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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
MOUNT NITTANY MEDICAL CENTER

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
1800 EAST PARK AVENUE

City or town, state or country, and ZIP + 4
STATE COLLEGE, PA 16803

D Employer identification number
24-0795682

E Telephone number
(814) 231-7000

G Gross receipts $ 367,628,014

F Name and address of principal officer
STEVEN E BROWN
1800 EAST PARK AVENUE
STATE COLLEGE, PA 16803

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 MOUNTNITTANY ORG

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | **L** Year of formation 1905 | **M** State of legal domicile PA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
PROVIDE INPATIENT, OUTPATIENT & EMERGENCY CARE SERVICES TO RESIDENTS OF THE CENTRE COUNTY REGION

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**	15
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**	1,755
6	Total number of volunteers (estimate if necessary)	**6**	795
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	2,580,906
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	1,076,318

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	5,090,097	2,899,939
	9 Program service revenue (Part VIII, line 2g)	234,689,060	256,401,835
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	2,719,156	2,561,259
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	726,422	3,428,458
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	243,224,735	265,291,491
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	36,599,650	16,099,602
	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)	98,235,970	109,118,779
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	108,286,852	124,353,711
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	243,122,472	249,572,092
	19 Revenue less expenses Subtract line 18 from line 12	102,263	15,719,399

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	332,089,625	353,140,117
	21 Total liabilities (Part X, line 26)	208,941,116	238,688,534
	22 Net assets or fund balances Subtract line 21 from line 20	123,148,509	114,451,583

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

****** | 2013-05-10
Signature of officer | Date

RICHARD J WISNIEWSKI SENIOR VP FINANCE/CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶ JULIUS C GREEN CPA JD	Date 2013-05-10	Check if self-employed ▶☐	Preparer's taxpayer identification number (see instructions) P00350393
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ PARENTEBEARD LLC, 400 MARKET STREET, WILLIAMSPORT, PA 17701			EIN ▶ 23-2932984 Phone no ▶ (570) 323-6023

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

MOUNT NITTANY MEDICAL CENTER WILL PROVIDE EVERY PATIENT WITH THE FINEST, PATIENT-CENTERED CARE IN A SAFE AND COMFORTABLE ENVIRONMENT, CONTINUALLY IMPROVING ACCESS TO CARE, AND STRIVING TO ENHANCE THE QUALITY OF HUMAN LIFE FOR EVERYONE WE SERVE MOUNT NITTANY MEDICAL CENTER WILL ENHANCE ITS POSITION AS THE PREFERRED REGIONAL HEALTHCARE DESTINATION FOR BOTH PATIENTS AND MEDICAL PROFESSIONALS - PROVIDING VITAL CLINICAL CENTERS OF EXCELLENCE AND SUPERIOR ACCESS TO CARE - SUPPORTED BY A COMMITMENT TO MEDICAL EDUCATION AND BACKED BY A CULTURE OF ADVANCEMENT AND ACCOUNTABILITY - MOVING LIFE FORWARD

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 $ 209,409,419 including grants of $ 16,099,602) (Revenue $ 256,401,835)

MOUNT NITTANY MEDICAL CENTER IS COMMITTED TO PROVIDING QUALITY MEDICAL CARE IN AN ATMOSPHERE THAT REFLECTS HIGH STANDARDS OF SOCIAL, ETHICAL, AND FINANCIAL RESPONSIBILITY AND WILL ASSURE THAT THOSE SAME STANDARDS ARE MET IN ALL CONTRACTUAL RELATIONSHIPS THE BOARD OF TRUSTEES HAS ESTABLISHED THIS STATEMENT OF ORGANIZATIONAL VALUES TO ASSURE THAT MEMBERS OF THE BOARD, THE MEDICAL CENTER STAFF, AND THE MEDICAL STAFF HONOR THE FOLLOWING PRINCIPLES THROUGH OUR BEHAVIORS ALLIANCES WITH PATIENTS - WE WILL TREAT ALL PATIENTS WITH DIGNITY AND RESPECT, AND WILL ACCOMMODATE INDIVIDUAL RESPONSES TO THE STRESS OF ILLNESS - WE FULLY SUPPORT THE PRINCIPLES OUTLINED IN THE STATEMENT OF PATIENT'S RIGHTS AND RESPONSIBILITIES DOCUMENT - WE COMMIT TO A SERVICE EXCELLENCE PHILOSOPHY THAT STRIVES TO MEET OR EXCEED PATIENT EXPECTATIONS - ALL PATIENTS RECEIVE A UNIFORM STANDARD OF CARE THROUGHOUT THE FACILITY, REGARDLESS OF SOCIAL, CULTURAL, FINANCIAL, RELIGIOUS, RACIAL, GENDER, OR SEXUAL ORIENTATION FACTORS - THE MEDICAL CENTER AND MEDICAL STAFF WORK JOINTLY TO ASSURE THAT ONLY APPROPRIATE AND EFFECTIVE TESTS, PROCEDURES, AND TREATMENTS ARE PROVIDED TO PATIENTS COMMUNITY RELATIONS- WE WILL FAIRLY AND ACCURATELY REPRESENT OURSELVES AND OUR CAPABILITIES TO THE PUBLIC - WE ARE COMMITTED TO CONSTANT PREPARATION FOR THE LONG-TERM FINANCIAL VIABILITY OF THE MEDICAL CENTER THROUGH RESPONSIBLE UTILIZATION OF RESOURCES AND IN SUPPORT OF OUR COMMITMENT TO MEET THE HEALTHCARE NEEDS OF THE COMMUNITY - MEDICAL CENTER LEADERSHIP (EXECUTIVES, BOARD OF TRUSTEES, MEDICAL STAFF) WILL DISCLOSE AND AVOID POTENTIAL CONFLICTS OF INTEREST ALL OTHER HOSPITAL STAFF WILL AVOID SIMILAR CONFLICTS OF INTEREST - WE WILL MAINTAIN AN OPEN ADMISSIONS POLICY NO PATIENT WILL BE REFUSED EVALUATION AND SERVICE BASED UPON SEX, AGE, RACE, CREED, NATIONAL ORIGIN, SEXUAL ORIENTATION, INFECTION STATUS, OR THE ABILITY TO PAY TRANSFERS TO OTHER FACILITIES WILL OCCUR ONLY WHEN WE ARE UNABLE TO PROVIDE NEEDED SERVICES AND ONLY TO FACILITIES THAT PROVIDE AN APPROPRIATE LEVEL OF CARE, BASED ON OUR ASSESSMENT OF THE PATIENTS' NEEDS PATIENTS MAY ALSO REQUEST ELECTIVE TRANSFER AND AN INFORMED CONSENT PROCESS WILL BE FOLLOWED GENERAL PROGRAM SERVICE INFORMATIONOPERATIONS & PATIENTSMOUNT NITTANY MEDICAL CENTER, LOCATED IN STATE COLLEGE, PENNSYLVANIA, IS A 260-BED ACUTE-CARE, NOT-FOR-PROFIT FACILITY OFFERING GENERAL MEDICAL AND SURGICAL SERVICES THAT ARE FOCUSED ON HELPING PATIENTS REACH THEIR HEALTH POTENTIAL FOR THE FISCAL YEAR ENDED JUNE 30, 2012, MOUNT NITTANY MEDICAL CENTER PROVIDED CARE TO THE FOLLOWING NUMBER OF PATIENTS TOTAL NUMBER OF INPATIENTS 13,282, OUTPATIENTS 191,041 AND ER VISITS 41,196 NUMBER WITH PRIVATE INSURANCE INPATIENTS 5,545, OUTPATIENTS 111,643 AND ER VISITS 20,363 NUMBER WITH MEDICARE INPATIENTS 3,540, OUTPATIENTS 29,844 AND ER VISITS 4,713 NUMBER WITH MEDICARE HMO INPATIENTS 2,441, OUTPATIENTS 24,499 AND ER VISITS 2,498 NUMBER WITH MEDICAID INPATIENTS 1,089, OUTPATIENTS 14,712 ER VISITS 6,836 NUMBER WITH MEDICAID HMO INPATIENTS 123, OUTPATIENTS 251 ER VISITS 197 NUMBER WITH OTHER INSURANCE INPATIENTS 114, OUTPATIENTS 3,052 AND ER VISITS 1,399 NUMBER WITHOUT INSURANCE/SELF PAY INPATIENTS 430, OUTPATIENTS 7,040, AND ER VISITS 5,190MOUNT NITTANY MEDICAL CENTER DID NOT DENY MEDICAL SERVICES TO ANY INDIVIDUALS INCLUDING THOSE THAT HAD PRIVATE INSURANCE, MEDICARE, MEDICAID, PUBLIC HEALTH INSURANCE, OR NO INSURANCE EMERGENCY DEPARTMENTMOUNT NITTANY MEDICAL CENTER OPERATES AN EMERGENCY ROOM 24 HOURS A DAY, 365 DAYS A YEAR PROVIDING SERVICES TO ALL MEMBERS OF THE COMMUNITY REGARDLESS OF THEIR ABILITY TO PAY AND DENIED ZERO PATIENTS REQUESTING SUCH SERVICES THE EMERGENCY ROOM DOES NOT HAVE A TRAUMA CENTER CERTIFICATION MEDICAL STAFF PRIVILEGESALL QUALIFIED PHYSICIANS IN THE COMMUNITY ARE ELIGIBLE FOR MEDICAL STAFF PRIVILEGES AT MOUNT NITTANY MEDICAL CENTER AND ALL QUALIFIED PHYSICIAN APPLICATIONS HAVE BEEN ACCEPTED FOR MEDICAL STAFF PRIVILEGES MORE THAN 300 NON-EMPLOYED PHYSICIANS IN 42 SPECIALTIES AND SUBSPECIALTIES ARE CREDENTIALED AT MOUNT NITTANY MEDICAL CENTER PROFESSIONAL MEDICAL EDUCATION AND TRAININGMOUNT NITTANY MEDICAL CENTER CONDUCTS PROFESSIONAL MEDICAL EDUCATION AND TRAINING PROGRAMS FOR THE BENEFIT OF THE COMMUNITY WITH A RESULTING FINANCIAL LOSS TO THE MEDICAL CENTER

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 ▶ $ 209,409,419

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		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	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		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, 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		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** 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**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, 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**	Yes	
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**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 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**	83		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c**		
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	1,755		
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**		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			**7b**		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			**7c**		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	**7d**				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			**7e**		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			**7f**		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			**7g**		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			**7h**		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			**8**		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			**9a**		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			**9b**		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	**10a**				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	**10b**				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	**11a**				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	**11b**				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			**12a**		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	**12b**				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** 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	15		
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 ▶

