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	39,361,533		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	42,533,300		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-3,171,767		
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	Does the organization have a written debt collection policy?		9a	Yes	
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI		9b	Yes	

Part IV Management Companies and Joint Ventures

	(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, measured by total revenue per facility, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 1

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Butler Healthcare Providers DBA Butler Memorial Hospital One Hospital Way Butler, PA 16001	X	X					X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Name of Hospital Facility: _____

Line Number of Hospital Facility (from Schedule H, Part V, Section A): _____

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment 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 all of the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in community-wide community benefit 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 the 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 Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low incomeindividuals?	9		
If "Yes," indicate the FPG family income limit for eligibility for free care __%			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing discounted care to low income individuals?	10		
If "Yes," indicate the FPG family income limit for eligibility for discounted care __%			
11 Explained the basis for calculating amounts charged to patients?	11		
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 ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	12		
13 Included measures to publicize the policy within the community served by the hospital facility?	13		
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted at all times on the hospital facility's web site			
b ☐ The policy was attached to all 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 upon admission to the hospital facility			
f ☐ The policy was available upon request			
g ☐ Other (describe in Part VI)			

Billing and Collections

14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14		
15 Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments or arrests			
e ☐ Other (describe in Part VI)			
16 Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year?	16		
If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
17 Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)			
a ☐ Notified patients of the financial assistance policy upon admission			
b ☐ Notified patients of the financial assistance policy prior to discharge			
c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☐ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance			
e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 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?	**18**		
If "No," indicate the reasons why (check all that apply)			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility did not have a policy relating to emergency medical care			
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 for Medical Care

19 Indicate how the hospital facility determined the amounts generally billed to individuals who had insurance covering emergency or other medically necessary care (check all that apply)			
a ☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b ☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c ☐ The hospital facility used the Medicare rate for those services			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and 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?	**20**		
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient?	**21**		
If "Yes," explain in Part VI			

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? _____

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

Additional Data

Software ID:
Software Version:
EIN: 25-0965274
Name: Butler Healthcare Providers

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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

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

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

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

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

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

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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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Butler Healthcare Providers

Employer identification number
25-0965274

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. Check this box if no one recipient received more than $5,000. Part II can be duplicated if additional space is needed. . . . ▶ ☐

1 (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) Community Health Clinic of Butler County103 Bonnie Drive Butler, PA 16002	20-4852135	501 (c) (3)	50,000			General support to provide medical care for indigent patients	

2 Enter total number of section 501(c)(3) and government organizations . . . . ▶ _____

3 Enter total number of other organizations . . . . ▶ _____

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. Use Schedule I-1 (Form 990) if additional space is needed.

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

Part IV **Supplemental Information.** Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation

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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, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Butler Healthcare Providers

Employer identification number
25-0965274

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 orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**		No
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**		No
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply ☑ 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 from the organization or a related organization?	**4a**	Yes	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regs 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**		No

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) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		(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 in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Kenneth P DeFurio	(i) (ii)	447,794	169,200	95,253	141,782	38,918	892,947	
(2) Anne B Krebs	(i) (ii)	244,380	48,219	31,542	43,397	26,924	394,462	
(3) Maureen A Gray	(i) (ii)	184,061	36,887	20,189	27,646	20,983	289,766	
(4) Stephanie Roskovski	(i) (ii)	152,851	29,370	23,839	17,622	15,494	239,176	
(5) A Thomas McGill MD	(i) (ii)	267,380	53,098	57,799	45,070	27,169	450,516	
(6) Michael Busch	(i) (ii)	219,168	40,602	83,181	16,586	36,031	395,568	
(7) John C Reefer MD	(i) (ii)	260,343	53,129	30,383	46,915	36,475	427,245	
(8) Richard L Allen	(i) (ii)	180,320	38,601	57,007	19,950	34,347	330,225	
(9) Paula L Hooper	(i) (ii)	197,163	39,932	39,422	20,702	34,349	331,568	
(10)								
(11)								
(12)								
(13)								
(14)								
(15)								
(16)								

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8 Also complete this part for any additional information

Identifier	Return Reference	Explanation
		Part I Line 4 (a) Michael D Busch, former VP of Strategic Planning, received severence payments of $31,232 Richard L Allen, former VP of Strategic Facilities, received severence payments of $25,981 4 (b) The following individuals received payment noted below as part of a Senior Executive Benefit Plan for a tax-deferred Capital Accumulation Account The amounts represent the amount paid out after a two year vesting period The program was discontinued January, 2009 However, in some cases payments have been deferred into future years DeFurio 67,355 , Krebs 16,719, Gray 8,407, Roskovski 14,901 McGill 38,666, Allen 139, Reefer 13,629, Busch 2,266 4 (b) As part of the Senior Executive Benefit Plan, the organization contributes to a SERP plan The SERP plan is a benefit used to retain executives Executives do not receive any payment from the plan until they reach a vesting milestone at 5 years, 10 years and then finally at 65 years of age Benefits paid to participant are taxable The organization contributed the following amounts to the SERP plan for the following individuals DeFurio 126,816, Krebs 28,932, Gray 22,132, Roskovski 17,622 McGill 31,859, Busch 14,210, Hooper 13,976, Allen 13,510 Reefer 31,277 4 (b) The Senior Executive Benefit Plan permits participation in a 457 (b) plan The following individuals had the wages listed below deferred to the plan in calendar 2010 DeFurio 14,966, Krebs 14,466, Gray 5,514, McGill 13,211 Busch 2,376, Hooper 6,726, Allen 6,440, Reefer 15,638 7 Officers and employees are eligible for and received bonus compensation Bonuses are not guaranteed and are awarded based on Board approved metrics which include quality, services and financial performances Butler Health System Executive Compensation Philosophy and Process The Board of Trustees recognizes the great challenges and difficulties that healthcare executives face, particularly in the current era of national and state healthcare reform In addition, the Pittsburgh regional market is highly competative and changing rapidly The Board competes for and seeks executive talent on a national basis It engages expert compensation consultants, utilizing national comparative data to guide the determination of competative, appropriate levels of compensation The total compensation program for executives consists of cash compensation and benefits Factors taken into consideration in determining compensation for executives include market demand and competition for similar positions, experience and tenure in similar positions, and performance and effectiveness in similar positions Based on these and other pertinent criteria, BHS targets total compensation to fall within a range of the 25th to 75th percentile of the market BHS executive compensation generally will not exceed the 75th percentile of the market Exceptions to this may be made subject to review and recommendation by the Compensation Committee, which in turn is subject to review and approval by the Board of Trustees Exception must be supported by organizational and/or individual performance, or a retention/recruitment circumstance that warrants such compensation The Compensation Committee consists exclusively of non-interested individuals with no real or perceived conflicts of interest in recommending executive compensation guidelines and levels While benefits are accounted for in Schedule J, actual take home pay to the executives consists only of base salary and any incentive award earned Annual increases in base pay, if any, are based on competitive market trends from the comparison group Supplemental retirement benefits are used as a vehicle for executive recruitment and retention with appropriate vesting periods The Board of Trustees reviews and approves executive compensation in its entirety, including the use of tally sheets, which disclose 100% executive compensation The Board of Trustees engages external compensation and legal expertise to assure reasonableness of executive compensarion levels

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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 Schedule O (Form 990).
▶ Attach to Form 990. ▶ See separate instructions.

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2010

Open to Public Inspection

Name of the organization
Butler Healthcare Providers

Employer identification number
25-0965274

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	Butler County Hospital Authority	25-1458912	1235926QB	04-29-2009	50,000,000	Construction of addition to Hosp		X	X			X
B	Butler County Hospital Authority	25-1458912	123592CPO	04-29-2009	74,728,451	Consturtion of addition to Hosp		X	X			X
C	Butler County Hospital Authority	25-1458912		06-29-2010	12,165,000	Construtıon of addition to Hosp		X	X			X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds legally defeased				
3	Total proceeds of issue	50,000,000	74,728,451	12,165,000	
4	Gross proceeds in reserve funds	6,853,385	6,853,385		
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	833,495	1,419,179	217,226	
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	49,166,505	66,455,887		
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2010	2010		

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X		X		X		
b	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?		X		X		X		
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶								
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 ▶								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?		X		X		X		

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		
2	Is the bond issue a variable rate issue?		X		X		X		
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X		X		
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?		X		X		X		
e	Was a hedge terminated?		X		X		X		
4a	Were gross proceeds invested in a GIC?		X		X		X		
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?		X		X		X		
5	Were any gross proceeds invested beyond an available temporary period?		X		X		X		
6	Did the bond issue qualify for an exception to rebate?		X		X		X		

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule K (see instructions)

Identifier	Return Reference	Explanation

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V lines 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶See separate instructions.

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2010

Open to Public Inspection

Name of the organization
Butler Healthcare Providers

Employer identification number
25-0965274

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) Description of transaction	(c) Corrected? Yes	(c) Corrected? No

2 Enter the amount of tax imposed on the 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, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	(b) From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) No	(f) Approved by board or committee? Yes	(f) No	(g) Written agreement? Yes	(g) 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 grant or type of assistance

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Kelly Agnew Thomas Muzzonigro	Trustee of Org, Dir, Officer, Owner	279,203	Refer to Part V		No
(2) Anne B Krebs	Employed as CFO & Officer of Org, Uncompensated as member of Board of Directors of YMCA	198,090	Org leases from YMCA		No
(3) Richard F Latuska	Trustee of Org, Part Owner in Benbrook	290,428	Org Leases from Benbrook		No

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

Identifier	Return Reference	Explanation
		Payments included on the schedule were made to Tri Rivers Surgical Associates (the Group) for physician recruitment support as well as consulting services Consulting services totaled $18,299 The remaining $260,904 resulted from physician support agreements to assist with the recruitment of two specialized orthopedic surgeons in order to meet the community's need for these services The Group is obligated to provide the services to the community for a specified period and if not so provided, the Group is required to repay the support provided by the hospital (prorated), plus interest

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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.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Butler Healthcare Providers

Employer identification number
25-0965274

Identifier	Return Reference	Explanation
		Part VI (2) Dr Thomas Muzzonigro served for one year as an ex-officio trustee due to his position as President of the Medical Staff of Butler Memorial Hospital Dr Kelly Agnew is a trustee on this corporation's Board as well Both of these physicians are directors, officers and greater than 10% owners in a private medical group, as well as that group's affiliated entities 11 (a) The Finance Committee of the Board conducts a detailed review of the 990 filing, which is then presented to the full board for final review and approval 12 (c) The responses to the conflict of interest disclosure forms are collected and reviewed annually by General Counsel, who then reviews the same with the Audit and Compliance Committee of the Board of Trustees Conflict of interest disclosure forms are completed by all trustees, officers, committee members as well as the executive team In the event a relationship results in a potential conflict for an issue being discussed by the Board, the trustee recuses himself/herself from the discussion and vote This recusal is documented in the minutes The Vice President and General Counsel attends all board meetings and ensures that any needed recusals occur 15 Butler Health System Executive Compensation Philosophy and Process The Board of Trustees recognizes the great challenges and difficulties that healthcare executives face, particularly in the current era of national and state healthcare reform In addition, the Pittsburgh regional market is highly competative and changing rapidly The Board competes for and seeks executive talent on a national basis It engages expert compensation consultants, utilizing national comparative data to guide the determination of competative, appropriate levels of compensation The total compensation program for executives consists of cash compensation and benefits Factors taken into consideration in determining compensation for executives include market demand and competition for similar positions, experience and tenure in similar positions, and performance and effectiveness in similar positions Based on these and other pertinent criteria, BHS targets total compensation to fall within a range of the 25th to 75th percentile of the market BHS executive compensation generally will not exceed the 75th percentile of the market Exceptions to this may be made subject to review and recommendation by the Compensation Committee, which in turn is subject to review and approval by the Board of Trustees Exceptions must be supported by organizational and/or individual performance, or a retention/recruitment circumstance that warrants such compensation The Compensation Committee consists exclusively of non-interested individuals with no real or perceived conflicts of interest in recommending executive compensation guidelines and levels While benefits are accounted for in Schedule J, the actual take home pay to executives consists only of base salary and any incentive award earned Annual increases in base pay, if any, are based on competative market trends from the comparison group Supplemental retirement benefits are used as a vehicle for executive recruitment and retention with appropriate vesting periods The Board of Trustees reviews and approves executive compensation in its entirety, including the use of tally sheets, which disclose 100% of executive compensation The Board of Trustees engages external compensation and legal expertise to assure reasonableness of executive compensation levels 19 Historically financial information is provided to the public at the annual public board meeting Bylaws, Articles of Incorporation and the Conflict of Interest Policy are posted on the website Part VII Section A Column B Hours for related organization 1 DeFurio Hospital 40, Butler Medical Providers 15, BHS Foundation 2, Butler Health System 2, Nixsar Corp 1 2 Krebs Hospital 40 , Butler Medical Providers 7 , BHS Foundation 1 Butler Health System 1 , Nixsar Corp 1 3 Roskovski Hospital 45 ,Butler Medical Providers 5 4 McGill Hospital 40, Butler Medical Providers 15 5 Busch Hospital 20, Butler Medical Providers 25, Butler Health System 5 6 Reefer Hospital 40, Butler Medical Providers 15 7 Hooper Hospital 30, Butler Medical Providers 15 , BHS Foundation 2 Butler Health System 5 , Nixsar 1 8 Allen Hospital 45, Butler Medical Providers 5 Schedule I Part II Grants and Other Assistance The organization's bylaws control the contributions that can be made and the process relating to such

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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" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
Butler Healthcare Providers

Employer identification number
25-0965274

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

(a) Name, address, and EIN 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 organization	
						Yes	No
(1) Butler Health System One Hospital Way Butler, PA 16001 25-1441855	Healthcare delivery system	PA	501 (c) (3)	3	N/A		No
(2) Butler Medical Providers One Hospital Way Butler, PA 16001 25-1441855	Physician practices	PA	501 (c) (3)	3	N/A		No
(3) Butler Health System Foundation One Hospital Way Butler, PA 16001 26-1543883	Fundraising on behalf of Butler Health Sys	PA	501 (c) (3)	11-Type 1	N/A		No
(4) Nixsar Corporation One Hospital Way Butler, PA 16001 25-1441960	Own & operate real estate assets on behalf of Butler Health	PA	501 (c) (3)	3	N/A		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) Butler Ambulatory Surgery Center LLC 102 Technology Drive Butler, PA16001 06-1728190	Surgery	PA	N/A	not applicable				No			No	
(2) BHS FastER Care One Hospital Way Butler, PA16001 27-1961562	Urgent Care	PA	N/A	related	139,889	76,415		No		Yes		51 000 %

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
(1) PCA of Butler PC 480 East Jefferson St Butler, PA16001 25-1351445	Physician Office Practice	PA	N/A	C Corp			

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

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

		Yes	No
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 **(iv)** rent from a controlled entity	1a	No
b	Gift, grant, or capital contribution to other organization(s)	1b	No
c	Gift, grant, or capital contribution from other organization(s)	1c	Yes
d	Loans or loan guarantees to or for other organization(s)	1d	No
e	Loans or loan guarantees by other organization(s)	1e	No
f	Sale of assets to other organization(s)	1f	No
g	Purchase of assets from other organization(s)	1g	No
h	Exchange of assets	1h	No
i	Lease of facilities, equipment, or other assets to other organization(s)	1i	Yes
j	Lease of facilities, equipment, or other assets from other organization(s)	1j	Yes
k	Performance of services or membership or fundraising solicitations for other organization(s)	1k	No
l	Performance of services or membership or fundraising solicitations by other organization(s)	1l	Yes
m	Sharing of facilities, equipment, mailing lists, or other assets	1m	Yes
n	Sharing of paid employees	1n	Yes
o	Reimbursement paid to other organization for expenses	1o	Yes
p	Reimbursement paid by other organization for expenses	1p	Yes
q	Other transfer of cash or property to other organization(s)	1q	No
r	Other transfer of cash or property from other organization(s)	1r	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 other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

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) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproprtionate allocations?		(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No

Part VII Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation

Butler Health System and Controlled Entities

Consolidated Financial Statements and Supplementary Information

June 30, 2011 and 2010

ParenteBeard

CONFIDENCE THROUGH CLARITY

Butler Health System and Controlled Entities

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ParenteBeard

Independent Auditors' Report

Board of Trustees
Butler Health System

We have audited the accompanying consolidated balance sheet of Butler Health System and Controlled Entities (collectively the "System") as of June 30, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Butler Health System and Controlled Entities as of June 30, 2011 and 2010, and the results of their operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

ParenteBeard LLC

Pittsburgh, Pennsylvania
October 3, 2011

Net Patient Service Revenues

Certain members of the System have agreements with third-party payors that provide for payments to the System 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. Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. It is reasonably possible that the estimates used could change in the near term.

Revenues from the Medicare program accounted for approximately 47% in 2011 and 48% in 2010 and revenues from the Medicaid program accounted for approximately 7% in 2011 and 2010 of the Hospital's net patient service revenues. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Charity Care

The System provides care to patients who meet certain criteria under its patient financial assistance policy without charge or at amounts less than its established rates Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenues (Note 2)

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations as net assets released from restrictions

Advertising Costs

Advertising costs are expensed as incurred.

Reclassifications

Certain reclassifications were made to the 2010 financial statements to conform with the 2011 presentation.

Income Taxes

Butler Health System, the Hospital, the Foundation, Nixsar, and BMP are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on their exempt income under Section 501(a) of the Internal Revenue Code (the "Code"). The Surgery Center's members have elected to have the Surgery Center's income taxed as a partnership under the provisions of the Code; therefore, taxable income or loss is reported to the members for inclusion in their respective tax returns. No provision for federal or state income taxes is included in the accompanying consolidated financial statements.

PCA is a for-profit corporation subject to federal and state income taxes. BHS FastERcare and BHS FastERcare Lab are Pennsylvania limited liability companies and are subject to federal and state income taxes.

