See a Social Security Number? Say Something!
Report Privacy Problems to https://public.resource.org/privacy
Or call the IRS Identity Theft Hotline at 1-800-908-4490

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493135033052

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
PINNACLE HEALTH HOSPITALS

Doing Business As

Number and street (or P O box if mail is not delivered to street address) 409 SOUTH SECOND ST PO BOX 8700 | Room/suite

City or town, state or country, and ZIP + 4
HARRISBURG, PA 171058700

D Employer identification number
25-1778644

E Telephone number
(717) 231-8245

G Gross receipts $ 757,969,928

F Name and address of principal officer
WILLIAM H PUGH
409 SOUTH SECOND ST PO BOX 8700
HARRISBURG, PA 171058700

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 PINNACLEHEALTH ORG

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1996 | **M** State of legal domicile PA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
INPATIENT AND OUTPATIENT NON-PROFIT HEALTHCARE SERVICES FOR CITIZENS OF THE LOCAL COMMUNITY

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**	20
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	16
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	4,476
6	Total number of volunteers (estimate if necessary)	**6**	466
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	3,776,477
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	6,857,923	6,634,714
	9 Program service revenue (Part VIII, line 2g)	552,134,240	602,219,557
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,334,284	4,942,988
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-795,480	-1,027,022
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	559,530,967	612,770,237
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	261,149,682	266,807,037
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	284,364,093	307,799,228
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	545,513,775	574,606,265
	19 Revenue less expenses Subtract line 18 from line 12	14,017,192	38,163,972

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	629,460,924	661,811,208
	21 Total liabilities (Part X, line 26)	437,790,572	433,311,643
	22 Net assets or fund balances Subtract line 21 from line 20	191,670,352	228,499,565

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

****** | 2012-05-11
Signature of officer | Date

WILLIAM H PUGH TREASURER/CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ▶☐	PTIN
JULIUS GREEN CPA	JULIUS GREEN CPA			
Firm's name ▶ PARENTEBEARD LLC				Firm's EIN ▶
Firm's address ▶ SUITE 200 221 W PHILADELPHIA ST YORK, PA 174012993				Phone no ▶ (717) 846-7000

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

PROVIDING BOTH INPATIENT AND OUTPATIENT HEALTHCARE SERVICES ON A NON-PROFIT BASIS FOR CITIZENS OF THE SURROUNDING COMMUNITY

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 $ 469,136,795 including grants of $) (Revenue $ 581,476,401)

PINNACLE HEALTH HOSPITALS (CORP 200)PINNACLE HEALTH HOSPITALS SUBSIDIZES THE COST OF TREATING PATIENTS WHO ARE UNINSURED, UNABLE TO PAY, OR ARE ON GOVERNMENT PROGRAMS WHERE REIMBURSEMENT IS LESS THAN THE COST OF PROVIDING THE SERVICE AS AN ANCHOR INSTITUTION AND A LEADER IN OUR COMMUNITY, OUR ROLE HAS BEEN TO CARE FOR PATIENTS EVEN IN THESE DIFFICULT ECONOMIC TIMES IN KEEPING WITH OUR TRADITION OF CARING FOR ALL PATIENTS REGARDLESS OF THEIR ABILITY TO PAY, PINNACLE HEALTH IS A FORCE FOR STABILITY, STRENGTH, AND RELIABILITY FOR THOSE WE SERVE IN ADDITION TO FINANCIAL SUPPORT, OUTREACH TO THE COMMUNITY IS CRUCIAL TO ACHIEVING OUR MISSION THROUGH VOLUNTEERISM AND ENGAGEMENT, WE STRIVE TO BE A FORCE FOR HEALTH AND WELL-BEING WE HELP THE UNDERSERVED, MENTOR STUDENTS, LEND EXPERTISE TO COMMUNITY ORGANIZATIONS, AND EDUCATE THE COMMUNITY ON DISEASE PREVENTION AND MANAGEMENT COMMUNITY HEALTH IMPROVEMENT SERVICESAS ONE OF THE LARGEST PROVIDERS OF HEALTHCARE SERVICES IN THE STATE OF PENNSYLVANIA, PINNACLE HEALTH HOSPITALS OFFERS A VARIETY OF CLINICAL, EDUCATION AND SUPPORT SERVICES FOCUSED ON IMPROVING THE HEALTH OF THE COMMUNITIES WE SERVE COMMUNITY HEALTH EDUCATIONDIABETES EDUCATION FOR DISPARATE POPULATIONS (200-0830) TO PROVIDE CULTURALLY AND ECONOMICALLY APPROPRIATE EDUCATION THAT ENABLES PERSONS WITH DIABETES TO BETTER MANAGE THEIR DISEASE KIDSHAPE (200-1076) 9 WEEK PEDIATRIC WEIGHT MANAGEMENT PROGRAM FOR KIDS AGE 6 - 14 YEARS OLD KIDSHAPE TEACHES THE ENTIRE FAMILY HOW TO EAT MORE NUTRITIOUSLY, MAKE EXERCISE A FUN PART OF THE DAILY ROUTINE, FORM NEW HEALTHY HABITS, AND TO LIKE THEMSELVES, REGARDLESS OF SIZE A TEAM OF HEALTH EXPERTS CONSISTING OF A REGISTERED DIETITIAN, A MENTAL HEALTH PROFESSIONAL, A PHYSICAL ACTIVITY EXPERT, AND A HEALTH EDUCATOR ADMINISTERS THE KIDSHAPE PROGRAM ALL KIDSHAPE PROGRAMS ARE FAMILY-BASED EACH PROGRAM INCORPORATES HANDS-ON ACTIVITIES TO EMPOWER YOUTH AND ADULTS TO EAT HEALTHY, MOVE MORE, AND FEEL GOOD A VARIETY OF CHILDBIRTH EDUCATION PROGRAMS ARE OFFERED FOR NEW AND EXPECTANT PARENTS AND SIBLINGS INCLUDING INFANT CARE CLASSES SUPPORT GROUPS ARE OFFERED FREE OF CHARGE TO HELP PEOPLE UNDERSTAND AND COPE WITH PARTICULAR PROBLEMS OR ILLNESSES THEY INCLUDE DIABETES, BEREAVEMENT, CAREGIVER, TRANSPLANT, AND HEART DISEASE CHILDREN'S HEALTH FAIR, CONFERENCES AND LECTURES PROVIDE INFORMATION ON HEALTHY LIFESTYLES AND HEALTH CAREER SESSIONS, YOUTH HEALTH SCREENINGS, YOUTH OBESITY PREVENTION, CHILD ABUSE AWARENESS/PREVENTION AND LITERACY PROGRAMS FOR CHILDREN COMMUNITY HEALTH FAIRSCOMMUNITY LECTURES ON A VARIETY OF TOPICS, INCLUDING CARDIOVASCULAR HEALTH, AIDS, SPORTS MEDICINE, AND ETHICS TOBACCO CESSATION EDUCATION IN CLINICS HEALTH EDUCATION STORIES IN THE NEWSPAPER, ON TELEVISION, ON RADIO AND IN HOSPITAL NEWSLETTER CLERGY IS AVAILABLE TO PATIENTS AND FAMILY MEMBERS TWENTY-FOUR HOURS A DAY AS DESCRIBED IN THE HOSPITAL'S MISSION STATEMENT, PINNACLE HEALTH HOSPITALS IS COMMITTED TO PROVIDING COMMUNITY-BASED PROGRAMS AND SERVICES WHICH WILL ENHANCE THE HEALTH STATUS OF THE PEOPLE WE SERVE TOWARD THAT END, PINNACLE HEALTH HOSPITALS PROVIDED THE FOLLOWING WELLNESS AND SCREENING PROGRAMS SCREENINGS CHOLESTEROL SCREENINGBODY COMPOSITION SCREENINGPROSTATE SCREENINGPODIATRIC SCREENINGINFANT DEVELOPMENT SCREENINGSSPEECH AND HEARING SCREENINGSDEPRESSION AND ANXIETY SCREENINGSLEAD POISONBONE DENSITYNUTRITION THERAPY EDUCATION PROGRAMSLEAD POISONING SCREENINGS PINNACLE HEALTH-FOX CHASE REGIONAL CANCER CENTER'S (200-8007) BOARD-CERTIFIED SURGEONS AND MEDICAL ONCOLOGISTS ATTACK ALL TYPES OF CANCER, SUPPORTED BY A TEAM OF PHARMACISTS, SOCIAL WORKERS, REHABILITATION AND PAIN MANAGEMENT SPECIALISTS EACH WITH A UNIQUE AWARENESS OF PATIENT NEEDS HEART FAILURE CENTER (200-0221) WAS DEVELOPED IN AN EFFORT TO PROVIDE PATIENTS SUFFERING FROM HEART FAILURE AN ALTERNATIVE TO FREQUENT HOSPITALIZATIONS OUR TEAM OF EXPERIENCED HEALTHCARE PROFESSIONALS ASSISTS YOU IN LEARNING THE SKILLS NEEDED TO HELP SELF-MANAGE YOUR CHRONIC ILLNESS THE PINNACLE HEALTH WOUND AND HYPERBARIC CENTER (200-0827) WITH HYPERBARIC OXYGEN THERAPY CAPABILITIES IS DEVOTED TO THE TREATMENT, REHABILITATION AND PREVENTION OF CHRONIC WOUNDS OUR CARING TEAM OF SPECIALTY PHYSICIANS, NURSES, PHYSICAL THERAPISTS AND NUTRITIONISTS CAN HELP ACCELERATE PATIENTS' HEALING, DECREASE DISCOMFORT, REDUCE COMPLICATIONS AND DECREASE RE-OCCURRENCE SPINE INSTITUTE (200-7187) COMBINES THE EXPERTISE OF NEUROSURGEONS, ORTHOPEDIC SURGEONS, PHYSIATRISTS, NEUROLOGISTS, PAIN MANAGEMENT SPECIALISTS, NURSES, IMAGING SERVICES AND REHABILITATION SERVICES TO TARGET EVERY PATIENT'S PARTICULAR PROBLEM AND PROVIDE OPTIMAL TREATMENT BUS PASSES OR TAXI FEES ARE PROVIDED TO PATIENTS AND FAMILIES MEETING THE ORGANIZATION'S FINANCIAL ASSISTANCE GUIDELINES TO ENHANCE PATIENT ACCESS TO CARE RESIDENT PHYSICIAN TRAINING PROGRAMS FOR ORTHOPEDIC SURGERY, INTERNAL MEDICINE, GENERAL SURGERY, PODIATRY, AND FAMILY PRACTICE FELLOWSHIP PROGRAMS FOR TOXICOLOGY, SPORTS MEDICINE, AND MATERNAL FETAL MEDICINE CLINICAL SITE FOR MEDICAL STUDENTSCLINICAL SITE FOR NURSING STUDENTSCLINICAL SITE FOR DIETITIANSCLINICAL SITE FOR EMERGENCY MEDICAL PERSONNELCLINICAL SITE FOR PARAMEDIC STUDENTSCLINICAL SITE FOR RESPIRATORY THERAPY STUDENTSCLINICAL SITE FOR RADIOLOGY STUDENTS INTERNSHIPS FOR MEDICAL ASSISTANTS, SPEECH AND HEARING, PT/OT AND OTHER ALLIED HEALTH PROFESSIONAL TRAINING SUPERVISION FOR PSYCHOLOGY STUDENTSCONTINUING EDUCATION FOR NURSES AND PHYSICIAN OFFICE STAFF AND FOR LOCAL COMMUNITY PROFESSIONALS SUCH AS SCHOOL NURSES TOXICOLOGY CENTER IS A NEEDED COMMUNITY SERVICE THAT PROVIDES SPECIALIZED CARE AND RELEVANT TREATMENT TO ADULTS AND ADOLESCENTS AS A RESULT OF OVERDOSE OR ACCIDENTAL POISONING THE TOXICOLOGY CENTER FILLS A CRITICAL PUBLIC HEALTH GAP, IS A SIGNIFICANT RESOURCE TO THE REGION AND ACROSS THE STATE AND DEDICATED TO THE EMERGENT NEEDS OF UNINTENTIONAL INJURY AND OPERATES AT A LOSS AUXILIARY ERNEST R MCDOWELL SCHOLARSHIP PROGRAMEQUIPMENT DONATIONSUNITED WAY FUNDRAISINGBAILEY HOUSE (200-1101) IS OUR HOME AWAY FROM HOME IT PROVIDES FREE OVERNIGHT LODGING AND A COMFORTABLE, SUPPORTIVE, AND NURTURING ENVIRONMENT FOR FAMILIES FROM OUTSIDE OF THE HARRISBURG AREA NURSE/FAMILY PARTNERSHIP PROGRAM (200-7021) WAS IMPLEMENTED BASED ON VERY HIGH TEEN BIRTH RATES AND A HIGH INCIDENCE OF WOMEN NOT RECEIVING PRENATAL CARE DURING THE FIRST TRIMESTER THIS IS A NATIONALLY RENOWNED, EVIDENCE BASED, NURSE HOME VISITATION PROGRAM THAT IMPROVES THE HEALTH, WELL-BEING AND SELF SUFFICIENCY OF LOW INCOME, FIRST TIME PARENTS AND THEIR CHILDREN CHILDREN'S RESOURCE CENTER (200-0128) (CRC) PROVIDES CARE AND COORDINATION TO CHILDREN SUSPECTED OF BEING ABUSED AND ENGAGES MULTIPLE DISCIPLINES TO DIAGNOSE, EVALUATE AND TREAT CHILDREN WHO ARE VICTIMS OF SEXUAL ABUSE

4b (Code) (Expenses $ 16,129,735 including grants of $) (Revenue $ 14,168,307)

PINNACLE HEALTH EMERGENCY DEPARTMENT SERVICES (CORP 205)PINNACLE HEALTH EMERGENCY DEPARTMENT SERVICES (PHEDS) IS A TAX EXEMPT, NON-PROFIT CORPORATION ENGAGED IN PROVIDING PROFESSIONAL SERVICES IN THE PINNACLE HEALTH EMERGENCY DEPARTMENT EMERGENCY SERVICESTWENTY-FOUR HOUR MEDICAL EMERGENCY SERVICE IS PROVIDED IN TWO EMERGENCY DEPARTMENTS, (HARRISBURG HOSPITAL AND COMMUNITY GENERAL HOSPITAL) STAFFED BY PHYSICIANS AND NURSES SPECIALIZING IN EMERGENCY MEDICINE AND SUPPORT PERSONNEL SERVICES ARE OPEN TO ALL PERSONS WITHOUT REGARD TO AGE, SEX, RACE, RELIGION, NATIONAL ORIGIN, HANDICAP OR ABILITY TO PAY MEDICAL COVERAGE IS GIVEN FOR COMMUNITY SPORTING EVENTS CPR TRAINING PROGRAMS ARE OFFERED TO COMMUNITY GROUPS AND ORGANIZATIONS TWENTY-FOUR HOUR EMERGENCY MEDICAL COMMAND IS PROVIDED FOR THE TRI-COUNTY AREA DURING FISCAL YEAR 2011, HARRISBURG HOSPITAL EMERGENCY DEPARTMENT HAD 56,926 BILLED PATIENT VISITS AND COMMUNITY GENERAL HOSPITAL HAD 34,118 BILLED PATIENT VISITS

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** ▶ $ 485,266,530

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		
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	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, 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**		No
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**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	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**		No
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**	Yes	
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**	Yes	
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	0		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c			
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	4,476		
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			
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			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*	14b			

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

Check if Schedule O contains a response 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	20		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	16		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		5		No
6	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		
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 ▶

WILLIAM H PUGH CFO
409 SOUTH SECOND ST
HARRISBURG, PA 171058700
(717) 231-8245

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			
See Additional Data Table										

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			
See Additional Data Table										
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								2,151,032	4,791,403	403,097

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 ▶ 141

			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
SIEMENS MEDICAL SOLUTIONS USA INC PO BOX 640401 PITTSBURGH, PA 15264	SOFTWARE SUPPORT SVCS	15,960,620
SODEXO PO BOX 905374 CHARLOTTE, NC 28290	FOOD SERVICES	15,723,579
CPTA INC 205 SOUTH FRONT STREET HARRISBURG, PA 17104	TRANSPLANT SERVICES	2,828,059
OWENS & MINOR INC 7437 INDUSTRIAL BOULEVARD ALLENTOWN, PA 18106	MEDICAL SUPPLIES	2,370,888
QUANTUM IMAGING & THERAPEUTIC ASSOCIATES 629-D LOWTHER ROAD LEWISBERRY, PA 17339	RADIOLOGY SERVICES	1,615,529

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 ▶ 48

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 22,269				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d 925,163				
	e	Government grants (contributions)	1e 3,611,994				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f 2,075,288				
	g	Noncash contributions included in lines 1a-1f $	1,440				
	h	**Total.** Add lines 1a-1f		6,634,714			
Program Service Revenue			Business Code				
	2a	PATIENT REVENUE, NET	621500	597,095,500	593,341,935	3,753,565	
	b	CONTRACTED MEDICAL SER	621990	3,543,595	3,543,595		
	c	MEDICAL EDUCATION	900099	493,991	493,991		
	d	MISC INPATIENT/OUTPATI	621990	261,182	261,182		
	e	MANAGEMENT & SUPPORT	900099	160,008	160,008		
	f	All other program service revenue		665,281	665,281		
	g	**Total.** Add lines 2a–2f		602,219,557			
	3	Investment income (including dividends, interest and other similar amounts)		2,866,071	-2,821,284		5,687,355
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real / (ii) Personal				
	6a	Gross Rents	7,811,953				
	b	Less rental expenses	10,116,408				
	c	Rental income or (loss)	-2,304,455				
	d	Net rental income or (loss)		-2,304,455		22,912	-2,327,367
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	136,874,756 / 285,444				
	b	Less cost or other basis and sales expenses	134,371,937 / 711,346				
	c	Gain or (loss)	2,502,819 / -425,902				
	d	Net gain or (loss)		2,076,917			2,076,917
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events					
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities					
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory					
		Miscellaneous Revenue	Business Code				
	11a	MISCELLANEOUS INCOME	900099	601,467			601,467
	b	VENDOR REBATE INCOME	900099	354,566			354,566
	c	CAFETERIA SALES	900099	162,577			162,577
	d	All other revenue		158,823			158,823
	e	**Total.** Add lines 11a–11d		1,277,433			
	12	**Total revenue.** See Instructions		612,770,237	595,644,708	3,776,477	6,714,338

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				
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	250,498	124,147	126,351	
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	198,373,922	182,207,293	16,166,629	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	19,195,687	17,209,579	1,986,108	
9 Other employee benefits	34,535,224	31,577,413	2,957,811	
10 Payroll taxes	14,451,706	10,300,851	4,150,855	
a Fees for services (non-employees) Management	13,841,690	81,666	13,760,024	
b Legal	23,604	11,698	11,906	
c Accounting	54,060	24,689	29,371	
d Lobbying				
e Professional fundraising services *See Part IV, line 17*				
f Investment management fees	96,098		96,098	
g Other	55,493,544	41,085,735	14,407,809	
12 Advertising and promotion	1,869,292	240,204	1,629,088	
13 Office expenses	114,036,829	111,480,339	2,556,490	
14 Information technology	5,818,922	3,626,164	2,192,758	
15 Royalties				
16 Occupancy	31,852,289	18,374,658	13,477,631	
17 Travel	356,015	284,427	71,588	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	1,170,632	986,369	184,263	
20 Interest	10,895,740	7,767,792	3,127,948	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	34,942,573	27,417,962	7,524,611	
23 Insurance	5,247,737	4,044,784	1,202,953	
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 EXPENSE	31,157,268	28,041,541	3,115,727	
b TEMP RESTRICTED DONATI	489,428	122,357	367,071	
c DUES AND SUBSCRIPTIONS	235,804	95,696	140,108	
d MISCELLANEOUS EXPENSE	139,845	92,472	47,373	
e SAFETY COMPLIANCE	77,858	68,694	9,164	
f All other expenses				
25 **Total functional expenses.** Add lines 1 through 24f	574,606,265	485,266,530	89,339,735	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		4,704	1	4,704
	2	Savings and temporary cash investments		918,392	2	541,276
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		56,411,226	4	63,659,797
	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		2,747,263	7	2,639,637
	8	Inventories for sale or use		11,860,354	8	11,419,513
	9	Prepaid expenses and deferred charges		6,879,061	9	6,531,967
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 748,956,895			
	b	Less accumulated depreciation	10b 417,062,659	295,328,948	10c	331,894,236
	11	Investments—publicly traded securities		222,168,206	11	206,320,298
	12	Investments—other securities See Part IV, line 11		6,157,458	12	4,875,133
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	141,669
	15	Other assets See Part IV, line 11		26,985,312	15	33,782,978
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		629,460,924	16	661,811,208
Liabilities	17	Accounts payable and accrued expenses		153,858,256	17	122,941,664
	18	Grants payable			18	
	19	Deferred revenue		264,008	19	
	20	Tax-exempt bond liabilities		253,250,368	20	279,575,398
	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		11,935,494	23	19,277,133
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		18,482,446	25	11,517,448
	26	**Total liabilities.** Add lines 17 through 25		437,790,572	26	433,311,643
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		161,192,189	27	194,321,459
	28	Temporarily restricted net assets		14,372,294	28	15,239,834
	29	Permanently restricted net assets		16,105,869	29	18,938,272
		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		191,670,352	33	228,499,565
	34	Total liabilities and net assets/fund balances		629,460,924	34	661,811,208

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	612,770,237
2	Total expenses (must equal Part IX, column (A), line 25)	2	574,606,265
3	Revenue less expenses Subtract line 2 from line 1	3	38,163,972
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	191,670,352
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-1,334,759
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	228,499,565

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	Yes	
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b	Yes	

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493135033052

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
PINNACLE HEALTH HOSPITALS

Employer identification number
25-1778644

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).