RICHARD WISNIEWSKI SR VP OF FINANC
1800 EAST PARK AVENUE
STATE COLLEGE, PA 168036797
(814) 234-6148

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) RICHARD D ALLATT MD TRUSTEE	2 00	X						18,074	0	0
(2) CARL A ANDERSON CHAIR	2 00	X		X				0	0	0
(3) PATRICIA BEST DED TRUSTEE	2 00	X						0	0	0
(4) S DIANE BRANNON PHD TRUSTEE	2 00	X						0	0	0
(5) STEVEN E BROWN DIRECTOR/PRESIDENT & CEO	32 00	X		X				583,710	0	56,192
(6) JONATHON DRANOV MD TRUSTEE	2 00	X						0	442,681	43,259
(7) THOMAS J HARRIS SECRETARY	2 00	X		X				0	0	0
(8) EUGENE KEPHART DED TRUSTEE	2 00	X						0	0	0
(9) PHILIP I PARK TRUSTEE	2 00	X						0	0	0
(10) WAYNE SEBASTIANELLI MD TRUSTEE	2 00	X						28,138	0	0
(11) KAREN P SHUTE TRUSTEE	2 00	X						0	0	0
(12) JAMES B THOMAS PHD VICE CHAIR	2 00	X		X				0	0	0
(13) CHARLES WITMER TRUSTEE	2 00	X						0	0	0
(14) PAUL SHUEY DO TRUSTEE	2 00	X						0	0	0
(15) THOMAS F BROWN TREASURER	2 00	X		X				0	0	0
(16) RICHARD WISNIEWSKI SR VP OF FINANCE & CFO	34 00			X				312,377	0	50,530
(17) JEFFREY RATNER MD SR VP OF MEDICAL AFFAIRS	40 00				X			325,074	0	55,909

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) JANET SCHACHTNER SR VP OF PATIENT CARE SERV	38 00				X			258,107	0	48,053
(19) THOMAS STOESSEL SR VP OF BUSINESS DEVELOPM	40 00				X			225,770	0	50,629
(20) GERALD DITTMANN VP OF HUMAN RESOURCES	40 00				X			174,146	0	44,814
(21) GAIL MILLER VP OF QUALITY/PATIENT SAFETY	40 00				X			151,840	0	37,745
(22) ROBERT WUNAR FORMER OFFICER	0 00						X	0	122,204	10,887
(23) DAVID PETERSON FORMER EXEC VP & COO	0 00						X	134,349	0	8,570
(24) LANCE ROSE FORMER PRESIDENT & CEO	0 00						X	14,721	0	1,126
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								2,226,306	564,885	407,714

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 ▶ 36

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
ALEXANDER BUILDING CONSTRUCTION LLC 315 VAUGHN STREET HARRISBURG, PA 17110	CONSTRUCTION	31,910,449
STICKLER CONSTRUCTION LLC 210 W HAMILTON AVE 294 STATE COLLEGE, PA 16801	CONSTRUCTION	7,110,853
PENN STATE MILTON S HERSHEY MEDICAL CEN 210 W HAMILTON AVE 294 STATE COLLEGE, PA 16801	CONTRACTED PHYSICIAN SERVICES	3,449,818
PULMOREHAB LLC 2718 CENTERVILLE ROAD TALLAHASSEE, FL 32308	CONTRACTED MANAGEMENT & EMPLOYEE SERVICE	1,239,313
X-PERT COMMUNICATIONS INC 2490 COMMERCIAL BOULEVARD SUITE 1 STATE COLLEGE, PA 16801	CONSTRUCTION	1,040,292

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 ▶ 46

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				
	d	Related organizations	1d	2,073,672			
	e	Government grants (contributions)	1e	781,067			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	45,200			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		2,899,939			
Program Service Revenue			Business Code				
	2a	NET PATIENT SERVICE RE	621110	240,664,473	240,664,473		
	b	OTHER OPERATING REV	900099	15,737,362	15,737,362		
	c						
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		256,401,835			
	3	Investment income (including dividends, interest and other similar amounts)		2,896,804			2,896,804
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real	(ii) Personal			
	6a	Gross rents	113,581				
	b	Less rental expenses	64,750				
	c	Rental income or (loss)	48,831				
	d	Net rental income or (loss)		48,831			48,831
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	101,855,933	80,295			
	b	Less cost or other basis and sales expenses	102,262,031	9,742			
	c	Gain or (loss)	-406,098	70,553			
	d	Net gain or (loss)		-335,545			-335,545
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events					
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities					
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory					
		Miscellaneous Revenue	Business Code				
	11a	OUTPATIENT LAB SERVICE	621500	2,555,080		2,555,080	
	b	CAFETERIA SALES	722210	773,507			773,507
	c	VENDING MACHINES	722210	25,214			25,214
	d	All other revenue		25,826		25,826	
	e	**Total.** Add lines 11a–11d		3,379,627			
	12	**Total revenue.** See Instructions		265,291,491	256,401,835	2,580,906	3,408,811

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	16,099,602	16,099,602		
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				
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	83,039,595	72,103,140	10,936,455	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	5,478,157	5,478,157		
9	Other employee benefits	14,895,705	12,966,164	1,929,541	
10	Payroll taxes	5,705,322	4,994,919	710,403	
11	Fees for services (non-employees)				
a	Management				
b	Legal	773,627		773,627	
c	Accounting	90,007		90,007	
d	Lobbying	32,323	32,323		
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees	2,949		2,949	
g	Other	11,408,969	7,918,264	3,490,705	
12	Advertising and promotion	597,347	28	597,319	
13	Office expenses	72,877,100	57,859,647	15,017,453	
14	Information technology				
15	Royalties . .				
16	Occupancy	3,341,524	780,670	2,560,854	
17	Travel	23,368	15,372	7,996	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	125,509	86,213	39,296	
20	Interest	5,821,603	5,821,603		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	12,732,436	12,732,436		
23	Insurance	712,228	692,300	19,928	
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	UBIT TAXES	454,093	454,093		
b	BAD DEBT EXPENSE	8,155,138	8,155,138		
c	COMMUNICATIONS	2,944,916		2,944,916	
d	PATHOLOGY LAB	1,514,911	1,514,911		
e					
f	All other expenses	2,745,663	1,704,439	1,041,224	
25	**Total functional expenses.** Add lines 1 through 24f	249,572,092	209,409,419	40,162,673	0
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		3,576	1	3,848
	2	Savings and temporary cash investments		16,796,489	2	25,257,138
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		27,718,614	4	27,893,048
	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		5,681,662	8	6,133,968
	9	Prepaid expenses and deferred charges		3,273,893	9	1,833,564
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 296,338,614			
	b	Less accumulated depreciation	10b 139,012,073	119,081,389	10c	157,326,541
	11	Investments—publicly traded securities		145,457,257	11	117,826,438
	12	Investments—other securities See Part IV, line 11		658,804	12	750,288
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		13,417,941	15	16,115,284
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		332,089,625	16	353,140,117
Liabilities	17	Accounts payable and accrued expenses		60,484,406	17	92,661,151
	18	Grants payable			18	
	19	Deferred revenue		327,363	19	470,147
	20	Tax-exempt bond liabilities		140,322,681	20	138,850,170
	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		1,926,112	23	2,173,917
	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		5,880,554	25	4,533,149
	26	**Total liabilities.** Add lines 17 through 25		208,941,116	26	238,688,534
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		122,934,398	27	114,237,472
	28	Temporarily restricted net assets		35,617	28	35,617
	29	Permanently restricted net assets		178,494	29	178,494
		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		123,148,509	33	114,451,583
	34	Total liabilities and net assets/fund balances		332,089,625	34	353,140,117

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	265,291,491
2	Total expenses (must equal Part IX, column (A), line 25)	2	249,572,092
3	Revenue less expenses Subtract line 2 from line 1	3	15,719,399
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	123,148,509
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-24,416,325
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	114,451,583

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
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

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
MOUNT NITTANY MEDICAL CENTER	24-0795682

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)?	Yes		
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		32,323
j	Total lines 1c through 1i			32,323
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	CONTINUED TO WORK WITH OSBORNE CONSULTING, INC , A FEDERAL LOBBYING GROUP, TO REQUEST FEDERAL APPROPRIATIONS - TOTAL COST $18,000 A PORTION OF THE DUES PAID TO THE HOSPITAL & HEALTHSYSTEM ASSOCIATION OF PENNSYLVANIA ($7,535) AND THE AMERICAN HOSPITAL ASSOCIATION ($6,788) WAS DETERMINED TO BE FOR LOBBYING PURPOSES - TOTAL COST $14,323

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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
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

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

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

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

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

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

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

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

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06	2d

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b If "Yes," explain the arrangement in Part XIV

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance	305,935	279,801	275,745	281,903	
b Contributions	306,824	3,991		1,505	
c Investment earnings or losses	2,750	22,143	4,056	-7,663	
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	615,509	305,935	279,801	275,745	

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

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

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

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

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		9		9
b Buildings		153,310,435	59,064,312	94,246,123
c Leasehold improvements		1,246,316	436,479	809,837
d Equipment		107,721,385	77,266,180	30,455,205
e Other		34,060,469	2,245,102	31,815,367
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				157,326,541

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	
DEFERRED COMPENSATION	189,513
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	3,267,051
ACCRUED INTEREST	1,076,585
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	4,533,149

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	265,291,491
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	249,572,092
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	15,719,399
4	Net unrealized gains (losses) on investments	4	-1,700,796
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-22,715,529
9	Total adjustments (net) Add lines 4 - 8	9	-24,416,325
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-8,696,926

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	238,863,295
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	-1,700,796		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	-22,715,529		
e	Add lines **2a** through **2d**			2e	-24,416,325
3	Subtract line **2e** from line **1**			3	263,279,620
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	2,949		
b	Other (Describe in Part XIV)	4b	2,008,922		
c	Add lines **4a** and **4b**			4c	2,011,871
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	265,291,491

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

1	Total expenses and losses per audited financial statements			1	247,560,221
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	64,750		
e	Add lines **2a** through **2d**			2e	64,750
3	Subtract line **2e** from line **1**			3	247,495,471
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	2,949		
b	Other (Describe in Part XIV)	4b	2,073,672		
c	Add lines **4a** and **4b**			4c	2,076,621
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	249,572,092

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	PERMANENT ENDOWMENT FUNDS ARE HELD BY THE FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER, INC AND EARNINGS ARE DESIGNATED TO FUND FUTURE EXPENDITURES AND CAPITAL ACQUISITONS FOR MOUNT NITTANY MEDICAL CENTER
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE CORPORATION ACCOUNTS FOR UNCERTAINTY IN INCOME TAXES USING A RECOGNITION THRESHOLD OF MORE-LIKELY-THAN NOT TO BE SUSTAINED UPON EXAMINATION BY THE APPROPRIATE TAXING AUTHORITY MEASUREMENT OF THE TAX UNCERTAINTY OCCURS IF THE RECOGNITION THRESHOLD IS MET MANAGEMENT DETERMINED THERE WERE NO TAX UNCERTAINTIES THAT MET THE RECOGNITION THRESHOLD IN 2011 AND 2010 ALL REQUIRED FEDERAL EXEMPT ORGANIZATION BUSINESS INCOME TAX RETURNS FOR THE ORGANIZATION HAVE BEEN FILED UP TO, AND INCLUDING, THE TAX YEAR ENDED JUNE 30, 2011 THE ORGANIZATION'S FEDERAL INCOME TAX RETURNS FOR 2008, 2009, AND 2010 REMAIN SUBJECT TO EXAMINATION BY THE INTERNAL REVENUE SERVICE ("IRS")
PART XI, LINE 8 - OTHER ADJUSTMENTS		CHANGE IN INTEREST IN THE FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER, INC -1,005,853 PENSION LIABILITY ADJUSTMENT -22,705,356 CHANGE IN FAIR VALUE OF DERIVATIVE 995,680 TOTAL TO SCHEDULE D, PART XI, LINE 8 -22,715,529
PART XII, LINE 2D - OTHER ADJUSTMENTS		CHANGE IN INTEREST IN THE FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER, INC -1,005,853 PENSION LIABILITY ADJUSTMENT -22,705,356 CHANGE IN FAIR VALUE OF DERVATIVE INSTRUMENTS 995,680
PART XII, LINE 4B - OTHER ADJUSTMENTS		TRANSFERS FROM RELATED ORGANIZATIONS (NETTED ON FINANCIAL STATEMENTS) 2,073,672 RENTAL EXPENSES -64,750
PART XIII, LINE 2D - OTHER ADJUSTMENTS		RENTAL EXPENSES 64,750
PART XIII, LINE 4B - OTHER ADJUSTMENTS		TRANSFERS FROM RELATED ORGANIZATIONS (NETTED ON FINANCIAL STATEMENTS) 2,073,672

