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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012

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

C Name of organization
HANOVER HOSPITAL INC

Doing Business As

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

City or town, state or country, and ZIP + 4
HANOVER, PA 173312214

D Employer identification number
23-1360851

E Telephone number
(717)637-3711

G Gross receipts $ 145,218,820

F Name and address of principal officer
JAMES WISSLER
300 HIGHLAND AVENUE
HANOVER,PA 173312214

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 HANOVERHOSPITAL ORG

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

L Year of formation 1924

M State of legal domicile PA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
NON-PROFIT COMMUNITY HOSPITAL DEDICATED TO PROMOTING WELLNESS WITHIN THE GREATER HANOVER AREA

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	14
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	10
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	1,387
6	Total number of volunteers (estimate if necessary)	**6**	220
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	3,104,599
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	1,032,915

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	3,414,259	1,374,791
	9 Program service revenue (Part VIII, line 2g)	138,948,622	140,774,903
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	321,105	366,645
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	976,821	1,273,989
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	143,660,807	143,790,328
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	49,823	62,654
	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)	68,386,092	68,192,961
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶215,977		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	63,800,181	68,487,625
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	132,236,096	136,743,240
	19 Revenue less expenses Subtract line 18 from line 12	11,424,711	7,047,088

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	151,071,138	156,016,413
	21 Total liabilities (Part X, line 26)	70,585,825	73,868,322
	22 Net assets or fund balances Subtract line 21 from line 20	80,485,313	82,148,091

Part II Signature Block

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

Sign Here

▶ Signature of officer — 2013-05-07 Date

▶ MICHAEL GASKINS EXEC VP/CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶ MICHAEL SORRELLS CPA	Date	Check if self-employed ▶☐	Preparer's taxpayer identification number (see instructions) P00001737
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ BDO USA LLP 7101 WISCONSIN AVENUE BETHESDA, MD 20814			EIN ▶ 13-5381590 Phone no ▶ (301) 654-4900

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

WE ARE A NOT-FOR-PROFIT COMMUNITY HOSPITAL WHICH IS DEDICATED TO THE PROMOTION OF WELLNESS, PRESERVATION OF HEALTH, AND THE PROVISION OF DIAGNOSTIC AND THERAPEUTIC SERVICES TO THE PEOPLE OF THE GREATER HANOVER AREA WE WILL BE THE PROVIDER OF CHOICE FOR HOSPITAL SUPPORTED ACUTE CARE, DIAGNOSTIC, THERAPEUTIC, REHABILITATIVE, AND WELLNESS SERVICES REQUIRED TO SUPPORT OUR NETWORK OF CARE

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations 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 $ 93,103,719 including grants of $ 62,654) (Revenue $ 137,779,363)

HANOVER HOSPITAL, INC ("HH") OPERATES A NOT-FOR-PROFIT HOSPITAL WITH SERVICES INCLUDING OBSTETRICS, EMERGENCY, CARDIAC CARE, CRITICAL CARE, REHABILITATION, OCCUPATIONAL HEALTH, SURGICAL SERVICES, AND A WIDE RANGE OF THERAPEUTIC AND DIAGNOSTIC SUPPORT SERVICES (SEE SCHEDULE O FOR CONTINUATION)

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

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

4d Other program services (Describe in Schedule O)

(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ $ 93,103,719

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, 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	Yes	
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a	Yes	
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, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	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, Part 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, Part 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*	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	Yes	
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.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer questions 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**	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	**35a**		No
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**		No
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 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**	91		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c** Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	1,387		
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 or securities 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** Yes	
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b** Yes	
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.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			**13a**	
b	Enter the aggregate 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 aggregate 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	14		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	10		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .		5		No
6	Did the organization have members or stockholders?		6		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a		No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

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

Section C. Disclosure

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

DONNA MULLER
310 STOCK STREET SUITE 7
HANOVER, PA 17331
(717) 633-2032

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, or highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) PAUL F DENDE BOARD MEMBER	1 00	X						0	300,161	14,228
(2) WILLIAM E HEISER BOARD MEMBER	1 00	X						0	0	0
(3) THOMAS K HOWARD MD BOARD MEMBER	1 00	X						0	0	0
(4) LAVERNE L LEESE BOARD MEMBER	1 00	X						0	0	0
(5) G STEVEN MCKONLY ESQUIRE BOARD MEMBER	1 00	X						3,427	0	0
(6) STEVEN R SHEPPARD DO BOARD MEMBER	1 00	X						0	0	0
(7) MARCOS A UGARTE MD BOARD MEMBER	1 00	X						0	0	0
(8) C DANIEL WEBER BOARD MEMBER	1 00	X						0	0	0
(9) JILL R ROHRBAUGH CHAIR	1 00	X		X				0	0	0
(10) ALAN J STOCK VICE CHAIR	1 00	X		X				0	0	0
(11) GEORGE M KYRIACOU PRESIDENT	40 00	X		X				324,504	0	16,300
(12) PAUL F SPEARS MD SECRETARY	1 00	X		X				0	0	0
(13) JOHN R SCHNITZER CPA TREASURER	1 00	X		X				0	0	0
(14) JAMES WISSLER PRESIDENT	40 00	X		X				0	0	0
(15) MICHAEL W GASKINS CFO	40 00			X				156,728	0	2,463
(16) DAVID C CAPONE INTERIM CFO	40 00			X				170,020	0	0
(17) MICHAEL H ADER VP MEDICAL AFFAIRS	1 00				X			0	238,885	7,873

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 (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) MARY P SAUNDERS VP NURSING	40 00				X			158,299	0	8,667
(19) WARREN C DANIELS MEDICAL DOCTOR	40 00					X		173,758	0	9,626
(20) MICHAEL A HOCKENBERRY VP OPERATION	40 00					X		147,509	0	9,776
(21) REBECCA E GOODERMUTH PHARMACY DIRECTOR	40 00					X		147,145	0	9,677
(22) JENNIFER L SHIMKONIS DIR MED/SURG NURSING	40 00					X		153,820	0	6,801
(23) KELLY A BESACK VP HUMAN RESOURCES	40 00					X		144,934	0	2,597

1b	**Sub-Total** . . . . . ▶			
c	**Total from continuation sheets to Part VII, Section A** . . . . ▶			
d	**Total (add lines 1b and 1c)** . . . . . ▶	1,580,144	539,046	88,008

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 24

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
HUNTZINGER MANAGEMENT GROUP 670 N RIVER STREET STE 401 PLAINS, PA 18705	CONSULTING - IT	2,538,079
GE MEDICAL SYSTEMS PO BOX 640944 PITTSBURGH, PA 15264	EQUIPMENT MAINTENANCE	1,277,896
HANOVER ANESTHESIA & PAIN MEDICINE INC 250 FAME AVE STE 102 HANOVER, PA 17331	ANESTHESIA SERVICES	1,236,672
JOHNSON CONTROLS INC PO BOX 905240 CHARLOTTE, NC 282905240	EQUIPMENT MAINTENANCE	562,357
ECLINICAL WORKS LLC 110 TURNPIKE RD SUITE 300 WESTBORO, MA 01581	CONSULTING - IT	534,950

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 29

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				
	b	Membership dues	1b				
	c	Fundraising events	1c	120,655			
	d	Related organizations	1d				
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	1,254,136			
	g	Noncash contributions included in lines 1a-1f $ 155,550					
	h	**Total.** Add lines 1a-1f		1,374,791			
Program Service Revenue			Business Code				
	2a	NET PATIENT SVC REV	621990	136,597,275	136,597,275		
	b	LAB SERVICE REV	621500	3,671,889	554,818	3,117,071	
	c	EMERGENCY ROOM	621990	505,739	505,739		
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		140,774,903			
	3	Investment income (including dividends, interest and other similar amounts)		740,756			740,756
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real	(ii) Personal			
	6a	Gross rents	184,325				
	b	Less rental expenses	58,252				
	c	Rental income or (loss)	126,073				
	d	Net rental income or (loss)		126,073		-26,210	152,283
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	952,000	3,190			
	b	Less cost or other basis and sales expenses	1,346,034	-16,733			
	c	Gain or (loss)	-394,034	19,923			
	d	Net gain or (loss)		-374,111			-374,111
Other Revenue	8a	Gross income from fundraising events (not including $ 120,655 of contributions reported on line 1c) See Part IV, line 18	a 29,968				
	b	Less direct expenses	b 40,939				
	c	Net income or (loss) from fundraising events		-10,971			-10,971
	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	FOOD SERVICES/CATERING	722210	530,642		110	530,532
	b	PURCH REBATES/DISCNTS	900099	231,752			231,752
	c	CHERRY TREE CANCER CTR	900099	93,859			93,859
	d	All other revenue		302,634	121,531	13,628	167,475
	e	**Total.** Add lines 11a–11d		1,158,887			
	12	**Total revenue.** See Instructions		143,790,328	137,779,363	3,104,599	1,531,575

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)

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	62,654	62,654		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	854,781	341,912	512,869	
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	50,983,925	38,912,866	11,940,721	130,338
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,916,081	1,462,426	448,757	4,898
9	Other employee benefits	10,742,214	8,198,865	2,515,887	27,462
10	Payroll taxes	3,695,960	2,823,376	862,735	9,849
11	Fees for services (non-employees)				
a	Management	1,174,586		1,174,586	
b	Legal	204,194		204,194	
c	Accounting	101,129		101,129	
d	Lobbying				
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees	17,941		17,941	
g	Other	17,919,566	9,024,283	8,874,391	20,892
12	Advertising and promotion	739,160	5,177	734,003	-20
13	Office expenses	1,536,828	794,937	720,472	21,419
14	Information technology	364,649	68,042	296,607	
15	Royalties . .				
16	Occupancy	3,713,786	814,857	2,898,929	
17	Travel	317,123	170,998	145,788	337
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings				
20	Interest	2,909,284		2,909,284	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	9,260,986	3,563,632	5,696,552	802
23	Insurance	1,009,895		1,009,895	
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	SUPPLY EXPENSE	16,930,445	16,451,903	478,542	
b	BAD DEBT EXPENSE	7,465,766	7,465,766		
c	LEASING EXPENSE	2,767,640	2,652,039	115,601	
d	UNRELATED BUS INC TAXES	287,317	287,317		
e					
f	All other expenses	1,767,330	2,669	1,764,661	
25	**Total functional expenses.** Add lines 1 through 24f	136,743,240	93,103,719	43,423,544	215,977
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	58,685	1	2,674
	2	Savings and temporary cash investments	6,879,240	2	9,432,227
	3	Pledges and grants receivable, net	1,555,387	3	1,354,904
	4	Accounts receivable, net	10,513,132	4	14,547,154
	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)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L		6	
	7	Notes and loans receivable, net		7	
	8	Inventories for sale or use	2,841,914	8	3,021,029
	9	Prepaid expenses and deferred charges	3,878,380	9	2,313,883
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D* — 10a: 177,795,606			
	b	Less accumulated depreciation — 10b: 90,517,710	87,964,895	10c	87,277,896
	11	Investments—publicly traded securities	33,008,794	11	31,735,982
	12	Investments—other securities See Part IV, line 11	1,569,108	12	1,428,967
	13	Investments—program-related See Part IV, line 11		13	
	14	Intangible assets		14	
	15	Other assets See Part IV, line 11	2,801,603	15	4,901,697
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	151,071,138	16	156,016,413
Liabilities	17	Accounts payable and accrued expenses	11,232,294	17	14,877,533
	18	Grants payable		18	
	19	Deferred revenue		19	
	20	Tax-exempt bond liabilities	52,061,203	20	50,494,052
	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	4,241,634	23	5,069,693
	24	Unsecured notes and loans payable to unrelated third parties		24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D	3,050,694	25	3,427,044
	26	**Total liabilities.** Add lines 17 through 25	70,585,825	26	73,868,322
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	77,882,309	27	78,682,664
	28	Temporarily restricted net assets	2,455,527	28	3,320,765
	29	Permanently restricted net assets	147,477	29	144,662
		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	80,485,313	33	82,148,091
	34	Total liabilities and net assets/fund balances	151,071,138	34	156,016,413