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493135033052

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
PINNACLE HEALTH HOSPITALS

Employer identification number
25-1778644

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)		
(ii) related organizations	3a(ii)		
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

4 Describe in Part 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		12,522,247		12,522,247
b Buildings		425,100,130	215,820,900	209,279,230
c Leasehold improvements		11,737,202	5,532,851	6,204,351
d Equipment		248,996,775	181,574,615	67,422,160
e Other		50,600,541	14,134,293	36,466,248
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				331,894,236

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
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶		

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

(a) Description	(b) Book value
(1) DUE FROM RELATED PARTIES	4,841,634
(2) DEFERRED FINANCING COSTS (NET)	2,924,214
(3) PERM RESTRICTED ASSETS HELD BY PINNACLE HEALTH FOUNDATION	10,777,296
(4) TEMP RESTRICTED ASSETS HELD BY PINNACLE HEALTH FOUNDATION	15,239,834
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	33,782,978

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
ADVANCES FROM THIRD-PARTY PAYORS	3,809,400
DUE TO THIRD PARTY PAYORS	3,086,640
ACCRUED LONG-TERM SWAP CONTRACT	4,621,408
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	11,517,448

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	612,770,237
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	574,606,265
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	38,163,972
4	Net unrealized gains (losses) on investments	4	15,911,419
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-17,246,178
9	Total adjustments (net) Add lines 4 - 8	9	-1,334,759
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	36,829,213

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	630,946,180
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	12,179,915		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	1,212,156		
e	Add lines **2a** through **2d**			2e	13,392,071
3	Subtract line **2e** from line **1**			3	617,554,109
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	-4,783,872		
c	Add lines **4a** and **4b**			4c	-4,783,872
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	612,770,237

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

1	Total expenses and losses per audited financial statements			1	584,605,703
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	10,116,408		
e	Add lines **2a** through **2d**			2e	10,116,408
3	Subtract line **2e** from line **1**			3	574,489,295
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	116,770		
b	Other (Describe in Part XIV)	4b	200		
c	Add lines **4a** and **4b**			4c	116,970
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	574,606,265

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
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE PINNACLE HEALTH SYSTEM EVALUATES UNCERTAIN TAX POSITIONS USING A TWO-STEP APPROACH FOR RECOGNIZING AND MEASURING TAX BENEFITS TAKEN OR EXPECTED TO BE TAKEN IN AN UNRELATED BUSINESS ACTIVITY TAX RETURN AND DISCLOSURES REGARDING UNCERTAINTIES IN TAX POSITIONS NO ADJUSTMENTS TO THE CONSOLIDATED FINANCIAL STATEMENTS WERE REQUIRED AS A RESULT OF THIS EVALUATION
PART XI, LINE 8 - OTHER ADJUSTMENTS		CHANGE IN ADDITIONAL MINIMUM PENSION LIABILITY 32,890,534 FUND BALANCE TRANSFER - PINNACLE HEALTH SYSTEM 1,212,800 FUND BALANCE TRANSFER - PINNACLE HEALTH MEDICAL SERVICES -37,846,128 FUND BALANCE TRANSFER - PINNACLE HEALTH HOME CARE & HOSPICE -10,712,810 FUND BALANCE TRANSFER - COMMUNITY LIFE TEAM -2,644,126 FUND BALANCE TRANSFER - PINNACLE HEALTH FOUNDATION -146,448
PART XII, LINE 2D - OTHER ADJUSTMENTS		NET ASSETS RELEASED FROM RESTRICTIONS 1,232,828 INVESTMENT FEES REPORTED NET OF INVESTMENT INCOME ON FINANCIAL STATEMENTS -20,672
PART XII, LINE 4B - OTHER ADJUSTMENTS		RESTRICTED CONTRIBUTIONS 3,743,386 INVESTMENT INCOME FROM RESTRICTED ASSETS 213,637 NET REALIZED GAIN/LOSS FROM SALE OF RESTRICTED INVESTMENTS 450,350 RENTAL EXPENSES SHOWN NET OF RENTAL INCOME -10,116,408 UNRESTRICTED CONTRIBUTIONS FROM PINNACLE HEALTH FOUNDATION 925,163
PART XIII, LINE 2D - OTHER ADJUSTMENTS		RENTAL EXPENSES SHOWN NET OF RENTAL INCOME 10,116,408
PART XIII, LINE 4B - OTHER ADJUSTMENTS		INSURANCE EXPENSE ADJUSTED FOR FOUNDATION CONTRIBUTION 200

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493135033052

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
PINNACLE HEALTH HOSPITALS

Employer identification number
25-1778644

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 **250.000000000000 %**	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	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	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)			6,363,249		6,363,249	1 170 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			61,702,487	43,771,485	17,931,002	3 300 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			68,065,736	43,771,485	24,294,251	4 470 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			3,700,581	640	3,699,941	0 680 %
f Health professions education (from Worksheet 5)			14,520,702	6,114,395	8,406,307	1 550 %
g Subsidized health services (from Worksheet 6)			6,757	0	6,757	0 %
h Research (from Worksheet 7)			31,771		31,771	0 010 %
i Cash and in-kind contributions to community groups (from Worksheet 8)			3,387,743		3,387,743	0 620 %
j **Total** Other Benefits			21,647,554	6,115,035	15,532,519	2 860 %
k **Total.** Add lines 7d and 7j			89,713,290	49,886,520	39,826,770	7 330 %

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			389,667	0	389,667	0 070 %
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building			313	0	313	0 %
7 Community health improvement advocacy			21,193	0	21,193	0 %
8 Workforce development			12,515	0	12,515	0 %
9 Other						
10 **Total**			423,688		423,688	0 070 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense (at cost)	2	12,639,190		
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	5,528,445		
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	118,370,165		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	117,186,810		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	1,183,355		
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 1 WEST SHORE SURGERY CENTER LTD	SURGICAL CARE - MEDICAL SERVICES	49 000 %	0 %	49 000 %
2 2 SUSQUEHANNA VALLEY SURGERY CENTER	SURGICAL CARE - MEDICAL SERVICES	50 000 %	0 %	50 000 %
3 3 WALNUT BOTTOM RADIOLOGY LLC	OUTPATIENT IMAGING SERVICES	50 000 %	0 %	50 000 %
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? 2

	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	PINNACLE HEALTH HOSPITALS - HARRISBURG 111 SOUTH FRONT STREET HARRISBURG,PA 17101	X	X		X		X	X		
2	PINNACLE HEALTH HOSPITALS - CGOH 4300 LONDONDERRY ROAD HARRISBURG,PA 17109	X	X		X		X	X		

Part V **Facility Information** *(continued)*

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? **6**

	Name and address	Type of Facility (Describe)
1	HORIZON HEALTH CARE SERVICES LLP 607 N DUKE STREET LANCASTER,PA 17602	IN-HOME DRUG INFUSION THERAPY
2	HORIZON HEALTH CARE SERVICES LLP 607 N DUKE STREET LANCASTER,PA 17602	IN-HOME DRUG INFUSION THERAPY
3	HORIZON HEALTH CARE SERVICES LLP 607 N DUKE STREET LANCASTER,PA 17602	IN-HOME DRUG INFUSION THERAPY
4	HORIZON HEALTH CARE SERVICES LLP 607 N DUKE STREET LANCASTER,PA 17602	IN-HOME DRUG INFUSION THERAPY
5	HORIZON HEALTH CARE SERVICES LLP 607 N DUKE STREET LANCASTER,PA 17602	IN-HOME DRUG INFUSION THERAPY
6	HORIZON HEALTH CARE SERVICES LLP 607 N DUKE STREET LANCASTER,PA 17602	IN-HOME DRUG INFUSION THERAPY
7		
8		
9		
10		

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

Identifier	ReturnReference	Explanation
		PART I, LINE 6A THE COMMUNITY BENEFIT REPORT IS PREPARED BY PINNACLE HEALTH SYSTEM, THE PARENT ORGANIZATION

Identifier	ReturnReference	Explanation
		PART I, LINE 7 THE COSTS OF CHARITY CARE AND UNREIMBURSED MEDICAID COSTS ARE CALCULATED BY THE HOSPITAL'S COST ACCOUNTING SYSTEM FOR EACH OF THE INDIVIDUAL SERVICES PROVIDED TO THE PATIENT IT UTILIZES HOSPITAL EXPENSES FROM THE GENERAL LEDGER AND REVENUE DETAILS FROM THE PATIENT ACCOUNTING SYSTEM EACH DEPARTMENT WITHIN THE HOSPITAL IS CLASSIFIED AS EITHER INDIRECT (OVERHEAD) OR DIRECT (PATIENT CARE AREAS) EXPENSES ARE CLASSIFIED AS FIXED OR VARIABLE AS THEY RELATE TO PATIENT VOLUME LOGICAL STATISTICS ARE USED TO ALLOCATE OVERHEAD EXPENSES TO THE PATIENT CARE DEPARTMENTS USING EITHER A RATIO OF COST-TO-CHARGE OR RVUS (RELATIVE VALUE UNITS), THE DIRECT AND INDIRECT COSTS FOR EACH DEPARTMENT ARE ALLOCATED TO THE SERVICES THEY PROVIDE

Identifier	ReturnReference	Explanation
		PART I, LINE 7G THE SUBSIDIZED SERVICES INCLUDE PRESCRIPTION MEDICATIONS THAT WERE PROVIDED AT NO COST TO INPATIENTS THAT OTHERWISE WOULD NOT HAVE BEEN ABLE TO OBTAIN THE MEDICATIONS

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) THE AMOUNT OF BAD DEBT INCLUDED IN FORM 990, PART IX, LINE 25 AND NOT INCLUDED FOR THE PURPOSES OF CALCULATING THE APPLICABLE PERCENTAGES OF SCHEDULE H IS $31,157,268

Identifier	ReturnReference	Explanation
		PART II WITH A FOCUS ON PROVIDING LEADERSHIP IN IMPROVING THE OVERALL HEALTH OF OUR COMMU NITY, PINNACLE HEALTH HOSPITALS (PHH) VALUES RELATIONSHIPS WITH COMMUNITY PARTNERS AND THE ASSETS THEY BRING TO ANY COLLABORATIVE EFFORTS PINNACLE HEALTH HOSPITALS HELPED CREATE T HE DAUPHIN COUNTY HEALTH IMPROVEMENT PARTNERSHIP (DCHIP) COMPRISED OF REGIONAL HEALTH AND HUMAN SERVICE PROVIDERS, PAYORS, COUNTY GOVERNMENT, BUSINESSES AND EDUCATION PHH HAS WORK ED COLLABORATIVELY WITH PHYSICIANS, HEALTH AND HUMAN SERVICE ORGANIZATIONS FOR MANY YEARS TO MAXIMIZE COMMUNITY CAPACITY, PROVIDE NECESSARY SERVICES TO THE COMMUNITY AND REDUCE DUP LICATION OF SERVICES PHH SERVES IN A CONVENING ROLE TO STRENGTHEN COMMUNITY ASSETS THROUG H REFERRAL NETWORKS AND PARTNERSHIPS, SUCH INITIATIVES INCLUDE THE PHARMACY VOUCHER PROGRA M WITH THE HARRISBURG PHARMACY, AND WITH THE LOCAL SCHOOL SYSTEM TO PROMOTE HEALTH AWARENE SS AND PHYSICAL ACTIVITY AMONG CHILDREN THE PROGRAM INCLUDES A PREMIUM SYSTEM TO ENCOURAG E STUDENTS TO ADOPT AND MAINTAIN A HEALTHIER LIFESTYLE OUR JOINT VENTURES WITH REGIONAL P HYSICIAN SPECIALTY GROUPS AND RADIOLOGICAL SERVICES ARE NUMEROUS BASED ON IDENTIFIED COMM UNITY NEEDS AND VULNERABLE POPULATIONS, CONTINUOUS AND FREE PUBLIC PROGRAMS ARE TARGETED A T VARIOUS LOCATIONS THROUGHOUT THE COMMUNITY THESE PROGRAMS ARE INTENDED TO INFORM AND CH ANGE THE HEALTH HABITS OF PARTICIPANTS THROUGH SUCH TOPIC AREAS AS DIABETES, HEART DISEASE , SEXUALLY TRANSMITTED DISEASE PREVENTION, CANCER, ACCESSING HEALTHCARE, BEHAVIORAL HEALTH , SMOKING CESSATION AND NUTRITION EXAMPLES OF PINNACLEHEALTH'S LEADERSHIP IN BUILDING COM MUNITY CAPACITY ARE CONGREGATIONAL HEALTH NETWORK (CHN) THE CONGREGATIONAL HEALTH NETWORK (CHN) MODEL IS BASED ON THE IDEA THAT THE BODY, MIND, SPIRIT, AND COMMUNITY ARE INEXTRICAB LY CONNECTED CHN IS AN ATTEMPT TO ADVANCE HEALTH AND NOT JUST PATCH THE CRACKS IN THE BRO KEN HEALTH CARE SYSTEM THE CHN IS A UNIQUE NETWORK THAT INCORPORATES A LARGE SOCIAL SUPPO RT STRUCTURE INTO THE PROVISION OF HEALTHCARE SERVICES BASED ON IDENTIFIED NEEDS, AN AGRE EMENT (COVENANT) IS ESTABLISHED BETWEEN THE HEALTH SYSTEM AND THE CONGREGATION TO EXPEDITE THE MOVEMENT OF PATIENTS BETWEEN THE CONGREGATION, THE COMMUNITY, THE HOSPITAL AND OTHER POINTS OF CARE A LIAISON IS ASSIGNED AS FACILITATOR TO ENSURE THAT CARE NEEDED IS PROVIDE D KEYSTONE COMMUNITY CARE CONTINUUM (KCCC) THE KEYSTONE COMMUNITY CARE CONTINUUM IS A COL LABORATION BETWEEN PINNACLE HEALTH SYSTEM AND FOUR INDEPENDENT COMMUNITY CLINICS TO IMPROV E ACCESS TO AND INTEGRATION OF CARE FOR OUR REGION'S NEEDIEST POPULATIONS A HEALTH INFORM ATION EXCHANGE WILL BE USED TO COMMUNICATE CARE, DIAGNOSTIC NEEDS AND RESULTS AMONG THE PR OVIDERS AN OUTCOMES MANAGEMENT TEAM WITH A SOCIAL WORKER AND TWO OUTCOMES MANAGERS WILL B E ASSIGNED TO USE THE INFORMATION FOR BETTER INTEGRATION OF CARE AMONG PROVIDERS AND USE O F MODELS DESIGNED FOR CHRONIC AND SPECIAL NEEDS POPULATIONS THESE STAFF MEMBERS WILL HELP NAVIGATE PATIENTS THROUGH THEIR HEALTH CARE NEEDS TO IMPROVE COMPLIANCE AND HEALTH OUTCOM ES FINALLY, THE CONTINUUM WILL INCLUDE FREE CARE FUNDS ESTABLISHED TO REDUCE MANY OF THE BARRIERS TO CARE SUCH AS TRANSPORTATION, DIAGNOSTIC COSTS, SPECIALIST VISIT COSTS AND MEDI CATIONS AS A TRUSTED PLACE FOR OUR COMMUNITY TO GO FOR ACCESS TO PUBLIC HEALTH SERVICES AN D INFORMATION, OUR STAFF OF PROFESSIONALS MEETS THE NEEDS OF A DIVERSE POPULATION WITH CUL TURAL AWARENESS AND SENSITIVITY THE CHILDREN'S RESOURCE CENTER (CRC) PARTNERS WITH LAW EN FORCEMENT, DISTRICT ATTORNEY'S OFFICES, SOCIAL SERVICES, PSYCHOLOGICAL SUPPORT SERVICES, C RISIS INTERVENTION, AND CHILD PROTECTION SERVICES TO PROVIDE EFFICIENT, QUALITY CARE IN A SAFE, CHILD-FRIENDLY ENVIRONMENT FOR CHILDREN SUSPECTED OF HAVING BEEN ABUSED OR NEGLECTED THROUGH ONGOING TRAINING AND EDUCATION IN THE COMMUNITY, THE CRC HAS SEEN AN INCREASE IN PARTICIPATION WITH PARTNER AGENCIES IN AN EVER-WIDENING GEOGRAPHIC SERVICE AREA SINCE 19 94, OVER 6,500 CHILDREN WERE SERVED, WITH 871 CHILDREN SERVED IN 2010, ACROSS 24 COUNTIES IN THE CENTRAL PENNSYLVANIA REGION SPECIFICALLY IN DAUPHIN COUNTY, THE CRC PROVIDED SERVI CES TO OVER 1,200 CHILD VICTIMS AND THEIR NON-OFFENDING FAMILY MEMBERS - AN INCREASE OF 10 % FROM 2009 OVER THIS PAST YEAR, THE PINNACLE HEALTH CHILDHOOD LEAD PREVENTION PROGRAM SCR EENED 6,660 CHILDREN FOR LEAD POISONING 392 OF THESE CHILDREN WERE DETERMINED TO BE LEAD POISONED THAT CALCULATES TO APPROXIMATELY 6% OF THE TOTAL NUMBER TESTED IF PINNACLE HEAL TH DID NOT TEST THESE CHILDREN AT HEAD STARTS, WIC'S, DAY CARES, HEAD STARTS, AND HOME VIS ITS, THAT WOULD BE 392 CHILDREN WHO WOULD MOST LIKELY GO UNDETECTED FOR LEAD POISONING IN ADDITION, STAFF ALSO TESTED 230 PREGNANT MOTHERS FOR LEAD POISONING APPROXIMATELY 90% OF ALL THE CHILDREN WE TEST FOR LEAD ARE MEDICAL ASSISTANCE RECIPIENTS THROUGH PINNACLE'S R ESOURCE EDUCATION AND COMPREHENSIVE CARE FOR HIV (REACCH) CLINIC, MORE THAN 490 ACTIVE HIV POSITIVE PATIENTS ARE SERVED WHILE THE NUMBERS CO

Identifier	ReturnReference	Explanation
		NTINUE TO GROW BY 13% EACH YEAR FOR FISCAL YEAR 2011, THE TOTAL NUMBER OF VISITS IS 1,528 AND AS A RESULT, REACCH STAFF OPENED FRIDAY CLINIC HOURS TO NOW COVER 5 DAYS/WEEK THESE INITIATIVES ARE PART OF OVER $62 MILLION OF UNCOMPENSATED CARE, CHARITY CARE AND COMMUNITY BENEFITS PROVIDED BY PINNACLE HEALTH HOSPITALS TO THOSE IN NEED IN CENTRAL PENNSYLVANIA

Identifier	ReturnReference	Explanation
		PART III, LINE 4 THE FINANCIAL STATEMENTS DO NOT HAVE A SPECIFIC NOTE ON BAD DEBT EXPENSE, RATHER THE FINANCIAL STATEMENTS EVALUATE BAD DEBTS BASED ON ITS ALLOWANCE FOR DOUBTFUL ACCOUNTS THE FOOTNOTE RELATED TO THE ALLOWANCE IS SUMMARIZED AS FOLLOWS "PATIENT RECEIVABLES ARE RECORDED AT THEIR ESTIMATED NET REALIZABLE VALUE THE ALLOWANCE FOR DOUBTFUL ACCOUNTS IS ESTIMATED BASED UPON HISTORICAL COLLECTION RATES "THE BAD DEBT EXPENSE ON LINE 2 WAS CALCULATED BY TAKING THE AMOUNT WRITTEN OFF TO BAD DEBT FOR EACH ACCOUNT AND CONVERTING IT TO CHARGES BY APPROPRIATELY ADJUSTING THE AMOUNT BY THE PAYOR REIMBURSEMENT PERCENTAGE FOR THAT ACCOUNT THEN, THE COST/CHARGE RATIO FOR EACH SPECIFIC ACCOUNT, UTILIZING THE COSTS FROM THE HOSPITAL COST ACCOUNTING SYSTEM (DESCRIBED IN DETAIL ABOVE), WAS APPLIED TO THIS CALCULATED PORTION OF THE TOTAL CHARGES FOR THE PORTION OF BAD DEBT EXPENSE THAT IS ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE POLICY, THE HOSPITAL UTILIZES DATA PROVIDED BY MEDEANALYTICS, A THIRD PARTY INDEPENDENT COMPANY, ON THE PATIENT'S ESTIMATED INCOME WHICH IS DERIVED BY NORMALIZING DATA FROM MULTIPLE, DISPARATE SOURCES TO DETERMINE WHICH OF THE BAD DEBT ACCOUNTS COULD HAVE BEEN ELIGIBLE FOR CHARITY CARE BUT THE PATIENT HAD NOT APPLIED THIS PATIENT FINANCIAL DATA HAS BEEN FOUND TO BE REASONABLY ACCURATE BASED ON COMPARISONS TO THE PATIENTS' ACTUAL INCOME PER SUPPORTING DOCUMENTATION PROVIDED FOR THOSE THAT HAVE APPLIED FOR CHARITY CARE AN OVERALL COST TO CHARGE RATIO WAS THEN APPLIED TO THIS AMOUNT TO ARRIVE AT AN EXPENSE FIGURE