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

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 **250.000000000000 %**	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		No
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		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Did the organization prepare a community benefit 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)			1,578,088		1,578,088	0 650 %
b Medicaid (from Worksheet 3, column a)			15,049,634	7,056,165	7,993,469	3 310 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Charity Care and Means-Tested Government Programs			16,627,722	7,056,165	9,571,557	3 960 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			314,327	109	314,218	0 130 %
f Health professions education (from Worksheet 5)			615,124	114,975	500,149	0 210 %
g Subsidized health services (from Worksheet 6)			3,817,498	2,781,970	1,035,528	0 430 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			250,588		250,588	0 100 %
j **Total** Other Benefits			4,997,537	2,897,054	2,100,483	0 870 %
k **Total.** Add lines 7d and 7j			21,625,259	9,953,219	11,672,040	4 830 %

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			7,109		7,109	0 %
4	Environmental improvements						
5	Leadership development and training for community members			11,184		11,184	0 %
6	Coalition building			29,686		29,686	0 010 %
7	Community health improvement advocacy			891		891	0 %
8	Workforce development			7,858		7,858	0 %
9	Other						
10	**Total**			56,728		56,728	0 010 %

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	2,722,185		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3			
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	38,148,464
6	Enter Medicare allowable costs of care relating to payments on line 5	6	50,920,463
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-12,771,999
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

Part IV Management Companies and Joint Ventures (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 ADG HOSPITAL DRIVE ASSOCIATES	LEASING REAL PROPERTY FOR MEDICAL OFFICE AND SURGICAL CENTER	24 260 %		
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	MOUNT NITTANY MEDICAL CENTER 1800 EAST PARK AVENUE STATE COLLEGE,PA 16803	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)

MOUNT NITTANY MEDICAL CENTER

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 250 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		No
If "Yes," indicate the FPG family income limit for eligibility for discounted care __%			
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	Yes	
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? _____

	Name and address	Type of Facility (Describe)
1		
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 COST TO CHARGE RATIO WAS COMPUTED USING WORKSHEET 2 IN THE IRS INSTRUCTIONS TO FORM 990 FOR LINES 7A, 7B, AND 7G COST ACCOUNTING SYSTEM WAS USED FOR SUBSIDIZED HEALTH SERVICES FOR ALL OTHERS, COSTS INCLUDED THE VALUE OF STAFF DONATED HOURS (WITH ESTIMATED BENEFITS), MONETARY CONTRIBUTIONS, ESTIMATED VALUE OF MATERIALS USED IN DELIVERING PROGRAMS, AND ESTIMATED SPACE COSTS THE INDIRECT COST ALLOCATION APPLIES THE INDIRECT-TO-DIRECT COST RATIO FROM THE MEDICAL CENTER'S MOST RECENT MEDICARE COST REPORT (APPROX 31%)

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) AMOUNT OF BAD DEBT EXPENSE FROM PART IX SUBTRACTED IN ORDER TO CALCULATE PERCENT OF TOTAL EXPENSE IN DEMONINATOR FOR PART I LINE 7 COLUMN F WAS $8,155,138

Identifier	ReturnReference	Explanation
		PART II THE MEDICAL CENTER AND ITS STAFF INVEST IN WORKFORCE DEVELOPMENT BY OFFERING TRAINING OPPORTUNITIES, SUCH AS RESOURCE-INTENSIVE INTERNSHIPS FOR NURSING STUDENTS IN THE REGION, AS WELL AS CONTRIBUTING TIME AND RESOURCES TO REGIONAL PLANNING EFFORTS AND LEADERSHIP DEVELOPMENT FOR THE INTERNSHIPS AND RELATED PROGRAMS, CONSIDERABLE STAFF TIME IS REQUIRED TO ORGANIZE THESE PROGRAMS AND PROVIDE "PRECEPTOR" OR INSTRUCTOR SERVICES WHILE CONTINUING TO PROVIDE DIRECT CARE FOR PATIENTS WITH NORMAL JOB RESPONSIBILITIES

Identifier	ReturnReference	Explanation
		PART III, LINE 4 BAD DEBT (AT COST) IS CALCULATED BY APPLYING THE PATIENT CARE COST-TO-CHARGE RATIO FROM WORKSHEET 2 TO THE MEDICAL CENTER'S PROVISION FOR DOUBTFUL COLLECTIONS AS OF JUNE 30, 2012 THE MEDICAL CENTER'S ACCOUNTING DEPARTMENT RECORDS PAYMENTS, WHILE PATIENT ACCOUNTING STAFF MAKES APPROPRIATE ADJUSTMENTS TO PATIENT ACCOUNTS FOR BAD DEBT, DISCOUNTS, OR FREE CARE WRITE-OFFS THE MEDICAL CENTER IS UNABLE TO ESTIMATE THE AMOUNT OF BAD DEBT THAT COULD BE ATTRIBUTABLE TO PATIENTS WHO LIKELY WOULD QUALIFY FOR FINANCIAL ASSISTANCE UNDER THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY PATIENTS DO NOT PROVIDE INCOME INFORMATION PRIOR TO RECEIVING CARE THE REGISTRATION DEPARTMENT GIVES EVERY PATIENT A COPY OF OUR FINANCIAL ASSISTANCE PROGRAM TO ENSURE EVERY PATIENT HAS THE OPPORTUNITY AS APPROPRIATE TO QUALIFY FOR OUR ASSISTANCE PROGRAM THE MEDICAL CENTER OFFERS DETAILED INFORMATION ABOUT THE CHARITY CARE PROGRAM WHEN PATIENTS OFFER INFORMATION THAT IS NEEDED TO DETERMINE ELIGIBILITY SEE RESPONSE TO PART VI, LINE 3 HEREIN BAD DEBT IS PUBLISHED IN THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS ON THE STATEMENT OF OPERATIONS ON THE LINE ENTITLED, "PROVISION FOR DOUBTFUL COLLECTIONS "MOUNT NITTANY MEDICAL CENTER PROVIDES SERVICES TO ALL PATIENTS REGARDLESS OF ABILITY TO PAY AS PART OF THE HOSPITAL'S MISSION A PORTION OF THE MOUNT NITTANY MEDICAL CENTER'S BAD DEBT WOULD RELATE TO PATIENTS THAT COULD QUALIFY FOR CHARITY CARE BUT WERE UNWILLING OR UNABLE TO PROVIDE THE APPROPRIATE DOCUMENTATION TO ALLOW THAT CLASSIFICATION AS SUCH A PORTION OF THE HOSPITAL'S BAD DEBT SHOULD BE CONSIDERED COMMUNITY BENEFIT

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE MEDICAL CENTER CONTINUES TO PROVIDE CARE TO ALL PRESENTING AND ADMITTED PATIENTS, REGARDLESS OF ABILITY TO PAY THROUGH DILIGENT COST CONTROL PROCESSES, THE MEDICAL CENTER SEEKS WAYS TO KEEP COSTS OF PROVIDING CARE TO A MINIMUM, WHILE STILL PROVIDING THE SAFETY MEASURES, TECHNOLOGICAL CAPABILITIES, AND APPROPRIATE STAFFING LEVELS TO ENSURE THE BEST POSSIBLE OUTCOMES NOTWITHSTANDING THE COSTS TO PROVIDE CARE, RECEIVING "LESS" THAN WHAT IT COSTS TO PROVIDE ADEQUATE CARE TO MEDICARE COVERED LIVES DOES THE MEDICAL CENTER A DISSERVICE THIS SHORTFALL SHOULD COUNT AS A COMMUNITY BENEFIT AS THE MEDICAL CENTER STRIVES TO PROVIDE THE BEST CARE POSSIBLE TO ALL PATIENTS REGARDLESS OF THEIR ABILITY TO PAY THE MEDICAL CENTER USES A STEP-DOWN COST ALLOCATION METHOD AND THEN APPLIES A COST-TO-CHARGE RATIO

Identifier	ReturnReference	Explanation
		PART III, LINE 9B IF PATIENTS ARE FOUND TO QUALIFY, THE MEDICAL CENTER IMMEDIATELY CEASES COLLECTIONS AND ADJUSTS CHARGES OFF AS CHARITY CARE

Identifier	ReturnReference	Explanation
MOUNT NITTANY MEDICAL CENTER		PART V, SECTION B, LINE 10 THE MEDICAL CENTER DOES NOT HAVE A DISCOUNTED CARE POLICY

Identifier	ReturnReference	Explanation
MOUNT NITTANY MEDICAL CENTER		PART V, SECTION B, LINE 19D PATIENTS WHOSE FAMILY INCOME IS AT OR BELOW 250% OF THE FEDERAL POVERTY GUIDELINES ARE ELIGIBLE TO RECEIVE A 100% DISCOUNT FOR FREE CHARITY/FREE CARE PATIENTS WHOSE FAMILY INCOME EXCEEDS 250% OF THE FEDERAL POVERTY GUIDELINES MAY BE ELIGIBLE TO RECEIVE DISCOUNTED RATES ON A CASE-BY-CASE BASIS BASED ON THEIR SPECIFIC CIRCUMSTANCES, SUCH AS CATASTROPHIC ILLNESS OR MEDICAL INDIGENCE, AT THE DISCRETION OF THE MEDICAL CENTER

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 MOUNT NITTANY HEALTH SYSTEM ("MNHS") HAS HISTORICALLY USED INFORMAL COMMUNITY FEEDBACK MECHANISMS SUCH AS PATIENT AND STAFF INTERACTIONS, AS WELL AS MORE FORMAL MEANS SUCH AS CONSULTANT-LED MARKET RESEARCH AND SOLICITING FEEDBACK FROM DONORS, NON-EMPLOYED PHYSICIANS, AND COMMUNITY LEADERS TO UNDERSTAND THE NEEDS OF REGIONAL POPULATIONS IN ADDITION, MNHS CONTINUES TO HOLD ONGOING AND MEANINGFUL DISCUSSIONS WITH MAJOR COMMUNITY STAKEHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE PENNSYLVANIA STATE UNIVERSITY AND MILTON S HERSHEY MEDICAL CENTER, TO DEVELOP RESPONSIVE PROGRAMS AND SOLUTIONS TO THE HEALTH CARE NEEDS OF PROMINENT SEGMENTS OF THE LOCAL POPULATION IN CENTRE COUNTY