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	143,790,328
2	Total expenses (must equal Part IX, column (A), line 25)	2	136,743,240
3	Revenue less expenses Subtract line 2 from line 1	3	7,047,088
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	80,485,313
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-5,384,310
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	82,148,091

Part XII Financial Statements and Reporting

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

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☑ Both consolidated and separated basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b		

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
HANOVER HOSPITAL INC

Employer identification number
23-1360851

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 **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 IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
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 2011 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2010 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2011.** 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—2010.** 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—2011.** 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—2010.** 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 IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2011** (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from **2010** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2011.** 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—2010.** 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 explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ **Complete if the organization is described below.**

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
HANOVER HOSPITAL INC	23-1360851

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

1 Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV	Yes		7,025
j	Total lines 1c through 1i			7,025
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 1i. Also, complete this part for any additional information

Identifier	Return Reference	Explanation
EXPLANATION OF LOBBYING ACTIVITIES	PART II-B, LINE 1	THE FOLLOWING PORTIONS OF THE DUES PAID TO VARIOUS ENTITIES WERE USED FOR LOBBYING PURPOSES THE HOSPITAL ASSOCIATION OF PENNSYLVANIA - $6,761, YORK CHAMBER OF COMMERCE - $264

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
HANOVER HOSPITAL INC

Employer identification number
23-1360851

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	17,052
d Additions during the year	1d	
e Distributions during the year	1e	1,543
f Ending balance	1f	15,509

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	13,681,355	10,948,733	10,655,584	12,146,275	
b Contributions	365,692	386,168	133,632	76,577	
c Investment earnings or losses	-110,985	2,405,437	1,224,661	-1,498,956	
d Grants or scholarships	1,500	3,000			
e Other expenditures for facilities and programs	38,894	55,983	1,065,145	68,312	
f Administrative expenses					
g End of year balance	13,895,668	13,681,355	10,948,732	10,655,584	

2 Provide the estimated percentage of the year end balance held as

- a Board designated or quasi-endowment ▶ 98 960 %
- b Permanent endowment ▶ 1 040 %
- c Term endowment ▶ 0 %

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		2,143,865		2,143,865
b Buildings		120,743,144	55,458,577	65,284,567
c Leasehold improvements		1,865,873	852,384	1,013,489
d Equipment		52,461,806	34,206,749	18,255,057
e Other		580,918		580,918
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				87,277,896

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
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
OBLIGATIONS UNDER CAPITAL LEASE	1,467,853
ADVANCES RECEIVED FROM THIRD-PARTY PAYORS	521,201
DEFERRED COMPENSATION	487,990
ESTIMATED 3RD PARTY PAYOR SETTLEMENTS	950,000
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	3,427,044

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	143,790,328
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	136,743,240
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	7,047,088
4	Net unrealized gains (losses) on investments	4	-211,366
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	-1,965
8	Other (Describe in Part XIV)	8	-5,170,979
9	Total adjustments (net) Add lines 4 - 8	9	-5,384,310
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	1,662,778

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	143,721,041
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	-211,366		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	-211,366
3	Subtract line **2e** from line **1**			3	143,932,407
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	-142,079		
c	Add lines **4a** and **4b**			4c	-142,079
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	143,790,328

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

1	Total expenses and losses per audited financial statements			1	137,107,340
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	364,100		
e	Add lines **2a** through **2d**			2e	364,100
3	Subtract line **2e** from line **1**			3	136,743,240
4	Amounts included on Form 990, Part IX, line 25, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	0
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	136,743,240

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
	PART IV, LINE 1B	PART IV, LINE 1B JOSEPH & PATRICIA HUMBERT ORIGINALLY CONTRIBUTED $20,000 TO HANOVER HOSPITAL, INC THE DONORS RECEIVE SEMI-ANNUAL DISTRIBUTIONS OF $535 AND HANOVER HOSPITAL, INC RECEIVES INTEREST INCOME AND PAYS BANK FEES ON THE FUNDS THE BALANCE OF THE FUND WHEN BOTH DONORS HAVE EXPIRED IS A CONTRIBUTION TO HANOVER HOSPITAL, INC FOR TAX YEAR 2011, THERE WAS A CATCH-UP PAYMENT OF $490 TO THE DONORS FOR THE PRIOR YEAR
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	BOARD DESIGNATED FUNDS ARE ASSETS SET ASIDE BY THE BOARD OF TRUSTEES FOR FUTURE CAPITAL IMPROVEMENTS, OVER WHICH THE BOARD RETAINS CONTROL AND MAY, AT ITS DISCRETION, SUBSEQUENTLY USE FOR OTHER PURPOSES THE FOLLOWING ENDOWMENTS' INCOMES ARE USED FOR THE PURPOSE OF PROVIDING HANOVER HOSPITAL STAFF SCHOLARSHIPS FOR CONTINUING EDUCATION IN THE NOTED SPECIALTIES BATHON-CRITICAL CARE, CARDIAC AND EMERGENCY SERVICES PATHOLOGISTS- LABORATORY KIRKPATRICK-MATERNITY/OBSTETRICS SHIPMAN-RADIOLOGY BONNIE HART-OPERATING ROOM STEVE LAWRENCE-EMERGENCY MEDICINE THE JACKIE LAWRENCE ENDOWMENT IS RESTRICTED FOR THE PURPOSE OF AWARDING A $500 SCHOLARSHIP TO A DELONE CATHOLIC HIGH SCHOOL SENIOR THAT IS PURSUING A BACHELOR OF SCIENCE- NURSING DEGREE THE LEHMAN ENDOWMENT FUND IS TO SUPPORT A "WENDELL LEHMAN EDUCATION DAY" FOR THE HANOVER HOSPITAL CARDIAC SERVICES STAFF
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE HOSPITAL ACCOUNTS FOR UNCERTAINTY IN INCOME TAXES USING A RECOGNITION THRESHOLD OF MORE-LIKELY-THAN-NOT TO BE SUSTAINED UPON EXAMINATION BY THE APPROPRIATE TAXING AUTHORITY MEASUREMENT OF THE TAX UNCERTAINTY OCCURS IF THE RECOGNITION THRESHOLD HAS BEEN MET MANAGEMENT DETERMINED THAT THERE WERE NO TAX UNCERTAINTIES THAT MET THE RECOGNITION THRESHOLD IN 2012 OR 2011 THE TAX RETURNS FOR THE YEARS ENDED JUNE 30, 2009 THROUGH JUNE 30, 2012 REMAIN SUBJECT TO EXAMINATION BY MAJOR TAX JURISDICTIONS
PART XI, LINE 8 - OTHER ADJUSTMENTS		NET ASSET TRANSFER TO AFFILIATE -4,886,147 IMPAIRMENT LOSS -284,832 TOTAL TO SCHEDULE D, PART XI, LINE 8 -5,170,979
PART XII, LINE 4B - OTHER ADJUSTMENTS		RENTAL EXPENSES -58,252 GAIN (LOSS) ON SALE OF PROPERTY AND EQUIPMENT 19,923 FUNDRAISING EXPENSES -40,939 EXPENSES RELATED TO CONTRIBUTIONS -62,946 OTHER ADJUSTMENT TO REVENUE 135
PART XIII, LINE 2D - OTHER ADJUSTMENTS		RENTAL EXPENSES 58,252 LOSS (GAIN) ON SALE OF ASSETS -19,923 IMPAIRMENT LOSS 284,832 FUNDRAISING EXPENSES 40,939

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SCHEDULE G
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than $15,000 on Form 990-EZ, line 6a.
Attach to Form 990 or Form 990-EZ. See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
HANOVER HOSPITAL INC

Employer identification number
23-1360851

Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17.

1 Indicate whether the organization raised funds through any of the following activities Check all that apply

- **a** ☑ Mail solicitations
- **b** ☑ Internet and e-mail solicitations
- **c** ☑ Phone solicitations
- **d** ☑ In-person solicitations
- **e** ☐ Solicitation of non-government grants
- **f** ☑ Solicitation of government grants
- **g** ☑ Special fundraising events

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? ☐ **Yes** ☑ **No**

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least $5,000 by the organization Form 990-EZ filers are not required to complete this table

(i) Name and address of individual or entity (fundraiser)	**(ii)** Activity	**(iii)** Did fundraiser have custody or control of contributions?		**(iv)** Gross receipts from activity	**(v)** Amount paid to (or retained by) fundraiser listed in col **(i)**	**(vi)** Amount paid to (or retained by) organization
		Yes	**No**			
Total . . . . . ▶						

3 List all states in which the organization is registered or licensed to solicit funds or has been notified it is exempt from registration or licensing

Part II **Fundraising Events.** Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than $15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than $5,000.

		(a) Event #1 GOLF BENEFIT (event type)	(b) Event #2 (event type)	(c) Other Events (total number)	(d) Total Events (Add col (a) through col (c))
Revenue	1 Gross receipts	150,623			150,623
	2 Less Charitable contributions	120,655			120,655
	3 Gross income (line 1 minus line 2)	29,968			29,968
Direct Expenses	4 Cash prizes	13,105			13,105
	5 Non-cash prizes				
	6 Rent/facility costs				
	7 Food and beverages	28,063			28,063
	8 Entertainment				
	9 Other direct expenses	-229			-229
	10 Direct expense summary Add lines 4 through 9 in column (d) ▶				(40,939)
	11 Net income summary Combine lines 3 and 10 in column (d) ▶				-10,971

Part III **Gaming.** Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than $15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (Add col (a) through col (c))
Revenue	1 Gross revenue				
Direct Expenses	2 Cash prizes				
	3 Non-cash prizes				
	4 Rent/facility costs				
	5 Other direct expenses				
	6 Volunteer labor	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	
	7 Direct expense summary Add lines 2 through 5 in column (d) ▶				( )
	8 Net gaming income summary Combine lines 1 and 7 in column (d) ▶				

9 Enter the state(s) in which the organization operates gaming activities _____

a Is the organization licensed to operate gaming activities in each of these states? ☐ Yes ☐ No

b If "No," Explain _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? ☐ Yes ☐ No

b If "Yes," Explain _____

11 Does the organization operate gaming activities with nonmembers? . . . . . ☐ Yes ☐ No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? . . . . . ☐ Yes ☐ No

13 Indicate the percentage of gaming activity operated in

a	The organization's facility	**13a**	
b	An outside facility	**13b**	

14 Provide the name and address of the person who prepares the organization's gaming/special events books and records

Name ▶ ----------

Address ▶ ----------

15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? . . . . . ☐ Yes ☐ No

b If "Yes," enter the amount of gaming revenue received by the organization ▶ $ _____ and the amount of gaming revenue retained by the third party ▶ $ _____

c If "Yes," enter name and address

Name ▶ ----------

Address ▶ ----------

16 Gaming manager information

Name ▶ ----------

Gaming manager compensation ▶ $ ----------

Description of services provided ▶ ----------

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? . . . . . ☐ Yes ☐ No

b Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ $

Part IV Complete this part to provide additional information for responses to question on Schedule G (see instructions.)