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE MEDICARE COSTS WERE DETERMINED BASED ON THE HOSPITALS' COST ACCOUNTING SYSTEM ALLOCATION OF COSTS BASED ON THE SERVICES RENDERED

Identifier	ReturnReference	Explanation
		PART III, LINE 9B PATIENTS ARE NOTIFIED OF OUR CHARITY CARE POLICY IN A VARIETY OF WAYS THERE ARE POSTERS INFORMING PATIENTS OF OUR CHARITY CARE POLICY AT ALL THE REGISTRATION SITES IN ADDITION, THE PATIENT ACCOUNT STATEMENTS CONTAIN LANGUAGE THAT INDICATES THERE IS FINANCIAL AID AVAILABLE FOR QUALIFYING INDIVIDUALS PATIENTS THAT APPLY FOR FINANCIAL ASSISTANCE AND PROVIDE ALL THE NECESSARY DOCUMENTATION REQUIREMENTS ARE NOTIFIED WITHIN TWO WEEKS OF THE HOSPITALS' DECISION WHEN THE APPROVAL IS DETERMINED, THE APPROPRIATE DISCOUNT IS POSTED TO THE PATIENT'S ACCOUNT IMMEDIATELY THE FINANCIAL ASSISTANCE DISCOUNT WILL BE APPLIED TO SERVICES FOR THE PREVIOUS EIGHTEEN MONTHS AND SUBSEQUENT SIX MONTHS APPLICANTS APPROVED FOR ONLY PARTIAL DISCOUNT WILL BE REQUIRED TO MAKE REASONABLE PAYMENT ARRANGEMENTS ON THEIR BALANCE IN ACCORDANCE TO THE HOSPITAL'S CREDIT AND COLLECTION POLICY THIS POLICY DOES PERMIT THE USE OF BOTH INTERNAL COLLECTION STAFF AND EXTERNAL COLLECTION AGENCIES WHO WILL ENGAGE IN STANDARD ACCEPTABLE BUSINESS PRACTICES WHICH INCLUDE PHONE CALLS, MAILINGS AND THE REPORTING OF UNPAID DEBT TO THE CREDIT REPORTING AGENCIES, BUT UNDER NO CIRCUMSTANCES WILL THE HOSPITALS OR ITS CONTRACTED COLLECTION AGENCY ADOPT "EXTRAORDINARY COLLECTION ACTIONS" THAT ENTAIL LEGAL COURSE OF ACTION OR JUDICIAL PROCESS SUCH AS LAWSUITS OR LIENS

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 AS A CO-SPONSOR OF THE 2007 COMMUNITY NEEDS ASSESSMENT CONDUCTED BY THE DREXEL UNIVERSITY SCHOOL OF PUBLIC HEALTH, PINNACLE HEALTH HOSPITALS USES EVIDENCE-BASED FINDINGS TO OUTLINE COMMUNITY HEALTH IMPROVEMENT STRATEGIES THIS "POINT-IN-TIME" STUDY NOTED, "THE HEALTH STATUS OF DAUPHIN COUNTY'S RESIDENTS IS POOR AND RANKS AMONG THE FIVE WORST IN PENNSYLVANIA FOR HIV/AIDS, SEXUALLY TRANSMITTED DISEASES, AND LOW BIRTH WEIGHT " SPECIFICALLY, SEVEN KEY NEEDS FOR ENHANCING PUBLIC HEALTH AND IMPROVING ACCESS TO PERSONAL HEALTH SERVICES WERE CITED MATERNAL AND CHILD HEALTH, SEXUALLY TRANSMITTED DISEASES AND HIV/AIDS, EMERGENCY PREPAREDNESS, MEDICAL CARE AND SERVICES, DENTAL CARE, CHRONIC DISEASE PREVENTION AND MANAGEMENT, AND BEHAVIORAL HEALTH THE STUDY ALSO IDENTIFIED THE LACK OF A SINGLE, WELL-KNOWN AND ACCEPTED PLACE FOR DAUPHIN COUNTY RESIDENTS TO GO FOR PUBLIC HEALTH SERVICES AND INFORMATION PINNACLE HEALTH HOSPITALS HAS USED THE RESULTS OF THIS STUDY TO DEVELOP A COMMUNITY HEALTH STRATEGY THAT IS BROAD IN SCOPE AND FOCUSED ON OUTCOMES THAT MEET THE SPECIFIC NEEDS OF A DIVERSE POPULATION PINNACLE HEALTH HOSPITALS ACCESSES VARIOUS STATE AND NATIONAL SOURCES FOR SECONDARY DATA, INCLUDING THE PENNSYLVANIA DEPARTMENT OF HEALTH EPIQMS SYSTEM (EPIDEMIOLOGIC QUERY AND MAPPING SYSTEM), AN INTERACTIVE HEALTH STATISTICS WEB TOOL WHERE YOU CAN CREATE CUSTOMIZED DATA TABLES, CHARTS, MAPS, AND COUNTY ASSESSMENTS/PROFILES FOR THE FOLLOWING DATASETS -BEHAVIORAL RISK FACTOR SURVEILLANCE SYSTEM (BRFSS)-BIRTHS-CANCER INCIDENCE -COMMUNICABLE DISEASES (OTHER THAN STDS) -DEATHS -EMERGENCY MEDICAL SERVICES - ENVIRONMENTAL PUBLIC HEALTH TRACKING NETWORK (EPHTN) -INFANT DEATHS -POPULATION -SEXUALLY TRANSMITTED DISEASES (STDS) -TEEN PREGNANCIES (REPORTED)PINNACLE HEALTH HOSPITALS UTILIZES THE US DEPARTMENT OF HEALTH AND HUMAN SERVICES' COMMUNITY HEALTH STATUS INDICATORS WHICH PROVIDES DATA THAT CAN BE COMPARED TO PEER COUNTIES ON A STATE AND NATIONAL LEVEL IN ADDITION, HEALTHY PEOPLE 2020 IDENTIFIES NEARLY 600 OBJECTIVES WITH MORE THAN 1,300 MEASURES TO IMPROVE THE HEALTH OF ALL AMERICANS TO MONITOR PROGRESS TOWARD ACHIEVING INDIVIDUAL OBJECTIVES, HEALTHY PEOPLE RELIES ON DATA SOURCES DERIVED FROM A NATIONAL CENSUS OF EVENTS LIKE THE NATIONAL VITAL STATISTICS SYSTEM AND NATIONALLY REPRESENTATIVE SAMPLE SURVEYS LIKE THE NATIONAL HEALTH INTERVIEW SURVEY PINNACLE SEARCHES THE HEALTH INDICATORS WAREHOUSE FOR DATA RELATED TO HEALTHY PEOPLE 2020 OBJECTIVES DEVELOPED BY THE NATIONAL CENTER FOR HEALTH STATISTICS PINNACLE HEALTH HOSPITALS USES DIRECT PATIENT FEEDBACK, OUTREACH EFFORTS, AND COMMUNITY BASED PARTNERSHIPS TO DETERMINE THE HEALTH CARE NEEDS IN CUMBERLAND, DAUPHIN, AND PERRY COUNTIES THE PRIMARY DATA SOURCES FOR ASSESSING THE UNMET NEEDS OF THE COMMUNITY ARE DIRECT PATIENT CONTACT, QUESTIONNAIRES, AND OBSERVATION OF THE PATIENT POPULATION IN PINNACLE'S FOUR CAMPUSES (COMMUNITY, CUMBERLAND, HARRISBURG AND POLYCLINIC), FAMILYCARE PHYSICIAN PRACTICES, HOME HEALTH AND HOSPICE SERVICES, OUTPATIENT SURGERY AND IMAGING CENTERS THROUGH VARIOUS OUTREACH PROGRAMS INCLUDING HEALTH FAIRS, SCREENINGS, LECTURES, AND EDUCATION SESSIONS, DATA IS COLLECTED AND INCLUDED IN ASSESSING THE OVERALL UNMET NEEDS OF THE COMMUNITY

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 PATIENTS ARE INFORMED OF AVAILABLE ASSISTANCE IN NUMEROUS WAYS SIGNAGE IS POSTED AT ALL THE REGISTRATION SITES INDICATING TO THE PATIENTS THAT FINANCIAL ASSISTANCE IS AVAILABLE ALL UN-INSURED PATIENTS WHO ARE SCHEDULED FOR HIGH DOLLAR TESTS AND SURGERIES ARE CONTACTED BY ONE OF OUR FINANCIAL COUNSELORS TO DISCUSS THE FINANCIAL ASSISTANCE OPTIONS AVAILABLE TO THEM IN ADDITION, ALL INPATIENTS WHO ARE RESIDENTS OF PENNSYLVANIA ARE PROVIDED PERSONAL ASSISTANCE IN THE COMPLETION OF THE MEDICAL ASSISTANCE APPLICATION AS PART OF THE DISCHARGE PROCESS IN THE EMERGENCY DEPARTMENT, ALL UNINSURED PATIENTS ARE SCREENED FOR CHARITY CARE ELIGIBILITY UNDER THE HOSPITAL POLICY LASTLY, INFORMATION ABOUT FINANCIAL ASSISTANCE IS INCLUDED ON THE PATIENT BILLING STATEMENTS PROGRAMS DISCUSSED INCLUDE THE PENNSYLVANIA STATE MEDICAID PROGRAM (MEDICAL ASSISTANCE), HOSPITAL CHARITY CARE PROGRAM, AND FUNDS AVAILABLE THROUGH THE HOSPITAL ENDOWMENT

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 PINNACLE HEALTH HOSPITALS' (PHH) PRIMARY SERVICE AREA (PSA) CONSISTS OF 53 CONTIGUOUS ZIP CODES IN PORTIONS OF 6 COUNTIES IN THE GREATER HARRISBURG AREA OF SOUTH CENTRAL PENNSYLVANIA THE SIX COUNTIES INCLUDE DAUPHIN, CUMBERLAND, PERRY, YORK, LANCASTER AND LEBANON THE COMMUNITY CAN BE DESCRIBED AS A MIX OF RURAL IN THE OUTLYING COUNTIES, SUBURBAN AND URBAN AREA OF THE CITY OF HARRISBURG THE PSA ACCOUNTS FOR APPROXIMATELY 85 PERCENT OF THE OVERALL ACUTE PATIENT DISCHARGES OF THE HOSPITALS PINNACLE HEALTH HOSPITALS COMPETES WITH THREE ACUTE CARE HOSPITALS AND TWO REHABILITATION HOSPITALS WITHIN THE PSA ONE OF THE ACUTE CARE HOSPITALS IS A FOR PROFIT HOSPITAL OWNED BY A LARGE PUBLICLY REGISTERED HEALTH CARE SYSTEM THE SECOND COMPETITOR IS A MEDICAL ACADEMIC HOSPITAL AFFILIATED WITH A LARGE STATE FUNDED PUBLIC UNIVERSITY AND THE FINAL COMPETITOR IS A SMALLER, NON-TEACHING NOT-FOR-PROFIT HOSPITAL THE FIRST REHABILITATION HOSPITAL IS OWNED AND OPERATED BY A LARGE PUBLICLY REGISTERED CORPORATION AND THE OTHER REHABILITATION HOSPITAL IS OPERATED BY THE MEDICAL ACADEMIC HOSPITAL OF THE LARGE STATE FUNDED PUBLIC UNIVERSITY ALREADY MENTIONED THE PSA IN WHICH PHH SERVES HAS 12 CENSUS TRACTS WHICH HAVE BEEN IDENTIFIED BY THE U S HEALTH RESOURCES AND SERVICES ADMINISTRATION AS MEDICALLY UNDERSERVED AREAS (MUAS) IN ADDITION, IMMEDIATELY ADJACENT TO THE WEST OF THE PSA ARE AN ADDITIONAL 5 MINOR CIVIL DIVISIONS WHICH HAVE BEEN IDENTIFIED AS MUAS PHH IS A SIGNIFICANT PROVIDER OF HEALTHCARE SERVICES TO PATIENTS IN THE AREAS ADJACENT TO ITS PSA PHH IS THE PRIMARY PROVIDER FOR THE 49,000 PEOPLE LIVING IN THE CITY OF HARRISBURG THE EMERGENCY DEPARTMENT OF THE HOSPITAL IS THE FIRST OPTION FOR A LARGE MAJORITY OF THE CITY RESIDENTS IN ADDITION, THE HOSPITAL AND RELATED ORGANIZATIONS OPERATE ADULT, CHILDREN, WOMAN AND TEEN PRIMARY CARE CLINICS THAT MAINLY SERVE THE CITY'S MEDICAID POPULATION OTHER DEMOGRAPHIC STATISTICS OF HARRISBURG INCLUDE 27 5 PERCENT OF THE POPULATION IS UNDER THE AGE OF 18, 41 6 PERCENT HAVE HOUSEHOLD INCOMES OF LESS THAN $25,000, 45 PERCENT OF CHILDREN LIVE BELOW THE FEDERAL POVERTY LINE, 77 PERCENT OF THE POPULATION IS COMPRISED OF ETHNICALLY DIVERSE MINORITY POPULATIONS AND FINALLY 22 PERCENT OF THE POPULATION IS ESTIMATED TO HAVE NO HEALTH INSURANCE AND 29 PERCENT HAVE MEDICAID INSURANCE THE HOSPITAL'S MARKET SHARE OF THE CITY OF HARRISBURG'S MEDICAID POPULATION IS APPROXIMATELY 77 5 PERCENT PHH IS ALSO THE MAJOR PROVIDER OF HEALTH CARE SERVICES FOR ALL OF DAUPHIN COUNTY, WHERE THE CITY OF HARRISBURG IS LOCATED, AND ACCORDING TO "COUNTY HEALTH RANKINGS," DAUPHIN COUNTY RANKS 38TH OUT OF A TOTAL OF 67 PENNSYLVANIA COUNTIES IN AN ASSESSMENT OF THE OVERALL HEALTH OF EACH COUNTY THE PA DEPARTMENT OF HEALTH REPORTS THAT DAUPHIN COUNTY RANKS ABOVE THE STATE OF PA AS A WHOLE IN THE FOLLOWING CATEGORIES LOW BIRTH WEIGHT, BIRTHS TO MOTHERS UNDER THE AGE OF 18, MOTHERS RECEIVING NO PRENATAL CARE IN THE FIRST TRIMESTER, BREAST CANCER INCIDENCE, HEART DISEASE AND DIABETES

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 PINNACLE HEALTH HOSPITALS MAINTAINS AN ACTIVE ROLE IN THE COMMUNITY IN WHICH IT SERVES THE ROLE IS REFLECTIVE IN ITS BOARD OF DIRECTORS WHOSE COMPOSITION IS GREATER THAN 80 PERCENT INDEPENDENT COMMUNITY BASED LEADERS PHH HAS AN OPEN MEDICAL STAFF CURRENTLY MORE THAN 85% OF THE MEDICAL STAFF OF THE HOSPITAL IS COMMUNITY BASED OTHER COMMUNITY BASED MEDICAL STAFF WHICH SERVE AT THE HOSPITAL INCLUDE NURSE PRACTITIONERS, PHYSICIAN ASSISTANTS, PSYCHOLOGISTS AND NURSE MIDWIVES THE HOSPITAL ALSO PROVIDES TRAINING FOR BOTH MEDICAL STUDENTS AND RESIDENTS IN A NUMBER OF SPECIALTIES THE HOSPITAL HAS TWO ACCREDITATION COUNCIL FOR GRADUATE MEDICAL EDUCATION (ACGME) ACCREDITED RESIDENCY PROGRAMS AS WELL AS FOUR AOA ACCREDITED TEACHING PROGRAMS THE HOSPITAL USES ITS SURPLUS FUNDS TO RENOVATE AND EXPAND PATIENT CARE AREAS IN ADDITION TO PROVIDING PATIENT SERVICES WHICH MAY NOT BE CURRENTLY AVAILABLE IN THE COMMUNITY RECENT PROJECTS INCLUDE A $34 MILLION PROJECT TO RENOVATE AND EXPAND THE EMERGENCY DEPARTMENT AT THE HARRISBURG HOSPITAL DUE TO THE IMPORTANCE OF THIS AREA IN THE HARRISBURG COMMUNITY, AND A GREATER THAN $32 MILLION DOLLAR PROJECT TO CREATE EXPANDED ONCOLOGY SERVICES TO THE GREATER HARRISBURG COMMUNITY ADDITIONAL PROJECTS INCLUDE MODERNIZING AND UPDATING EXISTING LOCATIONS WITHIN HOSPITAL TO MEET THE PATIENT NEEDS IN THE COMMUNITY WE SERVE AND EXPANDING THE UTILIZATION OF ELECTRONIC MEDICAL RECORDS BOTH WITHIN PINNACLE HEALTH SYSTEM AS WELL AS WITHIN THE COMMUNITY BASED PHYSICIAN PRACTICES OF OUR AREA AS ONE OF THE LEADING HOSPITALS IN SOUTH CENTRAL PENNSYLVANIA, PINNACLE HEALTH HOSPITALS STRIVES TO STRENGTHEN ACCESS TO CARE AS WE PROVIDE A CONTINUUM OF COMMUNITY BASED SERVICES THAT EXTEND BEYOND THE ROLE OF AN ACUTE CARE HOSPITAL - FROM IN HOME PRENATAL CARE FOR FIRST TIME MOTHERS TO A LEAD AGENCY ON A REGIONAL DISASTER PREPAREDNESS TASK FORCE TO BRING FOCUS TO OUR MISSION, PINNACLE HEALTH HOSPITALS IS COMMITTED TO SIX STRATEGIC PILLARS COMMITMENT TO PEOPLE, SERVICE, QUALITY, GROWTH, COMMUNITY, AND FINANCE GUIDED BY THESE PILLARS, THE FIVE INITIATIVES HIGHLIGHTED BELOW ARE KEY EXAMPLES OF OUR COMMITMENT TO BEING A TRUSTED PLACE FOR OUR COMMUNITY TO GO FOR ACCESS TO PUBLIC HEALTH SERVICES AND INFORMATION -NURSE FAMILY PARTNERSHIP (NFP) - WITH A FOCUS ON PEOPLE AND A DESIRE TO MAKE THE HEALTHCARE SYSTEM EASIER TO NAVIGATE, WE OFFER THIS VOLUNTARY PREVENTION PROGRAM THAT PROVIDES NURSE HOME VISITATION SERVICES TO LOW INCOME, FIRST-TIME MOTHERS THIS NATIONALLY RENOWNED, EVIDENCE-BASED COMMUNITY HEALTH CURRICULUM TRANSFORMS THE LIVES OF VULNERABLE FAMILIES -DAUPHIN COUNTY HEALTH IMPROVEMENT PARTNERSHIP (DCHIP) - WITH A FOCUS ON CREATING A COHESIVE SYSTEM OF PUBLIC HEALTH SERVICES, WE CONVENE A TEAM OF MULTI-SECTOR, COMMUNITY BASED PARTNERS FROM HEALTHCARE, HUMAN SERVICE, GOVERNMENT, EDUCATION, FAITH AND PAYOR COMMUNITIES MEMBERS ARE COMMITTED TO WORKING COLLABORATIVELY TO IMPROVE HEALTH, REDUCE DISPARITIES, AND ADDRESS THE QUALITY OF LIFE OF COMMUNITY RESIDENTS -RESOURCE EDUCATION AND COMPREHENSIVE CARE FOR HIV (REACCH) PROGRAM - WITH A FOCUS ON ACCESS TO QUALITY CARE FOR VULNERABLE MEMBERS OF THE COMMUNITY WE EMPHASIZE TREATMENT AND PREVENTION OF THE SPREAD OF HIV FOR WOMEN AND CHILDREN REACCH INCLUDES DIAGNOSTIC, THERAPEUTIC AND SUPPORTIVE SERVICES SUCH AS EDUCATION ABOUT HIV DISEASE AND TRANSMISSION, AS WELL AS TREATMENT RECOMMENDATIONS AND HOW TO ACCESS THEM - IMPROVING THE HEALTH OF OUR YOUTH PROGRAM - WITH A FOCUS ON LONG RANGE SUSTAINABLE GROWTH WITHIN OUR COMMUNITIES, IT IS EVIDENT THAT THE HEALTH OF OUR CHILDREN IS A FOCAL POINT A MULTI STEP, LONG TERM APPROACH TO PARTNERING WITH SCHOOLS, BUSINESSES, AND PAYORS TO EDUCATE STUDENTS AND FAMILIES ON HEALTHY FOOD CHOICES AND PHYSICAL ACTIVITY ALTERNATIVES ENSURES SUSTAINABLE BEHAVIOR CHANGE -EMERGENCY MANAGEMENT PLAN-SOUTH CENTRAL TASK FORCE - WITH A FOCUS ON PROVIDING LEADERSHIP IN IMPROVING THE OVERALL HEALTH OF OUR COMMUNITY, OUR EMERGENCY MANAGEMENT TEAM CREATES AN ENVIRONMENT THAT SUPPORTS ACCESSIBILITY AND CONSIDERATION OF BASIC FAMILY NEEDS INCLUDING SAFETY THE TASK FORCE COLLABORATES AND COORDINATES BOTH PUBLIC AND PRIVATE SECTOR RESOURCES FOR REGIONAL SOLUTIONS THAT PROVIDE SUPPORT TO COMMUNITIES WHEN EVENTS EXCEED THEIR CAPABILITIES