The System accounts for uncertainty in income taxes using a recognition threshold of more-likely-than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met Management determined there were no tax uncertainties that met the recognition threshold in 2011 and 2010

The System's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

The System's federal income tax and informational returns for 2009, 2008, and 2007 (fiscal years ended June 30, 2010, 2009, and 2008) remain subject to examination by the Internal Revenue Service.

Recent Accounting Pronouncements

Noncontrolling Interests

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2010-07, Not-for-Profit Entities: Mergers and Acquisitions ("ASU 2010-07") ASU 2010-07 was issued to update the authoritative guidance surrounding the information that a not-for-profit entity provides in its financial reports about a combination with one or more other not-for-profit entities, businesses, or nonprofit activities. ASU 2010-07 was also issued to update the authoritative guidance over the recognition and subsequent accounting for noncontrolling interests. ASU 2010-07 was effective for fiscal years beginning after June 15, 2010. The adoption of this guidance did not have a material effect on the consolidated financial statements.

Charity Care

The System will be required to adopt amended guidance related to health care entities which requires that direct and indirect costs be used as the measurement for charity care disclosure purposes. The guidance was also amended to require disclosure of the method used to identify or determine such costs. The amended guidance is effective for fiscal years beginning after December 15, 2010. Adoption of the amended guidance will revise disclosure in the notes to the System's consolidated financial statements but will not impact amounts reported in the primary consolidated financial statements.

Butler Health System and Controlled Entities

Consolidated Balance Sheet
June 30, 2011 and 2010

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	$ 30,086,717	$ 17,237,932
Accounts receivable:		
Patients, net of estimated allowance for doubtful collections of $4,571,000 in 2011 and $4,418,000 in 2010	24,112,609	21,963,383
Other	7,072,793	2,076,034
Inventories of drugs and supplies	3,351,388	3,378,122
Prepaid expenses and other current assets	2,476,224	2,479,314
Total current assets	67,099,731	47,134,785
Assets Whose Use Is Limited		
By Board for future capital improvements	67,860,514	71,167,579
Under trust indenture, held by trustee	7,085,855	39,266,316
Foundation investments	879,257	1,176,429
Under agreement for self-insured workers' compensation	1,574,301	1,560,669
Funds held in escrow	2,463,946	2,901,017
Property and Equipment, Net	175,331,938	173,172,199
Investments in and Loans to Affiliates	4,411,312	4,182,911
Debt Issuance Costs, Net	2,413,374	2,566,286
Other Assets	2,835,759	3,874,527
Total assets	$ 331,955,987	$ 347,002,718

	2011	2010
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	$ 2,161,022	$ 1,956,722
Accounts payable	3,290,069	2,729,923
Accrued expenses	16,294,413	15,441,605
Accrued interest payable	2,765,359	2,698,009
Estimated third-party payor settlements	4,901,452	4,844,273
Total current liabilities	29,412,315	27,670,532
Long-Term Debt, Net	133,769,158	135,693,644
Construction Payable	-	11,615,532
Pension Liability	14,125,384	24,201,276
Total liabilities	177,306,857	199,180,984
Net Assets		
Unrestricted	152,125,984	145,254,236
Noncontrolling interest in consolidated subsidiaries	676,108	664,751
Temporarily restricted	1,408,400	1,467,136
Permanently restricted	438,638	435,611
Total net assets	154,649,130	147,821,734
Total liabilities and net assets	$ 331,955,987	$ 347,002,718

See notes to consolidated financial statements

Butler Health System and Controlled Entities

Consolidated Statement of Operations
Years Ended June 30, 2011 and 2010

	2011	2010
Unrestricted Revenues		
Net patient service revenues	$ 236,487,644	$ 225,956,904
Other operating revenues	11,309,988	7,136,171
Contributions	176,324	144,469
Net assets released from restrictions used for operations	256,330	115,664
Total unrestricted revenues	248,230,286	233,353,208
Expenses		
Salaries and wages	82,000,760	74,260,897
Medical and surgical supplies	37,175,238	37,096,325
General supplies and purchased services	34,003,002	31,413,957
Employee benefits	29,141,389	25,576,197
Physicians' fees	21,965,787	18,099,365
Depreciation and amortization	15,564,673	9,693,507
Provision for doubtful collections	8,990,906	8,303,166
Interest	6,138,844	1,162,849
Utilities and insurance	5,979,226	5,359,385
Professional fees and miscellaneous	4,674,410	5,208,288
Outside medical services	3,363,518	3,168,276
Loss on early extinguishment of long-term debt	-	202,211
Total expenses	248,997,753	219,544,423
Operating (loss) income	(767,467)	13,808,785
Other Income (Loss)		
Investment income	849,008	1,019,956
Equity in earnings of affiliates	725,356	556,421
Other, net	(262,062)	78,572
Other income, net	1,312,302	1,654,949
Revenues in excess of expenses before noncontrolling interest in net income of consolidated subsidiaries	544,835	15,463,734
Noncontrolling Interest in Net Income of Consolidated Subsidiaries	(1,064,861)	(1,017,244)
Revenues (less than) in excess of expenses	$ (520,026)	$ 14,446,490

See notes to consolidated financial statements

Butler Health System and Controlled Entities

Consolidated Statement of Changes in Net Assets
Years Ended June 30, 2011 and 2010

	2011	2010
Unrestricted Net Assets		
Revenues (less than) in excess of expenses	$ (520,026)	$ 14,446,490
Change in net unrealized gains and losses on investments other than trading securities	368,551	232,225
Net assets released from restrictions used for purchase of property and equipment	822,636	82,748
Pension liability adjustment	6,200,587	(8,918,759)
Increase in unrestricted net assets	6,871,748	5,842,704
Temporarily Restricted Net Assets		
Contributions	1,006,221	1,330,642
Change in value of pledges receivable	12,964	(60,025)
Net realized gains on investments	1,045	971
Net assets released from restrictions	(1,078,966)	(198,412)
(Decrease) increase in temporarily restricted net assets	(58,736)	1,073,176
Permanently Restricted Net Assets		
Net realized gains on investments	3,027	-
Contributions	-	3,011
Increase in permanently restricted net assets	3,027	3,011
Increase in net assets	6,816,039	6,918,891
Net Assets, Beginning, Before Noncontrolling Interest	147,156,983	140,238,092
Net Assets, Ending, Before Noncontrolling Interest	$ 153,973,022	$ 147,156,983

See notes to consolidated financial statements

Butler Health System and Controlled Entities

Consolidated Statement of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Increase in net assets	$ 6,816,039	$ 6,918,891
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	15,564,673	9,693,507
Amortization of debt issuance costs	152,912	321,140
Amortization of original bond discount	60,368	60,369
Provision for doubtful collections	8,990,906	8,303,166
Equity in earnings of affiliates	(725,356)	(556,421)
Net realized (gains) losses on sale of securities	(14,455)	52,704
Loss (gain) on disposal of property and equipment	236,910	(1,563)
Loss on early extinguishment of long-term debt	-	202,211
Noncontrolling interest in net income of consolidated subsidiary	1,064,861	1,017,244
Pension liability adjustment	(6,200,587)	8,918,759
Change in net unrealized gains and losses on investments other than trading securities	(368,551)	(232,225)
Restricted contributions and realized gains	(1,007,266)	(1,331,613)
Changes in assets and liabilities:		
Accounts receivable, patients	(11,140,132)	(9,217,021)
Inventories, prepaid expenses, and other receivables	(4,966,935)	(529,975)
Other assets	1,038,768	(223,555)
Accounts payable and accrued expenses	1,412,954	3,790,079
Accrued interest payable	67,350	1,280,545
Estimated third-party payor settlements	57,179	1,498,127
Pension liability	(3,875,305)	(1,820,530)
Net cash provided by operating activities	7,164,333	28,143,839
Cash Flows from Investing Activities		
Decrease in assets whose use is limited	36,591,143	64,368,715
Purchase of property and equipment	(29,576,854)	(84,865,709)
Decrease (increase) in investments in and loans to affiliates	496,955	(785,469)
Proceeds from sale of property and equipment	-	20,685
Net cash provided by (used in) investing activities	7,511,244	(21,261,778)
Cash Flows from Financing Activities		
Repayment of long-term debt	(1,780,554)	(18,795,262)
Noncontrolling interest in equity distributions of consolidated subsidiary	(1,053,504)	(1,053,501)
Proceeds from restricted contributions and realized gains	1,007,266	1,331,613
Proceeds from long-term debt	-	12,040,670
Payments of financing costs	-	(341,556)
Net cash used in financing activities	(1,826,792)	(6,818,036)
Increase in cash and cash equivalents	12,848,785	64,025
Cash and Cash Equivalents, Beginning	17,237,932	17,173,907
Cash and Cash Equivalents, Ending	$ 30,086,717	$ 17,237,932
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest, net of amounts capitalized	$ 5,356,499	$ 1,653,670
Supplemental Disclosure of Noncash Operating and Investing Activities		
Amounts incurred for construction payable	$ -	$ 11,615,532

See notes to consolidated financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of Butler Health System, the controlling parent, Butler Healthcare Providers d/b/a Butler Memorial Hospital and Controlled Entities (collectively, "BMH"), Butler Health System Foundation (the "Foundation"); Nixsar Corporation ("Nixsar"), Primary Care Associates, P.C. ("PCA"), Butler Medical Providers ("BMP"), and Butler Ambulatory Surgery Center, LLC (the "Surgery Center") (collectively the "System"). The transactions and balances of BMH include the accounts of Butler Memorial Hospital (the "Hospital"), BHS FastERcare PLLC ("BHS FastERcare"), and BHS FastERcare Laboratory Services, LLC ("BHS FastERcare Lab"). All significant intercompany transactions and balances have been eliminated in consolidation.

Nature of Operations

The System's primary operations are conducted within the Hospital. The Hospital operates a general acute care hospital that provides inpatient, outpatient, and emergency care services. The Foundation provides fundraising activities in support of the System. Nixsar provides realty management services. BMP employ primary care and specialty care physicians. PCA employs primary care physicians. The Surgery Center is a joint venture, in which Butler Health System maintains a 51% ownership, that operates an ambulatory surgery center, offices for health service providers, and associated services The System's primary service area includes Butler, Pennsylvania and surrounding communities in Butler County.

Subsequent Events

The System evaluated subsequent events for recognition or disclosure through October 3, 2011, the date the consolidated financial statements were available to be issued.

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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments purchased with original maturities of three months or less, excluding assets whose use is limited

Accounts Receivable, Patients

Accounts receivable, patients 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 The allowance for doubtful collections is estimated based upon a periodic review of the accounts receivable aging, payor classifications, and application of historical write-off percentages.

Accounts Receivable, Other

Accounts receivable, other 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. No allowance for doubtful collections was recorded because management believes realization losses on other receivables will not be material.

Inventories of Drugs and Supplies

Inventories are valued at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Assets Whose Use Is Limited

Assets whose use is limited includes assets set aside by the Board of Trustees (the "Board") for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes, assets held by a bond trustee under trust indenture, assets held by the Foundation, assets held by a trustee in connection with the System's self-insured workers' compensation program, and funds held in escrow

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Cash and cash equivalents are carried at cost which approximates fair value. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the determination of revenues (less than) in excess of expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the determination of revenues (less than) in excess of expenses unless the investments are trading securities. Interest income is measured as earned on the accrual basis. Dividends are measured using the ex-dividend rate. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis. Donor-restricted investment income is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the type of restriction.

The System's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the consolidated balance sheet are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

Property and Equipment

Property and equipment acquisitions are recorded at cost. The System provides for depreciation on a straight-line basis over the estimated useful lives of the assets. Such lives, in the opinion of management, are adequate to allocate asset costs over their productive lives. Maintenance, repairs, and minor improvements are expensed as incurred. Equipment under capital leases is amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the equipment.

Interest costs incurred on borrowed funds during the period of construction of capital assets, less interest earned on the proceeds of tax-exempt borrowings, are capitalized as a component of the cost of acquiring those assets. Interest costs capitalized totaled approximately $501,715 in 2011 and $5,500,653 in 2010.

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

Debt Issuance Costs

Costs incurred in connection with the issuance of long-term debt have been deferred and are being amortized over the term of the debt using the effective interest method. Amortization of debt issuance costs was $152,912 in 2011 and $321,140 in 2010.

Estimated Medical Malpractice Claims Liability

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

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the System in perpetuity.

Revenues (Less Than) in Excess of Expenses

The consolidated statement of operations includes the determination of revenues (less than) in excess of expenses. Changes in unrestricted net assets which are excluded from the determination of revenues (less than) in excess of expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, pension liability adjustment, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets)

Insurance Claims

The System will be required to adopt amended guidance which clarifies that health care entities may not net insurance recoveries against a related claim liability. In addition, the amount of the claim liability should be determined without consideration of insurance recoveries and estimated insurance recoveries, if any, should be measured and presented separately within the balance sheet. The amended guidance is effective for fiscal years beginning after December 15, 2010. The System has not completed the process of evaluating the impact, if any, of this amended guidance on its consolidated financial statements

Provision for Doubtful Collections

The System will be required to adopt amended guidance related to health care entities which requires a change in reporting the provision for bad debts associated with net patient service revenues. As a result of this guidance, the provision, which is currently reported as an operating expense in the System's consolidated statement of operations, will be reported as a deduction from patient service revenues, net of contractual allowances and discounts. The guidance also enhances required disclosures regarding the policies for recognizing net patient service revenues and assessing bad debts In addition, the guidance requires disclosure of net patient service revenues and qualitative and quantitative information about changes in the allowance for doubtful accounts, both by major payor sources. The amended guidance is effective for fiscal years beginning after December 15, 2011. Adoption of the amended guidance will require retrospective restatement of the consolidated statement of operations and prospective consolidated financial statement disclosures.

2. Charity Care and Community Service Benefits

The Hospital maintains records to identify and monitor the level of charity care and other types of community benefits it provides. All amounts are reported in terms of costs less any reimbursement or support The value of the community benefits amounted to approximately $15,655,000 in 2011 and $13,625,000 in 2010.

Charity care is free or discounted health services provided to persons who cannot afford to pay and who meet the Hospital's criteria for financial assistance. In addition to the charity care provided for direct patient care, the Hospital provides services at a loss for the Pennsylvania Medicaid Program. The Hospital also provides subsidized health services for programs that respond to identified community needs, including Behavioral Health, Substance Abuse, Skilled Nursing, Maternal Services, and Family Services.

Costs associated with benefits for the broader community are also included. These types of costs include community health improvement services, health professions education, research, in-kind contributions to other community groups, and community building activities.

3. Net Patient Service Revenues

Certain members of the System have agreements with third-party payors that provide for payments at amounts different from its established rates. A significant portion of the net patient service revenues are derived from those third-party payor programs. A summary of the payment arrangements with major third-party payors follows:

- Medicare - Inpatient acute and nonacute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Reimbursements for cost reimbursable expenditures are received at tentative interim rates, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2007.

- Medical Assistance - Inpatient acute care services rendered to Medical Assistance program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services are paid at prospectively determined per diem rates. Outpatient services and home health services are paid based on a published fee schedule.

- Blue Cross - Inpatient and outpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per discharge.

Certain members of the System have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the System under these agreements includes prospectively determined daily rates and discounts from established charges.

Effective July 1, 2010, the System is subject to a Quality Care Assessment (the "Assessment") imposed by the Pennsylvania Department of Public Welfare ("DPW") under Pennsylvania Act 49 of 2010, which is 2.95% of net inpatient revenue from the Hospital's 2008 federal fiscal year cost report. The Assessment was pursued by Pennsylvania in an effort to increase the federal share of Medical Assistance funding under the Medicaid Modernization Act. In turn, DPW provides additional reimbursement to the Hospital.

The Assessment totaled approximately $2,203,000 for the year ended June 30, 2011, which is included in general supplies and purchased services in the accompanying consolidated statement of operations. Additional reimbursement to the System was approximately $3,360,000 for the year ended June 30, 2011, which is included in net patient service revenue.

4. Assets Whose Use is Limited

The composition of assets whose use is limited at June 30, 2011 and 2010 is as follows:

	2011	2010
By Board for future capital improvements:		
Cash and cash equivalents	$ 63,608,359	$ 67,665,045
Equity mutual funds	2,516,118	1,783,872
Fixed income mutual funds	1,736,037	1,617,912
Corporate bonds	-	100,750
Total	$ 67,860,514	$ 71,167,579
Under trust indenture, held by trustee,		
Cash and cash equivalents	$ 7,085,855	$ 39,266,316
Foundation investments		
Cash and cash equivalents	$ 816,486	$ 1,119,005
Certificates of deposit	62,771	57,424
Total	$ 879,257	$ 1,176,429
Under agreement for self-insured workers' compensation,		
Certificates of deposit	$ 1,574,301	$ 1,560,669
Funds held in escrow,		
Cash and cash equivalents	$ 2,463,946	$ 2,901,017

Investment income from unrestricted investments for the years ended June 30, 2011 and 2010 is comprised of the following:

	2011	2010
Other operating revenues,		
Interest and dividend income	$ 187,952	$ 92,104
Other income:		
Interest and dividend income	834,553	1,072,660
Net realized gains (losses) on sale of securities	14,455	(52,704)
Total other income	849,008	1,019,956
Other changes in unrestricted net assets,		
Change in net unrealized gains and losses on investments other than trading securities	368,551	232,225
Total investment income	$ 1,405,511	$ 1,344,285

5. Fair Value Measurements

The System measures its assets whose use is limited at fair value on a recurring basis in accordance with FASB guidance on fair value measurements. The securities listed below were measured at fair value using the following inputs at June 30, 2011 and 2010:

	2011	
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)
Cash and cash equivalents	$ 73,974,646	$ -
Certificates of deposit	-	1,637,072
Equity mutual funds	2,516,118	-
Fixed income mutual funds	1,736,037	-
Total	$ 78,226,801	$ 1,637,072

	2010	
Cash and cash equivalents	$ 110,951,383	$ -
Certificates of deposit	-	1,618,093
Corporate bonds	-	100,750
Equity mutual funds	1,783,872	-
Fixed income mutual funds	1,617,912	-
Total	$ 114,353,167	$ 1,718,843

At June 30, 2011 and 2010, the System did not have any assets or liabilities whose fair values were measured using Level 3 inputs.