Identifier	ReturnReference	Explanation

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493127013673

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

2011

Open to Public Inspection

Name of the organization
HANOVER HOSPITAL INC

Employer identification number
23-1360851

Part I Charity Care and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? 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 did 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 policy provide 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 charity care expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit reportduring 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 Charity Care and Certain Other Community Benefits at Cost

Charity Care 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 Charity care at cost (from Worksheet 1)	4	2,012	1,008,422		1,008,422	0 740 %
b Medicaid (from Worksheet 3, column a)	1	15,385	10,096,737	3,899,974	6,196,763	4 530 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Charity Care and Means-Tested Government Programs	5	17,397	11,105,159	3,899,974	7,205,185	5 270 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	26	18,740	146,924	475	146,449	0 110 %
f Health professions education (from Worksheet 5)	4	447	3,212		3,212	0 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	2	500	25,118		25,118	0 020 %
j **Total** Other Benefits	32	19,687	175,254	475	174,779	0 130 %
k **Total.** Add lines 7d and 7j	37	37,084	11,280,413	3,900,449	7,379,964	5 400 %

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

		(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	3	1,164	1,302		1,302	0 %
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development	3	323	5,471		5,471	0 %
9	Other						
10	**Total**	6	1,487	6,773		6,773	

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	2	3,770,213		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	28,035		
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	33,837,201
6	Enter Medicare allowable costs of care relating to payments on line 5	6	44,637,805
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-10,800,604

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

				Yes	No
9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes		
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	Yes		

Part IV Management Companies and Joint Ventures (see instructions)

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1	1 CHERRY TREE CANCER CENTER LLP	DIAGNOSTIC ONCOLOGY CENTER	50 000 %	0 %	0 %
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	HANOVER HOSPITAL INC 300 HIGHLAND AVENUE HANOVER, PA 17331	X	X					X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

HANOVER HOSPITAL

Name of Hospital Facility: _____

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	**1**		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		
5 Did the hospital facility make its Needs Assessment widely available to the public?	**5**		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	**7**		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**8**	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	**9**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 350 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☑ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☑ The policy was attached to all billing invoices			
	c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☑ The policy was posted in the hospital facility's admissions offices			
	e ☑ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☐ Other (describe in Part VI)			
Billing and Collections				
14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Individuals Eligible for Financial Assistance

19 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		No
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient?	**21**		No
If "Yes," explain in Part VI			

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 from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? **12**

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions 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, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

2 **Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health 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 7 CHARITY CARE, UNREIMBURSED MEDICAID AND SUBSIDIZED HEALTH SERVICES WERE CALCULATED USING WORKSHEET 2 (RATIO OF PATIENT CARE COST TO CHARGES) FROM THE INSTRUCTIONS FOR SCHEDULE H

Identifier	ReturnReference	Explanation
		PART I, LINE 7G THE SUBSIDIZED HEALTH SERVICES WERE DETERMINED USING OUR COST ACCOUNTING SYSTEM, BEFORE MANUALLY REMOVING THE CHARITY CARE AND MEDICAID REVENUE

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) THE AMOUNT OF BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25 COLUMN (A) BUT SUBTRACTED OUT FOR PURPOSES OF CALCULATING THE PERCENTAGE ON SCH H, PART I, LINE 7, COLUMN (F) IS $7,465,766

Identifier	ReturnReference	Explanation
		PART II HANOVER HOSPITAL OFFERS A WIDE VARIETY OF LECTURES, PRESENTATIONS AND OTHER PROGRAMS TO EDUCATE THE PUBLIC ABOUT HEALTH ISSUES, SUCH AS CHRONIC DISEASE PREVENTION, CANCER PREVENTION, MENTAL HEALTH AWARENESS, CARDIOVASCULAR DISEASE PREVENTION, AND HEALTHY BEHAVIORS WE ALSO HAVE STRONG COMMUNITY COLLABORATIONS WITH HANOVER AREA YMCA, HANOVER CHAMBER OF COMMERCE, HANOVER YWCA, HEALTHY YORK COUNTY COALITION, HEALTHY ADAMS COUNTY, AND NUMEROUS OTHER ORGANIZATIONS

Identifier	ReturnReference	Explanation
		PART III, LINE 4 BAD DEBT EXPENSE IS THE UNCOLLECTIBLE PORTION OF CHARGES GENERATED BY PATIENT CARE THIS SHOULD BE INCLUDED IN COMMUNITY BENEFIT TO SHOW HOW MUCH MONEY WAS DEEMED UNCOLLECTIBLE FROM PATIENTS THE ALLOWABLE ADJUSTMENT IS TAKEN PRIOR TO THE REMAINING BALANCE IS WRITTEN OFF TO BAD DEBT EXPENSE IF ANY PAYMENTS COME IN SUBSEQUENTLY, THE WRITE-OFF IS REVERSED AND THE BAD DEBT EXPENSE IS REDUCED BAD DEBT EXPENSE WAS DETERMINED USING THE COST TO CHARGE RATIO

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE ORGANIZATION IS PROVIDING CARE TO COMMUNITY MEMBERS WHO ARE ENROLLED IN MEDICARE BUT THE ORGANIZATION CANNOT COLLECT ON THE SHORTFALL BECAUSE OF THE GOVERNMENT'S LIMITATIONS ON ALLOWABLE CHARGES THE SAME LEVEL OF CARE IS PROVIDED TO ALL PATIENTS NO MATTER WHAT THE INSURANCE SITUATION, SO THE ORGANIZATION SHOULD BE ALLOWED TO CLAIM THE MEDICARE SHORTFALL AS COMMUNITY BENEFIT MEDICARE ALLOWABLE COST OF CARE WAS OBTAINED FROM THE MEDICARE COST REPORT

Identifier	ReturnReference	Explanation
		PART III, LINE 9B PATIENTS WHO QUALIFY FOR 100% CHARITY CARE HAVE THEIR ACCOUNT BALANCES WRITTEN OFF AS SOON AS ELIGIBILITY IS APPROVED PATIENTS WHO QUALIFY FOR A LESSER AMOUNT ARE EXPECTED TO PAY THE REMAINING BALANCE AT THE TIME OF APPROVAL IF NECESSARY, A PAYMENT PLAN IS SET UP FOR THE BALANCE

Identifier	ReturnReference	Explanation
HANOVER HOSPITAL		PART V, SECTION B, LINE 19D SERVICES ELIGIBLE FOR FINANCIAL ASSISTANCE UNDER THIS POLICY WILL BE DISCOUNTED ON A SLIDING SCHEDULE, IN ACCORDANCE WITH FINANCIAL NEED, AS DETERMINED IN REFERENCE TO FEDERAL POVERTY LEVELS (FPL) IN EFFECT AT THE TIME OF DETERMINATION THE BASIS FOR THE AMOUNTS HANOVER HOSPITAL WILL DISCOUNT IS AS FOLLOWS 1 PATIENTS WHOSE FAMILY INCOME IS AT OR BELOW 200% OF THE FPL ARE ELIGIBLE TO RECEIVE FREE CARE 2 PATIENTS WHOSE FAMILY INCOME IS AT OR ABOVE 201% BUT NOT MORE THAN 350% OF THE FPL ARE ELIGIBLE TO RECEIVE DISCOUNTS BASED ON THE FOLLOWING SLIDING FEE SCHEDULE 3 201% - 250% - 75% DISCOUNT4 251% - 300% - 50% DISCOUNT5 301% - 350% - 25% DISCOUNT6 ABOVE 350% - CASE-BY-CASE7 PATIENTS WHOSE FAMILY INCOME IS ABOVE 350% OF THE FPL MAY BE ELIGIBLE TO RECEIVE ON A CASE-BY-CASE BASIS BASED ON THEIR SPECIFIC CIRCUMSTANCES AT THE DISCRETION OF HANOVER HOSPITAL

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 A COMMUNITY HEALTH ASSESSMENT PROVIDES THE INFORMATION NEEDED TO CONSIDER WHEN DEVELOPING EFFECTIVE INTERVENTIONS SO THAT COMMUNITIES MAY IDENTIFY ISSUES OF GREATEST CONCERN AND DECIDE TO COMMIT RESOURCES TO THOSE AREAS, THEREBY MAKING THE GREATEST POSSIBLE IMPACT ON COMMUNITY HEALTH STATUS SEVERAL COMMUNITY ORGANIZATIONS COME TOGETHER TO FORM A COMMITTEE WHOSE RESPONSIBILITY IS TO FORMULATE QUESTIONS TO BE ASKED OF COMMUNITY MEMBERS A CONSULTANT THEN COLLECTS THE DATA AND ANALYZES IT ON OUR BEHALF THE GREATEST NEEDS ARE THEN DETERMINED AND PROGRAMS ARE DESIGNED AROUND THOSE NEEDS

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 NOTIFICATION OF THE FINANCIAL ASSISTANCE POLICY, WHICH SHALL INCLUDE A CONTACT NUMBER, WILL BE DISTRIBUTED BY VARIOUS MEANS INCLUDING, BUT NOT LIMITED TO, POSTING NOTICES IN PROMINENT PATIENT LOCATIONS AND PLACING INFORMATION ON PATIENT STATEMENTS HANOVER HOSPITAL WILL ALSO PUBLICIZE A SUMMARY OF THE FINANCIAL ASSISTANCE POLICY ON THE FACILITY WEBSITE AND IN BROCHURES AVAILABLE IN PATIENT ACCESS AREAS SUCH NOTICES AND SUMMARY INFORMATION WILL BE PROVIDED IN THE PRIMARY LANGUAGES SPOKEN BY THE POPULATION SERVED BY HANOVER HOSPITAL

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 THE COMMUNITY DEFINED FOR THIS ASSESSMENT INCLUDES EACH OF THE PENNSYLVANIA ZIP CODES 17316, 17301, 17350, 17364, 17362, 17344, 17331, 17329 & 17340 SECONDARY DATA IS COLLECTED AND REPRESENTATIVE OF THE ENTIRE COUNTIES OF YORK AND ADAMS