Identifier	ReturnReference	Explanation
		PART VI, LINE 7 PINNACLE HEALTH HOSPITALS IS PART OF THE PINNACLE HEALTH SYSTEM, A FULLY INTEGRATED, AFFILIATED HEALTH CARE SYSTEM THE SYSTEM IS COMPRISED OF SEVEN WHOLLY OWNED ENTITIES AS WELL AS A VARIETY OF AFFILIATED JOINT VENTURES THE ORGANIZATION'S MISSION IS TO MAINTAIN AND IMPROVE THE HEALTH AND QUALITY OF LIFE FOR EVERYONE IN CENTRAL PENNSYLVANIA PINNACLE HEALTH SYSTEM IS ENGAGED IN AND CONDUCTS CHARITABLE, EDUCATIONAL, AND SCIENTIFIC ACTIVITIES THROUGH THE SUPPORT AND BENEFIT OF PINNACLE HEALTH FOUNDATION, AND PROVIDES MANAGEMENT AND CONSULTATIVE SERVICES TO AFFILIATED ENTITIES PINNACLE HEALTH FOUNDATION ENGAGES IN INVESTMENT AND FUNDRAISING ACTIVITIES FOR THE BENEFIT OF THE RELATED ORGANIZATIONS PINNACLE HEALTH HOMECARE IS DEDICATED TO PROVIDING HIGH QUALITY, HOLISTIC HOME CARE SERVICES TO HOMEBOUND INDIVIDUALS OF ALL AGES WITH INTERMITTENT SKILLED NEEDS PINNACLE HEALTH HOSPICE IS DEDICATED TO PROVIDING COMPREHENSIVE, INDIVIDUALIZED, QUALITY CARE TO TERMINALLY ILL ADULTS, CHILDREN AND THEIR FAMILIES REGARDLESS OF PERSONAL OR FINANCIAL CIRCUMSTANCES PINNACLE HEALTH MEDICAL SERVICES IS PRIMARILY ENGAGED IN THE PROVISION OF PHYSICIAN SERVICES TO SUPPORT AND ENHANCE THE SERVICES WITHIN PINNACLE HEALTH HOSPITALS AND PINNACLE HEALTH SYSTEM PINNACLE HEALTH CARDIOVASCULAR INSTITUTE IS ENGAGED IN PROVIDING COMPREHENSIVE CARDIAC CARE, INCLUDING LEADING EDGE TECHNOLOGICAL ADVANCES IN ORDER TO PROVIDE THE BEST CLINICAL OUTCOMES TO THE COMMUNITY COMMUNITY LIFE TEAM IS ENGAGED IN PROVIDING COMMUNITY BASED, EFFICIENT AND COST EFFECTIVE MEDICAL TRANSPORT SERVICES, PRE-HOSPITAL EMERGENCY MEDICAL SERVICES FOR THE RESIDENTS AND COMMUNITIES OF THE CENTRAL PENNSYLVANIA REGION THE PINNACLE HEALTH SYSTEM AND ITS AFFILIATES ARE ACTIVELY INVOLVED IN THE CENTRAL PENNSYLVANIA REGION THROUGH VARIOUS CHARITY AND COMMUNITY BENEFIT ACTIVITIES THE OTHER ENTITIES WITHIN THE SYSTEM, NOT INCLUDING THE HOSPITAL, PROVIDED $168,784 OF CHARITY CARE THE SYSTEM ENTITIES ARE ALSO ACTIVELY ENGAGED IN A VARIETY OF COMMUNITY BENEFIT ACTIVITIES THE FOLLOWING LISTS THE VARIETY OF COMMUNITY BENEFITS PERFORMED WITHIN THE SYSTEM, THAT HAD THEY BEEN PERFORMED AT THE HOSPITAL LEVEL, WOULD HAVE BEEN INCLUDABLE ON SCHEDULE H -PINNACLE HEALTH SYSTEM - $1,581,263 IN COMMUNITY HEALTH IMPROVEMENT SERVICES, HEALTH PROFESSIONS EDUCATION, COMMUNITY BENEFIT OPERATIONS AND CASH AND IN-KIND CONTRIBUTIONS-PINNACLE HEALTH MEDICAL SERVICES - $1,313,104 IN COMMUNITY HEALTH IMPROVEMENT SERVICES, COMMUNITY BASED CLINICAL SERVICES AND HEALTH CARE SUPPORT SERVICES-COMMUNITY LIFE TEAM - $207,569 IN SUBSIDIZED HEALTH SERVICES-PINNACLE HEALTH FOUNDATION - $3,562 IN COMMUNITY BENEFIT OPERATIONS AND FINANCIAL CONTRIBUTIONSTHE ABOVE COMMUNITY BENEFIT ACTIVITIES WOULD HAVE CONTRIBUTED AN ADDITIONAL 0 57% OF BENEFIT PROVIDED TO THE CENTRAL PENNSYLVANIA COMMUNITY HAD THEY BEEN REPORTABLE BY THE PINNACLE HEALTH HOSPITAL OTHER COMMUNITY BENEFIT ACTIVITIES PROVIDED BY PINNACLE HEALTH SYSTEM WHICH ARE NOT DESCRIBED ABOVE ARE URBAN BASED CLINICS SERVING MOSTLY LOW INCOME, UNDERINSURED PATIENTS, URGENT CARE CENTERS THROUGHOUT THE SERVICE AREA, SEVERAL JOINT VENTURES WITH PHYSICIANS FOR AMBULATORY SURGERY PROCEDURES AND A BEREAVEMENT CAMP FOR CHILDREN AND TEENS

Identifier	ReturnReference	Explanation
REPORTS FILED WITH STATES	PART VI, LINE 7	PA

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493135033052

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
PINNACLE HEALTH HOSPITALS

Employer identification number
25-1778644

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**	Yes	
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**	Yes	
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**	Yes	
b	Any related organization?	**5b**	Yes	
	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**	Yes	
b	Any related organization?	**6b**	Yes	
	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**		

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) PHILIP GUARANESCHELLI	(i)	0	0	0	0	0	0	0
	(ii)	361,067	137,406	55,047	13,813	45,843	613,176	0
(2) CHRISTOPHER P MARKLEY ESQ	(i)	0	0	0	0	0	0	0
	(ii)	272,739	24,755	21,957	14,162	34,099	367,712	0
(3) RICHARD C SENECA ESQ	(i)	269,851	0	0	0	0	269,851	0
	(ii)	0	0	0	0	0	0	0
(4) WILLIAM H PUGH	(i)	0	0	0	0	0	0	0
	(ii)	308,294	37,289	25,253	13,675	30,159	414,670	0
(5) KIM KELLY	(i)	484,249	0	6,356	14,531	17,880	523,016	0
	(ii)	0	0	0	0	0	0	0
(6) WENDY BIEDRZYCKI	(i)	368,855	0	258	11,226	12,385	392,724	0
	(ii)	0	0	0	0	0	0	0
(7) EDWARD HILDREW	(i)	229,710	12,086	106,784	32,931	25,348	406,859	0
	(ii)	0	0	0	0	0	0	0
(8) ERIC KRIEG	(i)	225,930	8,142	85,983	28,331	25,348	373,734	0
	(ii)	0	0	0	0	0	0	0
(9) JULIAN GUTIERREZ	(i)	193,242	10,303	149,283	14,497	23,794	391,119	0
	(ii)	0	0	0	0	0	0	0
(10) ROGER LONGENDERFER MD	(i)	0	0	0	0	0	0	0
	(ii)	588,568	0	2,959,028	12,340	32,735	3,592,671	1,058,719
(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 1A	ROGER LONGENDERFER, M D , A FORMER PRESIDENT AND CEO, RECEIVED A REIMBURSEMENT FOR PERSONAL FINANCIAL SERVICES THE REIMBURSEMENT WAS INCLUDED IN HIS TAXABLE COMPENSATION
	PART I, LINES 4A-B	4A) ROGER LONGENDERFER, M D , A FORMER PRESIDENT AND CEO, WAS PAID SEVERANCE IN THE FORM OF SALARY AND BENEFITS TOTALING $903,338 IN 2010 AS PART OF HIS RETIREMENT PACKAGE 4B) ROGER LONGENDERFER, M D , A FORMER PRESIDENT AND CEO, WAS COVERED BY A 457(F) SUPPLEMENTAL RETIREMENT AGREEMENT (SERP) WHICH WAS PAID OUT TO HIM IN 2010 TOTALING $2,689,333
SUPPLEMENTAL INFORMATION	PART III	PART I, LINES 5-7 THE PINNACLE HEALTH SYSTEM MANAGEMENT INCENTIVE PLAN WAS CREATED FOR THE PURPOSE OF FURTHERING THE CHARITABLE MISSION OF PINNACLE HEALTH SYSTEM BY PROMOTING EFFECTIVE MANAGEMENT OF OPERATIONS, QUALITY OF CARE AND SERVICE AND WISE USE OF RESOURCES IN MEETING COMMUNITY NEEDS THE PLAN IS ADMINISTERED BY THE EXECUTIVE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS WHICH HAS THE SOLE DISCRETIONARY AUTHORITY FOR GOVERNING THE PLAN, INTERPRETING ITS PROVISIONS, DECIDING WHO WILL PARTICIPATE, DEFINING THE INCENTIVE OPPORTUNITY AND ESTABLISHING PERFORMANCE MEASURES AND GOALS DURING FISCAL YEAR 2011, CERTAIN OFFICERS AND OTHER EXECUTIVE MANAGEMENT OF PINNACLE HEALTH SYSTEM PARTICIPATED IN THE PLAN, AND THE PERFORMANCE MEASURES AND GOALS FOR FISCAL YEAR 2011 HAD A WEIGHTING OF 30 PER CENT FOR INDIVIDUAL PERSONAL PERFORMANCE EVALUATION MEASURES AND 70 PER CENT SYSTEM-WIDE STRATEGIC GOALS AND MEASURES THE SYSTEM-WIDE STRATEGIC GOALS AND MEASURES ARE FURTHER BROKEN DOWN INTO 6 CATEGORIES WHICH APPLY TO ALL EXECUTIVE MANAGEMENT WITHIN PINNACLE HEALTH SYSTEM THE 6 CATEGORIES ARE FURTHER BROKEN INTO ADDITIONAL MEASURES THAT SUPPORT THE BROADER CATEGORY FINALLY, EACH SEPARATE MEASURE WITHIN A CATEGORY INCLUDES PERFORMANCE LEVEL GOALS OF THRESHOLD OR BUDGET, TARGET AND OPTIMUM LEVELS FOR THE FISCAL YEAR 2011 PLAN YEAR, THE PLAN CONTAINED A SYSTEM GROWTH GOAL WITH A WEIGHTING OF 6 PER CENT IF TOTAL OPERATING REVENUE EXCEEDED THE BUDGETED TOTAL OPERATING REVENUE HOWEVER, THE PLAN AWARD WAS NOT CONTINGENT ON THIS REVENUE GOAL THE REVENUE GOAL WAS ONE COMPONENT OF THE ENTIRE PLAN PERFORMANCE MEASURES FOR THE FISCAL YEAR 2011 PLAN YEAR, THE PLAN CONTAINED A SYSTEM FINANCE GOAL WITH A WEIGHTING OF 5 PER CENT IF THE OPERATING MARGIN OF THE ENTIRE SYSTEM EXCEEDED THE BUDGETED OPERATING MARGIN HOWEVER, THE PLAN AWARD WAS NOT CONTINGENT ON THIS OPERATING MARGIN GOAL THE OPERATING MARGIN GOAL WAS ONE COMPONENT OF THE ENTIRE PLAN PERFORMANCE MEASURES

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493135033052

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.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
PINNACLE HEALTH HOSPITALS

Employer identification number
25-1778644

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	DAUPHIN COUNTY GENERAL AUTHORITY	23-2336949	23825ECL6	06-24-2009	187,538,449	REFUND SERIES 2004, 2005 & 2007, SWAP TERMINATION, CAPITAL PROJECTS		X		X		X
B	DAUPHIN COUNTY GENERAL AUTHORITY	23-2336949	23825ECY8	06-28-2011	100,000,000	REFUND 2009B NOTES AND CAPITAL PROJECTS		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	7,885,000			
2	Amount of bonds legally defeased				
3	Total proceeds of issue	187,538,449	100,000,000		
4	Gross proceeds in reserve funds	9,493,675			
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow	168,307,000	70,000,000		
7	Issuance costs from proceeds	2,962,259	278,678		
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	6,775,515	15,482,773		
11	Other spent proceeds				
12	Other unspent proceeds	14,238,549	14,238,549		
13	Year of substantial completion	2009			

		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					
15	Were the bonds issued as part of an advance refunding issue?		X		X				
16	Has the final allocation of proceeds been made?	X			X				
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	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				
2	Are there any lease arrangements that may result in private business use of bond-financed property?		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					
b	Are there any research agreements that may result in private business use of bond-financed property?		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					
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0 %		0 %					
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 500 %		0 %					
6	Total of lines 4 and 5	0 500 %		0 %					
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	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				
2	Is the bond issue a variable rate issue?		X	X					
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X			X				
b	Name of provider	CITIGROUP							
c	Term of hedge	30 000000000000							
d	Was the hedge superintegrated?		X						
e	Was a hedge terminated?		X						
4a	Were gross proceeds invested in a GIC?		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?								
5	Were any gross proceeds invested beyond an available temporary period?		X		X				
6	Did the bond issue qualify for an exception to rebate?		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

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493135033052

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.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
PINNACLE HEALTH HOSPITALS

Employer identification number
25-1778644

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) MOFFITT HEART & VASCULAR GROUP	BOARD DIRECTOR FELIX GUTIERREZ, MD IS PRESIDENT OF MOFFITT HEART & VASCULAR	319,353	SEE PART V - CARDIOLOGY SERVICES AGREEMENT WITH MEDICAL GROUP IN WHICH DR GUTIERREZ IS AN OWNER PAYMENT WAS MADE TO THE GROUP, NOT DR GUTIERREZ DIRECTLY		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

efile GRAPHIC print - DO NOT PROCESS	As Filed Data -	DLN: 93493135033052

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
PINNACLE HEALTH HOSPITALS

Employer identification number
25-1778644

Identifier	Return Reference	Explanation
	FORM 990, PART V, LINE 1	PINNACLE HEALTH SYSTEM, THE PARENT ENTITY OF A GROUP OF TAX-EXEMPT ORGANIZATIONS, IS THE COMMON REPORTING AGENT FOR THE GROUP AND FILES ALL 1099 FORMS FOR PINNACLE HEALTH HOSPITALS

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11		THE AUTHORITY AND RESPONSIBILITY FOR REVIEW OF THE FORM 990 FOR PINNACLE HEALTH SYSTEM AND SUBSIDIARIES IS DELEGATED TO THE FINANCE AND AUDIT COMMITTEE OF THE PINNACLE HEALTH SYSTEM BOARD IN ORDER TO ACCOMPLISH THIS, ALL MEMBERS OF THE FINANCE AND AUDIT COMMITTEE ARE PROVIDED WITH A REASONABLE OPPORTUNITY TO REVIEW AND COMMENT TO EXECUTIVE LEADERSHIP ON THE IRS FORMS 990 OF THE PINNACLE HEALTH SYSTEM AND ITS SUBSIDIARIES, INCLUDING PINNACLE HEALTH HOSPITALS, PINNACLE HEALTH MEDICAL SERVICES, PINNACLE HEALTH FOUNDATION, PINNACLE HEALTH HOME CARE & HOSPICE AND COMMUNITY LIFE TEAM BEFORE THEY ARE FILED WITH THE INTERNAL REVENUE SERVICE. IN ADDITION, EACH MEMBER OF EACH RESPECTIVE BOARD OF DIRECTORS WILL BE GIVEN ACCESS TO VIEW THEIR INDIVIDUAL FORM 990 VIA A SHARED, PASSWORD-PROTECTED WEBSITE.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	IN THE PERFORMANCE OF THEIR DUTIES TO PINNACLE HEALTH SYSTEM AND SUBSIDIARIES (COLLECTIVELY REFERRED TO AS "PHS"), COVERED PERSONS SHALL SEEK TO ACT IN THE BEST INTERESTS OF PHS, AND SHALL EXERCISE GOOD FAITH, LOYALTY, DILIGENCE AND HONESTY A COVERED PERSON IS ANY INDIVIDUAL WHO SERVES IN A FIDUCIARY CAPACITY TO, OR WHO HAS LEGAL AUTHORITY TO REPRESENT OR OBLIGATE, THE PINNACLE HEALTH SYSTEM OR ANY OF ITS AFFILIATED ORGANIZATIONS INCLUDING, BUT NOT LIMITED TO, DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS COVERED PERSONS ALSO INCLUDE A) IMMEDIATE FAMILIES (SPOUSES, CHILDREN, SIBLINGS, PARENTS, OR SPOUSE'S PARENTS), B) ANY ORGANIZATION IN WHICH THEY OR THEIR IMMEDIATE FAMILIES DIRECTLY OR INDIRECTLY I) HAVE A MATERIAL FINANCIAL OR BENEFICIAL INTEREST, OR II) SERVE AS A DIRECTOR, OFFICER, EMPLOYEE, AGENT, ATTORNEY OR SIMILAR CAPACITY A COVERED PERSON SHALL DISCLOSE ANY BUSINESS OR PERSONAL INTERESTS OR RELATIONSHIPS WHICH MAY BE IN CONFLICT WITH THE INTERESTS OF PHS, INCLUDING, BUT NOT LIMITED TO (A) ENGAGING IN OR SEEKING TO BE ENGAGED IN (I) THE DELIVERY OF HEALTH CARE SERVICES OR (II) THE DELIVERY OF GOODS OR SERVICES TO PHS, OR (B) ANY TRANSACTION OR ARRANGEMENT WITH PHS WHICH WOULD RESULT IN BENEFIT TO COVERED PERSONS THE GOVERNANCE COMMITTEE OF THE PHS BOARD REVIEWS ALL CONFLICT OF INTEREST STATEMENTS AND DETERMINES WHETHER EACH DIRECTOR ON THE BOARD IS INDEPENDENT COVERED PERSONS WHO ARE DIRECTORS MUST COMPLY WITH THE PINNACLE HEALTH SYSTEM GUIDELINES FOR DETERMINING DIRECTOR INDEPENDENCE AND APPLYING DIRECTOR INDEPENDENCE REQUIREMENTS COVERED PERSONS WITH A CONFLICT OF INTEREST SHALL NOT VOTE ON THE MATTER, AND THE PHS BOARD OR COMMITTEE MUST APPROVE, AUTHORIZE, OR RATIFY THE TRANSACTION OR ARRANGEMENT BY A MAJORITY VOTE OF THE NON-INTERESTED DIRECTORS OR COMMITTEE MEMBERS PRESENT AT A MEETING THAT HAS A QUORUM VIOLATIONS OF THIS STATEMENT OF POLICY MAY SUBJECT COVERED PERSONS TO APPROPRIATE SANCTIONS, INCLUDING REMOVAL FROM THEIR POSITIONS WITH PHS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	THE COMPENSATION COMMITTEE OF THE PINNACLE HEALTH SYSTEM ("PHS") BOARD OF DIRECTORS HAS THE AUTHORITY TO DEVELOP AND MAINTAIN EXECUTIVE AND PHYSICIAN COMPENSATION TO BE APPROVED BY THE PINNACLE HEALTH SYSTEM BOARD THE COMPENSATION COMMITTEE WILL FOLLOW A DILIGENT PROCESS THAT MEETS REGULATORY REQUIREMENTS FOR A REBUTTABLE PRESUMPTION OF REASONABLENESS AND PROMOTES EFFECTIVE GOVERNANCE OF EXECUTIVE COMPENSATION, CONSISTENT WITH THE PHS'S COMPENSATION PHILOSOPHY 1 FOLLOW A PROCESS THAT ESTABLISHES AND MAINTAINS A REBUTTABLE PRESUMPTION OF REASONABLENESS FOR ALL EXECUTIVES AND PHYSICIANS POTENTIALLY SUBJECT TO INTERMEDIATE SANCTIONS 2 PREPARE MINUTES FOR EACH MEETING TO RECORD THE TERMS OF THE COMMITTEE'S DECISIONS AND THE PROCESS FOLLOWED IN REACHING THOSE DECISIONS THESE MINUTES MUST INCLUDE INDICATIONS THAT THE COMMITTEE IS FOLLOWING GOOD PRACTICES IN DEALING WITH CONFLICTS OF INTEREST AND IN OBTAINING AND RELYING ON APPROPRIATE COMPARABILITY DATA ON TOTAL COMPENSATION 3 SELECT AND DIRECTLY ENGAGE AND SUPERVISE ANY CONSULTANT HIRED BY PHS TO ADVISE THE COMMITTEE ON EXECUTIVE AND PHYSICIAN COMPENSATION 4 PERIODICALLY EVALUATE THE APPROPRIATENESS OF THIS CHARTER AND THE EFFECTIVENESS OF THE PROCESS THE COMMITTEE USES IN GOVERNING EXECUTIVE AND PHYSICIAN COMPENSATION AND REPORT THIS EVALUATION TO THE BOARD 5 PROVIDE THE BOARD WITH AN ANNUAL REPORT ON THE COMMITTEE'S ACTIONS 6 MONITOR CHANGES IN LAWS AND REGULATIONS PERTAINING TO EXECUTIVE COMPENSATION AND BENEFITS TO SEE THAT PHS COMPLIES WITH THEM 7 SEEK OUTSIDE REVIEW OF COMMITTEE OPERATIONS TO ENSURE COMPLIANCE WITH THE IRS REBUTTABLE PRESUMPTION OF REASONABLENESS 8 REVIEW ACTUAL EXECUTIVE COMPENSATION AND BENEFITS PROVIDED TO CONFIRM CONSISTENCY WITH COMPENSATION AND BENEFITS APPROVED BY THE COMMITTEE.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION DOES NOT MAKE ITS GOVERNING DOCUMENTS OR CONFLICT OF INTEREST POLICY AVAILABLE FOR PUBLIC INSPECTION AS THIS IS NOT REQUIRED BY FEDERAL OR STATE LAW THE ORGANIZATION INCLUDES A COPY OF ITS FINANCIAL STATEMENTS WITH THE STATE REGISTRATION FILED WITH THE PENNSYLVANIA DEPARTMENT OF STATE, BUREAU OF CHARITABLE ORGANIZATIONS THESE DOCUMENTS ARE A MATTER OF PUBLIC RECORD AND CAN BE VIEWED AT THE BUREAU OFFICE