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 MOUNT NITTANY MEDICAL CENTER IS DEDICATED TO IMPROVING THE HEALTH AND WELL-BEING OF ALL ITS CONSTITUENTS THROUGH THE FINANCIAL ASSISTANCE PROGRAM, MEDICAL CARE IS PROVIDED REGARDLESS OF A PATIENT'S ABILITY TO PAY, INSUFFICIENT HEALTH INSURANCE OR WHETHER A GOVERNMENT-SPONSORED PROGRAM COVERS THE FULL COST OF SERVICES AND AS THE COUNTRY'S ECONOMIC FUTURE REMAINS UNCERTAIN, MOUNT NITTANY MEDICAL CENTER WILL CONTINUE TO PROVIDE CARE FOR THOSE WHO NEED IT MOUNT NITTANY MEDICAL CENTER WILL PROVIDE SERVICES AT NO CHARGE OR REDUCED CHARGES TO THOSE WHO ARE FINANCIALLY UNABLE TO PAY FOR THOSE SERVICES MOUNT NITTANY MEDICAL CENTER WILL NOT ARBITRARILY RESTRICT THE PROVISIONS OF HEALTH SERVICES TO CERTAIN INDIVIDUALS OR GROUPS MOUNT NITTANY MEDICAL CENTER'S REGISTRATION DEPARTMENT REPRESENTATIVES WILL GIVE A COPY OF OUR FINANCIAL ASSISTANCE PROGRAM TO EVERY PATIENT ALONG WITH OTHER IMPORTANT BILLING INFORMATION OUR FINANCIAL COUNSELOR WILL DISCUSS THE AVAILABILITY OF VARIOUS GOVERNMENT BENEFITS SUCH AS MEDICAID OR STATE PROGRAMS TO ASSIST THE PATIENT WITH QUALIFICATIONS FOR THESE PROGRAMS THE FINANCIAL COUNSELOR WILL ALSO ASSIST THE PATIENT IN COMPLETING THE PROPER PAPERWORK FOR ASSISTANCE IN ADDITION, OUR VENDOR DEBIASE & LEVINE REPRESENTATIVE, WHO IS WORKING ON BEHALF OF MOUNT NITTANY MEDICAL CENTER, WILL ALSO ASSIST PATIENTS WITH THE MEDICAL ASSISTANCE PROCESS OUR THIRD PARTY VENDOR WORKS ON BEHALF OF THE ORGANIZATION TO FOLLOW THE HOSPITAL'S POLICIES REGARDING PATIENT NOTIFICATION AND THE AVAILABILITY OF FINANCIAL ASSISTANCE MOUNT NITTANY MEDICAL CENTER'S FINANCIAL ASSISTANCE POLICY IS POSTED ON OUR WEBSITE ALONG WITH AN APPLICATION FOR PATIENTS TO COMPLETE FOR FINANCIAL ASSISTANCE THE FINANCIAL COUNSELORS AND CASE MANAGEMENT STAFF WILL ALSO WORK CLOSELY TO IDENTIFY AND ASSIST ELIGIBLE PATIENTS MOUNT NITTANY MEDICAL CENTER WILL MAKE AVAILABLE A WRITTEN NOTICE TO EACH PATIENT OR THEIR REPRESENTATIVE OF THE EXISTENCE, CRITERIA AND MECHANISM FOR RECEIVING FINANCIAL ASSISTANCE THE HOSPITAL WILL CREATE AND MAINTAIN RECORDS AND DOCUMENT THAT AN APPLICATION WAS SENT TO THE PATIENT DEMONSTRATING THAT THE REQUIRED CRITERIA AND MECHANISM ARE ESTABLISHED (MOUNT NITTANY MEDICAL CENTER WILL RECORD ANY AND ALL REQUESTS FOR FINANCIAL ASSISTANCE, THE DISPOSITION AND THE DOLLAR AMOUNT OF MOUNT NITTANY MEDICAL CENTER'S FINANCIAL ASSISTANCE PROGRAM PROVIDED) THE HOSPITAL SCANS ALL COMPLETED APPLICATIONS GIVEN TO THE PATIENT ACCOUNTS DEPARTMENT SHOWING WHETHER THE APPLICATION WAS APPROVED OR DENIED IN ALL INSTANCES, PATIENT CONFIDENTIALITY WILL BE PROTECTED ELIGIBILITY WILL BE DETERMINED BY COMPARING HOUSEHOLD FAMILY INCOME AGAINST THE INCOME POVERTY GUIDELINES INCOME IS DEFINED AS THE TOTAL ANNUAL CASH RECEIPTS BEFORE TAXES FROM ALL SOURCES A NOTICE OF AVAILABILITY OF MOUNT NITTANY MEDICAL CENTER'S FINANCIAL ASSISTANCE PROGRAM WILL BE GIVEN TO EACH PATIENT OR THEIR REPRESENTATIVE PRIOR TO SERVICES BEING RENDERED, WITH THE EXCEPTION OF EMERGENCY SERVICES THESE NOTICES SHALL BE DISPLAYED AND MADE AVAILABLE IN ALL REGISTRATION AREAS OF THE HOSPITAL AND SHALL INCLUDE THE MOST CURRENT AVAILABLE "HOUSEHOLD INCOME GUIDELINES" AS PUBLISHED IN THE FEDERAL REGISTER MOUNT NITTANY MEDICAL CENTER'S CURRENT FINANCIAL ASSISTANCE PROGRAM ELIGIBILITY IS BASED ON 2 5 TIMES THE "HOUSEHOLD INCOME GUIDELINES" THE PATIENT ACCOUNTS DIRECTOR OR HIS/HER DESIGNEE SHALL REVIEW ALL APPLICATIONS FOR THE MOUNT NITTANY MEDICAL CENTER FINANCIAL ASSISTANCE PROGRAM IT IS THE APPLICANT'S RESPONSIBILITY TO PROVIDE PROOF OF INCOME

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 THE MEDICAL CENTER'S PRIMARY SERVICE AREA INCLUDES CENTRE COUNTY AND PARTS OF THE SURROUNDING COUNTIES CENTRE COUNTY'S POPULATION IS APPROXIMATELY 154,000 APPROXIMATELY 13% OF THE POPULATION IS AGED 0-14, 76% AGED 15-64, AND 11% IS 65 OR OLDER THE ESTIMATE FOR THE POPULATION LIVING BELOW THE POVERTY LINE IS 18% THE MEDIAN AGE IN CENTRE COUNTY IS 26 6 (39 9 FOR ALL OF PA) 40% OF THOSE AGED 25 OR OLDER HAVE AT LEAST A BACHELOR'S DEGREE VS 26 4% FOR ALL OF PA THE MEDIAN HOUSEHOLD INCOME IS $47,016, WHILE THE PA MEDIAN IS $53,098 40,000+ COLLEGE STUDENTS LIVE IN STATE COLLEGE MOUNT NITTANY MEDICAL CENTER IS THE SOLE GENERAL ACUTE CARE HOSPITAL IN CENTRE COUNTY THE NEAREST LEVEL II TRAUMA CENTER IS APPROX 43 MILES AWAY PART OF CENTRE COUNTY IS A DESIGNATED MEDICALLY UNDERSERVED AREA

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 THE MEDICAL CENTER'S BOARD OF TRUSTEES AND ITS VARIOUS COMMITTEES INCLUDE COMMUNITY MEMBERS AS WELL AS MEDICAL STAFF THE COMMUNITY MEMBERS ARE NOT DIRECTLY INVOLVED IN THE MEDICAL CENTER'S OPERATIONS THE MEDICAL CENTER'S MEDICAL STAFF EXCEEDS 300 PHYSICIANS AND CONTINUES TO INVEST IN STRONG AND BENEFICIAL RELATIONSHIPS WITH ALL PHYSICIANS WHO HAVE AN INTEREST IN WORKING WITH THE MEDICAL CENTER ALL REVENUES IN EXCESS OF EXPENSES ARE RE-INVESTED IN THE COMMUNITY, INCLUDING SIGNIFICANT DONATIONS TO THE COUNTY'S ONLY FREE MEDICAL AND DENTAL CLINIC, AS WELL AS INTERNAL IMPROVEMENTS TO TECHNOLOGY SO THAT THE COMMUNITIES WE SERVE HAVE IMMEDIATE ACCESS TO THE BEST AND MOST APPROPRIATE DIAGNOSTIC AND TREATMENT OPTIONS AVAILABLE

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 AS OF JUNE 30, 2012, MOUNT NITTANY HEALTH SYSTEMS HAS TWO CONTROLLED CORPORATIONS, WHICH ARE THE MOUNT NITTANY MEDICAL CENTER (INPATIENT AND OUTPATIENT SERVICES) AND MOUNT NITTANY MEDICAL CENTER HEALTH SERVICES, INC (A PHYSICIAN PRACTICE D/B/A MOUNT NITTANY PHYSICAN GROUP) THE FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER, INC (FUNDRAISING) AND THE MOUNT NITTANY SURGICAL CENTER, INC (OUTPATIENT SURGICAL CENTER) ARE CONTROLLED BY MOUNT NITTANY MEDICAL CENTER

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

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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
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

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) MOUNT NITTANY MEDICAL CENTER HEALTH SERVICES INC1800 EAST PARK AVENUE STATE COLLEGE,PA 16803	51-0426500	501(C)(3)	15,701,027		CASH	N/A	PROVIDE FINANCIAL SUPPORT TO AFFILIATE
(2) THE FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER1800 EAST PARK AVENUE STATE COLLEGE,PA 16803	57-1138956	501(C)(3)	266,212		CASH	N/A	PROVIDE FINANCIAL SUPPORT TO AFFILIATE
(3) MOUNT NITTANY HEALTH SYSTEM1800 EAST PARK AVENUE STATE COLLEGE,PA 16803	80-0663092	501(C)(3)	132,363		CASH	N/A	PROVIDE FINANCIAL SUPPORT TO AFFILIATE

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

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

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. 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 ASSISTANCE IS PROVIDED TO RELATED ENTITIES FOR FINANCIAL SUPPORT MANAGEMENT OF THE HEALTH SYSTEM OVERSEES THE USE OF FUNDS AT THE AFFILIATED ENTITIES

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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
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