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 HANOVER HOSPITAL FURTHERS ITS EXEMPT PURPOSE BY PROMOTING THE HEALTH OF ITS COMMUNITY THROUGH THE FOLLOWING HANOVER HOSPITAL UTILIZES APPROXIMATELY 300 VOLUNTEERS OFFERING SUPPORT TO THE ORGANIZATION, FROM THE BOARD OF DIRECTORS TO THOSE WHO DELIVER FLOWERS AND TRANSPORT PATIENTS THESE VOLUNTEERS ARE ALSO ACTIVE COMMUNITY MEMBERS LIVING IN THE HOSPITAL'S PRIMARY SERVICE AREA THROUGH THEIR INVOLVEMENT AT THE HOSPITAL, THEY ARE ABLE TO COMMUNICATE ITS PROGRAMS AND SERVICES THAT BENEFIT THE WELFARE OF THE COMMUNITY HANOVER HOSPITAL ALSO EMPLOYS APPROXIMATELY THIRTY PHYSICIANS THESE PHYSICIANS SPECIALIZE IN FAMILY MEDICINE, INTERNAL MEDICINE, GENERAL SURGERY, GERIATRICS, LUNG AND SLEEP MEDICINE, ENDOCRINOLOGY, AND CARDIOLOGY OUR PHYSICIANS WORK WITH THOUSANDS OF FAMILIES PROVIDING EXCEPTIONAL CARE FINALLY, HANOVER HOSPITAL APPLIES ITS SURPLUS FUNDS BY REINVESTING IN THE ORGANIZATION OVER THE PAST YEAR, THE HOSPITAL HAS PAID FOR THE EXPENSES TO ROLL OUT A COMMUNITY-WIDE ELECTRONIC MEDICAL RECORD (EMR) HANOVER IS ONE OF THE VERY FEW COMMUNITIES TO HAVE APPROXIMATELY EIGHTY PERCENT OF ITS EMPLOYED AND AFFILIATED PHYSICIAN PRACTICES JOIN THIS ROLL OUT TOGETHER THE HOSPITAL AND ITS PHYSICIANS ARE COMMITTED TO PROVIDING A TIMELY, ACCURATE RECORD FOR PATIENTS TO REDUCE UNNECESSARY TESTING AND REDUCE COSTS IN ADDITION TO THE EMR, THE HOSPITAL HAS INVESTED FUNDS TO IMPROVE TECHNOLOGY AND TO OPEN NEW CENTERS MOST RECENTLY, THE HOSPITAL OPENED ITS THIRD EXPRESS CARE IN NEW OXFORD THROUGH OUR MOST VALUABLE ASSETS, OUR VOLUNTEERS AND EMPLOYEES, ALONG WITH OUR ONGOING COMMITMENT TO OUR COMMUNITY HANOVER HOSPITAL HAS FURTHERED ITS EXEMPT PURPOSE

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

Additional Data

Software ID:
Software Version:
EIN: 23-1360851
Name: HANOVER HOSPITAL INC

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

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility (list in order of size from largest to smallest) How many non-hospital facilities did the organization operate during the tax year? **12** Name and address	Type of Facility (Describe)
HILLSIDE DIAGNOSTIC CENTER 250 FAME AVE STE 104 HANOVER,PA 17331	LAB, MRI, X-RAY, CT SCAN, US
HILLSIDE DIAGNOSTIC CENTER 250 FAME AVE STE 104 HANOVER,PA 17331	LAB, MRI, X-RAY, CT SCAN, US
HILLSIDE DIAGNOSTIC CENTER 250 FAME AVE STE 104 HANOVER,PA 17331	LAB, MRI, X-RAY, CT SCAN, US
HILLSIDE DIAGNOSTIC CENTER 250 FAME AVE STE 104 HANOVER,PA 17331	LAB, MRI, X-RAY, CT SCAN, US
HILLSIDE DIAGNOSTIC CENTER 250 FAME AVE STE 104 HANOVER,PA 17331	LAB, MRI, X-RAY, CT SCAN, US
HILLSIDE DIAGNOSTIC CENTER 250 FAME AVE STE 104 HANOVER,PA 17331	LAB, MRI, X-RAY, CT SCAN, US
HILLSIDE DIAGNOSTIC CENTER 250 FAME AVE STE 104 HANOVER,PA 17331	LAB, MRI, X-RAY, CT SCAN, US
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HILLSIDE DIAGNOSTIC CENTER 250 FAME AVE STE 104 HANOVER,PA 17331	LAB, MRI, X-RAY, CT SCAN, US

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
HANOVER HOSPITAL INC

Employer identification number
23-1360851

Part I General Information on Grants and Assistance

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

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

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

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed . . . . . ▶ ☐

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) HANOVER AREA CHAMBER OF COMMERCE 146 CARLISLE STREET HANOVER,PA 17331	23-2290798	501(C)(6)	7,777		N/A	N/A	SPONSORSHIP OF VARIOUS PROGRAMS AND EVENTS
(2) AMERICAN HEART ASSOCIATION5455 NORTH HIGH STREET COLUMBUS,OH 43214	13-5613797	501(C)(3)	10,000		N/A	N/A	ANNUAL SPONSORSHIP FOR GO RED LUNCHEON
(3) FRIENDS OF CODORUS STATE PARK1600 BLOOMING GROVE ROAD HANOVER,PA 17331	56-2675802	170(01)(2)	10,000		N/A	N/A	CODORUS BLAST SPONSORSHIP
(4) SWEET CHARITIES-CANCER PATIENT FUND PMB 154 1150 CARLISLE ST HANOVER,PA 17331	11-3662416	501(C)(3)	6,900		N/A	N/A	GOLF TOURNAMENT, SPONSORSHIPS

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

3 Enter total number of other organizations listed in the line 1 table . . . . . ▶ 2

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. Use Schedule I-1 (Form 990) if additional space is needed.

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

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

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 DONATIONS ARE MADE TO 501(C)(3) PUBLIC CHARITIES FOR USE IN EXEMPT ACTIVITIES RELATED TO HEALTHCARE ADDITIONAL DONATIONS ARE MADE TO LOCAL NON-CHARITABLE ORGANIZATIONS TO SUPPORT THE COMMUNITY

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
HANOVER HOSPITAL INC

Employer identification number
23-1360851

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**		
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**		
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?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in 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 Schedule J-1 if additional space needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(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) PAUL F DENDE	(i)	0	0	0	0	0	0	0
	(ii)	140,007	158,962	1,192	7,000	7,228	314,389	0
(2) GEORGE M KYRIACOU	(i)	266,778	40,292	17,434	12,250	4,050	340,804	0
	(ii)	0	0	0	0	0	0	0
(3) MICHAEL W GASKINS	(i)	126,157	30,000	571	0	2,463	159,191	0
	(ii)	0	0	0	0	0	0	0
(4) DAVID C CAPONE	(i)	170,020	0	0	0	0	170,020	0
	(ii)	0	0	0	0	0	0	0
(5) MICHAEL H ADER	(i)	0	0	0	0	0	0	0
	(ii)	225,014	12,400	1,471	3,635	4,238	246,758	0
(6) MARY P SAUNDERS	(i)	152,100	0	6,199	7,605	1,062	166,966	0
	(ii)	0	0	0	0	0	0	0
(7) WARREN C DANIELS	(i)	158,298	0	15,460	8,500	1,126	183,384	0
	(ii)	0	0	0	0	0	0	0
(8) MICHAEL A HOCKENBERRY	(i)	146,457	0	1,052	7,267	2,509	157,285	0
	(ii)	0	0	0	0	0	0	0
(9) REBECCA E GOODERMUTH	(i)	144,272	0	2,873	7,213	2,464	156,822	0
	(ii)	0	0	0	0	0	0	0
(10) JENNIFER L SHIMKONIS	(i)	152,307	0	1,513	5,262	1,539	160,621	0
	(ii)	0	0	0	0	0	0	0

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 4B	CEO GEORGE KYRIACOU TERMINATED 11/4/2011 HE PARTICIPATED IN A SERP AND RECEIVED $40,292 IN REPORTABLE COMPENSATION

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
HANOVER HOSPITAL INC

Employer identification number
23-1360851

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	GENERAL AUTHORITY OF SOUTHCENTRAL PENNSYLVANIA	23-2982233	84129NEB1	10-12-2005	32,293,464	RENOVATIONS, DEBT SERVICE FUND, AND COST TO INSURE & ISSUE BONDS		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired				
2	Amount of bonds defeased				
3	Total proceeds of issue	32,293,464			
4	Gross proceeds in reserve funds	1,784,627			
5	Capitalized interest from proceeds	1,854,432			
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	476,117			
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds	989,784			
10	Capital expenditures from proceeds	29,042,966			
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2008			

		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						
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	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						
2	Are there any lease arrangements that may result in private business use of bond-financed property?		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						
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?		X						

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						
2	Is the bond issue a variable rate issue?		X						
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		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						
6	Did the bond issue qualify for an exception to rebate?		X						

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations . . . . . ☐ Yes ☑ No

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
HANOVER HOSPITAL INC

Employer identification number
23-1360851

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) ALAN STOCK	BOARD MEMBER & PRESIDENT OF EICHOLTZ	111,180	ALAN STOCK OWNS EICHOLTZ COMPANY THE HOSPITAL PURCHASED OFFICE EQUIPMENT FROM EICHOLTZ COMPANY THE BOARD MAINTAINS A CONFLICT OF INTEREST POLICY AND ALL TRANSACTIONS WITH EICHOLTZ COMPANY WERE CONDUCTED AT ARM'S LENGTH		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

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SCHEDULE M (Form 990)

Department of the Treasury
Internal Revenue Service

NonCash Contributions

▶Complete if the organization answered "Yes" on Form 990, Part IV, lines 29 or 30.
▶ Attach to Form 990.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
HANOVER HOSPITAL INC

Employer identification number
23-1360851

Part I Types of Property

		(a) Check if applicable	(b) Number of Contributions or items contributed	(c) Contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining contribution amounts
1	Art—Works of art				
2	Art—Historical treasures				
3	Art—Fractional interests				
4	Books and publications				
5	Clothing and household goods				
6	Cars and other vehicles				
7	Boats and planes				
8	Intellectual property				
9	Securities—Publicly traded	X	3	51,877	FAIR MARKET VALUE
10	Securities—Closely held stock	X	1	103,673	FAIR MARKET VALUE
11	Securities—Partnership, LLC, or trust interests				
12	Securities—Miscellaneous				
13	Qualified conservation contribution—Historic structures				
14	Qualified conservation contribution—Other				
15	Real estate—Residential				
16	Real estate—Commercial				
17	Real estate—Other				
18	Collectibles				
19	Food inventory				
20	Drugs and medical supplies				
21	Taxidermy				
22	Historical artifacts				
23	Scientific specimens				
24	Archeological artifacts				
25	Other ▶ (_____)				
26	Other ▶ (_____)				
27	Other ▶ (_____)				
28	Other ▶ (_____)				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement . . . | 29 |

			Yes	No
30a	During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?	30a		No
b	If "Yes," describe the arrangement in Part II			
31	Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?	31	Yes	
32a	Does the organization hire or use third parties or related organizations to solicit, process, or sell non-cash contributions?	32a	Yes	
b	If "Yes," describe in Part II			
33	If the organization did not report revenues in column (c) for a type of property for which column (a) is checked, describe in Part II			