Identifier	Return Reference	Explanation
	FORM 990, PART VII, SECTION A	THE FOLLOWING OFFICERS AND DIRECTORS HAVE WORKED AN AVERAGE OF 40 HOURS PER WEEK BETWEEN PINNACLE HEALTH HOSPITALS AND ALL RELATED ORGANIZATIONS OF PINNACLE HEALTH SYSTEM, THE PARENT COMPANY CHRISTOPHER P MARKLEY, ESQ PHILIP GUARNESCHELLI WILLIAM H PUGH RICHARD C SENECA, ESQ THE FOLLOWING DIRECTORS ARE ALSO DIRECTORS OF PINNACLE HEALTH SYSTEM, THE PARENT ORGANIZATION ROBERT L LYON GEORGE F GRODE JOHN O CAMPBELL SUSAN S COHEN FELIX GUTIERREZ, MD M RICHARD KLEIMAN DEBORAH S MILLER DOUGLAS A NEIDICH LARRY L SOLLENBERGER, MD CLARENCE E ASBURY DENNIS WALSH BONY R DAWOOD DENISE F HARR, MD GREGORY CAVOLI MARK KIMMEL, ESQ DOUGLAS C DYER STEVEN C KUSIC KENNETH OKEN, MD MICHAEL L FERNANDEZ, MD DIRECTOR M RICHARD KLEIMAN IS ALSO A DIRECTOR OF PINNACLE HEALTH FOUNDATION, A RELATED ORGANIZATION DIRECTOR DEBORAH S MILLER IS ALSO A DIRECTOR OF PINNACLE HEALTH MEDICAL SERVICES AND PINNACLE HEALTH HOME CARE & HOSPICE, BOTH OF WHICH ARE RELATED ORGANIZATIONS

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED GAINS ON INVESTMENTS 15,911,419 CHANGE IN ADDITIONAL MINIMUM PENSION LIABILITY 32,890,534 FUND BALANCE TRANSFER - PINNACLE HEALTH SYSTEM 1,212,800 FUND BALANCE TRANSFER - PINNACLE HEALTH MEDICAL SERVICES -37,846,128 FUND BALANCE TRANSFER - PINNACLE HEALTH HOME CARE & HOSPICE -10,712,810 FUND BALANCE TRANSFER - COMMUNITY LIFE TEAM -2,644,126 FUND BALANCE TRANSFER - PINNACLE HEALTH FOUNDATION -146,448 TOTAL TO FORM 990, PART XI, LINE 5 -1,334,759

Identifier	Return Reference	Explanation
	FORM 990, PART XII, LINE 2C	PINNACLE HEALTH HOSPITALS WAS INCLUDED IN THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA FOR PINNACLE HEALTH SYSTEM AND ITS SUBSIDIARIES THE FINANCE AND AUDIT COMMITTEE OF THE PINNACLE HEALTH SYSTEM BOARD ASSUMES THE RESPONSIBILITY FOR THE OVERSIGHT OF THE AUDIT AND THE SELECTION OF THE INDEPENDENT ACCOUNTANT THIS PROCESS HAS NOT CHANGED DURING THE TAX YEAR

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
PINNACLE HEALTH HOSPITALS

Employer identification number
25-1778644

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
(1) PINNACLE HEALTH EMERGENCY DEPARTMENT SERVICES LLC 409 SOUTH SECOND STREET PO BOX 8700 HARRISBURG, PA 17105 86-1057582	MEDICAL EMERGENCY SERVICES	PA	14,204,563	1,413,549	N/A
(2) PINNACLE HEALTH CUMBERLAND CONDOMINIUM ASSOCIATION 409 SOUTH SECOND STREET PO BOX 8700 HARRISBURG, PA 171058700 20-8977427	CONDOMINIUM ASSOCIATION	PA	0	526	N/A

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) PINNACLE HEALTH SYSTEM 409 SOUTH SECOND STREET PO BOX 8700 HARRISBURG, PA 171058700 25-1778658	MANAGEMENT AND CONSULTATIVE SERVICES FOR RELATED EXEMPT ORGS	PA	501(C)(3)	LINE 11C, III-FI	N/A		No
(2) PINNACLE HEALTH MEDICAL SERVICES 409 SOUTH SECOND STREET PO BOX 8700 HARRISBURG, PA 171058700 25-1709054	PHYSICIAN SERVICES	PA	501(C)(3)	LINE 3	PINNACLE HEALTH SYSTEM		No
(3) PINNACLE HEALTH FOUNDATION 409 SOUTH SECOND STREET PO BOX 8700 HARRISBURG, PA 171058700 22-2691718	INVESTMENT AND FUNDRAISING ACTIVITIES FOR RELATED TAX-EXEMPT ORGANIZATIONS	PA	501(C)(3)	LINE 11B, II	PINNACLE HEALTH SYSTEM		No
(4) COMMUNITY LIFE TEAM 409 SOUTH SECOND STREET PO BOX 8700 HARRISBURG, PA 171058700 23-1890444	MEDICAL TRANSPORT SERVICES	PA	501(C)(3)	LINE 9	PINNACLE HEALTH SYSTEM		No
(5) PINNACLE HEALTH HOME CARE & HOSPICE 409 SOUTH SECOND STREET PO BOX 8700 HARRISBURG, PA 171058700 23-2024121	SKILLED HOMECARE SERVICES AND SERVICES TO THE TERMINALLY ILL	PA	501(C)(3)	LINE 3	PINNACLE HEALTH HOSPITALS	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) 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) WEST SHORE SURGERY CENTER LTD 409 SOUTH SECOND STREET PO BOX 8700 HARRISBURG, PA171058700 25-1821415	SURGICAL CARE - MEDICAL SERVICES	PA	N/A	RELATED	801,890	1,095,564		No			No	48 996 %

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) UNITED CENTRAL PA RISK RETENTION GROUP 76 ST PAUL STREET SUITE 500 BULINGTON, VT054014477 13-4224033	CAPTIVE INSURANCE	VT	N/A	C			
(2) UNITED HEALTH RISK LTD PO BOX 2450 HAMILTON HM JX BD	CAPTIVE INSURANCE	BD	N/A	C			
(3) PINNACLE HEALTH CARDIOVASCULAR INSTITUTE PO BOX 8700 HARRISBURG, PA17105 32-0321362	PHYSICIAN SERVICES	PA	N/A	C			
(4) CARDIOLOGY PRACTICE INC PO BOX 8700 HARRISBURG, PA17105 80-0658616	PHYSICIAN SERVICES	PA	N/A	C			

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	Yes	
b Gift, grant, or capital contribution to other organization(s)	1b	Yes	
c Gift, grant, or capital contribution from other organization(s)	1c	Yes	
d Loans or loan guarantees to or for other organization(s)	1d	Yes	
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		No
k Performance of services or membership or fundraising solicitations for other organization(s)	1k	Yes	
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	Yes	
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) WEST SHORE SURGERY CENTER LTD	A	638,573	FMV
(2) WEST SHORE SURGERY CENTER LTD	Q	738,908	FMV
(3) PINNACLE HEALTH HOME CARE & HOSPICE	A	160,535	FMV
(4) PINNACLE HEALTH HOME CARE & HOSPICE	Q	160,008	FMV
(5) PINNACLE HEALTH HOME CARE & HOSPICE	B	10,712,810	FMV
(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

efile GRAPHIC print - DO NOT PROCESS	As Filed Data -	DLN: 93493135033052

TY 2010 Consideration Computation Statement

Name: PINNACLE HEALTH HOSPITALS

EIN: 25-1778644

Statement: EMPLOYMENT AGREEMENT BETWEEN WALNUT BOTTOM RADIOLOGY AND DAVID ROYAL. THE TWO YEAR AGREEMENT, EXPIRING ON DECEMBER 31, 2012, PROVIDES MAXIMUM COMPENSATION OF $900,000 SUBJECT TO VARIOUS PROVISIONS IN THE AGREEMENT.

efile GRAPHIC print - DO NOT PROCESS	As Filed Data -	DLN: 93493135033052

TY 2010 Consideration Computation Statement

Name: PINNACLE HEALTH HOSPITALS

EIN: 25-1778644

Statement: EMPLOYMENT AGREEMENTS BETWEEN PINNACLE HEALTH HOSPITALS AND FOUR GYNECOLOGICAL ONCOLOGISTS WERE SIGNED AS PART OF THE PURCHASE OF ASSETS FROM WOMEN'S CANCER CENTER OF CENTRAL PA, P.C. THE GYNECOLOGICAL ONCOLOGISTS WERE ALL EMPLOYED AT WOMEN'S CANCER CENTER OF CENTRAL PA, P.C PRIOR TO THE ACQUISITION BY PINNACLE HEALTH HOSPITALS. THE EMPLOYMENT AGREEMENTS ARE FOR SIX YEARS AND PROVIDE TOTAL MAXIMUM COMPENSATION OF $11,224,480 OVER THE LIFE OF THE AGREEMENTS.

Pinnacle Health System

(and controlled entities and subsidiaries)

Consolidated Financial Statements and Supplemental Data

June 30, 2011 and 2010

Pinnacle Health System
(and controlled entities and subsidiaries)
Index
June 30, 2011 and 2010

Report of Independent Auditors

To the Board of Directors of Pinnacle Health System:

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of operations, consolidated statements of changes in net assets, and consolidated statements of cash flows present fairly, in all material respects, the financial position of Pinnacle Health System and its controlled entities and subsidiaries (collectively, the "System") at June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. 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 of these statements 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, 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.

As discussed in Note 2 to the financial statements, the System adopted Accounting Standards Codification No. 958-805 ("ASC 958-805") guidance on consolidations and accounting and reporting for noncontrolling interest in a subsidiary for the year ended June 30, 2011.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
September 6, 2011

Pinnacle Health System
(and controlled entities and subsidiaries)
Consolidated Statements of Financial Position
June 30, 2011 and 2010

(in thousands of dollars)	2011	2010
Assets		
Current		
Cash and cash equivalents	$ 35,460	$ 22,021
Accounts receivable, less allowance for doubtful accounts of approximately $25,097 in 2011 and $21,559 in 2010	73,939	63,784
Investments	182,988	172,901
Inventories	12,023	12,422
Prepaid expenses	8,151	7,804
Investments designated for capital projects	14,247	16,280
Current portion of self-insurance trust funds	1,253	1,318
Total current assets	328,061	296,530
Assets limited as to use		
Self-insurance trust funds, net of current portion	3,158	3,052
Board-designated funds	46,799	37,733
Board-designated funds for capital acquisition	113,198	122,136
Funds held by trustee, net of current portion	14,586	14,585
Total assets limited as to use	177,741	177,506
Investments temporarily restricted as to use	15,588	9,863
Investments permanently restricted as to use	19,024	16,179
Property, plant and equipment, net	345,044	304,799
Pledges receivable	3,999	5,491
Other assets	18,217	10,697
Total assets	$ 907,674	$ 821,065
Liabilities and Net Assets		
Current		
Current portion of long-term debt	$ 9,750	$ 6,184
Accounts payable and accrued expenses	33,558	30,767
Accrued salaries, wages and fees	16,149	14,919
Accrued vacation	17,233	14,912
Accrued insurance costs	17,845	12,445
Accrued retirement costs	503	3,170
Due to third-party payors	3,087	9,070
Advances from third-party payors	3,809	3,809
Total current liabilities	101,934	95,276
Long-term liabilities		
Accrued insurance costs, net of current portion	6,242	6,377
Accrued retirement costs, net of current portion	56,728	89,921
Interest rate swap agreement	4,621	5,603
Long-term debt, net of current portion	294,484	264,567
Total long-term liabilities	362,075	366,468
Minority interest in consolidated subsidiary company	-	1,358
Net assets		
Unrestricted net assets		
Unrestricted net assets Pinnacle Health System	403,905	326,711
Noncontrolling interests in consolidated subsidiary company	1,284	-
Total unrestricted net assets	405,189	326,711
Temporarily restricted net assets	19,452	15,071
Permanently restricted net assets	19,024	16,181
Total net assets	443,665	357,963
Total liabilities and net assets	$ 907,674	$ 821,065

The accompanying notes are an integral part of these consolidated financial statements

Pinnacle Health System
(and controlled entities and subsidiaries)
Consolidated Statements of Operations
June 30, 2011 and 2010

(in thousands of dollars)	2011	2010
Unrestricted revenues		
Net patient service revenues	$ 665,150	$ 603,677
Other revenues	12,982	13,417
Net assets released from restrictions used for operations	2,635	2,098
Total unrestricted revenues	680,767	619,192
Expenses		
Salaries and wages	260,676	243,577
Fringe benefits	83,123	81,616
Professional fees	20,093	16,815
Supplies	117,779	113,075
Purchased services	105,731	87,875
Interest	12,870	12,467
Bad debt expense	33,784	31,909
Depreciation and amortization	40,863	36,693
Total expenses	674,919	624,027
Income (loss) from operations	5,848	(4,835)
Nonoperating gains (losses)		
Investment income	36,379	28,278
Loss on disposal of assets	(502)	(557)
Contributed net assets in acquisition	906	-
Realized and unrealized losses on interest rate swap	(529)	(3,647)
Nonoperating gain, net	36,254	24,074
Revenues and gains over expenses and losses prior to minority interest in consolidated subsidiary company	42,102	19,239
Minority interest in consolidated subsidiary company	-	(781)
Revenues and gains over expenses and losses	42,102	18,458
Change in post-retirement liability	32,890	724
Income attributable to and other changes in noncontrolling interests	(916)	-
Adoption of noncontrolling interests standard	1,358	-
Net assets released from restrictions for purchases of property, plant and equipment	3,044	851
Increase in unrestricted net assets	$ 78,478	$ 20,033

The accompanying notes are an integral part of these consolidated financial statements

Pinnacle Health System
(and controlled entities and subsidiaries)
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2011 and 2010

(in thousands of dollars)	2011	2010
Unrestricted net assets		
Revenues and gains over expenses and losses	$ 42,102	$ 18,458
Change in post-retirement liability	32,890	724
Net assets released from restrictions for purchases of property, plant and equipment	3,044	851
Income attributable to and other changes in noncontrolling interests	(916)	-
Adoption of noncontrolling interests standard	1,358	-
Increase in unrestricted net assets	78,478	20,033
Temporarily restricted net assets		
Contributions	4,086	4,529
Net realized and unrealized gains on investments	6,066	3,917
Transfer (to) from permanently restricted net assets	(85)	3
Net assets released from restrictions	(5,686)	(2,949)
Increase in temporarily restricted net assets	4,381	5,500
Permanently restricted net assets		
Contributions	6	4
Net realized and unrealized gains on investments and changes in interests in beneficial trusts	3,223	1,730
Appropriation of endowment assets for spending	(471)	(522)
Transfer from (to) temporarily restricted net assets	85	(3)
Increase in permanently restricted net assets	2,843	1,209
Increase in net assets	85,702	26,742
Net assets		
Beginning of year	357,963	331,221
End of year	$ 443,665	$ 357,963

The accompanying notes are an integral part of these consolidated financial statements.

Pinnacle Health System
(and controlled entities and subsidiaries)
Consolidated Statements of Cash Flows
Years Ended June 30, 2011 and 2010

(in thousands of dollars)	2011	2010
Cash flows from operating activities		
Change in net assets	$ 85,702	$ 26,742
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized gains on investments	(34,907)	(26,312)
Provision for bad debts	33,784	31,909
Depreciation and amortization	40,863	36,823
Loss on disposal of assets	503	557
Change in pension liability	(32,890)	(724)
Equity in losses of joint ventures and affiliates	2,279	872
Changes in noncontrolling interest in consolidated subsidiary company	842	781
Adoption of noncontrolling interests standards	(1,358)	-
Restricted contributions and investment gain (loss) income	374	(744)
Change in current assets and liabilities		
Increase in accounts receivable	(43,946)	(24,699)
Increase in pledges receivable	(1,422)	(555)
(Increase) decrease in inventories and other assets	(2,923)	1,350
Increase in prepaid expenses	(346)	(675)
Increase in accounts payable and accrued expenses	154	4,894
Increase in accrued salaries, wages and fees and accrued vacation	3,550	4,943
Increase (decrease) in accrued insurance and retirement costs	2,295	(504)
(Decrease) increase in advances from and amounts due to third-party payors	(5,983)	1,974
Net cash provided by operating activities	46,571	56,632
Cash flows from investing activities		
Purchase of property, plant and equipment	(70,168)	(53,298)
Acquisition of Pinnacle Health Cardiovascular Institute	(7,858)	-
Cash paid to joint ventures and affiliates, net	(1,152)	(726)
Sale (purchase) of investments, including assets limited as to use, net	18,114	(78,319)
Proceeds from sale of assets	176	41
Net cash used in investing activities	(60,888)	(132,302)
Cash flows from financing activities		
Cash paid for financing costs	(278)	(549)
Repayments of long-term debt	(73,665)	(4,287)
Proceeds from long-term debt	100,000	70,000
Cash receipts from pledges	2,914	2,541
Contribution to noncontrolling interests in consolidated subsidiary	(842)	(1,067)
Restricted contributions and investment (income) loss	(374)	744
Net cash provided by financing activities	27,755	67,382
Net increase (decrease) increase in cash and cash equivalents	13,439	(8,288)
Cash and cash equivalents		
Beginning of year	22,021	30,309
End of year	$ 35,460	$ 22,021

The accompanying notes are an integral part of these consolidated financial statements.

1. Description of Organization

Pinnacle Health System ("Parent"), located in Harrisburg, Pennsylvania, consists of the following controlled entities and subsidiaries (collectively the "System").

Pinnacle Health Foundation ("Foundation"), is a tax-exempt, nonprofit corporation, engaged in fund raising activities for the benefit of the controlled entities of the System

Pinnacle Health Hospitals ("Hospital"), is a tax-exempt, nonprofit, multi-facility acute care hospital.

Pinnacle Health Home Care and Hospice ("PHHCH"), is a tax-exempt, nonprofit entity engaged in providing home nursing and hospice services.

Pinnacle Health Medical Services ("PHMS"), is a tax-exempt, nonprofit entity engaged in the operation of both primary care and specialty physician practices and providing mental health services

Pinnacle Health Emergency Department Services, LLC ("PHEDS"), is a tax-exempt, nonprofit corporation engaged in providing professional services in the Pinnacle Health Emergency Department

Pinnacle Health Cardiovascular Institute ("PHCVI") is a wholly-owned, for profit corporation engaged in providing comprehensive cardiac care

United Health Risk, Ltd. ("UHR") is a wholly-owned, for profit, offshore captive insurance company.