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**	Yes	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**	Yes	
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) STEVEN E BROWN	(i)	454,205	129,505	0	19,624	36,568	639,902	0
	(ii)	0	0	0	0	0	0	0
(2) JONATHON DRANOV MD	(i)	0	0	0	0	0	0	0
	(ii)	432,681	10,000	0	16,500	26,759	485,940	0
(3) RICHARD WISNIEWSKI	(i)	252,202	60,175	0	19,625	30,905	362,907	0
	(ii)	0	0	0	0	0	0	0
(4) JEFFREY RATNER MD	(i)	302,368	22,706	0	19,625	36,284	380,983	0
	(ii)	0	0	0	0	0	0	0
(5) JANET SCHACHTNER	(i)	212,002	46,105	0	19,625	28,428	306,160	0
	(ii)	0	0	0	0	0	0	0
(6) THOMAS STOESSEL	(i)	191,164	34,606	0	18,321	32,308	276,399	0
	(ii)	0	0	0	0	0	0	0
(7) GERALD DITTMANN	(i)	152,014	22,132	0	13,992	30,822	218,960	0
	(ii)	0	0	0	0	0	0	0
(8) GAIL MILLER	(i)	129,192	22,648	0	12,176	25,569	189,585	0
	(ii)	0	0	0	0	0	0	0
(9) ROBERT WUNAR	(i)	0	0	0	0	0	0	0
	(ii)	77,204	45,000	0	0	10,887	133,091	0
(10) DAVID PETERSON	(i)	0	0	134,349	0	8,570	142,919	0
	(ii)	0	0	0	0	0	0	0
(11) LANCE ROSE	(i)	0	0	14,721	0	1,126	15,847	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, LINES 4A-B	LANCE ROSE RECEIVED NONQUALIFIED PENSION PAYMENTS OF $14,721 DAVID PETERSON RECEIVED A PARTIAL SEVERANCE PAYMENT FOR 2011
	PART I, LINE 6	THE EXECUTIVE TEAM MEMBERS OF MOUNT NITTANY MEDICAL CENTER RECEIVED A PORTION OF THEIR ANNUAL VARIABLE-PAY BASED UPON THE NET EARNINGS OF MOUNT NITTANY MEDICAL CENTER AND OTHER CORPORATE GOALS THE CORPORATE GOALS FOCUSED ON FINANCE, GROWTH, HUMAN RESOURCES, CLINICAL QUALITY, AND PATIENT SAFETY

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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
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

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	CENTRE COUNTY HOSPITAL AUTHORITY	20-3197497	156273CE2	03-26-2009	69,748,005	FUND EAST WING EXPANSION & OTHER CAPITAL EXPENDITURES		X	X			X
B	CENTRE COUNTY HOSPITAL AUTHORITY	20-3197497	156273CU6	05-05-2011	70,552,972	FUND EMERG DEPT EXPANSION & OTHER CAPITAL EXPENDITURES		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	69,748,005	70,552,972		
4	Gross proceeds in reserve funds	24	13,872,894		
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	3,721,113	1,033,856		
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	53,727,339	50,203,269		
11	Other spent proceeds				
12	Other unspent proceeds	5,003,579	3,764,174		
13	Year of substantial completion	2012	2013		

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X		X				
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X				
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0 %		0 %					
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 %		0 %					
6	Total of lines 4 and 5	0 %		0 %					
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X					

Part IV Arbitrage

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

Part V 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
SCHEDULE K, PART III, LINE 3		THERE ARE NO MANAGEMENT OR SERVICE CONTRACTS OR RESEARCH AGREEMENTS RELATING TO THE FINANCED PROPERTIES FOR THE 2009 OR 2011 BONDS

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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
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

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) EDWARD BELL	FAMILY MEMBER OF A BOARD TRUSTEE, KAREN SHUTE	123,036	SALARY COMPENSATION AS A MNMC EMPLOYEE		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 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
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	THE 990 WAS REVIEWED BY THE BOARD OF TRUSTEES AND BY THE MOUNT NITTANY HEALTH SYSTEM AUDIT COMMITTEE BEFORE BEING FILED WITH THE IRS
	FORM 990, PART VI, SECTION B, LINE 12C	ANNUALLY, THE CONFLICT OF INTEREST POLICY IS DISTIBUTED TO KEY MEMBERS OF THE ORGANIZATION INCLUDING BOARD MEMBERS, OFFICERS, AND KEY EMPLOYEES EACH PERSON MUST REPORT ANY POTENTIAL CONFLICT OF INTERESTS, WHICH IS THEN REVIEWED BY THE CORPORATE COMPLIANCE OFFICER AND THEN REPORTED AND REVIEWED BY THE HEALTH SYSTEM'S AUDIT COMMITTEE.
	FORM 990, PART VI, SECTION B, LINE 15	EXECUTIVE COMPENSATION COMMITTEE FROM BOARD OF TRUSTEES REVIEWS COMPENSATION PAID TO EXECUTIVE MANAGEMENT TEAM IN CONJUNCTION WITH AN INDEPENDENT THIRD PARTY CONSULTING FIRM TO ENSURE COMPENSATION IS REASONABLE AND APPROPRIATE FOR DUTIES AND RESPONSIBILITES ASSIGNED REVIEW AND APPROVAL OF COMPENSATION IS DOCUMENTED VIA MINUTES OF COMMITTEE MEETINGS
	FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE MADE AVAILABLE TO THE PUBLIC UPON REQUEST
	FORM 990, PART VII, SECTION A	AVERAGE HOURS PER WEEK FOR DIRECTORS FOR MOUNT NITTANY MEDICAL CENTER AND ALL RELATED ORGANIZATIONS ARE AS FOLLOWS CARL ANDERSON - 8 THOMAS BROWN - 10 THOMAS HARRIS - 6 JONATHON DRANOV, MD - 40 STEVEN BROWN - 40 RICHARD WISNIEWSKI - 40
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -1,700,796 CHANGE IN INTEREST IN THE FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER, INC -1,005,853 PENSION LIABILITY ADJUSTMENT - 22,705,356 CHANGE IN FAIR VALUE OF DERIVATIVE 995,680 TOTAL TO FORM 990, PART XI, LINE 5 -24,416,325

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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
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

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) THE FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER INC 1800 EAST PARK AVENUE STATE COLLEGE, PA 168036796 57-1138956	FUNDRAISING AND SUPPORT FOR MOUNT NITTANY MEDICAL CENTER	PA	501(C)(3)	11A	MOUNT NITTANY MEDICAL CENTER	Yes	
(2) MOUNT NITTANY MEDICAL CENTER WORKMEN'S COMPENSATION SELF INSURANCE TRUST 1800 EAST PARK AVENUE STATE COLLEGE, PA 168036796 25-6440788	PROVIDE WORKMEN'S COMPENSATION BENEFITS TO EMPLOYEES OF MNMC	PA	501(C)(3)	11A	N/A		No
(3) MOUNT NITTANY MEDICAL CENTER HEALTH SERVICES INC 1800 EAST PARK AVENUE STATE COLLEGE, PA 168036796 51-0426500	PROFESSIONAL SERVICES TO SUPPORT MNMC	PA	501(C)(3)	11A	MOUNT NITTANY HEALTH SYSTEM		No
(4) MOUNT NITTANY SURGICAL CENTER INC 1850 EAST PARK AVENUE STATE COLLEGE, PA 168036796 25-1712099	HEALTHCARE	PA	501(C)(3)	11A	MOUNT NITTANY MEDICAL CENTER	Yes	
(5) MOUNT NITTANY HEALTH SYSTEM 1800 EAST PARK AVENUE STATE COLLEGE, PA 168036796 80-0663092	PROVIDE MANAGEMENT AND ADMINISTRATIVE SUPPORT TO MNMC & SUBSIDIARIES	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

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

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	Yes	
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f 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		No
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	Yes	
n Sharing of paid employees with related organization(s)	1n	Yes	
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	Yes	
r Other transfer of cash or property from related organization(s)	1r	Yes	

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) See Additional Data Table			
(2)			
(3)			
(4)			
(5)			
(6)			

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) 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: 24-0795682
Name: MOUNT NITTANY MEDICAL CENTER

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)	FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER	C	2,073,672	CASH
(2)	FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER	K	1,751	COST OF SERVICES PERFORMED
(3)	FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER	N	295,841	COST OF SHARING PAID EMPLOYEES
(4)	MOUNT NITTANY SURGICAL CENTER	N	2,687,616	COST OF SHARING PAID EMPLOYEES
(5)	MOUNT NITTANY SURGICAL CENTER	K	449,122	COST OF SERVICES PERFORMED
(6)	FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER	B	266,212	CASH
(7)	MOUNT NITTANY MEDICAL CENTER HEALTH SERVICES INC	B	15,701,027	CASH

Mount Nittany Health System and Affiliates

Consolidated Financial Statements and Supplementary Information

June 30, 2012 and 2011

Mount Nittany Health System and Affiliates

Table of Contents
June 30, 2012 and 2011

ParenteBeard

Independent Auditors' Report

Board of Directors
Mount Nittany Health System and Affiliates

We have audited the accompanying consolidated statement of financial position of Mount Nittany Health System and Affiliates as of June 30, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the management of Mount Nittany Health System. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mount Nittany Health System and Affiliates as of June 30, 2012 and 2011, and the results of their operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

ParenteBeard LLC

State College, Pennsylvania
September 13, 2012

Mount Nittany Health System and Affiliates

Consolidated Statement of Financial Position
June 30, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ 29,736,987	$ 22,442,079
Short-term investments	8,444,293	26,557,470
Accounts receivable		
Patients (net of estimated allowance for doubtful doubtful collections of $17,505,000 in 2012 and $13,702,000 in 2011)	32,550,262	30,441,365
Other	1,153,949	3,978,510
Inventories of drugs and supplies	6,564,891	6,113,434
Prepaid expenses and other current assets	2,446,380	4,173,590
Total current assets	80,896,762	93,706,448
Assets Whose Use is Limited		
Under trust indenture, held by trustee	22,640,647	70,520,763
Board designated, debt service	6,158,468	-
Worker's compensation self-insurance, held by trustee	1,342,344	1,319,700
Total assets whose use is limited	30,141,459	71,840,463
Long-Term Investments	83,754,887	54,827,539
Property and Equipment, Net	164,253,373	125,365,456
Beneficial Interest in Perpetual Trust	49,008	50,731
Pledges Receivable	1,223,012	2,507,579
Deferred Financing Costs, Net	4,215,756	4,410,611
Goodwill	1,209,867	1,209,867
Derivative Financial Instruments	1,516,908	521,228
Other Assets, Net	11,941,112	10,199,300
Total assets	$ 379,202,144	$ 364,639,222

	2012	2011
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt		
Revenue bonds and note payable	$ 1,545,172	$ 880,015
Obligations under capital leases	200,747	341,350
Accounts payable	7,360,249	10,656,325
Blue Cross current financing advance	475,663	475,663
Estimated third-party payor settlements	6,141,914	5,499,350
Accrued expenses		
Employee paid time off	8,796,634	7,092,656
Payroll and withholdings	3,246,982	2,401,828
Accrued interest	1,076,585	1,197,410
Other	5,791,948	6,973,609
Deferred compensation, current	76,973	696,364
Current portion of charitable gift annuity liability	11,925	15,051
Total current liabilities	34,724,792	36,229,621
Long-Term Debt		
Revenue bonds and note payable	138,850,170	140,398,041
Obligations under capital leases	427,998	629,388
Deferred Revenue	470,147	327,363
Charitable Gift Annuity Liability	43,869	60,914
Accrued Pension Costs	31,065,582	11,182,003
Accrued Medical Malpractice and Workers' Compensation Costs	4,372,908	1,914,305
Deferred Compensation	112,539	198,606
Total liabilities	210,068,005	190,940,241
Net Assets		
Unrestricted	163,660,675	167,257,741
Temporarily restricted	4,857,955	6,135,305
Permanently restricted	615,509	305,935
Total net assets	169,134,139	173,698,981
Total liabilities and net assets	$ 379,202,144	$ 364,639,222