The carrying amounts reported in the accompanying consolidated balance sheet for cash and cash equivalents, patient accounts receivable, and estimated third-party payor settlements are recorded at cost, which approximate fair value due to the short term nature of the instruments.

The fair value of assets whose use is limited is based on the closing price reported on the active market on which the individual funds are traded, which are considered Level 1 inputs, for equity and fixed income mutual funds. For certificates of deposit, fair value is based on spreads of published interest rate curves, which are considered Level 2 inputs.

The fair value of the System's variable rate long-term debt approximates its carrying amount in the accompanying consolidated balance sheet The fair value of fixed rate long-term debt, excluding capital lease obligations, was estimated using quoted market prices or discounted cash flow analyses based on the System's current incremental borrowing rate for similar types of borrowing arrangements. The fair value of the System's long-term debt was approximately $140,574,000 and $148,459,000 at June 30, 2011 and 2010, respectively.

6. Property and Equipment

Property and equipment and related accumulated depreciation consists of the following at June 30, 2011 and 2010:

	2011	2010
Land	$ 4,415,182	$ 4,388,204
Land improvements	9,415,617	3,509,385
Buildings	99,088,335	45,520,593
Equipment (including equipment under capital lease)	206,366,968	133,201,297
Leasehold improvements	8,017,882	6,349,653
Construction-in-progress	885,546	117,628,565
Total	328,189,530	310,597,697
Less accumulated depreciation	152,857,592	137,425,498
Property and equipment, net	$ 175,331,938	$ 173,172,199

7. Long-Term Debt

Long-term debt consists of the following at June 30, 2011 and 2010:

	2011	2010
Variable Rate Hospital Revenue Bonds, Series 2009A	$ 50,000,000	$ 50,000,000
Hospital Revenue Bonds, Series 2009B	75,990,000	75,990,000
Variable Rate Hospital Revenue Bonds, Series 2010A	10,460,000	12,165,000
Equipment loan, NexTier Bank, due in equal monthly installments, including interest equal to the Five Year Federal Home Loan Bank Rate plus 2.0%, through December 2014	440,931	539,612
Capital lease obligations	180,061	156,934
Total long-term debt	137,070,992	138,851,546
Less unamortized bond discount	1,140,812	1,201,180
Total long-term debt, net of unamortized bond discount	135,930,180	137,650,366
Less current maturities	2,161,022	1,956,722
Long-term debt, net	$ 133,769,158	$ 135,693,644

The scheduled principal repayments for long-term debt are as follows:

Years ending June 30:	
2012	$ 2,161,022
2013	2,070,069
2014	2,101,295
2015	2,168,606
2016	2,120,000
Thereafter	126,450,000
Total	$ 137,070,992

Variable Rate Hospital Revenue Bonds, Series 2009A

In April 2009, $50,000,000 of Variable Rate Hospital Revenue Bonds, Series 2009A (the "2009A Bonds") were issued by the Butler County Hospital Authority (the "Authority") under the terms of a Master Trust Indenture dated as of September 15, 1986, as amended and supplemented. The proceeds were used to finance a portion of the cost of the Hospital's expansion project, including the expansion of the main Hospital facility, investment in off-site facilities to support outpatient services, and investment in information technology (the "Expansion Project"). The proceeds were also used to fund a debt service reserve fund and pay the costs of the bonds issuance.

The 2009A Bonds initially bore interest at a weekly rate, not to exceed 12%, determined by a remarketing agent to be the lowest interest rate necessary which would allow for the sale of the bonds at par, taking into consideration prevailing financial market conditions. The trust indenture also provided for the option to convert the bonds to a term rate, as calculated at specified conversion dates throughout the term of the bonds, not to exceed 8%. On June 29, 2010, the trust indenture was amended to allow for conversion of the interest calculation to a Bank-Bought Interest Rate, as defined in the amended Master Trust Indenture. The interest rate was 1.37% at June 30, 2011. Scheduled principal payments commence July 1, 2017 and are due each year through 2039. The bonds are secured by pledged revenues.

Hospital Revenue Bonds, Series 2009B

In April 2009, $75,990,000 of Hospital Revenue Bonds, Series 2009B (the "2009B Bonds") were also issued by the Authority under the terms of a Master Trust Indenture dated as of September 15, 1986, as amended and supplemented. The proceeds were used to finance a portion of the Expansion Project, fund a debt service reserve fund, and pay the costs of the bonds issuance.

The 2009B Bonds bear interest at rates ranging from 5.375% to 7.25%. Scheduled principal payments commence July 1, 2017 and are due each year through 2039.

Variable Rate Hospital Revenue Bonds, Series 2010A

In June 2010, $12,165,000 of Hospital Revenue Bonds, Series 2010A (the "2010A Bonds") were issued by the Authority under the terms of a Master Trust Indenture dated as of September 15, 1986, as amended and supplemented. The proceeds were used to finance a portion of the Expansion Project and pay the costs of the bond issuance.

The 2010A Bonds bear interest at a Bank-Bought Interest Rate, as defined in the amended Master Trust Indenture. The interest rate was 1.37% at June 30, 2011. Scheduled principal payments commenced August 1, 2010 and are due each year through 2017.

The Butler Health System Obligated Group (the "Obligated Group") consists of Butler Health System, BMH, BMP, and Nixsar. All members of the Obligated Group are jointly and severally liable for all outstanding obligations of the Obligated Group.

The Master Trust Indentures contain various financial and other covenants. The Obligated Group is required to maintain certain financial ratios including minimum days cash on hand, a minimum debt service coverage ratio, and a minimum debt-to-capitalization ratio. At June 30, 2011, the Obligated Group was in compliance with the required covenants under the terms of the Master Trust Indentures.

9. Pension Plans

The Hospital maintains three noncontributory defined benefit pension plans covering substantially all employees. The benefits are based on the participant's number of years of service and the employee's compensation. The Hospital's funding policy is to contribute an amount annually that satisfies at least the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

The following tables set forth the change in benefit obligation, the fair value of plan assets, and the amounts recognized in the consolidated balance sheet at June 30, 2011 and 2010

	2011	2010
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 75,120,791	$ 58,240,205
Service cost	2,639,605	1,994,213
Interest cost	4,239,166	4,393,927
Actuarial gain	2,958,737	13,253,925
Benefits paid	(6,309,547)	(2,761,479)
Projected benefit obligation at end of year	78,648,752	75,120,791
Change in plan assets:		
Fair value of plan assets at beginning of year	50,919,515	41,137,158
Actual return on plan assets	11,253,400	6,165,564
Employer contributions	8,660,000	6,378,272
Benefits paid	(6,309,547)	(2,761,479)
Fair value of plan assets at end of year	64,523,368	50,919,515
Funded status of the plan and amount recognized in the consolidated balance sheet	$ (14,125,384)	$ (24,201,276)
Accumulated benefit obligation	$ 76,314,762	$ 73,188,968

To develop the expected long-term rate of return on assets assumption, the Hospital considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

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

	Target Allocation	2011	2010
Equity securities	50 - 60 %	58 %	57 %
Debt securities	30 - 40	32	31
Other	10 - 15	10	12

The plan assets were measured at fair value using the following inputs as of June 30, 2011 and 2010:

	2011	
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)
Equity mutual funds	$ 37,543,118	$ -
Fixed income mutual funds	20,673,334	-
Other	-	6,306,916
Total	$ 58,216,452	$ 6,306,916
	2010	
Equity mutual funds	$ 29,117,723	$ -
Fixed income mutual funds	15,860,636	-
Other	-	5,941,156
Total	$ 44,978,359	$ 5,941,156

At June 30, 2011 and 2010, the Hospital's pension plans did not have any assets whose fair values were measured using Level 3 inputs.

Other plan investments include the SEI Opportunities Collective Fund (the "Fund"), a non-readily marketable collective trust fund held by the plans. The significant investment strategy of the Fund is investing in private investment, or hedge funds. The Plans' investment in the Fund is subject to a one-year lockup upon initial investment and is generally redeemable on a quarterly basis given a 65-day notice, at which time quarterly distributions may be taken, subject to a 10% holdback. At this time, there is no intention of the Fund to liquidate. There are no unfunded commitments relating to the Fund as of June 30, 2011 and 2010.

The plan assets are invested in separately managed portfolios using investment management firms The plans' objective is to maximize total return without assuming undue risk exposure. The plans maintain a well-diversified asset allocation that best meets these objectives. Plan assets are largely comprised of equity mutual funds, which include companies with all market capitalization sizes. Fixed income mutual funds include both short-term and intermediate maturities Investments in derivative securities are not permitted for the sole purpose of speculating on the direction of market interest rates

In each investment account, investment managers are responsible to monitor and react to economic indicators, such as GDP, CPI, and the Federal Monetary Policy, that may affect the performance of their account. The performance of all managers and the aggregate asset allocation are reviewed on a quarterly basis.

The following table sets forth the components of net periodic pension cost in 2011 and 2010:

	2011	2010
Service cost	$ 2,639,605	$ 1,994,213
Interest cost	4,239,166	4,393,927
Expected return on plan assets	(4,679,653)	(3,699,840)
Amortization of prior service credit	(94,005)	(126,908)
Recognized net actuarial loss	2,679,582	1,996,350
Net periodic pension cost	$ 4,784,695	$ 4,557,742

The Hospital expects to make contributions of approximately $4,770,000 during the next fiscal year.

The assumptions used in determining the actuarial present value of the projected benefit obligation at June 30, 2011 and 2010 are as follows:

	2011	2010
Discount rate	5.59 %	5.76 %
Rates of compensation increase	3.50	3.50

The assumptions used to determine the net periodic benefit cost in 2011 and 2010 are as follows:

	2011	2010
Discount rate	5.76 %	7.75 %
Rates of compensation increase	3.50	4.00
Expected return on assets	8 25	8.25

A net actuarial gain of $6,294,592 and prior service credit of $94,005 represent the unrecognized components of net periodic pension cost included in unrestricted net assets at June 30, 2011.

The estimated amortization of the net actuarial loss and prior service credit expected to be recognized in net periodic pension cost in the next fiscal year is approximately $2,187,128 and $54,786, respectively.

The following benefit payments which reflect expected future services, as appropriate, are expected to be paid:

Years ending June 30:	
2012	$ 3,216,000
2013	3,453,000
2014	4,334,000
2015	4,344,000
2016	5,211,000
2017 – 2021	35,614,000

10. Self-Insurance Plans

All members of the System, except the Hospital, are covered under premium-based workers' compensation policies. The Hospital provides for workers' compensation costs through a program of self-insurance supplemented by purchased excess liability coverage. Estimated self-insurance costs are accrued based upon data provided by the third-party administrator of the program and historical claims experience. The liability for workers' compensation was approximately $955,000 and $902,000 at June 30, 2011 and 2010, respectively, and is included in accrued expenses in the accompanying consolidated balance sheet. The discount rate used in determining these liabilities was 4.0% at June 30, 2011 and 2010.

The Hospital also self-insures its employee health insurance coverage and supplements it with excess liability coverage. The Hospital accrues the estimated costs of incurred and reported and incurred and unreported claims, after consideration of its stop-loss insurance coverages, based upon data provided by the third-party administrator of the program and its historical claims experience The liability for employee health insurance was approximately $936,000 and $1,012,000 at June 30, 2011 and 2010, respectively, and is included in accrued expenses in the accompanying consolidated balance sheet.

11. Medical Malpractice Claims Coverage

At June 30, 2011, the Hospital's medical malpractice insurance coverage is provided under the provisions of the following insurance arrangements:

Primary Coverage – Primary coverage is provided under the terms of an insurance contract which covers losses, if any, which are reported during the period the contract is in force, "claims-made coverage," subject to the per occurrence and aggregate limits during the period of policy coverage.

MCARE Fund coverage – The Pennsylvania Medical Care Availability and Reduction of Error Fund ("MCARE Fund") provides coverage in accordance with the Pennsylvania law governing the MCARE Fund. Pursuant to the per occurrence and aggregate limits set forth in the controlling Pennsylvania statutes, the MCARE Fund provides coverage for losses in excess of the primary coverage that was in effect on the date of the incident. The cost of MCARE Fund coverage is recognized as expense in the period incurred. Increases in annual surcharges and concerns over the MCARE Fund's ability to manage and pay claims continues to result in proposals to reform or restructure the MCARE Fund. MCARE Fund coverage is currently scheduled to be reduced in 2012, unless the State Insurance Commissioner determines that additional primary insurance capacity is not available at that time, and eliminated three years after such reduction. The Hospital will be required to purchase additional primary insurance to take the place of the MCARE Fund coverage if it is reduced. Depending upon the ultimate resolution of this matter, the Hospital may incur additional insurance costs.

Excess coverage – The Hospital has excess liability insurance contracts which insure against losses in excess of the above coverages reported during the period of policy coverage

The primary and excess coverages are provided by Community Hospital Alternative for Risk Transfer ("CHART"), a reciprocal risk retention group, which is a form of a captive insurance company. CHART was formed in April 2002 to provide liability insurance, reinsurance and risk management services for its subscribers. The Hospital maintains an equity ownership in CHART, which is accounted for using the equity method of accounting (Note 13).

A portion of the annual primary coverage premium through the 2009 policy year is retrospectively determined based on the actual costs incurred by CHART on behalf of the Hospital. As of June 30, 2011, premiums totaling approximately $632,000 are subject to retrospective determination. The Hospital can be assessed additional premiums up to this amount. The obligation to pay additional premiums is secured by letters of credit totalling this amount. Unused premiums are refundable to the Hospital. Beginning with the 2010 policy, this practice has been eliminated and a $10,000 deductible per claim has been instituted.

The Hospital's estimated medical malpractice claims liability for both asserted and unasserted claims was approximately $1,013,000 and $1,364,000 at June 30, 2011 and 2010, respectively, and is included in accrued expenses in the accompanying consolidated balance sheet. It is reasonably possible that the estimates used could change materially in the near term.

The System believes it has adequate insurance coverages for all asserted claims and it has no knowledge of unasserted claims which would exceed its insurance coverages.

12. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are primarily available for future property and equipment additions and operational use restricted to a certain purpose. Assets are deemed released from restrictions when the System fulfills the specific time period or purposes for which the assets are restricted. The investments relating to the permanently restricted net assets are to be held in perpetuity and the income is available to support health care services.

13. Investments in and Loans to Affiliates

Investments in and loans to affiliates includes the Hospital's investments in entities in which the Hospital has a financial interest. The Hospital applies the equity method of accounting for investments in which significant influence over operating and financial policies of the investee exists even though the Hospital has less than 50% ownership. Investments recorded on the equity method are adjusted for the Hospital's proportionate share of undistributed earnings or losses and these amounts are included in other income in the accompanying consolidated statement of operations. All other investments in such entities are recorded at cost.

Investments in and loans to affiliates consists of the following at June 30, 2011 and 2010:

	2011	2010
CHART	$ 2,063,540	$ 1,729,359
Benbrook Medical Holdings, LLC	912,598	937,094
MedCare Equipment Company, LLC	844,099	906,544
Benbrook 107, LLC	214,450	214,450
Butler Physicians Realty, LLC	102,515	121,354
South Butler Medical Holdings Management Company, LLC	146,000	146,000
VieCare – Butler, LLC	128,110	128,110
Total	$ 4,411,312	$ 4,182,911

The Hospital has a 4% ownership in CHART (Note 11) and participates with other subscribers in the operations of CHART. The Hospital received a dividend distribution of $197,849 in 2011 and $57,368 in 2010.

The Hospital has a 15% ownership in Benbrook Medical Holdings, LLC, a joint venture with several physicians for the purpose of acquiring real property and constructing a 55,000-square-foot building to be leased to BMP and to operate an ambulatory surgery center. The Hospital received a member's distribution from this joint venture of $25,250 in 2011 and $23,250 in 2010.

In 2006, the Hospital entered into a loan agreement with Benbrook Medical Holdings, LLC for $915,741. The balance of the loan receivable was $788,444 at June 30, 2011 and $818,461 at June 30, 2010. The loan bears interest at 6.25% per annum and is due in equal monthly installments through 2026.

The Hospital has a 5% ownership in MedCare Equipment Company, LLC, an entity that provides durable medical equipment and related services. The Hospital received a member's distribution from MedCare Equipment Company, LLC of $225,000 in 2011 and $75,000 in 2010.

The Hospital has a 45% ownership in Benbrook 107, LLC, a. joint venture with several physicians for the purpose of acquiring real property and leasing the same to BMP.

The Hospital has a 15% ownership in Butler Physicians Realty, LLC, a joint venture with several physicians to construct a medical office building in Butler County. The Hospital received a member's distribution from this joint venture of $18,839 in 2011 and $15,110 in 2010.

The Hospital has a 19.9% ownership in South Butler Medical Holdings Management Company, LLC, a joint venture with several partners for the purpose of acquiring real property and leasing the same to BMP.

The Hospital has a 15% ownership in VieCare – Butler, LLC, a joint venture with VieCare, Inc. to provide independent living services and other activities to the residents of Butler County.

14. 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.

Once the Hospital 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 Hospital'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 Hospital attested as a meaningful user for the year ended June 30, 2011. As such, the Hospital recognized approximately $2,396,000 under the Medicare program and $324,000 under the Medicaid program as grant income for the year ended June 30, 2011, which is included in other operating revenues in the accompanying consolidated statement 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 Hospital's attestation as a meaningful user is subject to audit by the Federal Government or its designee.

15. Functional Expenses

The System provides general health care services to residents within its geographic location. Expenses related to providing these services in 2011 and 2010 approximate the following:

	2011	2010
Health care services	$ 202,527,000	$ 176,458,000
General and administrative	46,315,000	42,930,000
Fundraising activities	156,000	156,000
Total	$ 248,998,000	$ 219,544,000

16. Significant Group Concentrations of Credit Risk

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements, primarily with Medicare, Medicaid, and various commercial insurance companies.