United Central Pennsylvania Reciprocal Risk Retention Group ("RRG") is a wholly-owned, for profit, Vermont captive insurance company.

West Shore Surgery Center, LLP ("WSSC") is a limited liability partnership owned 2% by PHMS, the general partner, 49% by the Hospital and 49% by physicians

Community Life Team ("CLT"), is a tax-exempt, nonprofit entity that provides both emergency and non-emergency ambulance services to citizens in the Harrisburg, PA area and surrounding counties.

Pinnacle Health Cumberland Condominium Association is an association wholly owned by Pinnacle Health Hospital established to oversee the operation of the Condominium located on the campus of the Frederickson Outpatient Facility.

Pinnacle Health System Obligated Group ("Obligated Group"), consists of the Parent, Hospital, and PHMS

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Parent and its controlled entities and subsidiaries. The accounts of the controlled entities have been included in the consolidated financial statements to reflect the results of operations of entities under common control. All significant intercompany transactions have been eliminated

Basis of Financial Reporting

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. These significant estimates include the accounts receivable allowance for doubtful accounts, contractual allowances, due to third party payors, accrued pension liabilities, accrued retirement costs and accrued insurance costs. Actual results could differ from those estimates as they are prepared based on certain assumptions which are subject to change

Reclassification of Prior Year Balances

Certain 2010 balances have been reclassified to conform to the 2011 presentation.

Net Patient Service Revenues

The hospital has agreements with third party payors that provide for payments to the hospital at amounts different from its established rates Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments 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 for tentative and final settlements

Allowance for Doubtful Accounts

Patient receivables are recorded at their estimated net realizable value The allowance for doubtful accounts is estimated based upon historical collection rates.

Charity Care

The System provides care to patients who meet certain criteria under its charity care 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 as net patient service revenues

Revenues and Gains Over Expenses and Losses

The consolidated statements of operations include revenues and gains over expenses and losses Changes in unrestricted net assets which are excluded from revenues and gains over expenses and losses, consistent with industry practice, include changes in the post-retirement liability, noncontrolling interests and net assets released from donor restrictions to be used for purchases of property, plant and equipment

Cash and Cash Equivalents

Cash and cash equivalents include cash management funds with original maturities of three months or less, excluding amounts whose use is limited by Board-designation or other arrangements under trust agreements. The System maintains cash and cash equivalents in local banks

Investments
The System follows standards issued by the Financial Accounting Standards Board ("FASB") related to fair value accounting. The standards define fair value, establish a framework for measuring fair value and expand disclosures about fair value measurements The standards also provide an option to report selected financial assets and liabilities at fair value and establish presentation and disclosure requirements The fair value option permits the System to elect to measure eligible items at fair value on an instrument-by-instrument basis and then report the unrealized gains and losses for those items in the System's revenues and gains over expenses and losses The System has chosen to record all of its investments under the fair value option permitted under these standards

Under these fair value standards, the System is required to categorize and disclose certain assets and liabilities, including investments, at fair value, according to three levels of inputs that may be used to measure fair value.

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The following is a description of the System's valuation methodologies for investments carried at fair value. These methods may produce a fair value calculation that may not be reflective of future fair values Furthermore, while the System believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of investments could result in a different estimate of fair value at the reporting date

Where quoted prices are available in an active market, investments are classified in Level 1 of the valuation hierarchy. Investments in Level 1 are exchange-trade equity securities and debt securities. If quoted prices are not available, other accepted valuation methodologies, such as quotes for similar securities are used. These valuations services estimate fair values using pricing models and other accepted valuation methodologies, such as quotes for similar securities and observable yield curves and spreads As part of the System's overall valuation process, management evaluates these third-party methodologies to ensure that they are representative of exit prices in the System's principal markets Investments in Level 2 include corporate obligations, other fixed income investments, other domestic equity investments, foreign equity investments and funds held in trust by others There are no Level 3 investments as of June 30, 2011 and 2010. See Note 5 for additional details related to the System's investments

Investment partnerships include limited partnerships and limited liability corporations that do not price shares on a daily basis or require notice to redeem shares The partnerships invest in securities traded in foreign and domestic markets and are carried in the balance sheet at a net asset value as determined by the general partner which approximates fair value There are no unfunded commitments for these investments

Derivative Instruments
The System accounts for derivative financial instruments in accordance with standards issued by the FASB These standards require that all derivative instruments be recorded on the balance sheet at fair value as either assets or liabilities Since the derivatives entered into by the System do not qualify for hedge accounting, changes in fair value of the derivative are recognized in non-operating gains The use of derivative instruments by the System is generally limited to interest rate swaps.

Inventories
Inventories are stated at lower of cost (first-in, first-out method) or market

Assets Limited as to Use
Assets limited as to use include Board-designated funds, Board-designated funds for capital acquisition and the portion of self-insurance funds and funds held by trustee that have not been reflected as current assets to meet the current portion of self-insured liabilities and long-term debt Insurance collateral funds represent monies that are designated as collateral for a letter of credit that is designated to fund current and future liabilities for payment of professional liability and workers' compensation claims. Board-designated funds and Board-designated funds for capital acquisition represent funds designated by the Board of Directors for capital acquisition and replacement and to support Hospital initiatives

Property, Plant and Equipment
Property, plant and equipment is stated at cost, net of accumulated depreciation and amortization Depreciation is computed on the straight-line method over the estimated useful lives of the assets Gains and losses resulting from the sale or disposal of property, plant and equipment are included in nonoperating gains (losses) Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment Such amortization is included in depreciation and amortization in the financial statements

Investments in and Advances to Joint Ventures and Affiliates
The System, through its controlled entities and subsidiaries, maintains an ownership interest in several joint ventures which provide various clinical and nonclinical services These investments, with the exception of Horizon Healthcare Service, are accounted for by the equity method since the ownership interest is between 20% and 50% and control is not exercised The System maintains a 10% ownership interest in Horizon Healthcare Service and accounts for it on the cost method Under the terms of the agreements, the System may be required from time to time to make additional cash contributions and provide working capital advances to the joint ventures.

Pledges Receivable
The System records its pledges receivable at the estimated net realizable value, discounted at a rate of 4% at June 30, 2011 and 2010. Pledges receivable in the amounts of $3,073, $398, $1,101, and $61 are due in fiscal years 2012, 2013, 2014, and 2015, respectively

Deferred Financing Costs
Deferred financing costs are amortized over the life of the bonds using the effective interest method

During 2011 and 2010, the System capitalized costs of $278 and $549, respectively, incurred as a result of the issuance of the Series 2011A Health System Revenue Bond and Series 2009B System Revenue Note. During 2011, deferred financing costs of $497 were written off due to extinguishment of the Series 2009B Revenue Note

Amortization expense was $133 and $130 for the years ended June 30, 2011 and 2010, respectively.

Accrued Insurance Costs
Accrued insurance costs consist of estimated liabilities for reported and incurred but not reported claims related to professional liability, workers' compensation and employee health care The System discounts its liabilities for professional liability and workers' compensation claims As of June 30, 2011 and 2010, the discount rate was 3 5% and 4.0%, respectively.

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, excluding interest and dividend income earned on such assets which is unrestricted, have been restricted by donors to be maintained by the System or outside beneficial trusts in perpetuity.

Donor Restricted Gifts
Unconditional promises to give cash and other assets to the System are reported at estimated fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at estimated 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 or restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Income Taxes
The System is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code except for PHCVI and RRG On such basis, the exempt entities will not incur any liability for federal income taxes, except for possible unrelated business income

The System evaluates uncertain tax positions using a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in an unrelated business activity tax return and disclosures regarding uncertainties in tax positions No adjustments to the consolidated financial statements were required as a result of this evaluation

Fair Value of Financial Instruments
Financial instruments include cash and cash equivalents, accounts receivable, investments, interest rate swap agreement, and long-term debt. The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, investments, interest rate swap agreement and long-term debt approximates its fair value as of June 30, 2011 and 2010

Supplemental Disclosure of Cash Flow Information
Interest paid for the years ended June 30, 2011 and 2010 was $14,676 and $13,447, respectively

There were no income taxes paid in fiscal 2011 and 2010.

During 2011 and 2010, capital lease obligations of $9,639 and $4,365 were incurred when the System entered into lease agreements to provide surgical and imaging equipment These obligations are considered to be a noncash financing activity.

During 2011 and 2010, property, plant and equipment of $3,591 and $2,040 were included in accounts payable and accrued expenses

Accounting for Defined Benefit and Other Postretirement Benefits
The System follows FASB standards over employer's accounting for defined benefit pension and other postretirement plans. Included in these standards is a requirement for an entity to recognize in its balance sheet, the overfunded or underfunded status of its defined benefit postretirement plans measured as the difference between the fair value of the plan assets and the benefit obligation. For a pension plan, this would be the projected benefit obligation; for any other postretirement plan, the benefit obligation would be the accumulated postretirement benefit obligation These standards also require measurement dates for the pension plan obligation to be measured as of the date of the entity's balance sheet.

Recently Issued Accounting Pronouncements
In December 2007, the FASB issued a standard for consolidations The standard established new accounting and reporting standard for the noncontrolling interest (minority interest) in a subsidiary Specifically, the guidance requires the recognition of noncontrolling interest within net assets on the consolidated statement of financial position and changes in net assets in the consolidated statement of operations The guidance also includes expanded disclosure requirements regarding the interests of the parent in its noncontrolling interest For not-for-profit entities, the standard is effective for fiscal years beginning after December 15, 2009 The System adopted this standard on July 1, 2010 and prospectively presented amounts as of and for the year ending June 30, 2011

3. Net Patient Service Revenues

The System has arrangements with third-party payors that provide for payments to the System at amounts different from its established rates A summary of the payment arrangements with major third-party payors follows:

- **Medicare:** Inpatient acute care and rehabilitation services rendered to Medicare 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 Medical education and transplant costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology Outpatient services are reimbursed based on the ambulatory payment classification. The System is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare fiscal intermediary.

- **Medicaid:** Inpatient services are rendered to Medicaid program beneficiaries based on a patient classification system similar to Medicare Outpatient services are reimbursed on a predetermined fee schedule

- **Capital Blue Cross and Highmark Blue Shield:** Inpatient acute care services and certain outpatient procedures rendered to Blue Cross and Blue Shield program beneficiaries are paid at prospectively determined rates per discharge or per procedure. Other outpatient services are reimbursed at a discount from established rates

- **Other Payors:** The System has 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 rates per discharge, discounts from established charges, and prospectively determined daily rates

Revenue received under agreements with third-party payors is subject to audit and retroactive adjustment Adjustments related to settlements with third-party payors are included in the determination of revenues and gains over expenses and losses in the year in which such adjustments become known Such adjustments resulted in an increase in revenue of approximately $4,535 and $3,741 in 2011 and 2010, respectively, due to changes in estimates

4. Charity Care and Community Service

The System provides services to patients who meet the criteria of its charity care policy without charge or at amounts less than the established rates Criteria for charity care consider family income levels, household size and ability to pay Federal poverty guidelines are used as a means to determine the patient's ability to pay Individuals who qualify for charity care are either uninsured or are extremely indigent and cannot afford their deductibles or coinsurance amounts

The System maintains records to identify and monitor the level of charity care and community service it provides These records include the amount of charges foregone based on established rates for services and the estimated cost of those services furnished under its charity care policy The System provides community service programs to the community at large A report is issued annually to inventory community benefits in furtherance of its exempt purpose.

Charges foregone associated with charity care service to individuals were approximately $16,360 and $13,183 for 2011 and 2010, respectively. The charity care amounts have been excluded from net patient service revenues The cost incurred to provide such care was approximately $6,511 and $4,995 for 2011 and 2010, respectively

5. Investments

Investments at June 30, 2011 and 2010, consist of.

	2011	2010
Investments		
Cash management funds	$ 16,039	$ 13,559
U S Government obligations	5,754	35,366
U S Treasuries	21,226	7,942
Corporate obligations	93,133	83,292
Fixed income investments	5,438	4,384
Domestic common stock	16,121	11,381
Other domestic equity investments and pooled trusts	18,306	11,566
Foreign equity investments	6,010	4,254
Accrued income	961	1,157
	$ 182,988	$ 172,901
Investments designated for capital projects		
Cash management funds	$ 14,247	$ 4,854
U S Government obligations	-	5,773
Corporate obligations	-	5,499
Accrued income	-	154
	$ 14,247	$ 16,280
Assets whose use is limited		
Insurance Collateral Funds		
Cash management funds	$ 100	$ 86
U S Government obligations	1,164	2,092
U S. Treasuries	1,400	-
Corporate obligations	1,723	-
Fixed income investments	-	2,192
Accrued income	24	-
	4,411	4,370
Less Current portion	1,253	1,318
	$ 3,158	$ 3,052
Board-designated funds		
Cash management funds	$ 407	$ 131
Fixed income investments	13,967	2,052
Domestic common stock	15,577	11,946
Other domestic equity investments and pooled trusts	11,518	19,468
Foreign equity investments	5,308	4,118
Accrued income	22	18
	$ 46,799	$ 37,733

	2011	2010
Board designated for capital acquisition		
Cash management funds	$ 1,388	$ 524
U S. Government obligations	3,106	13,077
U S Treasuries	9,468	6,885
Corporate obligations	50,290	54,438
Fixed income investments	5,517	6,540
Domestic common stock	20,980	19,813
Other domestic equity investments and pooled trusts	14,828	14,749
Foreign equity investments	7,079	5,479
Accrued income	542	631
	$ 113,198	$ 122,136
Funds held by trustee		
Cash management funds	$ 14,586	$ 14,585
	$ 14,586	$ 14,585
Investments temporarily restricted as to use		
Cash management funds	$ 121	$ 2,434
U S Government obligations	399	322
U S Treasuries	222	-
Corporate obligations	5,706	1,642
Fixed income investments	3,300	325
Domestic common stock	2,432	1,400
Other domestic equity investments and pooled trusts	2,414	3,202
Foreign equity investments	952	523
Accrued income	42	15
	$ 15,588	$ 9,863
Investments permanently restricted as to use		
Cash management funds	$ 56	$ 44
Fixed income investments	3,149	500
Domestic common stock	3,860	2,967
Other domestic equity investments and pooled trusts	2,414	4,494
Foreign equity investments	1,377	1,127
Funds held in trust by others	8,161	7,041
Accrued income	7	6
	$ 19,024	$ 16,179

Investment partnerships, which are nonreadily marketable investments, included in other fixed income investments, pooled trusts, foreign equity investments and funds held in trusts by others in the above totaled $59,745 and $49,782, respectively, at June 30, 2011 and 2010

Investments designated for capital projects represent unspent proceeds from the 2011A Revenue Bonds and the 2009B Revenue Note for June 30, 2011 and June 31, 2010, respectively, which are required to be expended on capital projects.

Assets whose use is limited include investments pledged as collateral for a letter of credit to satisfy the requirements of the State of Pennsylvania to fund current and future payments of professional liability and worker's compensation claims.

At the time of issuance of the 2009A bonds, the System was required to deposit an amount equal to $14,585 into a Debt Service Reserve Fund These funds are invested in cash management funds and are classified as "Funds held by trustee, net of current portion" on the System's balance sheet.

Investment income, including interest and dividend income, realized gains or losses on sales of securities, unrealized gains and losses from certain wholly owned insurance captives, investment partnerships, and unrestricted income from temporarily restricted funds and investments permanently restricted as to use, is comprised of the following for the years ended June 30, 2011 and 2010·

	2011	2010
Investment income		
Interest and dividend income	$ 11,258	$ 11,782
Realized and unrealized income (losses), net	25,121	16,496
	$ 36,379	$ 28,278

The System's investments are managed by investment managers and bank trust departments Because the System's investments include a variety of financial instruments, the related values as presented in the consolidated financial statements are subject to various market fluctuations which include changes in the equity markets, interest rate environment and general economic conditions

The following table represents the fair value measurement levels for all assets and liabilities, which the System has recorded at fair value:

		Fair Value Measurement Using		
	June 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash management funds	$ 46,941	$ 46,941	$ -	$ -
U S Government obligations	10,423	10,423	-	-
U S Treasuries	32,316	32,316	-	-
Corporate obligations	150,852	-	150,852	-
Fixed income investments	31,371	14,238	17,133	-
Domestic common stock	58,970	58,970	-	-
Other domestic equity investments and pooled trusts	49,480	27,594	21,886	-
Foreign equity investments	20,726	-	20,726	-
Funds held in trust by others	8,161	-	8,161	-
Accrued income	1,601	1,601	-	-
	$ 410,841	$ 192,083	$ 218,758	$ -
Liabilities				
Interest rate swap	$ 4,621	$ -	$ 4,621	$ -

	June 30, 2010	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash management funds	$ 36,218	$ 36,218	$ -	$ -
U S Government obligations	56,630	56,630	-	-
U S Treasuries	14,827	14,827	-	-
Corporate obligations	144,871	5,499	139,372	-
Fixed income investments	31,294	15,374	15,920	-
Domestic common stock	47,506	47,506	-	-
Other domestic equity investments and pooled trusts	38,179	19,818	18,361	-
Foreign equity investments	15,501	-	15,501	-
Funds held in trust by others	7,041	-	7,041	-
Accrued income	1,981	1,981	-	-
	$ 394,048	$ 197,853	$ 196,195	$ -
Liabilities				
Interest rate swap	$ 5,603	$ -	$ 5,603	$ -

As of June 30, 2011 and 2010, fixed income securities of $17,133 and $15,920, respectively and other domestic equity investments and pooled trusts of $21,886 and $18,361, respectively are considered level 2 due to being included in investment partnerships where the partners determine the fair value of the investment.

The System adopted the updated GAAP valuation standard related to investment funds that do not have a readily determinable fair value effective July 1, 2010 The guidance allows the fair value measurements for these funds to be based on reported NAV if certain criteria are met, and establishes additional disclosures related to these investment funds. Accordingly, the fair values of the following investment funds have been estimated using reported NAV:

	2011		
Category of Investment	**Fair Value**	**Redemption Frequency (if currently eligible)**	**Redemption Notice Period**
Equity - Global	$ 20,726	Monthly	15 days
Equity - Domestic	21,886	Daily	3 to 5 days
Fixed income	17,133	Daily	3 to 5 days
Total	$ 59,745		

6. Net Assets

A summary of changes in consolidated unrestricted net assets attributable to Pinnacle Health System and transfers (to) from the noncontrolling interest in West Shore Surgery Center for the years ended June 30, 2011 and 2010 is as follows:

	Total	Pinnacle Health System	Noncontrolling Interest in West Shore Surgery Center
Balance June 30, 2009	$ 306,678	$ 306,678	$ -
Revenues and gains over expenses and losses	18,458	18,458	-
Change in post-retirement liability	724	724	-
Net assets released from restrictions for purchase of property, plant, and equipment	851	851	-
Change in net assets	20,033	20,033	-
Balance June 30, 2010	326,711	326,711	-
Revenues and gains over expenses and losses	42,102	41,260	842
Change in post-retirement liability	32,890	32,890	-
Net assets released from restrictions for purchase of property, plant, and equipment	3,044	3,044	-
Adoption of noncontrolling interests standard	1,358	-	1,358
Distributions to noncontrolling interests	(916)	-	(916)
Change in net assets	78,478	77,194	1,284
Balance June 30, 2011	$ 405,189	$ 403,905	$ 1,284

Temporarily restricted net assets are available for the following purposes at June 30, 2011 and 2010:

	2011	2010
Health care services		
Purchase of equipment	$ 11,523	$ 8,695
Health education	6,029	5,100
Research and development	699	461
Indigent care	1,201	815
	$ 19,452	$ 15,071

In August 2008, FASB issued ASC 958-205, which requires enhanced disclosure requirements about an organization's endowment funds Although the state of Pennsylvania did not enact the Uniform Prudent Management of Institutional Funds "UPMIFA" Act, the System has disclosed its changes in net asset composition in accordance with ASC 958-205

Depreciation expense was $40,684 and $36,557 for the years ended June 30, 2011 and 2010, respectively Accumulated amortization for equipment under capital lease obligations was $6,359 and $3,446 at June 30, 2011 and 2010, respectively. Construction purchase commitments at June 30, 2011 and 2010 have been disclosed in note 10

8. Long-Term Debt

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

	2011	2010
Dauphin County General Authority, Health System Revenue Bonds, Series 2009A, due at various dates through 2036 with a fixed interest rate that varies at intervals specified in the bond document between 3 00% to 6 00% and an average rate of 5 75% to 5 33% at June 30, 2011and 2010, respectively	$ 179,575	$ 183,250
Dauphin County General Authority, Revenue Note, Series 2009B, due August 31, 2012 with interest at a variable rate plus 170 basis points (2 01% at June 30, 2010) Notes were refunded as part of 2011A issue	-	70,000
Dauphin County General Authority, Health System Revenue Bond, Series 2011A, due at various dates through 2041 with interest at 70% of a variable monthly interest rate plus 80 basis points At June 30, 2011 the rate was 0 93%	100,000	-
Various capital leases and loans at various interest rates	24,659	17,501
	304,234	270,751
Less Current portion	9,750	6,184
	$ 294,484	$ 264,567

Line of Credit

At June 30, 2011 and 2010, the System had an unused line of credit of $2,730 and $2,730, which bears interest at variable rates of interest 1 69% and 1 85% at June 30, 2011 and 2010, respectively

Letters of Credit

The System was contingently liable for outstanding letters of credit in the amounts of approximately $4,876 and $576 for the years ended June 30, 2011 and 2010, respectively, to satisfy the requirements of professional liability insurance policies, future worker's compensation claims and current construction site work

Revenue Note

On August 31, 2009, the System secured a $70,000 tax-exempt three-year loan through Citibank, N A to be used to finance certain tax-exempt projects and to fund the expenses and costs of issuance associated with the Loan The interest rate is reset weekly and equals the SIFMA Index plus a margin of 170 basis points with a maximum loan interest rate of the lesser of 15% or the maximum rate permitted by law. Legal fees plus a structuring fee of 0 25% were paid to Citibank, N A on the closing date This loan was meant to be a temporary bridge until market conditions stabilize, and includes pre-payment provisions with no penalty after the first 90 days and includes an option to renew

During fiscal year 2011, the Series 2009B Revenue Note was extinguished and the Series 2011A Bond was issued The financing costs related to the 2009B Note were expensed. The Series 2011A Bond refunded $70,000 outstanding for the 2009B Note as well as provided an additional $30,000 in order to fund certain capital projects at the Hospital

Revenue Bonds
The Series 2009A Bonds and the Series 2011A Revenue Bond, were issued under Master Trust Indentures which contains certain covenants of the Obligated Group, including, but not limited to, covenants regarding the payment of debt service on all the Master Notes and Master Guarantees issued there under, rates and charges, liquidity, indebtedness, transfers of assets, the incurrence of additional indebtedness and the granting of security interests in property and a pledge of gross receipts to collateralize such indebtedness.