See notes to consolidated financial statements

Mount Nittany Health System and Affiliates

Consolidated Statement of Operations
Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted Revenues, Gains, and Other Support		
Net patient service revenues	$ 298,750,900	$ 261,835,846
Other operating revenues	6,303,753	3,715,248
Gain on sale of equipment	110,441	71,960
Net assets released from restrictions used in operations	47,378	124,210
Total unrestricted revenues, gains, and other support	305,212,472	265,747,264
Expenses		
Salaries and wages	115,696,713	96,405,031
Supplies and other	112,252,630	99,737,217
Employee benefits	31,484,881	25,820,199
Depreciation and amortization	15,479,452	12,623,093
Provision for doubtful collections	8,766,203	8,324,231
Interest (net of capitalized interest of $2,186,231 in 2012 and $678,209 in 2011)	5,823,406	3,898,136
Insurance	711,019	1,338,890
Total expenses	290,214,304	248,146,797
Operating income	14,998,168	17,600,467
Other Income		
Change in fair value of derivative financial instruments	995,680	1,030,201
Investment income	964,425	8,840,879
Other revenues	45,200	423,676
Contributions	78,523	154,839
Other income, net	2,083,828	10,449,595
Revenues in excess of expenses	17,081,996	28,050,062
Pension Liability Adjustment	(22,705,356)	9,418,904
Net Assets Released from Restrictions Used for the Purchase of Property and Equipment	2,026,294	4,273,889
(Decrease) increase in unrestricted net assets	$ (3,597,066)	$ 41,742,855

See notes to consolidated financial statements

Mount Nittany Health System and Affiliates

Consolidated Statement of Changes in Net Assets
Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted Net Assets		
Revenues in excess of expenses	$ 17,081,996	$ 28,050,062
Pension liability adjustment	(22,705,356)	9,418,904
Net assets released from restrictions used for purchase of property and equipment	2,026,294	4,273,889
(Decrease) increase in unrestricted net assets	(3,597,066)	41,742,855
Temporarily Restricted Net Assets		
Contributions	808,845	1,700,191
Investment (loss) income	(12,523)	24,577
Net assets released from restrictions	(2,073,672)	(4,398,099)
Decrease in temporarily restricted net assets	(1,277,350)	(2,673,331)
Permanently Restricted Net Assets		
Contributions	311,297	21,600
Valuation (loss) gain	(1,723)	4,534
Increase in permanently restricted net assets	309,574	26,134
(Decrease) increase in net assets	(4,564,842)	39,095,658
Net Assets, Beginning	173,698,981	134,603,323
Net Assets, Ending	$ 169,134,139	$ 173,698,981

See notes to consolidated financial statements

Mount Nittany Health System and Affiliates

Consolidated Statement of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (4,564,842)	$ 39,095,658
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	15,481,963	12,614,516
Net (amortization of premium) accretion of discount on long-term debt	(2,511)	8,577
Provision for doubtful collections	8,766,203	8,324,231
Change in fair value of derivative financial instruments	(995,680)	(1,030,201)
Restricted contributions, investment income, and valuation loss/gain	(1,105,896)	(1,750,902)
Unrestricted net realized and unrealized loss (gains) on investments	2,005,679	(6,465,971)
Pension liability adjustment	22,705,356	(9,418,904)
Gain on sale of equipment	(110,441)	(71,960)
Changes in assets and liabilities:		
Accounts receivable	(8,050,539)	(17,953,769)
Inventories of drugs and supplies	(451,457)	(1,215,268)
Prepaid expenses and other current assets	1,727,210	(1,404,805)
Accounts payable, accrued expenses, and other liabilities	(2,332,714)	1,971,262
Net cash provided by operating activities	33,072,331	22,702,464
Cash Flows from Investing Activities		
Purchases of property and equipment	(52,586,735)	(25,871,195)
Decrease (increase) in investments	28,880,877	(53,836,288)
Increase in other assets	(3,309,868)	(3,577)
Proceeds from sale of equipment	90,207	20,717
Purchases of assets of physician practices	-	(14,663,292)
Net cash used in investing activities	(26,925,519)	(94,353,635)

See notes to consolidated financial statements

Mount Nittany Health System and Affiliates

Consolidated Statement of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Cash Flows from Financing Activities		
Restricted contributions and investment income	$ 2,390,463	$ 2,291,749
Repayment of long-term debt	(1,222,196)	(1,108,061)
Change in charitable gift annuity liability	(20,171)	(20,056)
Proceeds from issuance of long-term debt, net of premium of $322,972 in 2011	-	70,552,972
Payment of financing costs	-	(1,042,433)
Net cash provided by financing activities	1,148,096	70,674,171
Net increase (decrease) in cash and cash equivalents	7,294,908	(977,000)
Cash and Cash Equivalents, Beginning	22,442,079	23,419,079
Cash and Cash Equivalents, Ending	$ 29,736,987	$ 22,442,079
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest, net of amounts capitalized	$ 5,944,231	$ 192,282
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Interest capitalized for construction in progress	$ -	$ 678,209
Obligations incurred for the purchase of property and equipment	$ -	$ 5,039,859
Capital lease incurred for purchase of property and equipment	$ -	$ 580,641

See notes to consolidated financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Mount Nittany Health System (the "System") is a not-for-profit corporation organized to coordinate and manage the integration of the delivery of healthcare services and activities that benefit its affiliates. The System is the controlling parent for Mount Nittany Medical Center (the "Medical Center") and Mount Nittany Medical Center Health Services, Inc. d/b/a Mount Nittany Physician Group (the "Physician Group").

The Medical Center is a not-for-profit, acute care hospital and provides inpatient, outpatient and emergency care services and is the controlling parent for Mount Nittany Surgical Center, Inc. (the "Surgical Center") and The Foundation for Mount Nittany Medical Center, Inc. (the "Foundation").

The Surgical Center is a not-for-profit corporation that provides outpatient surgical services. The Foundation is a not-for-profit corporation that provides fundraising and other support to further the charitable, educational, and scientific purposes of the Medical Center. The Physician Group is a not-for-profit corporation that provides professional services.

The Medical Center, Surgical Center, and Physician Group provide services for residents of their primary service area, which includes State College, Pennsylvania and surrounding communities in Centre County, Pennsylvania.

Subsequent Events

The System, the Medical Center, the Surgical Center, the Physician Group, and the Foundation (collectively, the "Corporation") evaluate subsequent events for recognition or disclosure. Subsequent events were evaluated through September 13, 2012, the date the consolidated financial statements were issued.

Governance Restructuring

On January 1, 2011, the Corporation completed governance and organizational restructuring, designed to streamline the governance and organization structure and ensure the most efficient and effective healthcare delivery system. As a result of the organizational restructuring, the System was created to establish a parent corporation for the Medical Center and changed the Physician Group control from the Medical Center to the System. There was no effect on the consolidated financial statements as a result of the governance and organization restructuring.

Basis of Consolidation

The consolidated financial statements include the accounts of the Corporation. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated 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 as well as 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 on a periodic review of the accounts receivable aging, payor classifications, and application of historical write-off percentages.

Accounts Receivable, Other

Accounts receivable, other, are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. No allowance for doubtful collections was recorded because management believes realization losses on other receivables will be immaterial.

Inventories of Drugs and Supplies

Inventories of drugs and medical and surgical supplies are stated at the lower of cost or market value. Cost is determined on a first-in, first-out basis.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Cash equivalents and certificates of deposit are carried at cost which approximates fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the determination of revenues in excess of expenses unless the income or loss is restricted by donor or law. Donor-restricted investment income is reported as an increase in temporarily restricted net assets.

The Corporation's investments are comprised of a variety of financial instruments. The fair values reported in the consolidated statement of financial position are exposed 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, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

Assets Whose Use Is Limited

Assets whose use is limited include cash and cash equivalents, certificates of deposit, United States government obligations, and corporate bonds held by the bond trustee under a trust indenture and held in an irrevocable self-insurance workers' compensation trust arrangement.

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 debt using the straight-line method. Amortization of deferred financing costs was $194,855 in 2012 and $159,361 in 2011.

Pledges Receivable

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and related revenue is included in the appropriate net asset category. Pledges expected to be collected in future years are recorded at the present value of the estimated future cash flows. Amortization of the discount is included in contribution income. Pledges are written off when they are determined to be uncollectible based on management's assessment of individual pledges. The allowance for uncollectible pledges is estimated based on an estimated percentage of uncollectible amounts.

Goodwill and Intangible Assets

The Corporation adopted Financial Accounting Standards Board ("FASB") authoritative guidance regarding goodwill and other intangible assets. Under FASB authoritative guidance, goodwill and other intangible assets with indefinite lives are reviewed annually or more frequently if impairment indicators arise. The review requires the Corporation to estimate the fair value of its identified reporting units and compare those estimates against the related carrying values. Identifiable assets and liabilities acquired in connection with business combinations accounted for under the purchase method are recorded at their respective fair values. Intangible assets with finite lives with a cost of $8,969,190 at June 30, 2012 and 2011, and accumulated amortization of $2,436,012 at June 30, 2012 and $867,956 at June 30, 2011, are included in other assets in the accompanying consolidated statement of financial position. Amortization of the intangible asset was $1,568,056 in 2012 and $867,956 in 2011.

Property and Equipment and Depreciation

Property and equipment acquisitions are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of depreciable assets. Equipment acquired under capital lease and leasehold improvements are amortized on the straight-line method over the shorter of the lease term or the estimated useful lives of the assets. Such amortization is included in depreciation and amortization expense in the accompanying consolidated statement of operations. The Corporation follows the policy of capitalizing interest as a component of the cost of property and equipment constructed for its own use.

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.

Beneficial Interest in Perpetual Trust

The Medical Center receives income from a perpetual trust. Under the terms of the trust agreement, the Medical Center has the irrevocable right to receive a portion of the income earned on trust assets in perpetuity, but never receives the assets held in the trust. The assets are recorded at the estimated present value of the Medical Center's future cash receipts from trust assets, measured by the Medical Center's allocable share of trust income times the fair values of trust assets.

Deferred Revenue

Proceeds from the rental of certain property are deferred. Rental revenues are recognized ratably over the term of the lease. The deferred revenue associated with this lease was $233,882 at June 30, 2012 and $239,510 at June 30, 2011.

The Medical Center received proceeds from The Tobacco Settlement Act that is administered through the Department of Public Welfare ("DPW"). These funds are intended to partially reimburse the Medical Center for the uncompensated care services it has provided. The Medical Center's claim to these funds is subject to review by the Department of the Auditor General of the Commonwealth of Pennsylvania. The Medical Center has not recognized as revenue a portion of the funds received in the amount of $236,265 at June 30, 2012 and $87,853 at June 30, 2011, pending the results of a review by the Department of the Auditor General.

Charitable Gift Annuity Liability

The charitable gift annuity liability represents funds received by the Corporation subject to agreements whereby assets are made available to the Corporation on the condition that the Corporation agrees to pay stipulated amounts periodically to designated individuals. Payments of such amounts terminate at a time specified in the agreement, typically upon the death of the donor. Annuity assets are included in long-term investments and are accounted for at fair value. Annuity payables represent the present value of the aggregate liability.

Deferred Compensation Arrangement

The Corporation has unfunded deferred compensation arrangements with former employees. The liability for these arrangements has been accrued as a current and noncurrent liability. Benefits paid under these arrangements are payable in monthly installments through May 2021.

Derivative Financial Instruments

The Medical Center has entered into an interest rate swap agreements, which are considered derivative financial instruments, to manage interest rate exposure on certain bonds payable. The interest rate swap agreements are reported at fair value in the consolidated statement of financial position, and related changes in fair value are reported in the consolidated statement of operations.