The System maintains substantially all of its cash and cash equivalents with several financial institutions. Cash and cash equivalents on deposit with any one financial institution are insured up to $250,000. The System maintained deposits in excess of this coverage at June 30, 2011 and 2010.

17. Commitments and Contingencies

The System is involved in litigation arising in the normal course of business. Certain litigation is in the preliminary stages and legal counsel is unable to estimate the potential effect, if any, upon operations or financial condition of the System. Management believes that these matters will be resolved without material adverse effect on the System's financial position or results of operations. However, the ultimate outcome and effect on the System's consolidated financial statements is unknown.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Management is not aware of any material incidents of noncompliance that have not been provided for in the accompanying consolidated financial statements; however, the possible future financial effects of this matter on the System, if any, are not presently determinable.

Effective July 1, 2010, DPW implemented Act 49 of 2010, which modernized Pennsylvania's fee-for-service hospital payment system, established enhanced hospital payments through the state's Medical Assistance managed care program, and secured matching Medicaid funds through the establishment of the Assessment (Note 3). The Act is only effective through June 30, 2013, after which time the additional reimbursement is not guaranteed to remain. The potential effects of this are not known at this time.

Approximately 29% of the Hospital's employees are covered by two collective bargaining agreements, which expire June 30, 2012 and April 16, 2013.

ParenteBeard

Independent Auditors' Report on Supplementary Information

Board of Trustees
Butler Health System

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating and combining information presented on pages 27 through 34 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and changes in net assets of the individual entities. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

ParenteBeard LLC

Pittsburgh, Pennsylvania
October 3, 2011

Butler Health System and Controlled Entities

Consolidating Schedule, Balance Sheet
June 30, 2011
(With Comparative Totals for 2010)
(See Independent Auditors' Report on Supplementary Information)

	Obligated Group (Combined)	Butler Health System Foundation	Primary Care Associates, PC	Butler Ambulatory Surgery Center, LLC	Consolidation Eliminations	Consolidation Consolidated	2010 Consolidated
Assets							
Current Assets							
Cash and cash equivalents	$ 28,340,458	$ 1,026,521	$ 300,012	$ 419,726	$ -	$ 30,086,717	$ 17,237,932
Accounts receivable, patients (net of estimated allowance for doubtful collections of $4,571,000)	23,608,470	-	139,993	364,146	-	24,112,609	21,963,383
Other receivables	6,495,021	957,244	-	9	(379,481)	7,072,793	2,076,034
Inventories of drugs and supplies	3,040,910	-	32,406	278,072	-	3,351,388	3,378,122
Prepaid expenses and other current assets	2,378,237	625	39,841	57,521	-	2,476,224	2,479,314
Total current assets	63,863,096	1,984,390	512,252	1,119,474	(379,481)	67,099,731	47,134,785
Assets Whose Use Is Limited							
By Board for future capital improvements	67,860,514	-	-	-	-	67,860,514	71,167,579
Under trust indenture, held by trustee	7,085,855	-	-	-	-	7,085,855	39,266,316
Foundation investments	-	879,257	-	-	-	879,257	1,176,429
Under agreement for self-insured workers' compensation	1,574,301	-	-	-	-	1,574,301	1,560,669
Funds held in escrow	2,463,946	-	-	-	-	2,463,946	2,901,017
Property and Equipment, Net	173,517,713	19,333	31,545	1,763,347	-	175,331,938	173,172,199
Investments in and Loans to Affiliates	5,033,870	-	-	-	(622,558)	4,411,312	4,182,911
Interest in Net Assets of Butler Health System Foundation	1,398,271	-	-	-	(1,398,271)	-	-
Debt Issuance Costs, Net	2,411,139	-	-	2,235	-	2,413,374	2,566,286
Other Assets	2,835,759	-	-	-	-	2,835,759	3,874,527
Total assets	$ 328,044,464	$ 2,882,980	$ 543,797	$ 2,885,056	$ (2,400,310)	$ 331,955,987	$ 347,002,718

Butler Health System and Controlled Entities

Consolidating Schedule, Balance Sheet
June 30, 2011
(With Comparative Totals for 2010)
(See Independent Auditors' Report on Supplementary Information)

	Obligated Group (Combined)	Butler Health System Foundation	Primary Care Associates, PC	Butler Ambulatory Surgery Center, LLC	Consolidation Eliminations	Consolidation Consolidated	2010 Consolidated
Liabilities and Net Assets							
Current Liabilities							
Current maturities of long-term debt	$ 1,920,000	$ -	$ -	$ 500,190	$ (259,168)	$ 2,161,022	$ 1,956,722
Accounts payable	3,065,008	-	11,646	213,415	-	3,290,069	2,729,923
Accrued expenses	16,019,129	25,474	436,328	192,963	(379,481)	16,294,413	15,441,605
Accrued interest payable	2,760,442	-	-	4,917	-	2,765,359	2,698,009
Estimated third-party payor settlements	4,901,452	-	-	-	-	4,901,452	4,844,273
Total current liabilities	28,666,031	25,474	447,974	911,485	(638,649)	29,412,315	27,670,532
Long-Term Debt, Net	133,389,188	-	-	743,360	(363,390)	133,769,158	135,693,644
Construction Payable	-	-	-	-	-	-	11,615,532
Pension Liability	14,125,384	-	-	-	-	14,125,384	24,201,276
Total liabilities	176,180,603	25,474	447,974	1,654,845	(1,002,039)	177,306,857	199,180,984
Net Assets							
Unrestricted	150,382,045	1,020,597	95,823	627,519	-	152,125,984	145,254,236
Noncontrolling interest in consolidated subsidiaries	73,416	-	-	602,692	-	676,108	664,751
Temporarily restricted	1,408,400	1,398,271	-	-	(1,398,271)	1,408,400	1,467,136
Permanently restricted	-	438,638	-	-	-	438,638	435,611
Total net assets	151,863,861	2,857,506	95,823	1,230,211	(1,398,271)	154,649,130	147,821,734
Total liabilities and net assets	$ 328,044,464	$ 2,882,980	$ 543,797	$ 2,885,056	$ (2,400,310)	$ 331,955,987	$ 347,002,718

Butler Health System and Controlled Entities

Consolidating Schedule Statement of Operations
Year Ended June 30, 2011
(With Comparative Totals for 2010)
(See Independent Auditors' Report on Supplementary Information)

	Obligated Group (Combined)	Butler Health System Foundation	Primary Care Associates, PC	Butler Ambulatory Surgery Center, LLC	Consolidation Eliminations	Consolidation Consolidated	2010 Consolidated
Unrestricted Revenues							
Net patient service revenues	$ 225,542,516	$ -	$ 3,659,787	$ 7,285,341	$ -	$ 236,487,644	$ 225,956,904
Other operating revenues	11,676,177	-	31 352	918	(398,459)	11,309,988	7 136,171
Contributions	48,363	128,461	-	-	(500)	176,324	144,469
Net assets released from restrictions used for operations	256,330	-	-	-	-	256,330	115,664
Total unrestricted revenues	237,523,386	128,461	3,691,139	7,286,259	(398,959)	248,230,286	233,353,208
Expenses							
Salaries and wages	80,059,722	49,118	643,817	1,248,103	-	82,000,760	74,260,897
Medical and surgical supplies	36,670,708	14,409	298,884	191,237	-	37,175,238	37,096,325
General supplies and purchased services	32,529,664	-	1,870,147	-	(396,809)	34,003,002	31,413,957
Employee benefits	26,794,769	83,629	596,399	1,666,592	-	29,141,389	25,576,197
Physicians' fees	20,245,558	-	214,266	1,507,613	(1,650)	21,965,787	18,099 365
Depreciation and amortization	15,394,181	-	110,818	59,674	-	15,564,673	9,693,507
Provision for doubtful collections	8,990,906	-	-	-	-	8,990,906	8,303,166
Interest	5,990,378	10,494	66,768	115,142	(43,936)	6,138,844	1,162,849
Utilities and insurance	5,525,850	4,402	14,519	434,455	-	5,979,226	5,359,385
Professional fees and miscellaneous	4,562,695	8,353	23,190	80,672	(500)	4,674,410	5,208,288
Outside medical services	3,276,099	-	4,488	82,931	-	3,363,518	3,168,276
Loss on early extinguishment of long-term debt	-	-	-	-	-	-	202,211
Total expenses	240,040,530	170,405	3,843,296	5,386,419	(442,897)	246,997,753	219,544,423
Operating (loss) income	(2,517,144)	(41,944)	(152,157)	1,899,840	43,938	(767,467)	13,808,785
Other Income (Loss)							
Investment income	890,951	978	-	1,017	(43,938)	849,008	1,019,956
Equity in earnings of affiliates	725,356	-	-	-	-	725,356	556,421
Other, net	(262,062)	-	-	-	-	(262,062)	78,572
Other income, net	1,354,245	978	-	1,017	(43,938)	1,312,302	1,654 949
Revenues in excess of (less than) expenses before noncontrolling interest	(1,162,899)	(40,966)	(152,157)	1,900,857	-	544 835	15,463,734
Noncontrolling Interest in Net Income of Consolidated Subsidiaries	(133,442)	-	-	(931,419)	-	(1,064,861)	(1,017,244)
Revenues (less than) in excess of expenses	(1,296,341)	(40,966)	(152,157)	969,438	-	(520,026)	14,446,490
Change in Net Unrealized Gains and Losses on Investments Other Than Trading Securities	368,551	-	-	-	-	368,551	232,225
Net Assets Released from Restrictions Used for Purchase of Property and Equipment	822,636	-	-	-	-	822,636	82,748
Transfers from (to) Affiliates	1,096,498	-	-	(1 096,498)	-	-	-
Pension Liability Adjustment	6,200,587	-	-	-	-	6,200,587	(8,918,759)
Increase (decrease) in unrestricted net assets	$ 7,191,931	$ (40,966)	$ (152 157)	$ (127,060)	$ -	$ 6,871,748	$ 5,842,704

Butler Health System and Controlled Entities

Consolidating Schedule, Statement of Changes in Net Assets
Year Ended June 30, 2011
(With Comparative Totals for 2010)
(See Independent Auditors' Report on Supplementary Information)

	Obligated Group (Combined)	Butler Health System Foundation	Primary Care Associates, PC	Butler Ambulatory Surgery Center, LLC	Consolidation Eliminations	Consolidation Consolidated	2010 Consolidated
Unrestricted Net Assets							
Revenues (less than) in excess of expenses	$ (1,296,341)	$ (40,966)	$ (152,157)	$ 969,438	$ -	$ (520,026)	$ 14,446,490
Change in net unrealized gains and losses on investments other than trading securities	368,551	-	-	-	-	368,551	232,225
Net assets released from restrictions used for purchase of property and equipment	822,636	-	-	-	-	822,636	82,748
Transfers from (to) affiliates	1,096,498	-	-	(1,096,498)	-	-	-
Pension liability adjustment	6,200,587	-	-	-	-	6,200,587	(8,918,759)
Increase (decrease) in unrestricted net assets	7,191,931	(40,966)	(152,157)	(127,060)	-	6,871,748	5,842,704
Temporarily Restricted Net Assets							
Contributions	-	1,006,221	-	-	-	1,006,221	1,330,642
Change in value of pledges receivable	-	12,964	-	-	-	12,964	(60,025)
Net realized gains on investments	-	1,045	-	-	-	1,045	971
Net assets released from restrictions	(1,078,966)	-	-	-	-	(1,078,966)	(198,412)
Net assets transferred (to) from affiliates	1,057,784	(1,057,784)	-	-	-	-	-
Increase in interest in net assets of Butler Health System Foundation	(37,553)	-	-	-	37,553	-	-
(Decrease) increase in temporarily restricted net assets	(58,735)	(37,554)	-	-	37,553	(58,736)	1,073,176
Permanently Restricted Net Assets							
Net realized gains on investments	-	3,027	-	-	-	3,027	-
Contributions	-	-	-	-	-	-	3,011
Increase in permanently restricted net assets	-	3,027	-	-	-	3,027	3,011
Increase (decrease) in net assets	7,133,196	(75,493)	(152,157)	(127,060)	37,553	6,816,039	6,918,891
Net Assets, Beginning, Before Noncontrolling Interest	144,657,249	2,932,999	247,980	754,579	(1,435,824)	147,156,983	140,238,092
Net Assets, Ending, Before Noncontrolling Interest	$ 151,790,445	$ 2,857,506	$ 95,823	$ 627,519	$ (1,398,271)	$ 153,973,022	$ 147,156,983

Butler Health System and Controlled Entities - Obligated Group

Combining Schedule, Balance Sheet
June 30, 2011
(See Independent Auditors' Report on Supplementary Information)

	Butler Health System	Butler Memorial Hospital	Butler Medical Providers	Nixsar Corporation	Combination Eliminations	Combination Combined
Assets						
Current Assets						
Cash and cash equivalents	$ 557,530	$ 25,278,413	$ 2,251,181	$ 253,334	$ -	$ 28,340,458
Accounts receivable, patients (net of estimated allowance for doubtful collections of $4,379,000)	-	21,625,008	1,983,462	-	-	23,608,470
Other receivables	105,748	6,341,147	501,395	10,000	(463,269)	6,495,021
Inventories of drugs and supplies	-	3,040,910	-	-	-	3,040,910
Prepaid expenses and other current assets	-	1,972,991	391,953	13,293	-	2,378,237
Total current assets	663,278	58,258,469	5,127,991	276,627	(463,269)	63,863,096
Assets Whose Use Is Limited						
By Board for future capital improvements	-	67,860,514	-	-	-	67,860,514
Under trust indenture, held by trustee	-	7,085,855	-	-	-	7,085,855
Under agreement for self-insured workers' compensation	-	1,574,301	-	-	-	1,574,301
Funds held in escrow	-	2,463,946	-	-	-	2,463,946
Property and Equipment, Net	2,514,879	158,802,792	1,099,250	11,100,792	-	173,517,713
Investments in and Loans to Affiliates	-	5,033,870	-	-	-	5,033,870
Interest in Net Assets of Butler Health System Foundation	-	1,398,271	-	-	-	1,398,271
Debt Issuance Costs, Net	-	2,411,139	-	-	-	2,411,139
Other Assets	-	2,777,426	58,333	-	-	2,835,759
Total assets	$ 3,178,157	$ 307,666,583	$ 6,285,574	$ 11,377,419	$ (463,269)	$ 328,044,464

Butler Health System and Controlled Entities - Obligated Group

Combining Schedule, Balance Sheet
June 30, 2011
(See Independent Auditors' Report on Supplementary Information)

	Butler Health System	Butler Memorial Hospital	Butler Medical Providers	Nixsar Corporation	Combination Eliminations	Combination Combined
Liabilities and Net Assets						
Current Liabilities						
Current maturities of long-term debt	$ -	$ 1,920,000	$ -	$ -	$ -	$ 1,920,000
Accounts payable	-	3,058,623	6,385	-	-	3,065,008
Accrued expenses	-	14,329,722	2,128,738	23,938	(463,269)	16,019,129
Accrued interest payable	-	2,760,442	-	-	-	2,760,442
Estimated third-party payor settlements	-	4,901,452	-	-	-	4,901,452
Total current liabilities	-	26,970,239	2,135,123	23,938	(463,269)	28,666,031
Long-Term Debt, Net	-	133,389,188	-	-	-	133,389,188
Pension Liability	-	14,125,384	-	-	-	14,125,384
Total liabilities	-	174,484,811	2,135,123	23,938	(463,269)	176,180,603
Net Assets						
Unrestricted	3,178,157	131,699,956	4,150,451	11,353,481	-	150,382,045
Noncontrolling interest in consolidated subsidiary	-	73,416	-	-	-	73,416
Temporarily restricted	-	1,408,400	-	-	-	1,408,400
Total net assets	3,178,157	133,181,772	4,150,451	11,353,481	-	151,863,861
Total liabilities and net assets	$ 3,178,157	$ 307,666,583	$ 6,285,574	$ 11,377,419	$ (463,269)	$ 328,044,464

Butler Health System and Controlled Entities - Obligated Group

Combining Schedule, Statement of Operations
Year Ended June 30, 2011
(See Independent Auditors' Report on Supplementary Information)

	Butler Health System	Butler Memorial Hospital	Butler Medical Providers	Nixsar Corporation	Combination Eliminations	Combination Combined
Unrestricted Revenues						
Net patient service revenues	$ -	$ 204,952,852	$ 20,594,697	$ -	$ (5,033)	$ 225,542,516
Other operating revenues	375,993	10,646,238	2,600,257	431,164	(2,377,475)	11,676,177
Contributions	-	48,363	-	-	-	48,363
Net assets released from restrictions used for operations	-	256,330	-	-	-	256,330
Total unrestricted revenues	375,993	215,903,783	23,194,954	431,164	(2,382,508)	237,523,386
Expenses						
Salaries and wages	-	77,704,651	2,355,071	-	-	80,059,722
Medical and surgical supplies	-	36,433,925	236,783	-	-	36,670,708
General supplies and purchased services	102,571	29,058,132	4,517,581	228,339	(1,376,959)	32,529,664
Employee benefits	-	24,370,995	2,423,774	-	-	26,794,769
Physicians' fees	-	5,180,602	16,142,927	-	(1,077,971)	20,245,558
Depreciation and amortization	420,599	14,031,153	245,168	697,261	-	15,394,181
Provision for doubtful collections	-	8,741,048	249,858	-	-	8,990,906
Interest	-	5,990,378	-	-	-	5,990,378
Utilities and insurance	31,802	4,692,205	684,668	117,175	-	5,525,850
Professional fees and miscellaneous	35,930	4,124,744	370,581	49,440	(18,000)	4,562,695
Outside medical services	-	3,126,548	155,910	-	(6,359)	3,276,099
Total expenses	590,902	213,454,381	27,382,321	1,092,215	(2,479,289)	240,040,530
Operating (loss) income	(214,909)	2,449,402	(4,187,367)	(661,051)	96,781	(2,517,144)
Other Income (Loss)						
Investment income (loss)	39	890,912	-	-	-	890,951
Equity in earnings of affiliates	-	725,356	-	-	-	725,356
Other, net	-	(37,332)	-	(127,949)	(96,781)	(262,062)
Other income (loss), net	39	1,578,936	-	(127,949)	(96,781)	1,354,245
Revenues (less than) in excess of expenses before noncontrolling interest	(214,870)	4,028,338	(4,187,367)	(789,000)	-	(1,162,899)
Noncontrolling Interest in Net Income of Consolidated Subsidiary	-	(133,442)	-	-	-	(133,442)
Revenues (less than) in excess of expenses	(214,870)	3,894,896	(4,187,367)	(789,000)	-	(1,296,341)
Change in Net Unrealized Gains and Losses on Investments Other Than Trading Securities	-	368,551	-	-	-	368,551
Net Assets Released from Restrictions Used for Purchase of Property and Equipment	-	822,636	-	-	-	822,636
Transfers from (to) Affiliates	176,498	(5,474,056)	5,644,056	750,000	-	1,096,498
Pension Liability Adjustment	-	6,200,587	-	-	-	6,200,587
Increase (decrease) in unrestricted net assets	$ (38,372)	$ 5,812,614	$ 1,456,689	$ (39,000)	$ -	$ 7,191,931