Part II

Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
THIRD PARTY USE	PART I, LINE 32B	HAVERFORD SELLS NON-CASH CONTRIBUTIONS OF SECURITIES

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

2011

Open to Public Inspection

Name of the organization
HANOVER HOSPITAL INC

Employer identification number
23-1360851

Identifier	Return Reference	Explanation
PROGRAM SERVICE ACCOMPLISHMENTS (CONTINUED)	FORM 990, PART III, LINE 4A	HH PROVIDES ACUTE CARE SERVICES INCLUDING MEDICAL, SURGICAL, OBSTETRIC/GYNECOLOGICAL, PEDIATRIC, AND CRITICAL CARE THE MEDICAL/SURGICAL UNITS ARE STAFFED ON TWO FLOORS, FOR A COMBINED TOTAL OF 58 BEDS TOTAL PATIENTS DISCHARGED BY THESE UNITS DURING THE YEAR ENDED JUNE 30, 2012 WERE 3,749 OBSTETRICS/GYNECOLOGY STAFFS A TOTAL OF 18 BEDS AND DISCHARGED 726 PATIENTS THE PEDIATRIC UNIT IS EQUIPPED WITH 5 BEDS AND HAD 149 DISCHARGES THERE ARE 10 BEDS IN OUR CRITICAL CARE UNIT AND 312 PATIENTS WERE DISCHARGED THE CENTER FOR ACUTE REHABILITATIVE MEDICINE HAS 15 BEDS, AND DISCHARGED 259 PATIENTS THIS YEAR THERE WERE 590 DISCHARGES FROM THE NURSERY DURING THE YEAR AS WELL HH PROVIDES A WIDE RANGE OF DIAGNOSTIC AND SUPPORT SERVICES FOR BOTH INPATIENTS AND OUTPATIENTS THESE SERVICES INCLUDE, BUT ARE NOT LIMITED TO, LABORATORY, IMAGING SERVICES, CARDIAC SERVICES, AND REHAB FACILITIES IMAGING SERVICES INCLUDES RADIOLOGY, NUCLEAR MEDICINE, MRI, ULTRASOUND, AND CT SCAN CARDIAC SERVICES ARE COMPRISED OF REHAB, DIAGNOSTIC, AND A CARDIAC CATHETERIZATION LAB HH PROVIDES MULTIPLE OUTPATIENT FACILITIES FOR PHYSICAL, OCCUPATIONAL, AND SPEECH THERAPY HH ALSO PROVIDED CARE TO PATIENTS WHO MET CERTAIN CRITERIA WITHOUT CHARGE OR AT AMOUNTS LESS THAN ESTABLISHED RATES CHARGES FOREGONE FOR SERVICES RENDERED AND SUPPLIES FURNISHED UNDER THE CHARITY CARE POLICY AMOUNTED TO APPROXIMATELY $1,997,000 DURING THE YEAR ENDED JUNE 30, 2012
	FORM 990, PART VI, SECTION B, LINE 11	REVIEW OF THE DRAFT OF THE FORM 990 IS PERFORMED BY MANAGEMENT WITH THE OUTSIDE ACCOUNTING FIRM ALL MEMBERS OF THE BOARD OF DIRECTORS ARE GIVEN A FINAL COPY OF THE FORM 990 PRIOR TO FILING WITH THE IRS THE FINAL SUBMISSION IS REVIEWED BY THE FINANCE COMMITTTEE SO THAT THEIR QUESTIONS AND CONCERNS MAY BE ADDRESSED
	FORM 990, PART VI, SECTION B, LINE 12C	HH'S CODE OF CONDUCT CONTAINS PRINCIPLES OUTLINING THE POLICY OF HH AND STANDARDS THAT ARE INTENDED TO PROVIDE GUIDANCE TO ALL INDIVIDUALS PARTICIPATING IN HH'S OPERATIONS THE PRINCIPLES AND STANDARDS SHALL BE DISTRIBUTED AT LEAST ANNUALLY TO ALL DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS OF HH INDIVIDUALS ARE RESPONSIBLE TO ENSURE THAT THEIR BEHAVIOR AND ACTIVITY IS CONSISTENT WITH THE CODE OF CONDUCT THE TERM "INDIVIDUALS" INCLUDES DIRECTORS, EMPLOYEES AND AGENTS OF HH AND INCLUDES ANY PERSON WHO FILLS SUCH A ROLE OR PROVIDES SERVICES ON BEHALF OF HH INCLUDING NON-EMPLOYED MEMBERS OF HH'S MEDICAL STAFF PROVIDING SERVICES IN HH, NON-PHYSICIAN PRACTITIONERS EXERCISING PRIVILEGES IN HH, INTERNS AND MEDICAL STUDENTS AND SHALL INCLUDE VOLUNTEERS IN HH UPON HIRE AND ANNUALLY THEREAFTER, ALL EMPLOYEES MUST COMPLETE OUR COMPLIANCE TRAINING, INCLUDING REVIEW OF OUR CODE OF CONDUCT STATEMENT A COPY OF THE CODE OF CONDUCT IS LOCATED IN HH'S ADMINISTRATIVE POLICY MANUAL OUR CODE OF CONDUCT HAS STANDARDS AND POLICIES THAT ADDRESS CONFLICTS OF INTEREST IT IS EACH EMPLOYEE'S RESPONSIBILITY TO REVIEW AND COMPLY WITH THE CODE OF CONDUCT OR DISCUSS ANY QUESTIONS OR REPORT ANY CONCERNS TO THE CORPORATE DIRECTOR OF COMPLIANCE INDIVIDUALS ARE INSTRUCTED THAT THEY OWE UNDIVIDED AND UNQUALIFIED LOYALTY TO HH INDIVIDUALS MAY NOT USE THEIR POSITIONS TO PROFIT PERSONALLY OR TO ASSIST OTHERS IN PROFITING IN ANY WAY AT THE EXPENSE OF HH INDIVIDUALS ARE EXPECTED TO CONDUCT THEMSELVES SO AS TO AVOID ACTUAL IMPROPRIETY AND/OR APPEARANCE OF IMPROPRIETY IN DEALING WITH HH AND TO AVOID DISCLOSURE OR PRIVATE USE OF THE BUSINESS AFFAIRS OR PLANS OF HH DETERMINATION OF WHETHER A CONFLICT OF INTEREST EXISTS OR NOT AND THE ASSIGNMENT OF ANY NECESSARY ACTION IS MADE BY THE HH'S AUDIT COMMITTEE, A SUBCOMMITTEE OF OUR BOARD OF DIRECTORS PARTICIPATION ON BOARD OF DIRECTORS/TRUSTEES - AN INDIVIDUAL MUST OBTAIN APPROVAL OF HH COMPLIANCE OFFICER PRIOR TO SERVING AS A MEMBER OF THE BOARD OF DIRECTORS/TRUSTEES OF ANY ORGANIZATION WHOSE INTERESTS MAY CONFLICT WITH THOSE OF HH AN INDIVIDUAL WHO IS ASKED OR SEEKS TO SERVE ON THE BOARD OF DIRECTORS/TRUSTEES OF ANY ORGANIZATION WHOSE INTEREST WOULD NOT IMPACT HH (E.G , CIVIC, CHARITABLE, FRATERNAL, ETC) WILL NOT BE REQUIRED TO OBTAIN APPROVAL - INDIVIDUALS SHALL SEEK THE APPROVAL OF HH COMPLIANCE OFFICER PRIOR TO RETAINING ANY FEES OR COMPENSATION (OTHER THAN REIMBURSEMENT FOR EXPENSES) THAT ARE RECEIVED BY THE INDIVIDUAL FOR BOARD SERVICES WHICH MAY HAVE BEEN RENDERED DURING NORMAL PAID WORK TIME AS AN EMPLOYEE OF HH
	FORM 990, PART VI, SECTION B, LINE 15	THE COMPENSATION COMMITTEE, CONSISTING OF INDEPENDENT MEMBERS OF THE HANOVER HOSPITAL BOARD OF DIRECTORS, COMMISSIONED AN INDEPENDENT AGENCY TO ESTABLISH A SALARY RANGE UTILIZING FOUR INDEPENDENT COMPENSATION SURVEYS THE COMPENSATION OF TOP MANAGEMENT OFFICIALS WAS SET BY THE COMMITTEE UTILIZING THIS DATA AND WAS SUBSEQUENTLY APPROVED BY THE BOARD OF DIRECTORS IN EXECUTIVE SESSION
	FORM 990, PART VI, SECTION C, LINE 18	THE ORGANIZATION MAKES FORMS 1023, 990 AND 990-T AVAILABLE TO THE PUBLIC UPON REQUEST
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -211,366 PRIOR PERIOD ADJUSTMENTS -1,965 NET ASSET TRANSFER TO AFFILIATE -4,886,147 IMPAIRMENT LOSS -284,832 TOTAL TO FORM 990, PART XI, LINE 5 -5,384,310
OVERSIGHT OF AUDIT	FORM 990, PART XI, LINE 2C	THERE HAVE BEEN NO CHANGES DURING THE YEAR IN THE PROCESS FOR OVERSIGHT OF THE AUDIT OF THE FINANCIAL STATEMENTS
	FORM 990, SCHEDULE K, PART III, LINE 3	THERE ARE NO MANAGEMENT OR SERVICE CONTRACTS OR RESEARCH AGREEMENTS RELATING TO THE FINANCED PROPERTIES FOR THE 2005 BONDS

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
HANOVER HOSPITAL INC

Employer identification number
23-1360851

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) HANOVER HEALTHCARE PLUS INC 300 HIGHLAND AVENUE HANOVER, PA 173312214 22-2658574	PARENT COMPANY OF NOT-FOR-PROFIT HEALTHCARE SERVICE ORGANIZATION	PA	501(C)(3)	11A	N/A		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) CHERRY TREE CANCER CENTER LLP PO BOX 2767 YORK, PA 17405 23-2915628	OPERATES A THERAPEUTIC RADIATION TREATMENT FACILITY	PA	N/A	RELATED	1,318,832	1,753,502		No		Yes		50 000 %

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) HANOVER APOTHECARY INC 310 STOCK STREET SUITE 1 HANOVER, PA 17331 03-0594256	PROVIDES PHARMACY SERVICES	PA	N/A	C	6,068,121	1,708,193	100 000 %
(2) HANOVER HEALTH CORPORATION INC 300 HIGHLAND AVENUE HANOVER, PA 17331 90-0498067	OPERATES SEVERAL OUTPATIENT MEDICAL CARE FACILITIES	PA	N/A	C	15,077,788	5,295,278	100 000 %

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

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

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) HANOVER HEALTH CORPORATION INC	B	4,886,147	CASH
(2) HANOVER HEALTH CORPORATION INC	D	607,000	FAIR MARKET VALUE
(3) HANOVER HEALTH CORPORATION INC	K	353,000	FAIR MARKET VALUE
(4) HANOVER HEALTH CORPORATION INC	L	823,000	FAIR MARKET VALUE
(5) HANOVER APOTHECARY INC	I	25,410	FAIR MARKET VALUE
(6) HANOVER HEALTH CORPORATION INC	I	59,211	FAIR MARKET VALUE

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

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

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

Schedule R (Form 990) 2011

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 23-1360851
Name: HANOVER HOSPITAL INC

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

	(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1)	HANOVER HEALTH CORPORATION INC	B	4,886,147	CASH
(2)	HANOVER HEALTH CORPORATION INC	D	607,000	FAIR MARKET VALUE
(3)	HANOVER HEALTH CORPORATION INC	K	353,000	FAIR MARKET VALUE
(4)	HANOVER HEALTH CORPORATION INC	L	823,000	FAIR MARKET VALUE
(5)	HANOVER APOTHECARY INC	I	25,410	FAIR MARKET VALUE
(6)	HANOVER HEALTH CORPORATION INC	I	59,211	FAIR MARKET VALUE

Hanover Hospital, Inc.