Temporarily and Permanently Restricted Net Assets

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

Net Patient Service Revenues

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center, the Surgical Center, and Physician Group at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. It is reasonably possible that the estimates used could change in the near term.

Charity Care

The Medical Center, the Surgical Center, and Physician Group provide care to patients who meet certain criteria without charge or at amounts less than their established rates. Because the Medical Center, the Surgical Center, and the Physician Group do not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenues. The Medical Center, the Surgical Center, and the Physician Group maintain records to identify and monitor the level of charity care they provide. The cost associated with the charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for patients receiving charity care. The level of charity care provided by the Corporation amounted to approximately $1,182,000 in 2012 and 2011.

Donor-Restricted Gifts

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

Revenues in Excess of Expenses

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

Medical Malpractice, Workers' Compensation Insurance Costs, and Employee Health Insurance Costs

The provision for estimated medical malpractice, workers' compensation, and employee health insurance claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported based on the Corporation's past experience and current trend factors. Anticipated insurance recoveries associated with reported claims are included in other assets on the Corporation's consolidated statement of financial position.

Income Taxes

The System, the Medical Center, the Surgical Center, the Physician Group, and the Foundation are not-for-profit organizations as described in section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to section 501(a) of the Code.

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

All required Federal Exempt Organization Business Income Tax Returns for the Corporation have been filed up to, and including, the tax year ended June 30, 2011. The Corporation's federal income tax returns for 2008, 2009, and 2010 (fiscal years ended June 30, 2009, 2010, and 2011) remain subject to examination by the Internal Revenue Service ("IRS").

Advertising Costs

Advertising costs are expensed as incurred.

Reclassifications

Certain reclassifications were made to the 2011 consolidated financial statements to conform with the 2012 presentation.

New Accounting Standards

Charity Care

In August 2010, FASB issued amended disclosure guidance relating to the measurement of charity care provided. The guidance requires that direct and indirect costs be used as the basis of measurement for charity care disclosure purposes. The guidance also requires disclosure of the method used to identify or determine such costs. The adoption of the amended guidance revised the disclosure in the notes to the Corporation's consolidated financial statements but did not impact amounts reported in the primary consolidated financial statements.

Insurance Claims

In August 2010, FASB issued Accounting Standards Update 2010-24, Presentation of Insurance Claims and Related Insurance Recoveries, which amended guidance relating to the presentation of insurance claims and related insurance recoveries. The guidance 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, if any, should be measured and presented separately within the consolidated statement of financial position. The adoption of the amended guidance resulted in presenting insurance recoveries and related liabilities on a gross basis in the Corporation's consolidated statement of financial position and did not impact net assets.

Fair Value Measurements

In 2011, the Corporation adopted Accounting Standards Update ("ASU") No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. ASU No. 2010-06 requires disaggregated and robust disclosures of fair value techniques and inputs to fair value measurements, transfers in and out of Levels 1 and 2 classifications, and reconciliation of Level 3 assets and liabilities on a gross (versus net) basis. While the Corporation adopted ASU No. 2010-06 in 2011, the changes to the Level 3 disclosure requirements were not effective until the year ended June 30, 2012. ASU No. 2010-06 did not have a material impact on the Corporation's consolidated financial statements, but expanded disclosures about certain fair value measurements.

In 2011, FASB issued Accounting Standards Update ("ASU") No. 2011-04, Fair Value Measurements and Disclosures (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. ASU No. 2011-04 includes new and clarified guidance on fair value measurements (highest and best use, equity instruments, managed net portfolio positions, and application of premiums and discounts) and disclosure (quantitative information, valuation processes and sensitivity of unobservable inputs, assets not in highest and best use, and assets not measured at fair value). ASU 2011-04 is effective for periods beginning after December 15, 2011. ASU 2011-04 will not have a material impact on the Corporation's consolidated financial statements, but may modify financial statement disclosures for fair value measurements.

Provision for Doubtful Collections

The Corporation will be required to adopt amended guidance related to health care entities which requires a change in reporting the provision for bad debts associated with net patient service revenues. As a result of this guidance, the provision, which is currently reported as an operating expense in the Corporation's consolidated statement of operations and changes in net assets, will be reported as a deduction from patient service revenues, net of contractual allowances and discounts. The guidance also enhances required disclosures regarding the policies for recognizing net patient service revenues and assessing bad debts. In addition, the guidance requires disclosure of net patient service revenues and qualitative and quantitative information about changes in the allowance for doubtful accounts, both by major payor sources. The amended guidance is effective for the fiscal years ending after December 15, 2012. Adoption of the amended guidance will require retrospective restatement of the consolidated statement of operations and changes in net assets and prospective financial statement disclosures.

2. Investments

The composition of short-term and long-term investments at June 30, 2012 and 2011 is set forth in the following table:

	2012	2011
Cash and cash equivalents	$ 5,877,263	$ 20,497,328
Certificates of deposit	2,567,030	6,060,388
Mutual funds, equity funds	40,512,765	31,726,822
Mutual funds, fixed income funds	39,414,346	20,293,830
United States government obligations	45,323	168,746
Alternative investments	3,782,453	2,637,895
Total	92,199,180	81,385,009
Less short-term investments	8,444,293	26,557,470
Long-term investments	$ 83,754,887	$ 54,827,539

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

	2012	2011
Cash and cash equivalents	$ 9,451,186	$ 52,602,709
Certificates of deposit	6,608,918	-
United States government obligations	2,790,585	4,345,010
Corporate bonds	11,290,770	14,892,744
Total	$ 30,141,459	$ 71,840,463

Unrestricted investment income, gains and losses for cash and cash equivalents, assets whose use is limited, and investments are comprised of the following in 2012 and 2011:

	2012	2011
Investment income		
Interest and dividend income	$ 2,977,378	$ 2,393,053
Net realized (loss) gain on sales of securities	(408,848)	390,290
Net unrealized (loss) gain on trading securities	(1,596,831)	6,075,681
Fees	(7,274)	(18,145)
Investment income	$ 964,425	$ 8,840,879

3. Fair Value Measurements and Financial Instruments

Fair Value Measurements

The Corporation measures its short-term investments, assets whose use is limited, long-term investments, beneficial interest in perpetual trusts, and derivative financial instruments at fair value on a recurring basis in accordance with FASB guidance on Fair Value Measurements. The securities were measured with the following inputs at June 30, 2012 and 2011:

	2012			
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash and cash equivalents	$ 15,328,449	$ -	$ -	$ 15,328,449
Certificates of deposit	-	9,175,948	-	9,175,948
United States government obligations	-	2,835,908	-	2,835,908
Mutual funds, equity funds.				
International funds	13,812,936	-	-	13,812,936
Large cap growth funds	4,158,155	-	-	4,158,155
Large cap value funds	4,262,335	-	-	4,262,335
Large cap blend funds	6,897,256	-	-	6,897,256
Other	11,382,083	-	-	11,382,083
Mutual funds, fixed income funds				
Short-term bond funds	13,673,313	-	-	13,673,313
Intermediate-term bond funds	15,395,190	-	-	15,395,190
Financial institution funds	8,282,536	-	-	8,282,536
Large cap value funds	2,020,740	-	-	2,020,740
Other	42,567	-	-	42,567
Corporate bonds	-	11,290,770	-	11,290,770
Alternative Investments	-	-	3,782,453	3,782,453
Investment and assets whose use is limited total	95,255,560	23,302,626	3,782,453	122,340,639
Beneficial interest in perpetual trust	-	-	49,008	49,008
Derivative financial instruments	-	-	1,516,908	1,516,908
Total	$ 95,255,560	$ 23,302,626	$ 5,348,369	$ 123,906,555

	2011			
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash and cash equivalents	$ 73,100,037	$ -	$ -	$ 73,100,037
Certificates of deposit	-	6,060,388	-	6,060,388
United States government obligations	-	4,513,756	-	4,513,756
Mutual funds, equity funds				
International funds	8,051,903	-	-	8,051,903
Large cap growth funds	4,866,464	-	-	4,866,464
Large cap value funds	4,662,674	-	-	4,662,674
Large cap blend funds	5,065,164	-	-	5,065,164
Other	9,080,617	-	-	9,080,617
Mutual funds, fixed income funds				
Bond funds	13,379,832	-	-	13,379,832
Financial institution funds	5,038,152	-	-	5,038,152
Large cap value funds	1,805,157	-	-	1,805,157
Other	70,689	-	-	70,689
Corporate bonds	-	14,892,744	-	14,892,744
Alternative Investments	-	-	2,637,895	2,637,895
Investment and assets whose use is limited total	125,120,689	25,466,888	2,637,895	153,225,472
Beneficial interest in perpetual trust	-	-	50,731	50,731
Derivative financial instruments	-	-	521,228	521,228
Total	$ 125,120,689	$ 25,466,888	$ 3,209,854	$ 153,797,431

The change in net unrealized gains and losses on investments is included in revenues in excess of expenses.

The following information related to the alternative investments discusses the nature and risk of the investments and whether they have redemption restrictions as of June 30, 2012.

	Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
The Weatherlow Offshore Fund I L P	$ 3,782,453	Quarterly	65 days

The Weatherlow Offshore Fund I L.P. is a Delaware limited liability company. The investment objective is to invest predominantly in limited partnerships and pooled investment vehicles, including long-short growth, value, technology, energy, financial, and healthcare hedge funds.

The following is a reconciliation of the beginning and ending balances of the fair value measurements of the Corporation's beneficial interest in perpetual trust and derivative financial instruments:

	Alternate Investment	Beneficial Interest in Perpetual Trust	Derivative Financial Instruments
Balances at June 30, 2010	$ -	$ 46,197	$ (508,973)
Purchases	2,500,000	-	-
Valuation gain	137,895	4,534	1,030,201
Balances at June 30, 2011	2,637,895	50,731	521,228
Purchases	1,260,000	-	-
Valuation gain/(loss)	(115,442)	(1,723)	995,680
Balances at June 30, 2012	$ 3,782,453	$ 49,008	$ 1,516,908

Financial Instruments

The carrying amounts reported in the accompanying consolidated statement of financial position for cash and cash equivalents, patient accounts receivable, accounts payable, other liabilities, and estimated third-party payor settlements approximate their related fair values, due to short term nature.

Mutual equity funds and fixed income funds, and common stock are valued at fair value based upon quoted market prices in active markets for those securities, which are considered level 1 inputs. United States government obligations and corporate bonds are valued at fair value based upon quoted prices for similar securities, which are considered level 2 inputs. Certificates of deposit are at cost, which approximates the fair value based on similar instruments. Alternative investments were measured using Level 3 inputs. For measurement purposes, it was determined that the reported net asset value was relevant for use as an input to the fair value measurement. The values were arrived at by the investment manager based on the fair value of the underlying investments, which were determined by various proprietary models which include securities pricing, cash flow models and other similar techniques.

The carrying value of pledges receivable approximates their fair value based on expected future cash flows discounted at a rate of approximately 3.3%.

The fair value of the Corporation's fixed rate long-term debt was estimated using quoted market prices or discounted cash flows analyses based on the Corporation's incremental borrowing rate for debt instruments with comparable maturities. The fair value of the Corporation's long-term debt was approximately $153,000,000 at June 30, 2012 and $147,763,000 at June 30, 2011.