Butler Health System and Controlled Entities - Obligated Group

Combining Schedule, Statement Of Changes In Net Assets
Year Ended June 30, 2011
(See Independent Auditors' Report on Supplementary Information)

	Butler Health System	Butler Memorial Hospital	Butler Medical Providers	Nixsar Corporation	Combination Eliminations	Combination Combined
Unrestricted Net Assets						
Revenues (less than) in excess of expenses	$ (214,870)	$ 3,894,896	$ (4,187,367)	$ (789,000)	$ -	$ (1,296,341)
Change in net unrealized gains and losses on investments other than trading securities	-	368,551	-	-	-	368,551
Net assets released from restrictions used for purchase of property and equipment	-	822,636	-	-	-	822,636
Transfers from (to) affiliates	176,498	(5,474,056)	5,644,056	750,000	-	1,096,498
Pension liability adjustment	-	6,200,587	-	-	-	6,200,587
Increase (decrease) in unrestricted net assets	(38,372)	5,812,614	1,456,689	(39,000)	-	7,191,931
Temporarily Restricted Net Assets						
Net assets transferred from affiliates	-	1,057,784	-	-	-	1,057,784
Decrease in interest in net assets of Butler Health System Foundation	-	(37,553)	-	-	-	(37,553)
Net assets released from restrictions	-	(1,078,966)	-	-	-	(1,078,966)
Decrease in temporarily restricted net assets	-	(58,735)	-	-	-	(58,735)
Increase (decrease) in net assets	(38,372)	5,753,879	1,456,689	(39,000)	-	7,133,196
Net Assets, Beginning, Before Noncontrolling Interest	3,216,529	127,354,477	2,693,762	11,392,481	-	144,657,249
Net Assets, Ending, Before Noncontrolling Interest	$ 3,178,157	$ 133,108,356	$ 4,150,451	$ 11,353,481	$ -	$ 151,790,445

Butler Health System and Controlled Entities

Consolidated Financial Statements and Supplementary Information

June 30, 2011 and 2010

ParenteBeard

CONFIDENCE THROUGH CLARITY

Butler Health System and Controlled Entities

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June 30, 2011 and 2010

ParenteBeard

Independent Auditors' Report

Board of Trustees
Butler Health System

We have audited the accompanying consolidated balance sheet of Butler Health System and Controlled Entities (collectively the "System") as of June 30, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Butler Health System and Controlled Entities as of June 30, 2011 and 2010, and the results of their operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

ParenteBeard LLC

Pittsburgh, Pennsylvania
October 3, 2011

Net Patient Service Revenues

Certain members of the System have agreements with third-party payors that provide for payments to the System 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. Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. It is reasonably possible that the estimates used could change in the near term.

Revenues from the Medicare program accounted for approximately 47% in 2011 and 48% in 2010 and revenues from the Medicaid program accounted for approximately 7% in 2011 and 2010 of the Hospital's net patient service revenues. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Charity Care

The System provides care to patients who meet certain criteria under its patient financial assistance policy without charge or at amounts less than its established rates Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenues (Note 2)

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations as net assets released from restrictions

Advertising Costs

Advertising costs are expensed as incurred.

Reclassifications

Certain reclassifications were made to the 2010 financial statements to conform with the 2011 presentation.

Income Taxes

Butler Health System, the Hospital, the Foundation, Nixsar, and BMP are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on their exempt income under Section 501(a) of the Internal Revenue Code (the "Code"). The Surgery Center's members have elected to have the Surgery Center's income taxed as a partnership under the provisions of the Code; therefore, taxable income or loss is reported to the members for inclusion in their respective tax returns. No provision for federal or state income taxes is included in the accompanying consolidated financial statements.

PCA is a for-profit corporation subject to federal and state income taxes. BHS FastERcare and BHS FastERcare Lab are Pennsylvania limited liability companies and are subject to federal and state income taxes.

The System accounts for uncertainty in income taxes using a recognition threshold of more-likely-than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met Management determined there were no tax uncertainties that met the recognition threshold in 2011 and 2010

The System's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

The System's federal income tax and informational returns for 2009, 2008, and 2007 (fiscal years ended June 30, 2010, 2009, and 2008) remain subject to examination by the Internal Revenue Service.

Recent Accounting Pronouncements

Noncontrolling Interests

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2010-07, Not-for-Profit Entities: Mergers and Acquisitions ("ASU 2010-07") ASU 2010-07 was issued to update the authoritative guidance surrounding the information that a not-for-profit entity provides in its financial reports about a combination with one or more other not-for-profit entities, businesses, or nonprofit activities. ASU 2010-07 was also issued to update the authoritative guidance over the recognition and subsequent accounting for noncontrolling interests. ASU 2010-07 was effective for fiscal years beginning after June 15, 2010. The adoption of this guidance did not have a material effect on the consolidated financial statements.

Charity Care

The System will be required to adopt amended guidance related to health care entities which requires that direct and indirect costs be used as the measurement for charity care disclosure purposes. The guidance was also amended to require disclosure of the method used to identify or determine such costs. The amended guidance is effective for fiscal years beginning after December 15, 2010. Adoption of the amended guidance will revise disclosure in the notes to the System's consolidated financial statements but will not impact amounts reported in the primary consolidated financial statements.

Butler Health System and Controlled Entities

Consolidated Balance Sheet
June 30, 2011 and 2010

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	$ 30,086,717	$ 17,237,932
Accounts receivable:		
Patients, net of estimated allowance for doubtful collections of $4,571,000 in 2011 and $4,418,000 in 2010	24,112,609	21,963,383
Other	7,072,793	2,076,034
Inventories of drugs and supplies	3,351,388	3,378,122
Prepaid expenses and other current assets	2,476,224	2,479,314
Total current assets	67,099,731	47,134,785
Assets Whose Use Is Limited		
By Board for future capital improvements	67,860,514	71,167,579
Under trust indenture, held by trustee	7,085,855	39,266,316
Foundation investments	879,257	1,176,429
Under agreement for self-insured workers' compensation	1,574,301	1,560,669
Funds held in escrow	2,463,946	2,901,017
Property and Equipment, Net	175,331,938	173,172,199
Investments in and Loans to Affiliates	4,411,312	4,182,911
Debt Issuance Costs, Net	2,413,374	2,566,286
Other Assets	2,835,759	3,874,527
Total assets	$ 331,955,987	$ 347,002,718

	2011	2010
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	$ 2,161,022	$ 1,956,722
Accounts payable	3,290,069	2,729,923
Accrued expenses	16,294,413	15,441,605
Accrued interest payable	2,765,359	2,698,009
Estimated third-party payor settlements	4,901,452	4,844,273
Total current liabilities	29,412,315	27,670,532
Long-Term Debt, Net	133,769,158	135,693,644
Construction Payable	-	11,615,532
Pension Liability	14,125,384	24,201,276
Total liabilities	177,306,857	199,180,984
Net Assets		
Unrestricted	152,125,984	145,254,236
Noncontrolling interest in consolidated subsidiaries	676,108	664,751
Temporarily restricted	1,408,400	1,467,136
Permanently restricted	438,638	435,611
Total net assets	154,649,130	147,821,734
Total liabilities and net assets	$ 331,955,987	$ 347,002,718

See notes to consolidated financial statements

Butler Health System and Controlled Entities

Consolidated Statement of Operations
Years Ended June 30, 2011 and 2010

	2011	2010
Unrestricted Revenues		
Net patient service revenues	$ 236,487,644	$ 225,956,904
Other operating revenues	11,309,988	7,136,171
Contributions	176,324	144,469
Net assets released from restrictions used for operations	256,330	115,664
Total unrestricted revenues	248,230,286	233,353,208
Expenses		
Salaries and wages	82,000,760	74,260,897
Medical and surgical supplies	37,175,238	37,096,325
General supplies and purchased services	34,003,002	31,413,957
Employee benefits	29,141,389	25,576,197
Physicians' fees	21,965,787	18,099,365
Depreciation and amortization	15,564,673	9,693,507
Provision for doubtful collections	8,990,906	8,303,166
Interest	6,138,844	1,162,849
Utilities and insurance	5,979,226	5,359,385
Professional fees and miscellaneous	4,674,410	5,208,288
Outside medical services	3,363,518	3,168,276
Loss on early extinguishment of long-term debt	-	202,211
Total expenses	248,997,753	219,544,423
Operating (loss) income	(767,467)	13,808,785
Other Income (Loss)		
Investment income	849,008	1,019,956
Equity in earnings of affiliates	725,356	556,421
Other, net	(262,062)	78,572
Other income, net	1,312,302	1,654,949
Revenues in excess of expenses before noncontrolling interest in net income of consolidated subsidiaries	544,835	15,463,734
Noncontrolling Interest in Net Income of Consolidated Subsidiaries	(1,064,861)	(1,017,244)
Revenues (less than) in excess of expenses	$ (520,026)	$ 14,446,490

See notes to consolidated financial statements

Butler Health System and Controlled Entities

Consolidated Statement of Changes in Net Assets
Years Ended June 30, 2011 and 2010

	2011	2010
Unrestricted Net Assets		
Revenues (less than) in excess of expenses	$ (520,026)	$ 14,446,490
Change in net unrealized gains and losses on investments other than trading securities	368,551	232,225
Net assets released from restrictions used for purchase of property and equipment	822,636	82,748
Pension liability adjustment	6,200,587	(8,918,759)
Increase in unrestricted net assets	6,871,748	5,842,704
Temporarily Restricted Net Assets		
Contributions	1,006,221	1,330,642
Change in value of pledges receivable	12,964	(60,025)
Net realized gains on investments	1,045	971
Net assets released from restrictions	(1,078,966)	(198,412)
(Decrease) increase in temporarily restricted net assets	(58,736)	1,073,176
Permanently Restricted Net Assets		
Net realized gains on investments	3,027	-
Contributions	-	3,011
Increase in permanently restricted net assets	3,027	3,011
Increase in net assets	6,816,039	6,918,891
Net Assets, Beginning, Before Noncontrolling Interest	147,156,983	140,238,092
Net Assets, Ending, Before Noncontrolling Interest	$ 153,973,022	$ 147,156,983

See notes to consolidated financial statements

Butler Health System and Controlled Entities

Consolidated Statement of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Increase in net assets	$ 6,816,039	$ 6,918,891
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	15,564,673	9,693,507
Amortization of debt issuance costs	152,912	321,140
Amortization of original bond discount	60,368	60,369
Provision for doubtful collections	8,990,906	8,303,166
Equity in earnings of affiliates	(725,356)	(556,421)
Net realized (gains) losses on sale of securities	(14,455)	52,704
Loss (gain) on disposal of property and equipment	236,910	(1,563)
Loss on early extinguishment of long-term debt	-	202,211
Noncontrolling interest in net income of consolidated subsidiary	1,064,861	1,017,244
Pension liability adjustment	(6,200,587)	8,918,759
Change in net unrealized gains and losses on investments other than trading securities	(368,551)	(232,225)
Restricted contributions and realized gains	(1,007,266)	(1,331,613)
Changes in assets and liabilities:		
Accounts receivable, patients	(11,140,132)	(9,217,021)
Inventories, prepaid expenses, and other receivables	(4,966,935)	(529,975)
Other assets	1,038,768	(223,555)
Accounts payable and accrued expenses	1,412,954	3,790,079
Accrued interest payable	67,350	1,280,545
Estimated third-party payor settlements	57,179	1,498,127
Pension liability	(3,875,305)	(1,820,530)
Net cash provided by operating activities	7,164,333	28,143,839
Cash Flows from Investing Activities		
Decrease in assets whose use is limited	36,591,143	64,368,715
Purchase of property and equipment	(29,576,854)	(84,865,709)
Decrease (increase) in investments in and loans to affiliates	496,955	(785,469)
Proceeds from sale of property and equipment	-	20,685
Net cash provided by (used in) investing activities	7,511,244	(21,261,778)
Cash Flows from Financing Activities		
Repayment of long-term debt	(1,780,554)	(18,795,262)
Noncontrolling interest in equity distributions of consolidated subsidiary	(1,053,504)	(1,053,501)
Proceeds from restricted contributions and realized gains	1,007,266	1,331,613
Proceeds from long-term debt	-	12,040,670
Payments of financing costs	-	(341,556)
Net cash used in financing activities	(1,826,792)	(6,818,036)
Increase in cash and cash equivalents	12,848,785	64,025
Cash and Cash Equivalents, Beginning	17,237,932	17,173,907
Cash and Cash Equivalents, Ending	$ 30,086,717	$ 17,237,932
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest, net of amounts capitalized	$ 5,356,499	$ 1,653,670
Supplemental Disclosure of Noncash Operating and Investing Activities		
Amounts incurred for construction payable	$ -	$ 11,615,532

See notes to consolidated financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of Butler Health System, the controlling parent, Butler Healthcare Providers d/b/a Butler Memorial Hospital and Controlled Entities (collectively, "BMH"), Butler Health System Foundation (the "Foundation"); Nixsar Corporation ("Nixsar"), Primary Care Associates, P.C. ("PCA"), Butler Medical Providers ("BMP"), and Butler Ambulatory Surgery Center, LLC (the "Surgery Center") (collectively the "System"). The transactions and balances of BMH include the accounts of Butler Memorial Hospital (the "Hospital"), BHS FastERcare PLLC ("BHS FastERcare"), and BHS FastERcare Laboratory Services, LLC ("BHS FastERcare Lab"). All significant intercompany transactions and balances have been eliminated in consolidation.

Nature of Operations

The System's primary operations are conducted within the Hospital. The Hospital operates a general acute care hospital that provides inpatient, outpatient, and emergency care services. The Foundation provides fundraising activities in support of the System. Nixsar provides realty management services. BMP employ primary care and specialty care physicians. PCA employs primary care physicians. The Surgery Center is a joint venture, in which Butler Health System maintains a 51% ownership, that operates an ambulatory surgery center, offices for health service providers, and associated services The System's primary service area includes Butler, Pennsylvania and surrounding communities in Butler County.

Subsequent Events

The System evaluated subsequent events for recognition or disclosure through October 3, 2011, the date the consolidated financial statements were available to be issued.

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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments purchased with original maturities of three months or less, excluding assets whose use is limited

Accounts Receivable, Patients

Accounts receivable, patients 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 The allowance for doubtful collections is estimated based upon a periodic review of the accounts receivable aging, payor classifications, and application of historical write-off percentages.

Accounts Receivable, Other

Accounts receivable, other 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. No allowance for doubtful collections was recorded because management believes realization losses on other receivables will not be material.

Inventories of Drugs and Supplies

Inventories are valued at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Assets Whose Use Is Limited

Assets whose use is limited includes assets set aside by the Board of Trustees (the "Board") for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes, assets held by a bond trustee under trust indenture, assets held by the Foundation, assets held by a trustee in connection with the System's self-insured workers' compensation program, and funds held in escrow

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Cash and cash equivalents are carried at cost which approximates fair value. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the determination of revenues (less than) in excess of expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the determination of revenues (less than) in excess of expenses unless the investments are trading securities. Interest income is measured as earned on the accrual basis. Dividends are measured using the ex-dividend rate. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis. Donor-restricted investment income is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the type of restriction.

The System's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the consolidated balance sheet are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

Property and Equipment

Property and equipment acquisitions are recorded at cost. The System provides for depreciation on a straight-line basis over the estimated useful lives of the assets. Such lives, in the opinion of management, are adequate to allocate asset costs over their productive lives. Maintenance, repairs, and minor improvements are expensed as incurred. Equipment under capital leases is amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the equipment.

Interest costs incurred on borrowed funds during the period of construction of capital assets, less interest earned on the proceeds of tax-exempt borrowings, are capitalized as a component of the cost of acquiring those assets. Interest costs capitalized totaled approximately $501,715 in 2011 and $5,500,653 in 2010.

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

Debt Issuance Costs

Costs incurred in connection with the issuance of long-term debt have been deferred and are being amortized over the term of the debt using the effective interest method. Amortization of debt issuance costs was $152,912 in 2011 and $321,140 in 2010.

Estimated Medical Malpractice Claims Liability

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

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the System in perpetuity.