A summary of scheduled principal repayments on long-term debt is as follows·

Fiscal Year	Debt	Capital Leases and Loans	Total
2012	$ 5,030	$ 4,720	$ 9,750
2013	5,350	4,914	10,264
2014	5,590	4,470	10,060
2015	5,860	3,429	9,289
2016	6,170	1,470	7,640
Thereafter	251,575	5,656	257,231
	$ 279,575	$ 24,659	$ 304,234

9. Interest Rate Swaps

The System has used derivative instruments, such as interest rate swaps, to manage certain interest rate exposures Derivative instruments are viewed as risk management tools by the System and are not used for trading and speculative purposes.

When quoted market prices are not available, the valuation of derivative instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including interest rate curves and implied volatilities The estimates of fair value are made by an independent third-party valuation service using a standardized methodology based on observable market inputs. As part of the System's overall valuation process, management evaluates this third-party methodology to ensure that it is representative of exit prices in the principal markets. These future net cash flows, however, are susceptible to change primarily due to fluctuations in interest rates. As a result, the estimated values of these derivatives will change over time as cash is received and paid and also as market conditions change As these changes take place, they may have a positive or negative impact on estimated valuations Based on the nature and limited purposes of the derivatives that the System employs, fluctuation in interest rates have had only a modest effect on its results of operations As such, fluctuations are generally expected to be countered by offsetting changes in income, expense, and/or values of assets and liabilities

As of July 14, 2005, in conjunction with the Series 2005 Bond, the Hospital entered into an interest rate swap agreement with an initial notional amount of $55,000. Under the agreement the Hospital paid the counterparty, Citigroup, a fixed rate of 3 36% and in exchange Citigroup pays the Hospital 61 80% of LIBOR plus 0.32%. Due to the redemption of the Series 2005 Bonds, the interest rate swap agreement was amended and restated on June 24, 2009 in conjunction with the Series 2009A Bond As of June 30, 2011, the Hospital recorded a liability of $4,621 and a related loss of $529, which was recorded in loss on interest rate swaps in the consolidated statement of operations. As of June 30, 2010, the Hospital recorded a liability of $5,603 and a related loss of $3,647, which was recorded in loss on interest rate swaps in the consolidated statement of operations

The System has classified its interest rate swap in Level 2 of the fair value hierarchy, as the significant inputs to the overall valuations are based on market-observable data or information derived from or corroborated by market-observable data For over-the-counter derivatives that trade in liquid markets, such as interest rate swaps, model inputs (i e contractual terms, market prices, yield curves, credit curves, and measures of volatility) can generally be verified, and model selection does not involve significant management judgment

A summary of the related liabilities and income statement impact of the swaps at June 30, 2011 and 2010 is as follows:

	Balance Sheets		Statements of Operations	
Interest rate swap	**2011**	**2010**	**2011**	**2010**
Series 2005/2009A swap	$ 4,621	$ 5,603	$ (529)	$ (3,647)
	$ 4,621	$ 5,603	$ (529)	$ (3,647)

10. Funds Held by Trustee and Other

Certain funds are required to be established and controlled by the trustee during the periods certain bonds are outstanding

The Debt Service Fund is used to make semiannual interest payments and annual principal payments on the Series 2009B Bonds. The current portion of funds held by trustee at June 30, 2011 and 2010 consists of short-term investments totaling $0 and $107, respectively.

The proceeds of the $70,000 2009B Revenue Note received August 31, 2009 was to be used to fund approved capital projects including the Harrisburg Hospital Emergency Department, the Cancer Center and Power Plant at Community General Hospital, plus pay issuance costs As of June 30, 2011, $70,000 of the proceeds were expended on included projects

The additional proceeds of $30,000 from the 2011A Revenue Bonds received June 28, 2011 were to be used to fund approved capital projects at both the Harrisburg Hospital and Community General Hospital, plus pay issuance costs As of June 30, 2011, $15,753 of the proceeds were expended on included projects leaving $14,247 unspent This amount is included in investments designated for capital projects until such time as approved invoices are paid to satisfy the requirements of the Bond agreement

Nonoperating gains include $27 and $119 interest earned on the funds held by trustee and other for the years ended June 30, 2011 and 2010, respectively.

11. Retirement Plans

The System sponsors defined contribution plans covering substantially all of its employees and employees of certain wholly- and partially-owned subsidiaries The plans allow participating employees to contribute a percentage of their annual salary subject to current Internal Revenue Service ("IRS") limitations Employee contributions are matched by the System at various percentages The System's contributions to the savings plans are $12,257 and $13,033 in 2011 and 2010, respectively.

The System sponsors a noncontributory defined benefit pension plan (the "Plan") covering substantially all of its employees and employees of certain wholly owned subsidiaries employed prior to January 1, 2007. Effective December 31, 2006, the System amended the Plan by freezing benefits for all participants Additional retirement benefits are provided through increased contributions to the defined contribution plans The Parent also sponsors a supplemental noncontributory defined benefit pension plan covering certain executives of the controlled entities of the System The supplemental plan is unfunded and the Hospital has recorded a liability of $3,710 and $5,985 at June 30, 2011 and 2010, respectively

The System sponsors a nonqualified deferred compensation plan covering certain employees of PHCVI The plan allows participating employees to defer a percentage of their compensation during the plan year as well as allowing company contributions subject to plan limitations The System's contributions to the plan are $67 for 2011

Pension costs are funded to the limits specified by the Employee Retirement Income Security Act of 1974, as amended From time to time, the System may contribute additional amounts to the Plan as it deems appropriate, subject to funding limitations During fiscal year 2012, the System expects to contribute approximately $10,000 to the Plan

Other benefits provided by the System are a defined benefit postretirement health plan covering employees of the former Capital Area Health Foundation who retired by December 31, 1996, and a defined benefit postretirement life plan for retired employees of the System.

The following is the status of the various employee benefit plans as of the measurement dates of June 30, 2011 and 2010

	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Change in benefit obligations				
Benefit obligation at beginning of year	$ 267,794	$ 237,924	$ 4,772	$ 4,265
Service cost	-	312	68	44
Interest cost	14,278	14,575	254	258
Participant contributions	-	-	21	21
Curtailment gain	-	245	-	-
Benefit payments from assets	(2,890)	(199)	(101)	(153)
Benefit payments from plan	(9,177)	(8,429)		-
Actuarial (gain) loss	2,811	23,366	(146)	325
Medicare part D subsidy receipts	-	-	-	12
Benefit obligation at end of year	272,816	267,794	4,869	4,772
Change in plan assets				
Fair value of plan assets at beginning of year	179,602	151,955	-	-
Actual return on plan assets	38,895	25,077		-
Participant contributions		-	21	21
Employer contributions	11,300	11,000	80	121
Benefit payments	(9,177)	(8,430)	(101)	(142)
Fair value of plan assets at end of year	220,620	179,602	-	-
Funded status	$ (52,196)	$ (88,192)	$ (4,869)	$ (4,772)
Amounts recognized in the balance sheet consist of				
Current accrued retirement costs	-	-	(503)	(3,170)
Long-term accrued retirement costs	(52,196)	(88,192)	(4,365)	(1,602)
	$ (52,196)	$ (88,192)	$ (4,869)	$ (4,772)
Amounts recognized in net assets consist of				
Unrecognized net actuarial loss (gain)	76,763	109,578	(20)	126
Net prior service benefit	(90)	(121)	-	-
	$ 76,673	$ 109,457	$ (20)	$ 126

The accumulated benefit obligation for pension benefits at June 30, 2011 and 2010 is $272,816 and $267,794, respectively

The assumptions used in the measurement of the System's net periodic benefit obligations are shown in the following table:

	Pension Benefits		Postretirement Benefits	
(benefit obligations)	2011	2010	2011	2010
Weighted-average assumptions at the years ending June 30				
Discount rate	5 60 %	5 50 %	5 60 %	5 50 %
Rate of compensation increase	N/A	N/A	2 50 %	3 50 %

The following table provides the components of net periodic benefit cost for the years ended June 30, 2011 and 2010:

	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Service cost	$ -	$ 312	$ 68	$ 44
Interest cost	14,278	14,575	254	258
Expected return on plan assets	(14,204)	(11,950)	-	-
Amortization of prior service cost	(30)	(86)	-	-
Amortization of net actuarial loss	10,799	11,071	-	-
Net periodic benefit cost	$ 10,843	$ 13,922	$ 323	$ 302

The assumptions used in the measurement of the System's benefit cost are shown in the following table

(net periodic benefit cost)	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Weighted-average assumptions at the years ending June 30				
Discount rate	5 50 %	6 25 %	5 50 %	6 25 %
Expected return on plan assets	8 00 %	8 00 %	N/A	N/A
Rate of compensation increase	N/A	N/A	3 50 %	4 00 %

A 10 00% annual rate of increase in the per capita costs of covered health care benefits was assumed for 2011 gradually decreasing to 5 00% by the year 2016.

Sensitivity Analysis, Postretirement Benefits
Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan At June 30, 2011, a one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One-Percentage-Point	
	Increase	Decrease
Effect on total of service and interest cost components	$ 11	$ (10)
Effect on postretirement benefit obligation	239	(213)

Expected benefit payments for the years ended June 30 are as follows.

	Pension Benefits	Other Benefits	Medicare Part D Subsidy Receivable
2012	$ 11,862	$ 297	$ 19
2013	12,686	306	17
2014	13,659	302	16
2015	14,432	306	14
2016	15,197	307	12
2017 - 2021	88,147	1,536	38

The pension plan's asset allocation at June 30, 2011 and 2010, by asset category, is as follows:

	2011	2010
Pension plan assets		
Equity securities	53 9 %	57.3 %
Fixed income securities	35.6 %	36 5 %
Tactical allocation	9 8 %	5 1 %
Cash and cash equivalents	0 7 %	1.1 %
	100 0 %	100 0 %

The primary investment objective for the plan assets is to achieve maximum rates of return commensurate with safety of principal Target asset allocation, credit quality and diversification guidelines and restrictions are approved by the Investment Committee of the Board of Directors of the Parent. The plan asset allocation is reviewed quarterly to determine whether the portfolio mix is within an acceptable range of the target allocation. Target asset allocations are based on asset and liability studies.

The target asset allocation for the portfolio is 64.0% equity and 28.5% fixed income securities, 2 5% tactical allocation and 5 0% cash equivalents

The following table represents the fair value measurement levels for all pension assets, which the System has recorded at fair value.

	June 30, 2011	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash management funds	$ 2,713	$ 2,713	$ -	$ -
Fixed income investments	100,227	21,685	78,542	-
Domestic common stock	49,748	49,748	-	-
Other domestic equity investments and pooled trusts	37,142	18,761	18,381	-
Foreign equity investments	30,717	-	30,717	-
Accrued income	73	73	-	-
	$ 220,620	$ 92,980	$ 127,640	$ -

		Fair Value Measurement Using		
	June 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash management funds	$ 2,616	$ 2,616	$ -	$ -
Fixed income investments	74,793	9,240	65,553	-
Domestic common stock	50,677	50,677	-	-
Other domestic equity investments and pooled trusts	35,682	18,881	16,801	-
Foreign equity investments	15,757	-	15,757	-
Accrued income	77	77	-	-
	$ 179,602	$ 81,491	$ 98,111	$ -

As of June 30, 2011 and 2010, fixed income securities of $78,542 and $65,553, respectively and other domestic equity investments and pooled trusts of $18,381 and $16,801, respectively are considered level 2 due to being included in investment partnerships where the partners determine the fair value of the investment

The System adopted the updated GAAP valuation standard related to investment funds that do not have a readily determinable fair value effective July 1, 2010. The guidance allows the fair value measurements for these funds to be based on reported NAV if certain criteria are met, and establishes additional disclosures related to these investment funds. Accordingly, the fair values of the following investment funds have been estimated using reported NAV:

	2011		
Category of Investment	**Fair Value**	**Redemption Frequency (if currently eligible)**	**Redemption Notice Period**
Equity - Global	$ 30,717	Monthly	15 days
Equity - Domestic	18,381	Daily	3 to 5 days
Fixed income	78,542	Daily	3 to 5 days
Total	$ 127,640		

12. Insurance Coverage

The System maintains self-insurance trust funds for professional liability claims that are not insured by captive insurance arrangements. The System's contributions to its self-insurance trust funds and the related self-insured liabilities are based on actuarial assumptions and methodologies, which are reviewed continuously with any adjustments reflected in current operations Management believes that the accrual for self-insured liabilities is adequate as of June 30, 2011; however, it is reasonably possible the estimated reserve for self-insurance claims could change in the near term due to the inherent variability in determining such estimates.

Effective December 31, 2002, primary professional and general liability insurance is provided through the System's wholly owned for profit captive insurance company, RRG Professional liability is provided on a claims-made basis meeting statutory limit requirements of $500 per claim subject to a $2,500 annual aggregate for the Hospital, and a $1,500 annual aggregate for physician and skilled nursing claims Additional coverage of $500 per claim and $1,500 in the aggregate is provided by the Mcare Fund (formerly the Medical Professional Liability Catastrophic Fund – "CAT Fund") established under the Medical Care Availability and Reduction of Error Act ("Mcare Act") Coverage for general liability is on an occurrence basis providing $1,000 per claim subject to a $2,000 aggregate.

Prior to December 31, 2002, malpractice coverage was provided by commercial carriers on a claims-made basis with statutory/primary limits of $500 per claim and $2,500 for hospital claims and $1,500 for physician and skilled nursing claims in the aggregate with additional coverage of $700 per claim and $2,100 in the aggregate by the Mcare Fund. Coverage for general liability was on an occurrence basis providing $1,000 per claim subject to a $1,000 aggregate

Effective January 1, 2010, the System purchases $20,000 in excess liability limits with separate limits established for professional liability exposure and general liability and other underlying coverage A $4,000 self-insured retention layer for professional and general liability exposure is underwritten by the System's wholly owned captive, UHR For period January 1, 2007 – December 31, 2009, excess limits were $10,000 with separate limits for Professional and General Liability At January 1, 2006, coverage included a $2,000 self-insured retention with an $8,000 annual aggregate limit for professional and general liability exposure. Effective January 1, 2004 through December 31, 2005, a shared $8,000 excess layer over a $1,000 self-insured retention layer. Claims in the $8,000 excess layer are shared 50% by a commercial insurance carrier and 50% self-insured. Self insured exposure is re-insured through the Parent's wholly owned captive, UHR Effective January 1, 2003 through December 31, 2003, the System maintained excess liability coverage of $4,000 per claim and in the aggregate provided through UHR, with an additional $5,000 per claim and in the aggregate provided by a commercial insurance carrier. Prior to January 1, 2003, the System maintained excess liability coverage with a commercial carrier in the amount of $25,000 over the above limits

At June 30, 2011 and 2010, the System also maintained Directors and Officers liability coverage with limits of $15,000, and Excess Workers' Compensation coverage over a self-insured retention of $750

The actuarially computed liability to all health care providers (hospitals, physicians, and others) participating in the Mcare Fund at June 30, 2011 is expected to be substantially in excess of the amount the Mcare Fund has available to pay these claims The Commonwealth of Pennsylvania has indicated that the unfunded liability will be funded exclusively through surcharge assessments in future years as claims are settled and paid. No provision has been made for any future Mcare Fund assessments in the accompanying June 30, 2011 and 2010 consolidated financial statements as the System's portion of the Mcare Fund unfunded liability could not be reasonably estimated

13. Significant Concentrations of Credit Risk

The System's operations are located in Harrisburg, Pennsylvania. Its primary service area includes Harrisburg, Pennsylvania and the surrounding Greater Harrisburg Metropolitan Area. Financial instruments which subject the System to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and patient receivables.

The System typically maintains cash and cash equivalents and temporary investments in local banks As of July 21, 2010, cash and cash equivalents and temporary investments are insured by the FDIC up to a limit of $250

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements The mix of receivables from patients and third-party payors at June 30, 2011 and 2010 was as follows:

	2011	2010
Medicare	28 %	28 %
Medicaid	17	17
Capital Blue Cross/Highmark Blue Shield	23	22
HMO	5	5
Other third-party payors	11	13
Patients	16	15
	100 %	100 %

14. Commitments and Contingencies

Strategic Business Arrangement

Effective April 24, 2008, the System signed a Strategic Business Alliance Agreement with Toshiba America Medical Systems, Inc This agreement provides for the purchase or lease of medical equipment from Toshiba over a three year period The System will receive marketing, training and support services from Toshiba as part of this agreement. This agreement is effective for a term of five years and each purchase or lease is subject to board approval

Operating Leases

The System has entered into various lease arrangements for equipment, office space, and storage Lease expense was $6,523 and $5,997 for the years ended June 30, 2011 and 2010, respectively As of June 30, 2011, the System's lease commitments for the years ended June 30, 2012, 2013, 2014, 2015 and 2016 are $4,851, $3,983, $2,865, $2,617 and $2,762 respectively, and $22,842 in the aggregate for the years thereafter

Loan Commitment and Debt Guarantees

As of June 30, 2011 and 2010 there was no outstanding debt guaranteed.

Purchase Commitments

The System has outstanding purchase commitments related to various projects of approximately $13,336 and $10,631 at June 30, 2011 and 2010, respectively.

Equity Contribution Commitments

The System is committed to provide equity contributions to PPI to fund any losses. During 2011 and 2010, the System provided equity contributions of $1,883 and $2,600, respectively.

Regulatory Compliance

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation The System believes that it is in compliance with all applicable laws and regulations through the years ended June 30, 2011 and 2010 Compliance with such laws and regulations can be subject to government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid program

15. Functional Expenses

The System provides general health care services to residents within its geographical area Expenses related to providing these services for the years ended June 30, 2011 and 2010 are approximately as follows

	2011	2010
Health care services	$ 475,000	$ 488,000
General and administrative	200,000	136,000
	$ 675,000	$ 624,000

16. Subsequent Events

The System evaluated subsequent events through September 6, 2011, which is the date the financial statements are considered widely distributed Management reviews for and identifies subsequent events through participation at Board of Director meetings and subcommittee meetings.

On August 1, 2011, PHCVI purchased substantially all of the assets of Associated Cardiologists, PC, a locally owned and operated cardiology practice, for $2,579

Report of Independent Auditors
on Accompanying Consolidating Information

To the Board of Directors of Pinnacle Health System:

The report on our audit of the consolidated financial statements of Pinnacle Health System and its controlled entities and subsidiaries (collectively, the "System") as of June 30, 2011 and for the year then ended appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual controlled entities and subsidiaries. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual controlled entities and subsidiaries. However, the consolidating information has been subjected to the auditing procedures applied in the audit 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.