Financial Statements
Years Ended June 30, 2012 and 2011

Hanover Hospital, Inc.

Financial Statements
Years Ended June 30, 2012 and 2011

Hanover Hospital, Inc.

Contents

BDO

Tel: 301-654-4900
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7101 Wisconsin Avenue, Suite 800
Bethesda, MD 20814-4827

Independent Auditors' Report

Board of Directors
Hanover Hospital, Inc.

We have audited the accompanying balance sheets of Hanover Hospital, Inc. (the "Hospital") as of June 30, 2012 and 2011 and the related statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hanover Hospital, Inc. at June 30, 2012 and 2011, and the results of its operations, changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BDO USA, LLP

October 26, 2012

Financial Statements

Hanover Hospital, Inc.

Balance Sheets
(In thousands)

June 30,	**2012**	2011
Assets		
Current Assets		
Cash and cash equivalents	**$ 9,304**	$ 8,507
Assets whose use is limited under trust indenture, held by Trustee	**1,625**	1,550
Accounts receivable, patients (net of allowances for doubtful collections of $4,660 and $3,971)	**11,876**	10,214
Pledges receivable, short-term	**578**	542
Other receivables	**2,803**	350
Inventories of drugs and supplies	**3,021**	2,842
Prepaid expenses and other current assets	**2,313**	3,877
Malpractice claims insurance receivable	**1,569**	-
Total Current Assets	**33,089**	27,882
Assets Whose Use is Limited		
By Board for future capital improvements	**26,001**	25,525
Under trust indenture, held by trustee	**3,622**	3,659
Under deferred compensation agreements	**488**	654
Property and Equipment, net	**87,278**	87,965
Other Assets, net	**3,236**	2,736
Pledges Receivable, long-term	**777**	1,013
Deferred Financing Costs, net	**1,526**	1,635
Total Assets	**$ 156,017**	$ 151,069

See accompanying notes to financial statements.

Hanover Hospital, Inc.

Balance Sheets
(In thousands)

June 30,	2012	2011
Liabilities and Net Assets		
Current Liabilities		
Accounts payable, trade	$ 3,312	$ 1,878
Accrued expenses	9,087	7,535
Current maturities of:		
Hospital revenue bonds	1,625	1,550
Obligations under capital lease	523	364
Notes payable	476	1,878
Advances from third-party payors	521	521
Estimated third-party payor settlements	950	950
Estimated medical malpractice claims	2,479	1,820
Total Current Liabilities	18,973	16,496
Long-Term Debt		
Hospital revenue bonds, net	48,869	50,511
Obligations under capital lease	945	562
Notes payable	4,593	2,363
Deferred Compensation	488	654
Total Liabilities	73,868	70,586
Net Assets		
Unrestricted	78,683	77,881
Temporarily restricted	3,321	2,455
Permanently restricted	145	147
Total Net Assets	82,149	80,483
Total Liabilities and Net Assets	$ 156,017	$ 151,069

See accompanying notes to financial statements.

Hanover Hospital, Inc.

Statements of Operations
(In thousands)

Year ended June 30,	**2012**	2011
Unrestricted Revenues		
Net patient service revenues	**$ 140,269**	$ 138,476
Other operating revenues	**1,344**	1,819
Total Unrestricted Revenues	**141,613**	140,295
Expenses		
Salaries and wages	**52,525**	50,655
Supplies and expenses	**48,148**	46,838
Employee benefits	**16,550**	17,413
Depreciation and amortization	**9,137**	8,084
Provision for doubtful collections	**7,466**	5,739
Interest	**3,016**	3,379
Impairment loss	**285**	121
(Gain) loss on disposal of property and equipment	**(20)**	92
Total Expenses	**137,107**	132,321
Operating Income	**4,506**	7,974
Other Income		
Investment income	**104**	4,392
Other income, net	**629**	485
Contributions	**333**	353
Total Other Income	**1,066**	5,230
Excess of Revenues over Expenses	**5,572**	13,204
Net Assets Released from Restriction for Purchase of Property and Equipment	**115**	112
Transfers to Affiliates	**(4,885)**	(5,110)
Increase in Unrestricted Net Assets	**$ 802**	$ 8,206

See accompanying notes to financial statements.

Hanover Hospital, Inc.

Statements of Changes in Net Assets
(In thousands)

Year ended June 30,	**2012**	2011
Unrestricted Net Assets		
Excess of Revenues over Expenses	**$ 5,572**	$ 13,204
Net assets released from restriction for purchase of property and equipment	**115**	112
Transfers to affiliates	**(4,885)**	(5,110)
Increase in Unrestricted Net Assets	**802**	8,206
Temporarily Restricted Net Assets		
Contributions	**1,009**	2,330
Net assets released from restriction for use in operations	**(28)**	(83)
Net assets released from restriction for purchase of property and equipment	**(115)**	(112)
Increase in Temporarily Restricted Net Assets	**866**	2,135
Permanently Restricted Net Assets		
Contributions	**33**	33
Net assets released from restriction for expenses and disbursements	**(35)**	(37)
Decrease in Permanently Restricted Net Assets	**(2)**	(4)
Increase in net assets	**1,666**	10,337
Net Assets, beginning of year	**80,483**	70,146
Net Assets, end of year	**$ 82,149**	$ 80,483

See accompanying notes to financial statements.

Hanover Hospital, Inc.

Statements of Cash Flows
(In thousands)

Year ended June 30,	2012	2011
Cash Flows from Operating Activities		
Increase in net assets	$ **1,666**	$ 10,337
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**9,275**	8,275
Provision for doubtful collections	**7,466**	5,739
Impairment loss	**285**	121
(Gain) loss on sale of property and equipment	**(20)**	101
Equity loss in joint venture investments	**94**	13
Net realized and unrealized (gain) loss on investments	**604**	(3,791)
Transfers to affiliates	**4,885**	5,110
Restricted contributions and investment income	**(1,042)**	(2,363)
Changes in assets and liabilities:		
Accounts receivable, patients	**(9,128)**	(4,917)
Pledges receivable	**200**	(1,555)
Other receivables	**(2,453)**	728
Inventories of drugs and supplies	**(179)**	335
Prepaid expenses and other current assets	**1,538**	(2,078)
Malpractice claims insurance receivable	**(1,569)**	-
Other assets	**(828)**	(1,054)
Accounts payable, trade	**1,434**	(2,891)
Estimated third-party payor settlements	**-**	(966)
Accrued expenses	**1,552**	177
Estimated malpractice liability claims	**659**	460
Deferred compensation	**(166)**	93
Net Cash Provided by Operating Activities	**14,273**	11,874
Cash Flows from Investing Activities		
Distribution from joint venture investments	**234**	167
Net (purchases) sales of investments	**(952)**	520
Purchase of property and equipment	**(7,699)**	(7,814)
Net Cash Used in Investing Activities	$ **(8,417)**	$ (7,127)

See accompanying notes to financial statements.

Hanover Hospital, Inc.

Statements of Cash Flows, continued
(In thousands)

Year ended June 30,		**2012**		2011
Cash Flows from Financing Activities				
Restricted contributions and investment income	**$**	**1,042**	$	2,363
Transfer to affiliates		**(4,885)**		(5,110)
Proceeds of long-term debt		**2,230**		5,720
Repayment of long-term debt		**(3,446)**		(3,341)
Net Cash Used in Financing Activities		**(5,059)**		(368)
Increase in cash and cash equivalents		**797**		4,379
Cash and Cash Equivalents, beginning of year		**8,507**		4,128
Cash and Cash Equivalents, end of year	**$**	**9,304**	$	8,507
Supplemental Disclosure of Cash Flow Information				
Cash paid for interest	**$**	**2,775**	$	2,681
Cash paid for income taxes		**559**		476
Supplemental Disclosure of Noncash Investing and Financing Activities				
Capital lease obligation for purchase of equipment	**$**	**1,036**	$	338

See accompanying notes to financial statements.

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Hanover Hospital, Inc. (the "Hospital") is a not-for-profit acute care hospital located in Hanover, Pennsylvania. The Hospital provides inpatient, outpatient, and emergency care services for residents of Hanover, Pennsylvania, and surrounding communities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Accounts Receivable, Patients

Accounts receivable, patients are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful collections is estimated based upon a periodic review of the accounts receivable aging, payor classifications, and application of historical write-off percentages.

Other Receivables

Other receivables are reported at net realizable value. Other receivable balances are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful collections is estimated based upon historical collection experience and management's assessment of their collectability.

Assets Whose Use is Limited

Assets whose use is limited includes assets set aside by the Board of Trustees (the "Board") for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes, assets held by a bond trustee under trust indenture, and assets held under deferred compensation agreements. Amounts available to meet current liabilities of the Hospital have been reclassified as current assets in the accompanying balance sheets.

Inventories of Drugs and Supplies

Inventories which primarily consist of drugs and medical supplies are carried at cost, using the average cost method.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. Cash and cash equivalents are carried at cost which approximates fair value. Investment income or loss (including realized gains and losses on investments, unrealized gains and losses on trading securities, interest, and dividends) is included in the determination of revenues in excess of (less than) expenses unless the income or loss is restricted by donor or law.

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

The Hospital's investment in joint venture is accounted for using the equity method of accounting.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation, including amortization of equipment under capital lease, is computed using the straight-line method based upon the estimated useful life of each class of depreciable asset. Total depreciation was $9,158 and $8,104 in 2012 and 2011, respectively. Depreciation of $21 and $20 in 2012 and 2011, respectively, is included in other income, net, in the statements of operations.

Interest cost incurred on borrowed funds during the period of construction of capital assets, less interest earned on the proceeds of tax-exempt borrowings, is capitalized as a component of the cost of acquiring those assets. Interest cost incurred was $2,909 and $2,688 in 2012 and 2011, respectively of which $0 was capitalized in 2012 and 2011.

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

Impairment of Property and Equipment

Property and equipment is evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. Impairment losses of $285 and $121 were recognized based on these measures in 2012 and 2011, respectively.