Revenues (Less Than) in Excess of Expenses

The consolidated statement of operations includes the determination of revenues (less than) in excess of expenses. Changes in unrestricted net assets which are excluded from the determination of revenues (less than) in excess of expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, pension liability adjustment, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets)

Insurance Claims

The System will be required to adopt amended guidance which clarifies that health care entities may not net insurance recoveries against a related claim liability. In addition, the amount of the claim liability should be determined without consideration of insurance recoveries and estimated insurance recoveries, if any, should be measured and presented separately within the balance sheet. The amended guidance is effective for fiscal years beginning after December 15, 2010. The System has not completed the process of evaluating the impact, if any, of this amended guidance on its consolidated financial statements

Provision for Doubtful Collections

The System will be required to adopt amended guidance related to health care entities which requires a change in reporting the provision for bad debts associated with net patient service revenues. As a result of this guidance, the provision, which is currently reported as an operating expense in the System's consolidated statement of operations, will be reported as a deduction from patient service revenues, net of contractual allowances and discounts. The guidance also enhances required disclosures regarding the policies for recognizing net patient service revenues and assessing bad debts In addition, the guidance requires disclosure of net patient service revenues and qualitative and quantitative information about changes in the allowance for doubtful accounts, both by major payor sources. The amended guidance is effective for fiscal years beginning after December 15, 2011. Adoption of the amended guidance will require retrospective restatement of the consolidated statement of operations and prospective consolidated financial statement disclosures.

2. Charity Care and Community Service Benefits

The Hospital maintains records to identify and monitor the level of charity care and other types of community benefits it provides. All amounts are reported in terms of costs less any reimbursement or support The value of the community benefits amounted to approximately $15,655,000 in 2011 and $13,625,000 in 2010.

Charity care is free or discounted health services provided to persons who cannot afford to pay and who meet the Hospital's criteria for financial assistance. In addition to the charity care provided for direct patient care, the Hospital provides services at a loss for the Pennsylvania Medicaid Program. The Hospital also provides subsidized health services for programs that respond to identified community needs, including Behavioral Health, Substance Abuse, Skilled Nursing, Maternal Services, and Family Services.

Costs associated with benefits for the broader community are also included. These types of costs include community health improvement services, health professions education, research, in-kind contributions to other community groups, and community building activities.

3. Net Patient Service Revenues

Certain members of the System have agreements with third-party payors that provide for payments at amounts different from its established rates. A significant portion of the net patient service revenues are derived from those third-party payor programs. A summary of the payment arrangements with major third-party payors follows:

- Medicare - Inpatient acute and nonacute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Reimbursements for cost reimbursable expenditures are received at tentative interim rates, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2007.

- Medical Assistance - Inpatient acute care services rendered to Medical Assistance program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services are paid at prospectively determined per diem rates. Outpatient services and home health services are paid based on a published fee schedule.

- Blue Cross - Inpatient and outpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per discharge.

Certain members of the System have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the System under these agreements includes prospectively determined daily rates and discounts from established charges.

Effective July 1, 2010, the System is subject to a Quality Care Assessment (the "Assessment") imposed by the Pennsylvania Department of Public Welfare ("DPW") under Pennsylvania Act 49 of 2010, which is 2.95% of net inpatient revenue from the Hospital's 2008 federal fiscal year cost report. The Assessment was pursued by Pennsylvania in an effort to increase the federal share of Medical Assistance funding under the Medicaid Modernization Act. In turn, DPW provides additional reimbursement to the Hospital.

The Assessment totaled approximately $2,203,000 for the year ended June 30, 2011, which is included in general supplies and purchased services in the accompanying consolidated statement of operations. Additional reimbursement to the System was approximately $3,360,000 for the year ended June 30, 2011, which is included in net patient service revenue.

4. Assets Whose Use is Limited

The composition of assets whose use is limited at June 30, 2011 and 2010 is as follows:

	2011	2010
By Board for future capital improvements:		
Cash and cash equivalents	$ 63,608,359	$ 67,665,045
Equity mutual funds	2,516,118	1,783,872
Fixed income mutual funds	1,736,037	1,617,912
Corporate bonds	-	100,750
Total	$ 67,860,514	$ 71,167,579
Under trust indenture, held by trustee,		
Cash and cash equivalents	$ 7,085,855	$ 39,266,316
Foundation investments		
Cash and cash equivalents	$ 816,486	$ 1,119,005
Certificates of deposit	62,771	57,424
Total	$ 879,257	$ 1,176,429
Under agreement for self-insured workers' compensation,		
Certificates of deposit	$ 1,574,301	$ 1,560,669
Funds held in escrow,		
Cash and cash equivalents	$ 2,463,946	$ 2,901,017

Investment income from unrestricted investments for the years ended June 30, 2011 and 2010 is comprised of the following:

	2011	2010
Other operating revenues,		
Interest and dividend income	$ 187,952	$ 92,104
Other income:		
Interest and dividend income	834,553	1,072,660
Net realized gains (losses) on sale of securities	14,455	(52,704)
Total other income	849,008	1,019,956
Other changes in unrestricted net assets,		
Change in net unrealized gains and losses on investments other than trading securities	368,551	232,225
Total investment income	$ 1,405,511	$ 1,344,285

5. Fair Value Measurements

The System measures its assets whose use is limited at fair value on a recurring basis in accordance with FASB guidance on fair value measurements. The securities listed below were measured at fair value using the following inputs at June 30, 2011 and 2010:

	2011	
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)
Cash and cash equivalents	$ 73,974,646	$ -
Certificates of deposit	-	1,637,072
Equity mutual funds	2,516,118	-
Fixed income mutual funds	1,736,037	-
Total	$ 78,226,801	$ 1,637,072

	2010	
Cash and cash equivalents	$ 110,951,383	$ -
Certificates of deposit	-	1,618,093
Corporate bonds	-	100,750
Equity mutual funds	1,783,872	-
Fixed income mutual funds	1,617,912	-
Total	$ 114,353,167	$ 1,718,843

At June 30, 2011 and 2010, the System did not have any assets or liabilities whose fair values were measured using Level 3 inputs.

The carrying amounts reported in the accompanying consolidated balance sheet for cash and cash equivalents, patient accounts receivable, and estimated third-party payor settlements are recorded at cost, which approximate fair value due to the short term nature of the instruments.

The fair value of assets whose use is limited is based on the closing price reported on the active market on which the individual funds are traded, which are considered Level 1 inputs, for equity and fixed income mutual funds. For certificates of deposit, fair value is based on spreads of published interest rate curves, which are considered Level 2 inputs.

The fair value of the System's variable rate long-term debt approximates its carrying amount in the accompanying consolidated balance sheet The fair value of fixed rate long-term debt, excluding capital lease obligations, was estimated using quoted market prices or discounted cash flow analyses based on the System's current incremental borrowing rate for similar types of borrowing arrangements. The fair value of the System's long-term debt was approximately $140,574,000 and $148,459,000 at June 30, 2011 and 2010, respectively.

6. Property and Equipment

Property and equipment and related accumulated depreciation consists of the following at June 30, 2011 and 2010:

	2011	2010
Land	$ 4,415,182	$ 4,388,204
Land improvements	9,415,617	3,509,385
Buildings	99,088,335	45,520,593
Equipment (including equipment under capital lease)	206,366,968	133,201,297
Leasehold improvements	8,017,882	6,349,653
Construction-in-progress	885,546	117,628,565
Total	328,189,530	310,597,697
Less accumulated depreciation	152,857,592	137,425,498
Property and equipment, net	$ 175,331,938	$ 173,172,199

7. Long-Term Debt

Long-term debt consists of the following at June 30, 2011 and 2010:

	2011	2010
Variable Rate Hospital Revenue Bonds, Series 2009A	$ 50,000,000	$ 50,000,000
Hospital Revenue Bonds, Series 2009B	75,990,000	75,990,000
Variable Rate Hospital Revenue Bonds, Series 2010A	10,460,000	12,165,000
Equipment loan, NexTier Bank, due in equal monthly installments, including interest equal to the Five Year Federal Home Loan Bank Rate plus 2.0%, through December 2014	440,931	539,612
Capital lease obligations	180,061	156,934
Total long-term debt	137,070,992	138,851,546
Less unamortized bond discount	1,140,812	1,201,180
Total long-term debt, net of unamortized bond discount	135,930,180	137,650,366
Less current maturities	2,161,022	1,956,722
Long-term debt, net	$ 133,769,158	$ 135,693,644

The scheduled principal repayments for long-term debt are as follows:

Years ending June 30:	
2012	$ 2,161,022
2013	2,070,069
2014	2,101,295
2015	2,168,606
2016	2,120,000
Thereafter	126,450,000
Total	$ 137,070,992

Variable Rate Hospital Revenue Bonds, Series 2009A

In April 2009, $50,000,000 of Variable Rate Hospital Revenue Bonds, Series 2009A (the "2009A Bonds") were issued by the Butler County Hospital Authority (the "Authority") under the terms of a Master Trust Indenture dated as of September 15, 1986, as amended and supplemented. The proceeds were used to finance a portion of the cost of the Hospital's expansion project, including the expansion of the main Hospital facility, investment in off-site facilities to support outpatient services, and investment in information technology (the "Expansion Project"). The proceeds were also used to fund a debt service reserve fund and pay the costs of the bonds issuance.

The 2009A Bonds initially bore interest at a weekly rate, not to exceed 12%, determined by a remarketing agent to be the lowest interest rate necessary which would allow for the sale of the bonds at par, taking into consideration prevailing financial market conditions. The trust indenture also provided for the option to convert the bonds to a term rate, as calculated at specified conversion dates throughout the term of the bonds, not to exceed 8%. On June 29, 2010, the trust indenture was amended to allow for conversion of the interest calculation to a Bank-Bought Interest Rate, as defined in the amended Master Trust Indenture. The interest rate was 1.37% at June 30, 2011. Scheduled principal payments commence July 1, 2017 and are due each year through 2039. The bonds are secured by pledged revenues.

Hospital Revenue Bonds, Series 2009B

In April 2009, $75,990,000 of Hospital Revenue Bonds, Series 2009B (the "2009B Bonds") were also issued by the Authority under the terms of a Master Trust Indenture dated as of September 15, 1986, as amended and supplemented. The proceeds were used to finance a portion of the Expansion Project, fund a debt service reserve fund, and pay the costs of the bonds issuance.

The 2009B Bonds bear interest at rates ranging from 5.375% to 7.25%. Scheduled principal payments commence July 1, 2017 and are due each year through 2039.

Variable Rate Hospital Revenue Bonds, Series 2010A

In June 2010, $12,165,000 of Hospital Revenue Bonds, Series 2010A (the "2010A Bonds") were issued by the Authority under the terms of a Master Trust Indenture dated as of September 15, 1986, as amended and supplemented. The proceeds were used to finance a portion of the Expansion Project and pay the costs of the bond issuance.

The 2010A Bonds bear interest at a Bank-Bought Interest Rate, as defined in the amended Master Trust Indenture. The interest rate was 1.37% at June 30, 2011. Scheduled principal payments commenced August 1, 2010 and are due each year through 2017.

The Butler Health System Obligated Group (the "Obligated Group") consists of Butler Health System, BMH, BMP, and Nixsar. All members of the Obligated Group are jointly and severally liable for all outstanding obligations of the Obligated Group.

The Master Trust Indentures contain various financial and other covenants. The Obligated Group is required to maintain certain financial ratios including minimum days cash on hand, a minimum debt service coverage ratio, and a minimum debt-to-capitalization ratio. At June 30, 2011, the Obligated Group was in compliance with the required covenants under the terms of the Master Trust Indentures.

9. Pension Plans

The Hospital maintains three noncontributory defined benefit pension plans covering substantially all employees. The benefits are based on the participant's number of years of service and the employee's compensation. The Hospital's funding policy is to contribute an amount annually that satisfies at least the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

The following tables set forth the change in benefit obligation, the fair value of plan assets, and the amounts recognized in the consolidated balance sheet at June 30, 2011 and 2010

	2011	2010
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 75,120,791	$ 58,240,205
Service cost	2,639,605	1,994,213
Interest cost	4,239,166	4,393,927
Actuarial gain	2,958,737	13,253,925
Benefits paid	(6,309,547)	(2,761,479)
Projected benefit obligation at end of year	78,648,752	75,120,791
Change in plan assets:		
Fair value of plan assets at beginning of year	50,919,515	41,137,158
Actual return on plan assets	11,253,400	6,165,564
Employer contributions	8,660,000	6,378,272
Benefits paid	(6,309,547)	(2,761,479)
Fair value of plan assets at end of year	64,523,368	50,919,515
Funded status of the plan and amount recognized in the consolidated balance sheet	$ (14,125,384)	$ (24,201,276)
Accumulated benefit obligation	$ 76,314,762	$ 73,188,968

To develop the expected long-term rate of return on assets assumption, the Hospital considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

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

	Target Allocation	2011	2010
Equity securities	50 - 60 %	58 %	57 %
Debt securities	30 - 40	32	31
Other	10 - 15	10	12

The plan assets were measured at fair value using the following inputs as of June 30, 2011 and 2010:

	2011	
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)
Equity mutual funds	$ 37,543,118	$ -
Fixed income mutual funds	20,673,334	-
Other	-	6,306,916
Total	$ 58,216,452	$ 6,306,916
	2010	
Equity mutual funds	$ 29,117,723	$ -
Fixed income mutual funds	15,860,636	-
Other	-	5,941,156
Total	$ 44,978,359	$ 5,941,156

At June 30, 2011 and 2010, the Hospital's pension plans did not have any assets whose fair values were measured using Level 3 inputs.

Other plan investments include the SEI Opportunities Collective Fund (the "Fund"), a non-readily marketable collective trust fund held by the plans. The significant investment strategy of the Fund is investing in private investment, or hedge funds. The Plans' investment in the Fund is subject to a one-year lockup upon initial investment and is generally redeemable on a quarterly basis given a 65-day notice, at which time quarterly distributions may be taken, subject to a 10% holdback. At this time, there is no intention of the Fund to liquidate. There are no unfunded commitments relating to the Fund as of June 30, 2011 and 2010.

The plan assets are invested in separately managed portfolios using investment management firms The plans' objective is to maximize total return without assuming undue risk exposure. The plans maintain a well-diversified asset allocation that best meets these objectives. Plan assets are largely comprised of equity mutual funds, which include companies with all market capitalization sizes. Fixed income mutual funds include both short-term and intermediate maturities Investments in derivative securities are not permitted for the sole purpose of speculating on the direction of market interest rates

In each investment account, investment managers are responsible to monitor and react to economic indicators, such as GDP, CPI, and the Federal Monetary Policy, that may affect the performance of their account. The performance of all managers and the aggregate asset allocation are reviewed on a quarterly basis.

The following table sets forth the components of net periodic pension cost in 2011 and 2010:

	2011	2010
Service cost	$ 2,639,605	$ 1,994,213
Interest cost	4,239,166	4,393,927
Expected return on plan assets	(4,679,653)	(3,699,840)
Amortization of prior service credit	(94,005)	(126,908)
Recognized net actuarial loss	2,679,582	1,996,350
Net periodic pension cost	$ 4,784,695	$ 4,557,742

The Hospital expects to make contributions of approximately $4,770,000 during the next fiscal year.

The assumptions used in determining the actuarial present value of the projected benefit obligation at June 30, 2011 and 2010 are as follows:

	2011	2010
Discount rate	5.59 %	5.76 %
Rates of compensation increase	3.50	3.50

The assumptions used to determine the net periodic benefit cost in 2011 and 2010 are as follows:

	2011	2010
Discount rate	5.76 %	7.75 %
Rates of compensation increase	3.50	4.00
Expected return on assets	8 25	8.25

A net actuarial gain of $6,294,592 and prior service credit of $94,005 represent the unrecognized components of net periodic pension cost included in unrestricted net assets at June 30, 2011.

The estimated amortization of the net actuarial loss and prior service credit expected to be recognized in net periodic pension cost in the next fiscal year is approximately $2,187,128 and $54,786, respectively.

The following benefit payments which reflect expected future services, as appropriate, are expected to be paid:

Years ending June 30:	
2012	$ 3,216,000
2013	3,453,000
2014	4,334,000
2015	4,344,000
2016	5,211,000
2017 – 2021	35,614,000

10. Self-Insurance Plans

All members of the System, except the Hospital, are covered under premium-based workers' compensation policies. The Hospital provides for workers' compensation costs through a program of self-insurance supplemented by purchased excess liability coverage. Estimated self-insurance costs are accrued based upon data provided by the third-party administrator of the program and historical claims experience. The liability for workers' compensation was approximately $955,000 and $902,000 at June 30, 2011 and 2010, respectively, and is included in accrued expenses in the accompanying consolidated balance sheet. The discount rate used in determining these liabilities was 4.0% at June 30, 2011 and 2010.

The Hospital also self-insures its employee health insurance coverage and supplements it with excess liability coverage. The Hospital accrues the estimated costs of incurred and reported and incurred and unreported claims, after consideration of its stop-loss insurance coverages, based upon data provided by the third-party administrator of the program and its historical claims experience The liability for employee health insurance was approximately $936,000 and $1,012,000 at June 30, 2011 and 2010, respectively, and is included in accrued expenses in the accompanying consolidated balance sheet.

11. Medical Malpractice Claims Coverage

At June 30, 2011, the Hospital's medical malpractice insurance coverage is provided under the provisions of the following insurance arrangements:

Primary Coverage – Primary coverage is provided under the terms of an insurance contract which covers losses, if any, which are reported during the period the contract is in force, "claims-made coverage," subject to the per occurrence and aggregate limits during the period of policy coverage.

MCARE Fund coverage – The Pennsylvania Medical Care Availability and Reduction of Error Fund ("MCARE Fund") provides coverage in accordance with the Pennsylvania law governing the MCARE Fund. Pursuant to the per occurrence and aggregate limits set forth in the controlling Pennsylvania statutes, the MCARE Fund provides coverage for losses in excess of the primary coverage that was in effect on the date of the incident. The cost of MCARE Fund coverage is recognized as expense in the period incurred. Increases in annual surcharges and concerns over the MCARE Fund's ability to manage and pay claims continues to result in proposals to reform or restructure the MCARE Fund. MCARE Fund coverage is currently scheduled to be reduced in 2012, unless the State Insurance Commissioner determines that additional primary insurance capacity is not available at that time, and eliminated three years after such reduction. The Hospital will be required to purchase additional primary insurance to take the place of the MCARE Fund coverage if it is reduced. Depending upon the ultimate resolution of this matter, the Hospital may incur additional insurance costs.