As discussed in Note 2 to the financial statements, the System adopted Accounting Standards Codification No. 958-805 ("ASC 958-805") guidance on consolidations and accounting and reporting for noncontrolling interest in a subsidiary for the year ended June 30, 2011.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
September 6, 2011

Pinnacle Health System
(and controlled entities and subsidiaries)
Consolidating Statement of Financial Position
June 30, 2011

Schedule I

(in thousands of dollars)	Parent	Hospital	PHMS	Elimin-ations	Obligated Group	RRG & UHR Combined	Foundation	PHEDS	PHHCH	PHCVI	WSSC	CLT	Elimin-ations	Consolidated Balances
Assets														
Current														
Cash and cash equivalents	$ 25,013	$ 546	$ 282	$ -	$ 25,841	$ 6,060	$ 2,441	$ -	$ -	$ 97	$ 957	$ 64	$ -	$ 35,460
Accounts receivable, net	113	62,439	3,142		65,694	2,171	320	1,347	1,465	1,382	744	916	(100)	73,939
Investments	117,830	38,369	-		156,199	26,741	-	-	-	-	-	48	-	182,988
Inventories	-	11,420	224		11,644	-	-	-	88	31	260	-	-	12,023
Prepaid expenses	528	6,465	463		7,456	200	2	67	102	191	127	6	-	8,151
Due from related parties	2,340	4,841	419		7,600	-	-	-	283	-	-	42	(7,925)	-
Current portion of investments designed for capital projects	-	14,247	-		14,247	-	-	-	-	-	-	-	-	14,247
Current portion of self-insurance trust funds	-	1,253	-		1,253	-	-	-	-	-	-	-	-	1,253
Total current assets	145,824	139,580	4,530	-	289,934	35,172	2,763	1,414	1,938	1,701	2,088	1,076	(8,025)	328,061
Assets limited as to use														
Self-insurance trust funds, net of current portion	-	3,158	-		3,158	-	-	-	-	-	-	-	-	3,158
Board-designated funds	-	13,347	-		13,347	-	33,452	-	-	-	-	-	-	46,799
Board-designated funds	-	113,198	-		113,198	-	-	-	-	-	-	-	-	113,198
Funds held by trustee, net of current portion	-	14,586	-		14,586	-	-	-	-	-	-	-	-	14,586
Total assets limited as to use	-	144,289	-	-	144,289	-	33,452	-	-	-	-	-	-	177,741
Temporarily restricted funds	-	11,376	-		11,376	-	4,152	-	60	-	-	-	-	15,588
Temporarily restricted funds - related parties	-	-	-		-	-	11,436	-	-	-	-	-	(11,436)	-
Investments permanently restricted as to use	-	18,938	-		18,938	-	10,863	-	86	-	-	-	(10,863)	19,024
Property, plant and equipment, net	185	331,894	7,906		339,985	-	-	-	396	2,702	681	1,280	-	345,044
Pledges receivable	-	3,864	-		3,864		3,999	-	-	-	-	-	(3,864)	3,999
Other assets	29,617	10,456	3,249		43,322		-	-	-	5,693	-	-	(30,798)	18,217
Total assets	$ 175,626	$ 660,397	$ 15,685	$ -	$ 851,708	$ 35,172	$ 66,665	$ 1,414	$ 2,480	$ 10,096	$ 2,769	$ 2,356	$ (64,986)	$ 907,674

Pinnacle Health System
(and controlled entities and subsidiaries)
Consolidating Statement of Financial Position
June 30, 2011

Schedule I

(in thousands of dollars)	Parent	Hospital	PHMS	Elimin-ations	Obligated Group	RRG & UHR Combined	Foundation	PHEDS	PHHCH	PHCVI	WSSC	CLT	Elimin-ations	Consolidated Balances
Liabilities and Net Assets														
Current														
Current portion of long-term debt	$ -	$ 9,541	$ 210	$ -	$ 9,751	$ -	$ -	$ -	$ -	$ -		$ 99	$ (100)	$ 9,750
Accounts payable and accrued expenses	1,216	29,115	1,232		31,563	382	170	186	245	419	475	118	-	33,558
Accrued salaries, wages and fees	2,263	9,086	2,653		14,002	-	-	584	356	1,086	5	116	-	16,149
Accrued vacation	614	12,553	2,078		15,245	-	-	658	682	552	-	96	-	17,233
Accrued insurance costs	-	7,414	-		7,414	10,431	-	-	-	-	-	-	-	17,845
Accrued retirement costs	-	503	-		503	-	-	-	-	-	-	-	-	503
Due to related parties	-	-	-		-	-	4,599	-	-	3,327	147	-	(8,073)	-
Due to third-party payors	-	3,087	-		3,087	-	-	-	-	-	-	-	-	3,087
Advances from third-party payors	-	3,809	-		3,809	-	-	-	-	-	-	-	-	3,809
Total current liabilities	4,093	75,108	6,173	-	85,374	10,813	4,769	1,428	1,283	5,384	627	429	(8,173)	101,934
Long-term														
Accrued insurance costs, net of current portion	-	6,242	-		6,242	-	-	-	-	-	-	-	-	6,242
Accrued retirement costs, net of current portion	128	56,600	-		56,728	-	-	-	-	-	-	-	-	56,728
Interest rate swap agreement	-	4,621	-		4,621	-	-	-	-	-	-	-	-	4,621
Long-term debt, net of current portion	-	289,312	5,152		294,464	-	-	-	-	-	20	728	(728)	294,484
Total long-term liabilities	128	356,775	5,152	-	362,055	-	-	-	-	-	20	728	(728)	362,075
Net assets														
Unrestricted net assets														
Unrestricted net assets Pinnacle Health System	171,405	194,336	4,360		370,101	24,359	31,581	(14)	1,051	4,712	838	1,199	(29,922)	403,905
Noncontrolling interests in consolidated subsidiary company	-	-	-	-	-	-	-	-	-	-	1,284	-	-	1,284
Total unrestricted net assets	171,405	194,336	4,360	-	370,101	24,359	31,581	(14)	1,051	4,712	2,122	1,199	(29,922)	405,189
Temporarily restricted net assets	-	15,240	-		15,240	-	19,452	-	60	-	-	-	(15,300)	19,452
Permanently restricted net assets	-	18,938	-		18,938	-	10,863	-	86	-	-	-	(10,863)	19,024
Total net assets	171,405	228,514	4,360	-	404,279	24,359	61,896	(14)	1,197	4,712	2,122	1,199	(56,085)	443,665
Total liabilities and net assets	$ 175,626	$ 660,397	$ 15,685	$ -	$ 851,708	$ 35,172	$ 66,665	$ 1,414	$ 2,480	$ 10,096	$ 2,769	$ 2,356	$ (64,986)	$ 907,674

Pinnacle Health System
(and controlled entities and subsidiaries)
Consolidating Statement of Operations
Year Ended June 30, 2011

Schedule II

(in thousands of dollars)	Parent	Hospital	PHMS	Elimin-ations	Obligated Group	RRG & UHR Combined	Foundation	PHEDS	PHHCH	PHCVI	WSSC	CLT	Elimin-ations	Consolidated Balances
Unrestricted revenues														
Net patient service revenues	$ -	$ 582,928	$ 38,954	$ -	$ 621,882	$ -	$ -	$ 14,168	$ 13,847	$ 3,285	$ 8,027	$ 3,941	$ -	$ 665,150
Other revenues	14,776	13,324	1,392	(17,427)	12,065	5,560	218	36	237	333	1	820	(6,288)	12,982
Net assets released from restrictions used for operations	306	1,233	872	-	2,411	-	118	-	106	-	-	-	-	2,635
Total unrestricted revenues	15,082	597,485	41,218	(17,427)	636,358	5,560	336	14,204	14,190	3,618	8,028	4,761	(6,288)	680,767
Expenses														
Salaries and wages	7,493	189,422	36,696	-	233,611	-	-	8,952	9,365	4,124	1,938	2,686	-	260,676
Fringe benefits	2,350	66,381	8,133	(171)	76,693	-	-	1,802	3,033	682	301	783	(171)	83,123
Management and support	-	13,762	2,269	(16,031)	-	-	594	80	160	-	-	60	(894)	-
Professional fees	5,658	12,397	1,383	(36)	19,402	297	69	108	611	53	52	30	(529)	20,093
Supplies	295	111,847	2,427	-	114,569	-	50	1	682	73	2,242	162	-	117,779
Purchased services and other	1,297	95,556	5,856	(1,189)	101,520	4,682	226	1,531	1,275	482	1,555	316	(5,856)	105,731
Interest	-	12,558	312	-	12,870	-	-	-	-	-	-	62	(62)	12 870
Bad debt expense	-	26,270	1,326	-	27,596	-	-	4,887	(19)	62	1	1,257	-	33,784
Depreciation and amortization	34	39,053	883	-	39,970	-	-	-	157	186	204	346	-	40,863
Total expenses	17,127	567,246	59,285	(17,427)	626,231	4,979	939	17,361	15,264	5,662	6,293	5,702	(7,512)	674,919
Income (loss) from operations	(2,045)	30,239	(18,067)	-	10,127	581	(603)	(3,157)	(1,074)	(2,044)	1,735	(941)	1,224	5,848
Nonoperating gains (losses)														
Investment income (loss)	13,945	20,215	(64)	-	34,096	1,645	2,929	-	-	(6)	3	-	(2,288)	36,379
Loss on disposal of assets	-	(426)	(56)	-	(482)	-	-	-	-	-	(20)	-	-	(502)
Contributed net assets in acquisition	-	-	-	-	-	-	-	-	-	-	-	906	-	906
Realized and unrealized losses on interest rate swaps	-	(529)	-	-	(529)	-	-	-	-	-	-	-	-	(529)
Nonoperating gain (loss), net	13,945	19,260	(120)	-	33,085	1,645	2,929	-	-	(6)	(17)	906	(2,288)	36,254
Revenues and gains over (under) expenses and losses	$ 11 900	$ 49,499	$ (18,187)	$ -	$ 43,212	$ 2,226	$ 2,326	$ (3,157)	$ (1,074)	$ (2,050)	$ 1,718	$ (35)	$ (1,064)	$ 42,102

Pinnacle Health System
(and controlled entities and subsidiaries)
Consolidating Statement of Changes in Net Assets
Year Ended June 30, 2011

Schedule III

(in thousands of dollars)	Parent	Hospital	PHMS	Elimin-ations	Obligated Group	RRG & UHR Combined	Foundation	PHEDS	PHHCH	PHCVI	WSSC	CLT	Elimin-ations	Consolidated Balances
Unrestricted net assets														
Revenues and gains over (under) expenses and losses	$ 11,900	$ 49,499	$ (18,187)	$ -	$ 43,212	$ 2,226	$ 2,326	$ (3,157)	$ (1,074)	$ (2,050)	$ 1,718	$ (35)	$ (1,064)	$ 42,102
Change in post-retirement liability	-	32,890	-	-	32,890	-	-	-	-	-	-	-	-	32,890
Capital contributions	24,897	(51,784)	21,717	-	(5,170)	-	-	2,818	1,062	-	-	1,291	(1)	-
Net assets released from restrictions for purchases of property, plant and equipment	173	2,864	-	-	3,037	-	-	-	-	-	-	7	-	3,044
Other	-	-	-	-	-	(10,001)	-	-	-	6,762	-	-	3,239	-
Adoption of noncontrolling interests standard	-	-	-	-	-	-	-	-	-	-	1,358	-	-	1,358
Income attributable to noncontrolling interests	-	-	-	-	-	-	-	-	-	-	(1,868)	-	952	(916)
Increase (decrease) in unrestricted assets	36,970	33,469	3,530	-	73,969	(7,775)	2,326	(339)	(12)	4,712	1,208	1,263	3,126	78,478
Temporarily restricted net assets														
Contributions	-	3,736	-		3,736	-	4,087	-	59	-	-	-	(3,796)	4,086
Net realized and unrealized gains on investments	-	1,409	-		1,409	-	6,067	-	24	-	-	-	(1,434)	6,066
Transfer from permanently restricted funds	-		-		-	-	(85)	-	-	-	-	-	-	(85)
Net assets released from restrictions	-	(4,277)	-		(4,277)	-	(5,688)	-	(72)	-	-	-	4,351	(5,686)
Increase in temporarily restricted assets	-	868	-	-	868	-	4,381	-	11	-	-	-	(879)	4,381
Permanently restricted net assets														
Contributions	-	6	-		6	-	6	-	-	-	-	-	(6)	6
Transfer to temporarily restricted funds	-	85	-		85	-	85	-	-	-	-	-	(85)	85
Income distributions	-	(467)	-		(467)	-	(471)	-	(4)	-	-	-	471	(471)
Net realized and unrealized gains on investments	-	3,208	-		3,208	-	2,105	-	17	-	-	-	(2,107)	3,223
Increase in permanently restricted assets	-	2,832	-	-	2,832	-	1,725	-	13	-	-	-	(1,727)	2,843
Increase (decrease) in net assets	36,970	37,169	3,530	-	77,669	(7,775)	8,432	(339)	12	4,712	1,208	1,263	520	85,702
Net assets														
Beginning of year	134,435	191,345	830	-	326,610	32,134	53,464	325	1,185	-	914	(64)	(56,605)	357,963
End of year	$ 171,405	$ 228,514	$ 4,360	$ -	$ 404,279	$ 24,359	$ 61,896	$ (14)	$ 1,197	$ 4,712	$ 2,122	$ 1,199	$ (56,085)	$ 443,665

Pinnacle Health System
(and controlled entities and subsidiaries)
Consolidating Statement of Cash Flows
Year Ended June 30, 2011

Schedule IV

(in thousands of dollars)	Parent	Hospital	PHMS	Elimin-ations	Obligated Group	RRG & UHR Combined	Foundation	PHEDS	PHHCH	PHCVI	WSSC	CLT	Elimin-ations	Consolidated Balances
Cash flows from operating activities														
Change in net assets	$ 36,970	$ 37,169	$ 3,530	$ -	$ 77,569	$ (7,775)	$ 6 432	$ (339)	$ 12	$ 4,712	$ 1,208	$ 1,263	$ 520	$ 85,702
Adjustments to reconcile change in net assets to net cash provided by operating activities														
Net realized and unrealized gains on investments	(8,800)	(19,346)	-	-	(28,146)	(1,645)	(10,261)	-	(41)	-	-	-	5,186	(34,907)
Provision for bad debts	-	26,270	1 326	-	27,596	-	-	4,887	(19)	62	1	1,257	-	33,784
Depreciation and amortization	34	39,053	883	-	39,370	-	-	-	157	186	204	346	-	40,863
Loss on disposal of assets	1	426	56	-	483	-	-	-	-	-	20	-	-	503
Change in pension liability	-	(32,890)	-	-	(32,390)	-	-	-	-	-	-	-	-	(32,890)
Equity in losses of partnerships	(180)	1,427	(34)	-	1,213	-	-	-	-	-	-	-	1,066	2,279
Noncontrolling interest in net gain of WSSC	-	-	-	-	-	-	-	-	-	-	842	-	-	842
Adoption of noncontrolling interests standard											(1,358)			(1,358)
Restricted contributions and investment loss	-	370	-	-	370	-	374	-	4	-	-	-	(374)	374
Change in assets and liabilities														
(Increase) decrease in accounts receivable	(83)	(33,648)	(1,844)	-	(35,575)	(283)	(160)	(4,771)	212	(1,444)	(97)	(1,828)	-	(43,946)
Increase in pledges receivable	-	(1 422)	-	-	(1,422)	-	-	-	-	-	-	-	-	(1,422)
(Increase) decrease in inventories and other assets	(48)	1,290	(3,204)	-	(1,962)	-	-	-	(3)	(821)	50	-	(187)	(2,923)
(Increase) decrease in prepaid expenses	(289)	344	(116)	-	(61)	(44)	-	5	(6)	(191)	(49)	-	-	(346)
Increase (decrease) in accounts payable and accrued expenses	453	(1,122)	227	-	(442)	275	11	(14)	(1)	192	36	54	43	154
Decrease in accrued salaries, wages, fees and vacation	(499)	962	1,114	-	1,577	-	-	232	56	1,638	(3)	50	-	3,550
Increase (decrease) in accrued insurance and retirement costs	-	(744)	-	-	(744)	3,039	-	-	-	-	-	-	-	2,295
(Decrease) increase in advances to related parties	753	(4,568)	(3,038)	-	(6,853)	-	3,808	-	(239)	3,327	(50)	(42)	49	-
Increase in advances from and amounts due to third-party payors	-	(5,983)	-	-	(5,983)	-	-	-	-	-	-	-	-	(5,983)
Net cash provided by operating activities	28 312	7,588	(1,100)	-	34,800	(6,433)	2,204	-	132	7,661	804	1 100	6,303	46,571
Cash flows from investing activities														
Purchase of property, plant and equipment	(13)	(66,517)	(1,644)	-	(68,174)	-	-	-	(145)	(803)	(152)	(894)	-	(70,168)
Acquisition of Pinnacle Health Cardiovascular Institute	-	(1,097)	-	-	(1,097)	-	-	-	-	(6,761)	-	-	-	(7,858)
Cash received (invested in) from joint ventures, net	3,239	(237)	37	-	3,039	-	-	-	-	-	-	-	(4,191)	(1,152)
(Purchase) sale of investments, including assets limited as to use, net	(17,122)	31,270	-	-	14,148	8,876	(3,643)	-	17	-	-	(48)	(1,236)	18,114
Proceeds from sale of assets	-	173	3	-	176	-	-	-	-	-	-	-	-	176
Net cash used in investing activities	(13,896)	(36,408)	(1,604)	-	(51,908)	8,876	(3,643)	-	(128)	(7,564)	(152)	(942)	(5,427)	(60,888)
Cash flows from financing activities														
Repayments of long-term debt	-	(73,675)	-	-	(73,675)	-	-	-	-	-	10	(94)	94	(73,665)
Repayment of line of credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds of long-term debt	-	100,000	-	-	100,000	-	-	-	-	-	-	-	-	100,000
Cash receipts from pledges	-	2,766	-	-	2 766	-	1,492	-	0	0	-	-	(1,344)	2,914
Contribution to noncontrolling interest in consolidated subsidiary	-	-	-	-	-	-	-	-	-	-	(842)	-	-	(842)
Cash paid for financing costs	-	(278)	-	-	(278)	-	-	-	-	-	-	-	-	(278)
Restricted contributions and investment income	-	(370)	-	-	(370)	-	(374)	-	(4)	-	-	-	374	(374)
Net cash provided by (used in) financing activities	-	28,443	-	-	28,443	-	1,118	-	(4)	-	(832)	(94)	(876)	27,755
Net (decrease) increase in cash and cash equivalents	14,416	(377)	(2,704)	-	11,335	2,443	(321)	-	-	97	(180)	64	1	13,439
Cash and cash equivalents														
Beginning of year	10,597	923	2,986	-	14,506	3,617	2,762	-	-	-	1,136	-	-	22,021
End of year	$ 25,013	$ 546	$ 282	$ -	$ 25,841	$ 6,060	$ 2,441	$ -	$ -	$ 97	$ 956	$ 64	$ 1	$ 35,460

Additional Data

Software ID:
Software Version:
EIN: 25-1778644
Name: PINNACLE HEALTH HOSPITALS

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

(A) Name and Title	(B) Average hours per week	(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			
ROBERT L LYON CHAIRMAN	70	X		X				0	0	0
GEORGE F GRODE VICE-CHAIRMAN	60	X		X				0	0	0
JOHN O CAMPBELL DIRECTOR	70	X						0	0	0
SUSAN S COHEN DIRECTOR	50	X						0	0	0
FELIX GUTIERREZ MD DIRECTOR	40	X						0	0	0
M RICHARD KLEIMAN DIRECTOR	50	X						0	0	0
DEBORAH S MILLER DIRECTOR	60	X						0	0	0
DOUGLAS A NEIDICH DIRECTOR	80	X						0	0	0
LARRY L SOLLENBERGER MD DIRECTOR	30	X						0	0	0
CLARENCE E ASBURY DIRECTOR	80	X						0	0	0
DENNIS WALSH DIRECTOR	30	X						0	0	0
BONY R DAWOOD DIRECTOR	70	X						0	0	0
DENISE F HARR MD DIRECTOR	30	X						0	0	0
GREGORY CAVOLI DIRECTOR	20	X						0	0	0
MARK KIMMEL ESQ DIRECTOR	10	X						0	0	0
DOUGLAS C DYER DIRECTOR	30	X						0	0	0
STEVEN C KUSIC DIRECTOR	70	X						0	0	0
KENNETH OKEN MD DIRECTOR	50	X						0	0	0
MICHAEL L FERNANDEZ MD DIRECTOR	20	X						0	0	0
PHILIP GUARANESCHELLI ACTING PRESIDENT/CEO	30 00	X		X				0	553,520	59,656
CHRISTOPHER P MARKLEY ESQ SECRETARY	20 00			X				0	319,451	48,261
RICHARD C SENECA ESQ ASST SECRETARY	32 80			X				269,851	0	0
WILLIAM H PUGH TREASURER	28 20			X				0	370,836	43,834
KIM KELLY CRNA	40 00					X		490,605	0	32,411
WENDY BIEDRZYCKI CRNA	40 00					X		369,113	0	23,611

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

(A) Name and Title	(B) Average hours per week	(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			
EDWARD HILDREW ER PHYSICIAN	40 00					X		348,580	0	58,279
ERIC KRIEG ER PHYSICIAN	40 00					X		320,055	0	53,679
JULIAN GUTIERREZ ER PHYSICIAN	40 00					X		352,828	0	38,291
ROGER LONGENDERFER MD FORMER PRESIDENT/CEO	0 00						X	0	3,547,596	45,075