Deferred Financing Costs

Costs incurred in connection with the issuance of long-term debt have been deferred and are being amortized over the term of the related debt using the straight-line method, which approximates the effective interest method. Amortization was $132 and $207 and accumulated amortization was $1,313 and $1,181 in 2012 and 2011, respectively.

Estimated Malpractice Claims Liability

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

Temporarily and Permanently Restricted Net Assets

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

Excess of Revenues over Expenses

The statements of operations include the determination of excess of revenues over expenses. Changes in unrestricted net assets which are excluded from the determination of revenues in excess of (less than) expenses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

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

Charity Care

The Hospital provides charity care to patients who meet certain criteria without charge or at amounts less than its established rates. Since the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the estimated amount of cost to provide such services under its charity care policy. The estimated cost to provide charity care services were $1,005 and $828 in 2012 and 2011, respectively.

Donor-Restricted Gifts

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as net assets released from restriction.

Advertising Costs

Advertising costs are expensed as incurred. Such costs amounted to $728 and $900 for 2012 and 2011, respectively.

Income Taxes

Hanover Hospital, Inc. is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code. The Hospital does pay income tax on certain unrelated business activities.

The Hospital accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2012 and 2011.

The Hospital's not-for-profit tax returns for the years ended June 30, 2012, 2011, 2010, and 2009 remain subject to examination by major tax jurisdictions.

Subsequent Events

The Hospital evaluated subsequent events for recognition or disclosure through October 26, 2012, the date the financial statements were available to be issued.

New Accounting Pronouncements

Charity Care - The Hospital adopted Accounting Standards Update 2010-23, *Measuring Charity Care for Disclosure*, which requires that direct and indirect costs be used as the measurement for charity care disclosure purposes. The amended guidance was effective for fiscal years beginning after December 15, 2010.

Insurance Claims - The Hospital adopted Accounting Standards Update 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, which clarifies that health care entities may not net insurance recoveries against a related claim liability. In addition, the amount of the claim liability should be determined without consideration of insurance recoveries and estimated insurance recoveries, if any, should be measured and presented separately within the balance sheet. The amended guidance was effective for fiscal years beginning after December 15, 2010.

The Hospital elected to not apply this new accounting standard retroactively to the year end June 30, 2011.

Bad Debt Expense - The Hospital will be required to adopt Accounting Standards Update 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities,* which requires certain healthcare entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, the amendments expand the disclosure requirements for those health care entities regarding their policies for recognizing revenue and assessing bad debts. The standard will also require disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The standard will be effective for fiscal years beginning after December 15, 2011 and therefore impact the statement of operations presentation and footnote disclosures for year ended June 30, 2013.

Reclassifications

Certain reclassifications of the 2011 amounts have been made to conform with the 2012 financial statement presentation.

2. Net Patient Services Revenues

The Hospital has agreements with third-party payors that provide for payments at amounts different from their established rates. A significant portion of the Hospital's net patient service revenues is derived from those third-party payor programs. A summary of the principal payment arrangements with major third-party payors follows:

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

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

Blue Cross & Blue Shield - Inpatient acute and nonacute services and outpatient services rendered to subscribers are paid using case rates, percentage of charges and prospectively determined amounts based on the services provided.

(In thousands)

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations, and other organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, or prospectively determined daily rates.

3. Assets Whose Use is Limited

The composition of assets whose use is limited at June 30, 2012 and 2011 is set forth in the following table:

	2012	2011
By Board for future capital improvements:		
Cash and cash equivalents	$ 1,287	$ 977
Marketable equity securities	16,904	18,035
US government and agency obligations	2,352	2,458
Corporate obligations	5,458	4,055
Total	$ 26,001	$ 25,525
Under trust indenture, held by trustee		
Cash and cash equivalents	$ 5,247	$ 5,209
Less: funds held by trustee required for current liabilities	(1,625)	(1,550)
Noncurrent Portion of Funds Held by Trustee	$ 3,622	$ 3,659
Under deferred compensation agreements		
Mutual funds	$ 488	$ 654

4. Fair Value Measurements and Financial Instruments

Investment income (loss) and gains and losses for assets whose use is limited and cash and cash equivalents are comprised of the following in 2012 and 2011:

	2012	2011
Unrestricted investment income (loss):		
Interest and dividend income	$ 708	$ 637
Realized (loss) on sale of securities	(394)	(200)
Unrealized gains and (losses) on trading securities	(210)	3,955
Total	$ 104	$ 4,392

Fair Value Measurements

The Hospital measures its assets whose use is limited at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to dispose of a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair

(In thousands)

value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

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

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

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

The fair values of the Hospital's assets whose use is limited and investments were measured with the following inputs at June 30, 2012:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Assets at Fair Value at June 30, 2012
Assets:			
Cash and cash equivalents	$ 6,534	$ -	$ 6,534
Equity securities and equity mutual funds	17,392	-	17,392
Corporate obligations	-	5,458	5,458
US government and agency obligations	2,352	-	2,352
Total	**$ 26,278**	**$ 5,458**	**$ 31,736**

The fair values of the Hospital's assets whose use is limited and investments were measured with the following inputs at June 30, 2011:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Assets at Fair Value at June 30, 2011
Assets:			
Cash and cash equivalents	$ 6,185	$ -	$ 6,185
Equity securities and equity mutual funds	18,690	-	18,690
Corporate obligations	-	4,055	4,055
US government and agency obligations	2,458	-	2,458
Total	**$ 27,333**	**$ 4,055**	**$ 31,388**

At June 30, 2012 and 2011, the Hospital did not have any assets whose use is limited which were measured using Level 3 inputs.

(In thousands)

Financial Instruments

The carrying amount and estimated fair value of the Hospital's financial instruments at June 30, 2012 are as follows:

	2012	
	Carrying Amount	**Fair Value**
Assets:		
Cash and cash equivalents	**$ 9,304**	**$ 9,304**
Assets whose use is limited	**31,736**	**31,736**
Liabilities:		
Hospital revenue bonds	**50,494**	**48,649**
Notes payable	**5,069**	**5,069**
Estimated third-party payor settlements	**950**	**950**

The carrying amount and estimated fair value of the Hospital's financial instruments at June 30, 2011 are as follows:

	2011	
	Carrying Amount	Fair Value
Assets:		
Cash and cash equivalents	$ 8,507	$ 8,507
Assets whose use is limited	31,388	31,388
Liabilities:		
Hospital revenue bonds	52,061	44,787
Notes payable	4,241	4,241
Estimated third-party payor settlements	950	950

Fair values of financial instruments were determined as follows:

Cash and cash equivalents and estimated third-party payor settlements: The carrying amounts approximate fair value because of the short maturity of these financial instruments.

Assets whose use is limited and investments: Cash and cash equivalents and certificates of deposit are valued based upon amortized cost which approximates fair value. Marketable equity securities are valued based upon the closing price reported on the active market in which the individual security is traded. Mutual funds are valued at the net asset value of shares held by the Hospital at year end. Corporate, U.S. Government and agency obligations are valued based on recently executed transactions, market price quotations, bond spreads and credit default spreads for securities with similar maturities.

Notes payable: The fair value is estimated based on current rates offered for the same or similar issues with similar security terms and maturities.

Hospital revenue bonds: The fair value is estimated based on the call price of the issuance of debt. For non-callable bonds the maturity price was utilized.

(In thousands)

5. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment and accumulated depreciation and amortization at June 30, 2012 and 2011 consist of the following:

	2012	2011
Land and land improvements	$ 3,768	$ 4,053
Buildings and fixed equipment	120,985	120,846
Major moveable and computer equipment	49,813	43,716
Equipment under capital lease	2,649	1,701
Construction-in-progress	581	408
Total	177,796	170,724
Less accumulated depreciation and amortization	90,518	82,759
Property and Equipment, net	$ 87,278	$ 87,965

Accumulated amortization for equipment under capital lease was $1,146 and $738 at June 30, 2012 and 2011, respectively.

6. Investments in Joint Ventures

The Hospital has a 50% ownership interest in a joint venture that is accounted for under the equity method. The investment in the joint venture was $1,429 and $1,569 at June 30, 2012 and 2011, respectively, and is included in other assets in the accompanying balance sheets. The Hospital's equity in gain (loss) of the joint venture was $94 and $(13) in 2012 and 2011, respectively, and is included in other income, net in the accompanying statements of operations.

7. Other Assets

Other assets at June 30, 2012 and 2011 consist of the following:

	2012	2011
Investment in joint venture	$ 1,429	$ 1,569
Other receivables (net of allowance for doubtful collections of $289 and $273)	1,791	1,147
Other	16	20
Total	$ 3,236	$ 2,736

8. Notes Payable

In October 2010, the Hospital obtained a $10,000 non-revolving equipment note payable with a bank. The term of the note is 156 months with interest only payments required for the first 36 months. During 2011, management exercised the option to convert the variable interest rate to a fixed interest for the 36 month period. The fixed interest rate is 5.27%. At the end of the 36 months, the interest rate will convert to a variable interest rate indexed to the Wall Street Journal Prime Lending Rate with a floor of 4.0% and a ceiling of 9.0%. The outstanding principal balance was $4,593 and $2,363 at June 30, 2012 and 2011, respectively. The note is guaranteed by Hanover HealthCare Plus, Inc. and is cross-defaulted with all other obligations to the bank.

The Hospital agreed to comply with the terms of the Agreements, and, among other things, covenanted to establish and collect rates and charges for services which will be sufficient to provide income available for debt service of at least 110% of the maximum annual debt service requirements on all long-term indebtedness. Income available for debt service, as defined in the Bond Agreements, are, the sum of revenues in excess of expenses, depreciation, interest, amortization, and other non-cash charges. The Hospital has also agreed to maintain a liquidity ratio of at least 70 days of operating expenses in unrestricted cash and assets whose use is limited by the Board of Trustees for future capital improvements, as measured on a semi-annual basis each year.

The Hospital had a note payable of $0 and $1,132 at June 30, 2012 and 2011, respectively, to finance certain insurance premiums.

The Hospital has an agreement to transfer certain self-pay receivables to a third party in exchange for cash at a discounted rate. The agreement contains a recourse provision that allows the purchaser to transfer the receivables back to the Hospital if the obligor defaults. The Hospital has accounted for the transfer as a secured borrowing arrangement and recorded a note payable of $476 and $746 at June 30, 2012 and 2011, respectively. The transferred receivables and note payable are derecognized as cash is collected by the servicing agent.

9. Hospital Revenue Bonds

In October 2005, the General Authority of South Central Pennsylvania (the “Authority”) issued $31,360 of its tax-exempt hospital revenue bonds, Series of 2005 (the “2005 Bonds”) to provide funds to finance the renovation and expansion of the Hospital, establish a debt service reserve fund, and pay the costs of the 2005 Bonds.

In March 2002, the Authority issued $17,000 of its tax-exempt hospital revenue bonds, Series of 2002 (the “2002 Bonds”) to provide funds to finance the cost of various Hospital projects, establish a debt service reserve fund, and pay the issuance costs of the 2002 Bonds.

In September 1998, the York County Hospital Authority (the “Hospital Authority”) issued $9,200 of its tax-exempt hospital revenue bonds, Series of 1998 (the “1998 Bonds”) to provide funds to finance and refinance the cost of various Hospital capital projects, establish a debt service reserve fund and pay the issuance costs of the 1998 Bonds.