Excess coverage – The Hospital has excess liability insurance contracts which insure against losses in excess of the above coverages reported during the period of policy coverage

The primary and excess coverages are provided by Community Hospital Alternative for Risk Transfer ("CHART"), a reciprocal risk retention group, which is a form of a captive insurance company. CHART was formed in April 2002 to provide liability insurance, reinsurance and risk management services for its subscribers. The Hospital maintains an equity ownership in CHART, which is accounted for using the equity method of accounting (Note 13).

A portion of the annual primary coverage premium through the 2009 policy year is retrospectively determined based on the actual costs incurred by CHART on behalf of the Hospital. As of June 30, 2011, premiums totaling approximately $632,000 are subject to retrospective determination. The Hospital can be assessed additional premiums up to this amount. The obligation to pay additional premiums is secured by letters of credit totalling this amount. Unused premiums are refundable to the Hospital. Beginning with the 2010 policy, this practice has been eliminated and a $10,000 deductible per claim has been instituted.

The Hospital's estimated medical malpractice claims liability for both asserted and unasserted claims was approximately $1,013,000 and $1,364,000 at June 30, 2011 and 2010, respectively, and is included in accrued expenses in the accompanying consolidated balance sheet. It is reasonably possible that the estimates used could change materially in the near term.

The System believes it has adequate insurance coverages for all asserted claims and it has no knowledge of unasserted claims which would exceed its insurance coverages.

12. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are primarily available for future property and equipment additions and operational use restricted to a certain purpose. Assets are deemed released from restrictions when the System fulfills the specific time period or purposes for which the assets are restricted. The investments relating to the permanently restricted net assets are to be held in perpetuity and the income is available to support health care services.

13. Investments in and Loans to Affiliates

Investments in and loans to affiliates includes the Hospital's investments in entities in which the Hospital has a financial interest. The Hospital applies the equity method of accounting for investments in which significant influence over operating and financial policies of the investee exists even though the Hospital has less than 50% ownership. Investments recorded on the equity method are adjusted for the Hospital's proportionate share of undistributed earnings or losses and these amounts are included in other income in the accompanying consolidated statement of operations. All other investments in such entities are recorded at cost.

Investments in and loans to affiliates consists of the following at June 30, 2011 and 2010:

	2011	2010
CHART	$ 2,063,540	$ 1,729,359
Benbrook Medical Holdings, LLC	912,598	937,094
MedCare Equipment Company, LLC	844,099	906,544
Benbrook 107, LLC	214,450	214,450
Butler Physicians Realty, LLC	102,515	121,354
South Butler Medical Holdings Management Company, LLC	146,000	146,000
VieCare – Butler, LLC	128,110	128,110
Total	$ 4,411,312	$ 4,182,911

The Hospital has a 4% ownership in CHART (Note 11) and participates with other subscribers in the operations of CHART. The Hospital received a dividend distribution of $197,849 in 2011 and $57,368 in 2010.

The Hospital has a 15% ownership in Benbrook Medical Holdings, LLC, a joint venture with several physicians for the purpose of acquiring real property and constructing a 55,000-square-foot building to be leased to BMP and to operate an ambulatory surgery center. The Hospital received a member's distribution from this joint venture of $25,250 in 2011 and $23,250 in 2010.

In 2006, the Hospital entered into a loan agreement with Benbrook Medical Holdings, LLC for $915,741. The balance of the loan receivable was $788,444 at June 30, 2011 and $818,461 at June 30, 2010. The loan bears interest at 6.25% per annum and is due in equal monthly installments through 2026.

The Hospital has a 5% ownership in MedCare Equipment Company, LLC, an entity that provides durable medical equipment and related services. The Hospital received a member's distribution from MedCare Equipment Company, LLC of $225,000 in 2011 and $75,000 in 2010.

The Hospital has a 45% ownership in Benbrook 107, LLC, a. joint venture with several physicians for the purpose of acquiring real property and leasing the same to BMP.

The Hospital has a 15% ownership in Butler Physicians Realty, LLC, a joint venture with several physicians to construct a medical office building in Butler County. The Hospital received a member's distribution from this joint venture of $18,839 in 2011 and $15,110 in 2010.

The Hospital has a 19.9% ownership in South Butler Medical Holdings Management Company, LLC, a joint venture with several partners for the purpose of acquiring real property and leasing the same to BMP.

The Hospital has a 15% ownership in VieCare – Butler, LLC, a joint venture with VieCare, Inc. to provide independent living services and other activities to the residents of Butler County.

14. 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.

Once the Hospital 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 Hospital'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 Hospital attested as a meaningful user for the year ended June 30, 2011. As such, the Hospital recognized approximately $2,396,000 under the Medicare program and $324,000 under the Medicaid program as grant income for the year ended June 30, 2011, which is included in other operating revenues in the accompanying consolidated statement 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 Hospital's attestation as a meaningful user is subject to audit by the Federal Government or its designee.

15. Functional Expenses

The System provides general health care services to residents within its geographic location. Expenses related to providing these services in 2011 and 2010 approximate the following:

	2011	2010
Health care services	$ 202,527,000	$ 176,458,000
General and administrative	46,315,000	42,930,000
Fundraising activities	156,000	156,000
Total	$ 248,998,000	$ 219,544,000

16. Significant Group Concentrations of Credit Risk

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements, primarily with Medicare, Medicaid, and various commercial insurance companies.

The System maintains substantially all of its cash and cash equivalents with several financial institutions. Cash and cash equivalents on deposit with any one financial institution are insured up to $250,000. The System maintained deposits in excess of this coverage at June 30, 2011 and 2010.

17. Commitments and Contingencies

The System is involved in litigation arising in the normal course of business. Certain litigation is in the preliminary stages and legal counsel is unable to estimate the potential effect, if any, upon operations or financial condition of the System. Management believes that these matters will be resolved without material adverse effect on the System's financial position or results of operations. However, the ultimate outcome and effect on the System's consolidated financial statements is unknown.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Management is not aware of any material incidents of noncompliance that have not been provided for in the accompanying consolidated financial statements; however, the possible future financial effects of this matter on the System, if any, are not presently determinable.

Effective July 1, 2010, DPW implemented Act 49 of 2010, which modernized Pennsylvania's fee-for-service hospital payment system, established enhanced hospital payments through the state's Medical Assistance managed care program, and secured matching Medicaid funds through the establishment of the Assessment (Note 3). The Act is only effective through June 30, 2013, after which time the additional reimbursement is not guaranteed to remain. The potential effects of this are not known at this time.

Approximately 29% of the Hospital's employees are covered by two collective bargaining agreements, which expire June 30, 2012 and April 16, 2013.

ParenteBeard

Independent Auditors' Report on Supplementary Information

Board of Trustees
Butler Health System

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating and combining information presented on pages 27 through 34 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and changes in net assets of the individual entities. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

ParenteBeard LLC

Pittsburgh, Pennsylvania
October 3, 2011

Butler Health System and Controlled Entities

Consolidating Schedule, Balance Sheet
June 30, 2011
(With Comparative Totals for 2010)
(See Independent Auditors' Report on Supplementary Information)

	Obligated Group (Combined)	Butler Health System Foundation	Primary Care Associates, PC	Butler Ambulatory Surgery Center, LLC	Consolidation Eliminations	Consolidation Consolidated	2010 Consolidated
Assets							
Current Assets							
Cash and cash equivalents	$ 28,340,458	$ 1,026,521	$ 300,012	$ 419,726	$ -	$ 30,086,717	$ 17,237,932
Accounts receivable, patients (net of estimated allowance for doubtful collections of $4,571,000)	23,608,470	-	139,993	364,146	-	24,112,609	21,963,383
Other receivables	6,495,021	957,244	-	9	(379,481)	7,072,793	2,076,034
Inventories of drugs and supplies	3,040,910	-	32,406	278,072	-	3,351,388	3,378,122
Prepaid expenses and other current assets	2,378,237	625	39,841	57,521	-	2,476,224	2,479,314
Total current assets	63,863,096	1,984,390	512,252	1,119,474	(379,481)	67,099,731	47,134,785
Assets Whose Use Is Limited							
By Board for future capital improvements	67,860,514	-	-	-	-	67,860,514	71,167,579
Under trust indenture, held by trustee	7,085,855	-	-	-	-	7,085,855	39,266,316
Foundation investments	-	879,257	-	-	-	879,257	1,176,429
Under agreement for self-insured workers' compensation	1,574,301	-	-	-	-	1,574,301	1,560,669
Funds held in escrow	2,463,946	-	-	-	-	2,463,946	2,901,017
Property and Equipment, Net	173,517,713	19,333	31,545	1,763,347	-	175,331,938	173,172,199
Investments in and Loans to Affiliates	5,033,870	-	-	-	(622,558)	4,411,312	4,182,911
Interest in Net Assets of Butler Health System Foundation	1,398,271	-	-	-	(1,398,271)	-	-
Debt Issuance Costs, Net	2,411,139	-	-	2,235	-	2,413,374	2,566,286
Other Assets	2,835,759	-	-	-	-	2,835,759	3,874,527
Total assets	$ 328,044,464	$ 2,882,980	$ 543,797	$ 2,885,056	$ (2,400,310)	$ 331,955,987	$ 347,002,718

Butler Health System and Controlled Entities

Consolidating Schedule, Balance Sheet
June 30, 2011
(With Comparative Totals for 2010)
(See Independent Auditors' Report on Supplementary Information)

	Obligated Group (Combined)	Butler Health System Foundation	Primary Care Associates, PC	Butler Ambulatory Surgery Center, LLC	Consolidation Eliminations	Consolidation Consolidated	2010 Consolidated
Liabilities and Net Assets							
Current Liabilities							
Current maturities of long-term debt	$ 1,920,000	$ -	$ -	$ 500,190	$ (259,168)	$ 2,161,022	$ 1,956,722
Accounts payable	3,065,008	-	11,646	213,415	-	3,290,069	2,729,923
Accrued expenses	16,019,129	25,474	436,328	192,963	(379,481)	16,294,413	15,441,605
Accrued interest payable	2,760,442	-	-	4,917	-	2,765,359	2,698,009
Estimated third-party payor settlements	4,901,452	-	-	-	-	4,901,452	4,844,273
Total current liabilities	28,666,031	25,474	447,974	911,485	(638,649)	29,412,315	27,670,532
Long-Term Debt, Net	133,389,188	-	-	743,360	(363,390)	133,769,158	135,693,644
Construction Payable	-	-	-	-	-	-	11,615,532
Pension Liability	14,125,384	-	-	-	-	14,125,384	24,201,276
Total liabilities	176,180,603	25,474	447,974	1,654,845	(1,002,039)	177,306,857	199,180,984
Net Assets							
Unrestricted	150,382,045	1,020,597	95,823	627,519	-	152,125,984	145,254,236
Noncontrolling interest in consolidated subsidiaries	73,416	-	-	602,692	-	676,108	664,751
Temporarily restricted	1,408,400	1,398,271	-	-	(1,398,271)	1,408,400	1,467,136
Permanently restricted	-	438,638	-	-	-	438,638	435,611
Total net assets	151,863,861	2,857,506	95,823	1,230,211	(1,398,271)	154,649,130	147,821,734
Total liabilities and net assets	$ 328,044,464	$ 2,882,980	$ 543,797	$ 2,885,056	$ (2,400,310)	$ 331,955,987	$ 347,002,718

Butler Health System and Controlled Entities

Consolidating Schedule Statement of Operations
Year Ended June 30, 2011
(With Comparative Totals for 2010)
(See Independent Auditors' Report on Supplementary Information)

	Obligated Group (Combined)	Butler Health System Foundation	Primary Care Associates, PC	Butler Ambulatory Surgery Center, LLC	Consolidation Eliminations	Consolidation Consolidated	2010 Consolidated
Unrestricted Revenues							
Net patient service revenues	$ 225,542,516	$ -	$ 3,659,787	$ 7,285,341	$ -	$ 236,487,644	$ 225,956,904
Other operating revenues	11,676,177	-	31 352	918	(398,459)	11,309,988	7 136,171
Contributions	48,363	128,461	-	-	(500)	176,324	144,469
Net assets released from restrictions used for operations	256,330	-	-	-	-	256,330	115,664
Total unrestricted revenues	237,523,386	128,461	3,691,139	7,286,259	(398,959)	248,230,286	233,353,208
Expenses							
Salaries and wages	80,059,722	49,118	643,817	1,248,103	-	82,000,760	74,260,897
Medical and surgical supplies	36,670,708	14,409	298,884	191,237	-	37,175,238	37,096,325
General supplies and purchased services	32,529,664	-	1,870,147	-	(396,809)	34,003,002	31,413,957
Employee benefits	26,794,769	83,629	596,399	1,666,592	-	29,141,389	25,576,197
Physicians' fees	20,245,558	-	214,266	1,507,613	(1,650)	21,965,787	18,099 365
Depreciation and amortization	15,394,181	-	110,818	59,674	-	15,564,673	9,693,507
Provision for doubtful collections	8,990,906	-	-	-	-	8,990,906	8,303,166
Interest	5,990,378	10,494	66,768	115,142	(43,936)	6,138,844	1,162,849
Utilities and insurance	5,525,850	4,402	14,519	434,455	-	5,979,226	5,359,385
Professional fees and miscellaneous	4,562,695	8,353	23,190	80,672	(500)	4,674,410	5,208,288
Outside medical services	3,276,099	-	4,488	82,931	-	3,363,518	3,168,276
Loss on early extinguishment of long-term debt	-	-	-	-	-	-	202,211
Total expenses	240,040,530	170,405	3,843,296	5,386,419	(442,897)	246,997,753	219,544,423
Operating (loss) income	(2,517,144)	(41,944)	(152,157)	1,899,840	43,938	(767,467)	13,808,785
Other Income (Loss)							
Investment income	890,951	978	-	1,017	(43,938)	849,008	1,019,956
Equity in earnings of affiliates	725,356	-	-	-	-	725,356	556,421
Other, net	(262,062)	-	-	-	-	(262,062)	78,572
Other income, net	1,354,245	978	-	1,017	(43,938)	1,312,302	1,654 949
Revenues in excess of (less than) expenses before noncontrolling interest	(1,162,899)	(40,966)	(152,157)	1,900,857	-	544 835	15,463,734
Noncontrolling Interest in Net Income of Consolidated Subsidiaries	(133,442)	-	-	(931,419)	-	(1,064,861)	(1,017,244)
Revenues (less than) in excess of expenses	(1,296,341)	(40,966)	(152,157)	969,438	-	(520,026)	14,446,490
Change in Net Unrealized Gains and Losses on Investments Other Than Trading Securities	368,551	-	-	-	-	368,551	232,225
Net Assets Released from Restrictions Used for Purchase of Property and Equipment	822,636	-	-	-	-	822,636	82,748
Transfers from (to) Affiliates	1,096,498	-	-	(1 096,498)	-	-	-
Pension Liability Adjustment	6,200,587	-	-	-	-	6,200,587	(8,918,759)
Increase (decrease) in unrestricted net assets	$ 7,191,931	$ (40,966)	$ (152 157)	$ (127,060)	$ -	$ 6,871,748	$ 5,842,704

Butler Health System and Controlled Entities

Consolidating Schedule, Statement of Changes in Net Assets
Year Ended June 30, 2011
(With Comparative Totals for 2010)
(See Independent Auditors' Report on Supplementary Information)

	Obligated Group (Combined)	Butler Health System Foundation	Primary Care Associates, PC	Butler Ambulatory Surgery Center, LLC	Consolidation Eliminations	Consolidation Consolidated	2010 Consolidated
Unrestricted Net Assets							
Revenues (less than) in excess of expenses	$ (1,296,341)	$ (40,966)	$ (152,157)	$ 969,438	$ -	$ (520,026)	$ 14,446,490
Change in net unrealized gains and losses on investments other than trading securities	368,551	-	-	-	-	368,551	232,225
Net assets released from restrictions used for purchase of property and equipment	822,636	-	-	-	-	822,636	82,748
Transfers from (to) affiliates	1,096,498	-	-	(1,096,498)	-	-	-
Pension liability adjustment	6,200,587	-	-	-	-	6,200,587	(8,918,759)
Increase (decrease) in unrestricted net assets	7,191,931	(40,966)	(152,157)	(127,060)	-	6,871,748	5,842,704
Temporarily Restricted Net Assets							
Contributions	-	1,006,221	-	-	-	1,006,221	1,330,642
Change in value of pledges receivable	-	12,964	-	-	-	12,964	(60,025)
Net realized gains on investments	-	1,045	-	-	-	1,045	971
Net assets released from restrictions	(1,078,966)	-	-	-	-	(1,078,966)	(198,412)
Net assets transferred (to) from affiliates	1,057,784	(1,057,784)	-	-	-	-	-
Increase in interest in net assets of Butler Health System Foundation	(37,553)	-	-	-	37,553	-	-
(Decrease) increase in temporarily restricted net assets	(58,735)	(37,554)	-	-	37,553	(58,736)	1,073,176
Permanently Restricted Net Assets							
Net realized gains on investments	-	3,027	-	-	-	3,027	-
Contributions	-	-	-	-	-	-	3,011
Increase in permanently restricted net assets	-	3,027	-	-	-	3,027	3,011
Increase (decrease) in net assets	7,133,196	(75,493)	(152,157)	(127,060)	37,553	6,816,039	6,918,891
Net Assets, Beginning, Before Noncontrolling Interest	144,657,249	2,932,999	247,980	754,579	(1,435,824)	147,156,983	140,238,092
Net Assets, Ending, Before Noncontrolling Interest	$ 151,790,445	$ 2,857,506	$ 95,823	$ 627,519	$ (1,398,271)	$ 153,973,022	$ 147,156,983

Butler Health System and Controlled Entities - Obligated Group

Combining Schedule, Balance Sheet
June 30, 2011
(See Independent Auditors' Report on Supplementary Information)

	Butler Health System	Butler Memorial Hospital	Butler Medical Providers	Nixsar Corporation	Combination Eliminations	Combination Combined
Assets						
Current Assets						
Cash and cash equivalents	$ 557,530	$ 25,278,413	$ 2,251,181	$ 253,334	$ -	$ 28,340,458
Accounts receivable, patients (net of estimated allowance for doubtful collections of $4,379,000)	-	21,625,008	1,983,462	-	-	23,608,470
Other receivables	105,748	6,341,147	501,395	10,000	(463,269)	6,495,021
Inventories of drugs and supplies	-	3,040,910	-	-	-	3,040,910
Prepaid expenses and other current assets	-	1,972,991	391,953	13,293	-	2,378,237
Total current assets	663,278	58,258,469	5,127,991	276,627	(463,269)	63,863,096
Assets Whose Use Is Limited						
By Board for future capital improvements	-	67,860,514	-	-	-	67,860,514
Under trust indenture, held by trustee	-	7,085,855	-	-	-	7,085,855
Under agreement for self-insured workers' compensation	-	1,574,301	-	-	-	1,574,301
Funds held in escrow	-	2,463,946	-	-	-	2,463,946
Property and Equipment, Net	2,514,879	158,802,792	1,099,250	11,100,792	-	173,517,713
Investments in and Loans to Affiliates	-	5,033,870	-	-	-	5,033,870
Interest in Net Assets of Butler Health System Foundation	-	1,398,271	-	-	-	1,398,271
Debt Issuance Costs, Net	-	2,411,139	-	-	-	2,411,139
Other Assets	-	2,777,426	58,333	-	-	2,835,759
Total assets	$ 3,178,157	$ 307,666,583	$ 6,285,574	$ 11,377,419	$ (463,269)	$ 328,044,464

Butler Health System and Controlled Entities - Obligated Group

Combining Schedule, Balance Sheet
June 30, 2011
(See Independent Auditors' Report on Supplementary Information)

	Butler Health System	Butler Memorial Hospital	Butler Medical Providers	Nixsar Corporation	Combination Eliminations	Combination Combined
Liabilities and Net Assets						
Current Liabilities						
Current maturities of long-term debt	$ -	$ 1,920,000	$ -	$ -	$ -	$ 1,920,000
Accounts payable	-	3,058,623	6,385	-	-	3,065,008
Accrued expenses	-	14,329,722	2,128,738	23,938	(463,269)	16,019,129
Accrued interest payable	-	2,760,442	-	-	-	2,760,442
Estimated third-party payor settlements	-	4,901,452	-	-	-	4,901,452
Total current liabilities	-	26,970,239	2,135,123	23,938	(463,269)	28,666,031
Long-Term Debt, Net	-	133,389,188	-	-	-	133,389,188
Pension Liability	-	14,125,384	-	-	-	14,125,384
Total liabilities	-	174,484,811	2,135,123	23,938	(463,269)	176,180,603
Net Assets						
Unrestricted	3,178,157	131,699,956	4,150,451	11,353,481	-	150,382,045
Noncontrolling interest in consolidated subsidiary	-	73,416	-	-	-	73,416
Temporarily restricted	-	1,408,400	-	-	-	1,408,400
Total net assets	3,178,157	133,181,772	4,150,451	11,353,481	-	151,863,861
Total liabilities and net assets	$ 3,178,157	$ 307,666,583	$ 6,285,574	$ 11,377,419	$ (463,269)	$ 328,044,464

Butler Health System and Controlled Entities - Obligated Group

Combining Schedule, Statement of Operations
Year Ended June 30, 2011
(See Independent Auditors' Report on Supplementary Information)

	Butler Health System	Butler Memorial Hospital	Butler Medical Providers	Nixsar Corporation	Combination Eliminations	Combination Combined
Unrestricted Revenues						
Net patient service revenues	$ -	$ 204,952,852	$ 20,594,697	$ -	$ (5,033)	$ 225,542,516
Other operating revenues	375,993	10,646,238	2,600,257	431,164	(2,377,475)	11,676,177
Contributions	-	48,363	-	-	-	48,363
Net assets released from restrictions used for operations	-	256,330	-	-	-	256,330
Total unrestricted revenues	375,993	215,903,783	23,194,954	431,164	(2,382,508)	237,523,386
Expenses						
Salaries and wages	-	77,704,651	2,355,071	-	-	80,059,722
Medical and surgical supplies	-	36,433,925	236,783	-	-	36,670,708
General supplies and purchased services	102,571	29,058,132	4,517,581	228,339	(1,376,959)	32,529,664
Employee benefits	-	24,370,995	2,423,774	-	-	26,794,769
Physicians' fees	-	5,180,602	16,142,927	-	(1,077,971)	20,245,558
Depreciation and amortization	420,599	14,031,153	245,168	697,261	-	15,394,181
Provision for doubtful collections	-	8,741,048	249,858	-	-	8,990,906
Interest	-	5,990,378	-	-	-	5,990,378
Utilities and insurance	31,802	4,692,205	684,668	117,175	-	5,525,850
Professional fees and miscellaneous	35,930	4,124,744	370,581	49,440	(18,000)	4,562,695
Outside medical services	-	3,126,548	155,910	-	(6,359)	3,276,099
Total expenses	590,902	213,454,381	27,382,321	1,092,215	(2,479,289)	240,040,530
Operating (loss) income	(214,909)	2,449,402	(4,187,367)	(661,051)	96,781	(2,517,144)
Other Income (Loss)						
Investment income (loss)	39	890,912	-	-	-	890,951
Equity in earnings of affiliates	-	725,356	-	-	-	725,356
Other, net	-	(37,332)	-	(127,949)	(96,781)	(262,062)
Other income (loss), net	39	1,578,936	-	(127,949)	(96,781)	1,354,245
Revenues (less than) in excess of expenses before noncontrolling interest	(214,870)	4,028,338	(4,187,367)	(789,000)	-	(1,162,899)
Noncontrolling Interest in Net Income of Consolidated Subsidiary	-	(133,442)	-	-	-	(133,442)
Revenues (less than) in excess of expenses	(214,870)	3,894,896	(4,187,367)	(789,000)	-	(1,296,341)
Change in Net Unrealized Gains and Losses on Investments Other Than Trading Securities	-	368,551	-	-	-	368,551
Net Assets Released from Restrictions Used for Purchase of Property and Equipment	-	822,636	-	-	-	822,636
Transfers from (to) Affiliates	176,498	(5,474,056)	5,644,056	750,000	-	1,096,498
Pension Liability Adjustment	-	6,200,587	-	-	-	6,200,587
Increase (decrease) in unrestricted net assets	$ (38,372)	$ 5,812,614	$ 1,456,689	$ (39,000)	$ -	$ 7,191,931

Butler Health System and Controlled Entities - Obligated Group

Combining Schedule, Statement Of Changes In Net Assets
Year Ended June 30, 2011
(See Independent Auditors' Report on Supplementary Information)

	Butler Health System	Butler Memorial Hospital	Butler Medical Providers	Nixsar Corporation	Combination Eliminations	Combination Combined
Unrestricted Net Assets						
Revenues (less than) in excess of expenses	$ (214,870)	$ 3,894,896	$ (4,187,367)	$ (789,000)	$ -	$ (1,296,341)
Change in net unrealized gains and losses on investments other than trading securities	-	368,551	-	-	-	368,551
Net assets released from restrictions used for purchase of property and equipment	-	822,636	-	-	-	822,636
Transfers from (to) affiliates	176,498	(5,474,056)	5,644,056	750,000	-	1,096,498
Pension liability adjustment	-	6,200,587	-	-	-	6,200,587
Increase (decrease) in unrestricted net assets	(38,372)	5,812,614	1,456,689	(39,000)	-	7,191,931
Temporarily Restricted Net Assets						
Net assets transferred from affiliates	-	1,057,784	-	-	-	1,057,784
Decrease in interest in net assets of Butler Health System Foundation	-	(37,553)	-	-	-	(37,553)
Net assets released from restrictions	-	(1,078,966)	-	-	-	(1,078,966)
Decrease in temporarily restricted net assets	-	(58,735)	-	-	-	(58,735)
Increase (decrease) in net assets	(38,372)	5,753,879	1,456,689	(39,000)	-	7,133,196
Net Assets, Beginning, Before Noncontrolling Interest	3,216,529	127,354,477	2,693,762	11,392,481	-	144,657,249
Net Assets, Ending, Before Noncontrolling Interest	$ 3,178,157	$ 133,108,356	$ 4,150,451	$ 11,353,481	$ -	$ 151,790,445

BUTLER MEMORIAL HOSPITAL

April 2012

Butler Memorial Hospital (BMH) is the sole hospital within Butler Health System (BHS) In addition to the hospital, the system includes 28 freestanding outpatient facilities and a robust laboratory outreach service The system includes Butler Medical Providers, employing approximately 75 physicians across specialties There are well over 200 physicians who are active at BMH The hospital provides a broad range of services, including nationally recognized cardiovascular, cardiac surgery, and orthopedic programs The system continues to experience growth from a broader region extending beyond Butler County Butler sits in the northern tier of the Pittsburgh market, whose unique dynamic includes a dominant provider system (UPMC) and a dominant commercial payer (Highmark BC/BS) The BMH Board of Trustees and the senior management of BMH make deliberate, focused efforts to collaborate with these large entities, as well as providers of all sizes and scale throughout the region Leadership believes in providing value high quality at a reasonable cost, with excellent customer service This focus will assure the organization's ongoing success BHS is a culture of innovation and creativity, actively defining and providing state-of-the art care for the 21st century

The Mission Statement of BMH reads BMH is privileged to be a healing presence in the communities we serve We exist to make a positive difference in the lives of people by providing compassionate, high quality care and comfort and inspiring health and well being "

BMH is guided by this mission In also recognizes its charitable obligation *In fiscal year 2011, BMH provided* ***greater than $21.9 million in charity care and other uncompensated care*** *This free care alone represents well over 10 3% of the total hospital expenses* In addition to this large contribution to the community, BMH provides critical support to education through our partnerships with Slippery Rock University, Butler County Community College, local school districts and various other educational institutions throughout the region When possible, BMH makes its facilities and staff available to the community to support a wide variety of training programs BMH/BHS is an active member of the local business community It supports many organizations, including the Community Development Corporation of Butler County, Leadership Butler County, local Chambers of Commerce, Butler YMCA, United Way, as well as a variety of civic and social groups including the American Heart Association, American Cancer Society and the March of Dimes BMH is also a critical partner with the local Community Health Clinic, providing free care to the working poor and uninsured in the community

BMH is the largest employer in the community and one of the largest in the region It is a critical and essential socio-economic force, representing hundreds of millions of dollars to the local economy BMH conducts itself as a responsible corporate citizen and treats the obligation very seriously This report outlines some of the ways BMH supports the health and lives of people throughout Butler County and the region It is a testimony to the commitment and leadership of BMH medical staff, board of trustees, employees, volunteers, and community partners, whose dedication to service touches many lives and makes our community a better place

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Fiscal Year 2011 Community Benefit Report

2010 IRS Form 990 Schedule H

Executive Summary

Butler Memorial Hospital (BMH) is proud to serve our Community In furtherance of our charitable mission, BMH provided over $21 9 million in support in the form of charity care, unreimbursed care, community health improvement, health education, subsidized services and contributions to community organizations ***This support accounts for over 10.3% of total expenses.***

BMH demonstrates its commitment by improving the overall health of the community through the operation of an efficient and effective health care system and by actively supporting appropriate community services

Charity care	$ 2,641,727
Unreimbursed Medicaid	$ 8,935,514
Unreimbursed costs other means tested	$ 44,941
Community health improvement	$ 277,682
Health professions education	$ 394,089
Subsidized health services	$ 6,253,833
Cash and in-kind contributions	$ 187,740
Unreimbursed Medicare	$ 3,171,767

Summary of Services and Community Support

Helping you Live Better, Every Day

One of BMH's goals is to strengthen the health and well-being of our neighbors BMH understands that as the sole community hospital it plays an important role in the health of Butler County residents BMH takes that role seriously

Last year BMH provided over $21.9 million in total community benefit support. This accounts for over 10.3% of total expenses. The services provided are essential to the community's overall health and the quality of life of every resident

Community Health Assessment

BMH periodically surveys up to 1,000 Butler County residents Included in the survey are questions from the Centers for Disease Control Behavioral Risk Factor Surveillance System The goal is to assess health status, disease burden and diagnosis, disease prevention, exercise and nutrition status, access to care and overall health literacy Responses to the survey are carefully evaluated by a specialist in Public Health and results are shared with BMH's clinical staff The findings are then integrated into operations that meet the community's health needs

Butler Health System

Meeting the health needs of a diverse geography cannot be achieved through any one employee, department, or facility With BMH as the centerpiece of its services, Butler Health System (BHS) has established convenient locations throughout Butler County and the surrounding areas

BMH has 321 licensed beds to care for inpatients Services include Critical Care, Surgical Services, Medical Care, Psychiatric Treatment, Drug & Alcohol Rehabilitation, and Skilled Nursing The BMH Emergency Department treated nearly 44,000 patients last year This range and complexity of service is not offered by any other entity in Butler County

When health care needs do not require the complexity of inpatient treatment, and it is more practical to have low cost health care close to home, BMH offers 28 outpatient locations throughout its service area, offering diagnostic and treatment services including imaging, cardiac diagnostics, laboratory services and physician care This year new locations were opened in Slippery Rock and Saxonburg

BMH has partnered with local emergency physicians to establish BHS FastERcare, providing walk-in urgent care services 7 days a week and into the evening This service is offered in Butler and Saxonburg with locations opening soon in Slippery Rock and Kittanning

Supporting those in need: Our Charity Care and Community Benefit

BMH provides free care to those patients who have an obligation after insurance payments, if any Eligibility for free care is determined based on a patient's income and family size Free care is provided to those with incomes up to 300% of the Federal Poverty Guideline

To inform patients of this program, signs are posted in all the registration areas notifying the public of the availability of the free care program More information is available through the BMH Patient Handbook and on our website at www butlerhealthsystem org on the "About BHS" page

At the time of registration any patient who is uninsured is given a Patient Notice of Financial Aid The notice instructs the patient to call or visit the Patient Financial Assistance Department to seek more information about how BMH may assist in payment for all or part of a patient's care

The monthly collection statements that are mailed to the patient state that the patient may contact the Patient Financial Assistance Department to discuss eligibility for free care Financial Representatives receive and make many calls to patients During the calls, financial representatives discuss the availability of the free care program and mail out applications to those patients who want to apply

BMH also contracts with representatives to assist patients applying for Medical Assistance coverage These representatives inform patients about the availability of free care, including those who may not be eligible for a government healthcare plan

Government Program Subsidies

In addition to providing free and discounted care to uninsured patients or patients that need financial help, BMH makes up the difference between the costs of care and the amount paid by government-sponsored programs such as Medicare and Medicaid Last year, that amounted to more than $12 1 million As provisions of the Patient Protection and Affordable Care Act are implemented, BMH expects this burden on patients and the health system will increase To that end, BMH continually evaluates ways to deliver high value health care, by keeping costs low while maintaining high quality BMH views this activity as essential to remaining viable

Billing and Collections

BMH is diligent in providing bills that are accurate and easy to understand Every bill and statement includes information about how to contact financial representatives and arrange payment plans BMH is committed to finding ways to help every patient pay the portion of their bill for which they are responsible, while avoiding an overwhelming financial burden

In addition to making the billing process easy to understand and ensuring easy access to charity care and financial assistance, BMH provides patient cost information in advance of services or treatment, upon request

Providing Needed Care and Services Plays a Critical Role in Meeting Patient Needs

BMH subsidizes many of the critical services we offer, such as the Transitional Care Facility, Family Services, obstetrical services, psychiatric services, prevention and wellness services and primary care services offered through our Physician Clinics Last year, BMH provided $6,253,833 in subsidized care and services

BMH actively supports the Community Health Clinic, a primary care program for the uninsured and working poor of our community We provide financial support as well as operational and technical

support for many of the diagnostic services provided at the Clinic Many of our physicians and employees also volunteer their own time to treat patients at the Clinic

Building Our Community

Strengthening the community is a responsibility for all local businesses and something BMH takes very seriously Examples include space for community meetings and education, assisting residents in escaping difficult domestic situations, employees and physicians volunteering to help those in need, providing education to new and expectant parents, and providing community health outreach and patient advocacy

Opening Our Facilities for Local Meetings

The Knowledge Center at BMH offers modern meeting and education space for local and regional conferences Last year, BMH hosted the second annual Carol Dietrich Memorial Health Symposium to physicians, nurses and other providers, focusing on peri-operative care issues The day long program provided a variety of high quality programs at no cost to participants

BMH also has an accredited Continuing Medical Education Program for physicians which is made available to health care professionals throughout the region

In cooperation with local institutions like Slippery Rock University and Butler County Community College, as well as others throughout Butler County and the region, BMH is fully committed to maintaining high quality professional health education for students and practitioners Classroom space is provided within the Knowledge Center, including the computerized clinical simulation laboratory In addition, students are given real life clinical experiences as they work under the supervision of professional staff in the care and treatment of patients

BMH works closely with local school districts in supporting high school health occupation programs The Simulation Laboratory is available for seminars that give students hands on experience to expose them to the highly complex world of health care delivery

Employees in the Community

Every year, BMH and its employees support a variety of community support programs These include the Caring Angel Program, the United Way and organizations like the American Heart Association, the American Cancer Society, the Butler YMCA and the March of Dimes

In addition to these activities, our employees participate in a variety of community service initiatives, from Habitat for Humanity to Doctors without Borders to local student mentoring programs

Summary

BMH physicians, nurses, employees, volunteers and its Board of Trustees, which is comprised of volunteer leadership, maintain deep connections to the communities they serve They live and work in Butler County and are acutely aware of the needs of its residents As a tax-exempt charitable organization, BMH is careful to manage its resources to meet the current and future healthcare needs of its neighbors BMH is proud of its independence and pledges to always strive to provide high quality, low cost care in a comfortable and supporting environment