The 1998 Bonds were issued pursuant to a Loan and Trust Agreement, as amended and supplemented by the First Supplemental Loan and Trust Agreement, and the 2002 Bonds and the 2005 Bonds were issued pursuant to a Loan and Security Agreement, as amended and

(In thousands)

supplemented by the First Supplemental Loan and Security Agreement, (collectively the "Agreements").

The Hospital is obligated for payments under the terms of the loan agreements which are structured to meet the Authority and the Hospital Authority's principal and interest requirements on the 1998 Bonds, the 2002 Bonds, and the 2005 Bonds. At June 30, 2012 and 2011, the hospital revenue bonds are as follows:

	2012	2011
2005 Bonds: Bonds due in varying installments from December 1, 2012 through December 1, 2030, plus interest at rates ranging from 3.50% to 5.00%	**$ 30,245**	$ 30,540
2002 Bonds: Bonds due in varying installments starting December 1, 2014 through December 1, 2025, plus interest at rates ranging from 4.90% to 5.35%	**17,000**	17,000
1998 Bonds: Bonds due in varying installments from December 1, 2012 through December 1, 2013, plus interest at rates ranging from 4.65% to 4.85%	**2,700**	3,955
Total	**49,945**	51,495
Less current maturities	**(1,625)**	(1,550)
Unamortized original issue discount	**(170)**	(192)
Unamortized original issue premium	**719**	758
Long-Term Debt, net	**$ 48,869**	$ 50,511

Scheduled principal payments on the hospital revenue bonds at June 30, 2012 are as follows:

Year ending June 30,	Amount
2013	$ 1,625
2014	1,700
2015	1,780
2016	1,865
2017	1,955
Thereafter	41,020
Total	**$ 49,945**

The Hospital executed loan and trust agreements to secure its payment obligations and collateralized its repayment obligations with a pledge of its gross revenues. The hospital revenue bonds are further secured by Hanover HealthCare Plus, Inc.'s guaranty. Further, a trustee for the Authority and the Hospital Authority holds certain deposits for the benefit of the holders of the bonds. Such deposits are included with assets whose use is limited in the accompanying balance sheets.

The Hospital agreed to comply with the terms of the Agreements, and, among other things, covenanted to establish and collect rates and charges for services which will be sufficient to provide income available for debt service of at least 110% of the maximum annual debt service requirements on all long-term indebtedness. Income available for debt service, as defined in the

(In thousands)

Agreements, are, the sum of revenues in excess of expenses, depreciation, interest, amortization, and other non-cash charges. The Hospital has also agreed to maintain a liquidity ratio of at least 70 days of operating expenses in unrestricted cash and assets whose use is limited by the Board of Trustees for future capital improvements, as measured on a semi-annual basis each year. The Agreements also place limits on the incurrence of additional borrowings and on the permitted transfer of assets to nonobligated group members as long as the 1998 Bonds, the 2002 Bonds, and the 2005 Bonds are outstanding.

10. Obligations Under Capital Lease

The Hospital incurred obligations under the terms of capital leases for equipment. The assets and liabilities under these capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets.

The following is a schedule by year of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments:

Year ending June 30,	Amount
2013	$ 574
2014	483
2015	219
2016	219
Thereafter	73
Total future minimum lease payments	1,568
Less amounts representing interest	(100)
Total	**$ 1,468**

The present value of future net minimum lease payments has been classified in the accompanying balance sheets at June 30, 2012 and 2011 as follows:

	2012	2011
Current maturities of obligations under capital lease	**$ 523**	$ 364
Long-term obligations under capital lease	**945**	562
Total	**$ 1,468**	$ 926

(In thousands)

11. Accrued Expenses

Accrued expenses as of June 30, 2012 and 2011 consist of the following:

	2012	2011
Vacation and holiday pay	$ 3,914	$ 3,307
Salaries and wages	995	666
Employee benefits	1,762	1,919
Other	1,080	684
Payroll taxes and related withholdings	252	210
Interest	229	225
Professional fees	328	150
Contracted services	527	374
Total	$ 9,087	$ 7,535

12. Pension Plans

The Hospital has a contributory defined contribution 401(a) pension plan available to substantially all employees that provides for the Hospital to make a contribution to a participant's plan account up to 3% of that participant's eligible base salary. The Hospital matches 50% of the first 4% contributed by the participants to the plan. Pension expense was $1,929 and $1,921 in 2012 and 2011, respectively. The plan's accrued matching contribution amounted to $680 and $670 at June 30, 2012 and 2011, respectively.

The Hospital maintains supplemental deferred compensation plans for certain executives and physicians which incorporate the tax-deferred salary provisions of Section 457(b) of the Internal Revenue Code. The plans allow participants to defer a portion of their compensation and the Hospital incurs a matching obligation for 25% of the deferrals up to the maximum limits allowed in the Internal Revenue Code. Pension expense was $6 in 2012 and $0 in 2011.

13. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for betterments to facilities and purchases of equipment or for a particular purpose.

Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity.

During 2012 and 2011, net assets were released from donor restrictions by satisfying their restricted purposes in the amount of $115 and $112, respectively.

(In thousands)

Pledges receivable are comprised of the following:

June 30,		**2012**		2011
Private Room for Every Patient (PREP) campaign	**$**	**1,567**	$	1,776
Temporarily restricted promises to give before unamortized discount and allowance for uncollectibles		**1,567**		1,776
Less: Unamortized discount		**(61)**		(48)
Subtotal		**1,506**		1,728
Less: Allowance for uncollectibles		**(151)**		(173)
Total	**$**	**1,355**	$	1,555

Pledges receivable to be collected beyond one year from the pledge date are recorded at fair value using a discount rate between approximately 1% and 2%.

The following is a schedule by year of the promises to give, net of unamortized discount and allowance for uncollectibles:

Year ending June 30,	**2012**
2013	**$ 578**
2014 through 2016	**777**
Thereafter	**-**
Total	**$ 1,355**

14. Medical Malpractice Claims Coverage

At June 30, 2012 and 2011, the Hospital's medical malpractice insurance coverages are provided under the provisions of four insurance arrangements as follows:

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

MCARE Fund coverage - The Pennsylvania Medical Care Availability and Reduction of Error Fund ("MCARE Fund") provides excess coverage per the Pennsylvania law governing the MCARE Fund. Pursuant to the per occurrence and aggregate limits set forth in the controlling Pennsylvania statutes, the MCARE Fund provides coverage for losses in excess of the primary coverage that was in effect on the date of the incident. The cost of MCARE Fund coverage is recognized as expense in the period incurred. Increases in annual surcharges and concerns over the MCARE Fund's ability to manage and pay claims continue to result in proposals to reform or restructure the MCARE Fund. MCARE Fund coverage is currently scheduled to be reduced in 2011, unless the State Insurance Commissioner determines that additional primary insurance capacity is not available at that time, and eliminated three years after such reduction. The Hospital will be required to purchase additional primary insurance to take the place of the MCARE Fund coverage if it is reduced. Depending upon the ultimate resolution of this matter, the Hospital may incur additional insurance costs.

(In thousands)

Umbrella coverage - The Hospital has an umbrella liability insurance contract which insures against losses in excess of the above coverages reported during the period of policy coverage.

Excess coverage - The Hospital has an excess liability insurance contract which insures against losses in excess of the above coverages reported during the period of policy coverage.

The Hospital's estimated medical malpractice claims liability for asserted and unasserted claims was $2,479 and $1,820 (net of insurance recovery) at June 30, 2012 and 2011, respectively. In 2012, the Hospital presented the estimated medical malpractice claims liability on a gross basis, recording a medical malpractice insurance receivable of $1,569 for the portion of the liability covered by insurance. It is reasonably possible that the estimates used could change materially in the near term.

15. Health Insurance

The Hospital self-insures its employee health coverages. The Hospital accrues the estimated costs of incurred and reported and incurred and unreported claims, after consideration of its stop-loss insurance coverages, based upon data provided by the third-party administrator of the program and its historical claims experience. The Hospital's estimated liability of $1,065 and $1,065 at June 30, 2012 and 2011, respectively, is included in accrued expenses in the accompanying balance sheets.

16. Significant Group Concentrations of Credit Risk

The Hospital's primary operations and service area include Hanover, Pennsylvania and surrounding communities. The Hospital grants credit without collateral to its patients, who are insured under third-party payor arrangements, primarily with Medicare, Medical assistance, Blue Cross, Blue Shield and various commercial insurance companies.

The Hospital maintains its cash and cash equivalents with several financial institutions. Cash and cash equivalents on deposit with any one financial institution are insured to $250.

17. Commitments

The Hospital is committed under the terms of operating leases for future minimum rental payments on real property as follows:

Year ending June 30,		Amount
2013	$	2,451
2014		1,176
2015		554
2016		396
2017		632
Thereafter		-
Total	**$**	**5,209**

Rental expense on the above commitments was $3,538 and $3,444 in 2012 and 2011, respectively.

(In thousands)

18. Contingencies

As a not-for-profit corporation in the Commonwealth of Pennsylvania, the Hospital presently qualifies for an exemption from real property taxes. A number of cities, municipalities, and school districts in the Commonwealth of Pennsylvania have challenged the real estate tax exemption of not-for-profit corporations. The possible future effects of this matter on the Hospital, if any, are not presently determinable.

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

19. Functional Expenses

The Hospital provides general acute care and related services to individuals within its geographic location. Expenses related to providing these services in 2012 and 2011 approximate the following:

	2012	2011
Healthcare and other related services	$ 93,934	$ 89,979
General and administrative	43,173	42,342
Total Expenses	$ 137,107	$ 132,321

20. Related Party Transactions

Hanover Hospital, Inc. is a member of an affiliated group of corporations which includes Hanover HealthCare Plus, Inc. ("HHCP"), the controlling parent, Hanover Health Corporation, Inc. ("HHC"), Hanover Apothecary, Inc. (the "Apothecary"), Hanover SurgiCenter, LLC, Hanover Surgicenter Real Estate, LP ("HSRE LP"), and HSRE, LLC. These organizations are considered related parties for financial reporting purposes.

The more significant related party balances and transactions between the Hospital and the related organizations in 2012 and 2011 are as follows:

- The Hospital advanced HHC $607 and $645 at June 30, 2012 and 2011, respectively under the terms of a note receivable. Interest income on the note receivable was $4 and $7 in 2012 and 2011, respectively. The note is payable in monthly installments of $4, plus interest at 0.820%, and is due July 2027. The balance is included in other assets in the accompanying balance sheet.

- The Hospital provides certain administrative, accounting, and management services to HHC. The billings for such services were $353 and $349 in 2012 and 2011, respectively.

- HHC provides Hospitalist services to the Hospital. The billings for such services were $823 and $657 in 2012 and 2011, respectively.

- Transfers of funds from affiliates which are considered permanent are reported as changes in net assets. The Hospital transferred $4,885 and $5,110 in 2012 and 2011, respectively, to HHC.