The Corporation measures its derivative financial instruments at fair value based on proprietary models of an independent third party valuation specialist. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instruments. The fair value was estimated using the zero-coupon discounting method and considers the credit risk of the Corporation and the counterparty. This method calculates the future payments required by the derivative financial instruments, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the derivative financial instruments. The value represents the estimated exit price the Corporation would pay to terminate the agreements.

4. Property and Equipment

Property and equipment and accumulated depreciation and amortization as of June 30, 2012 and 2011 are as follows:

	2012	2011
Land and land improvements	$ 4,740,661	$ 3,415,715
Buildings	153,310,435	119,790,494
Equipment	110,887,504	100,859,814
Leasehold improvements	5,580,375	5,191,066
Equipment held under capital lease	2,004,362	2,004,362
Total	276,523,337	231,261,451
Less accumulated depreciation and amortization	143,714,741	130,559,877
Total	132,808,596	100,701,574
Construction in progress	31,444,777	24,663,882
Property and equipment, net	$ 164,253,373	$ 125,365,456

Amortization of equipment held under capital lease was $283,832 in 2012 and $212,737 in 2011. Accumulated amortization was $1,223,925 at June 30, 2012 and $940,093 at June 30, 2011.

Depreciation expense was $13,435,220 in 2012 and $11,374,462 in 2011.

Commitments for construction contracts for various projects existing at June 30, 2012 totaled approximately $10,372,000.

5. Pledges Receivable

A pledge campaign has been undertaken to raise funds in connection with building projects at the Medical Center. Pledges related to this campaign have been recorded as temporarily restricted contributions. Other pledges are received on an annual basis for the use in operations and purchase of equipment for the Medical Center.

Pledges receivable are recorded as follows as of June 30, 2012 and 2011:

	2012	2011
Campaign pledges before unamortized discount and allowance for uncollectible pledges	$ 1,716,488	$ 2,902,317
Less unamortized discount	80,816	168,485
Subtotal	1,635,672	2,733,832
Less allowance for uncollectible pledges	412,660	226,253
Net unconditional promises to give	$ 1,223,012	$ 2,507,579
Amounts due in.		
Less than one year	$ 556,492	$ 1,230,270
One to five years	1,159,996	1,672,047
Total	$ 1,716,488	$ 2,902,317

The discount rate used was approximately 3.3% at June 30, 2012 and 2011.

6. Revenue Bonds and Note Payable

The Medical Center's revenue bonds and note payable at June 30, 2012 and 2011 are as follows:

	2012	2011
Centre County Hospital Authority Hospital Revenue Bonds, Series 2011	$ 70,230,000	$ 70,230,000
Centre County Hospital Authority Hospital Revenue Bonds, Series 2009	70,000,000	70,000,000
Note payable	75,172	955,375
Total	140,305,172	141,185,375
Net unamortized bond premium	90,170	92,681
Less current maturities	1,545,172	880,015
Long-term	$ 138,850,170	$ 140,398,041

Scheduled principal repayments on revenue bonds and note payable as of June 30, 2012 are as follows:

Years ending June 30:	
2013	$ 1,545,172
2014	1,515,000
2015	1,570,000
2016	1,625,000
2017	1,700,000
Thereafter	132,350,000
Total	$ 140,305,172

Centre County Hospital Authority Revenue Bonds, Series 2011

In April 2011, the Centre County Hospital Authority (the "Authority") issued $70,230,000 of tax exempt Hospital Revenue Bonds (the "2011 Bonds") on behalf of the Medical Center. The proceeds of the 2011 Bonds were used to finance certain capital projects of the Medical Center. The 2011 Bonds are due in varying annual installments starting November 2012 through November 2046 with interest rates ranging from 2.5% to 7%.

Payments of principal and interest on the Series 2011 Bonds are secured by the gross revenues of the Obligated Group together with a lien on, and security interest in all property and equipment of the Obligated Group. At present, the Medical Center and the Physician Group are the only members of the Obligated Group. The Series 2011 Bonds also require the Obligated Group to meet certain financial ratios. The Obligated Group was in compliance with the ratios at June 30, 2012.

Centre County Hospital Authority Revenue Bonds, Series 2009

In March 2009, the Authority issued $70,000,000 of tax exempt Hospital Revenue Bonds (the "2009 Bonds") on behalf of the Medical Center. The proceeds of the 2009 Bonds were used to finance certain capital projects of the Medical Center. The 2009 Bonds are due in varying annual installments starting November 2012 through November 2044 with interest rates ranging from 4% to 6.25%.

Payments of principal and interest on the Series 2009 Bonds are secured by the gross revenues of the Obligated Group together with a lien on, and security interest in all property and equipment of the Obligated Group. At present, the Medical Center and Physician Group are the only members of the Obligated Group. The Series 2009 Bonds also require the Obligated Group to meet certain financial ratios. The Obligated Group was in compliance with the ratios at June 30, 2012.

In June 2009, July 2009, and July 2010, the Medical Center entered into interest rate swap agreements for the 2009 Bonds in order to manage and reduce net interest costs. Under the terms of the agreements, the Medical Center agreed to swap fixed interest rate payments for variable interest rate payments (Note 8).

Note Payable

In June 2005, the Medical Center entered into an unsecured note agreement with a bank to construct an additional operating room, open MRI, and Breast Care facilities and to purchase related equipment in the amount of $5,500,000, with fixed interest at 3.95%, per annum. The note is payable in monthly installments of $75,204, maturing July 2012.

7. Obligations Under Capital Leases

The Corporation's obligations under the terms of capital lease arrangements at June 30, 2012 and 2011 are summarized as follows:

	2012	2011
Capital lease obligation, interest at 1.91%; collateralized by equipment; monthly payments of $10,239 with the final Payment January 2016	$ 422,676	$ 534,700
Capital lease obligation, interest at 1.3%; collateralized by equipment; monthly payments of $329 with the final payment due July 2015	8,093	11,571
Capital lease obligation, interest at 2.1%; collateralized by equipment; monthly payments of $5,352 with the final payment April 2015	177,153	237,338
Capital lease obligation, interest at 2.4%; collateralized by equipment; monthly payments of $813 with the final payment April 2013	7,255	16,752
Capital lease obligation, interest at 7%; collateralized by equipment; monthly payments of $13,647 with the final payment due in July 2012	13,568	170,377
Total	628,745	970,738
Less current maturities	200,747	341,350
Long-term	$ 427,998	$ 629,388

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

Years ending June 30:	
2013	$ 212,008
2014	191,042
2015	176,717
2016	122,869
2017	71,674
Total minimum lease payments	774,310
Less amounts representing interest	145,565
Present value of net minimum lease payments	$ 628,745

8. Derivative Financial Instruments

The Medical Center entered into an interest rate swap agreement (the "2009 Agreement") in connection with the 2009 Bonds on June 12, 2009, in order to manage and reduce net interest costs of the 2009 Bonds. The 2009 Agreement has a notional value of $25,000,000 and terminates on June 15, 2029. The 2009 Agreement is a contract to exchange fixed rate for variable rate payments over the term of the 2009 Agreement without the exchange of the underlying notional amount. As such, it requires the Medical Center to pay a fixed rate while receiving variable interest rates based on the spread between the USD-SIFMA Municipal Swap Index and 67% of the 3 month LIBOR plus 0.5925%. The fair value of the 2009 Agreement, which is the amount the Medical Center would receive to terminate the 2009 Agreement, was $343,988 at June 30, 2012 and $9,750 at June 30, 2011 and was based upon information supplied by an independent third party valuation of the 2009 Agreement. No termination payments would be required if the 2009 Agreement is held to maturity. Because hedge accounting was not elected, gains or losses resulting from the change in fair value of the 2009 Agreement is recognized in revenues in excess of expenses.

The Medical Center entered into an interest rate swap agreement (the "2010 Agreement") in connection with the 2009 Bonds on July 13, 2009, in order to manage and reduce the net interest costs of the 2009 Bonds. The 2010 Agreement has a notional value of $25,000,000 and terminates on June 15, 2029. The 2010 Agreement is a contract to exchange fixed rate for variable rate payments over the term of the agreement without the exchange of the underlying notional amount. As such, it requires the Medical Center to pay a fixed rate while receiving variable interest rates based on the spread between the USD-SIFMA Municipal Swap Index and 67% of the 3 month LIBOR plus 0.69%. The fair value of the 2010 Agreement, which is the amount the Medical Center would receive to terminate the 2010 Agreement, was $646,247 at June 30, 2012 and $277,474 at June 30, 2011 and was based upon information supplied by an independent third party valuation of the 2010 Agreement. No termination payments would be required if the 2010 Agreement is held to maturity. Because hedge accounting was not elected, gains or losses resulting from the change in fair value of the 2010 Agreement is recognized in revenues in excess of expenses.

The Medical Center entered into an interest rate swap agreement (the "2011 Agreement") in connection with the 2009 Bonds on July 21, 2010, in order to manage and reduce the net interest costs of the 2009 Bonds. The 2011 Agreement has a notional value of $20,000,000 and terminates on July 23, 2030. The 2011 Agreement is a contract to exchange fixed rate for variable rate payments over the term of the agreement without the exchange of the underlying notional amount. As such, it requires the Medical Center to pay a fixed rate while receiving variable interest rates based on the spread between the USD-SIFMA Municipal Swap Index and 67% of the 3 month LIBOR plus 0.75%. The fair value of the 2011 Agreement, which is the amount the Medical Center would receive to terminate the 2011 Agreement was $526,673 at June 30, 2012 and $234,004 at June 30, 2011 and was based upon information supplied by an independent third party valuation of the 2011 Agreement. No termination payments would be required if the 2011 Agreement is held to maturity. Because hedge accounting was not elected, gains or losses resulting from the change in fair value of the 2011 Agreement is recognized in revenues in excess of expenses.

The notional amount of the swap agreements are used to measure the interest to be paid or received and does not represent the amount of the exposure to credit loss. Exposure to credit loss is limited to the receivable amount, if any, which may be generated as a result of the swap agreements. Management believes that losses related to credit risk are remote. The net cash paid or received under the swap agreements are recognized as an adjustment to interest expense. The Medical Center does not utilize the interest rate swap agreements or other financial instruments for trading or other speculative purposes.

9. Pension Plan

The Medical Center maintains a noncontributory defined benefit pension plan covering substantially all employees.

The following table sets forth the change in projected benefit obligation, the fair value of plan assets, and the amounts recognized in the consolidated statement of financial position at June 30, 2012 and 2011:

	2012	2011
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	$ 113,547,162	$ 103,776,763
Service cost	4,755,424	4,340,290
Interest cost	6,443,542	5,891,248
Actuarial loss	17,164,092	2,526,514
Benefits paid	(3,323,884)	(2,987,653)
Projected benefit obligation, end of year	138,586,336	113,547,162

	2012	2011
Change in plan assets		
Fair value of plan assets, beginning of year	$ 102,365,159	$ 80,155,935
Actual return on plan assets (net of expense)	633,325	17,196,877
Employer contributions	7,846,154	8,000,000
Benefits paid	(3,323,884)	(2,987,653)
Administrative expenses	-	-
Fair value of plan assets, end of year	107,520,754	102,365,159
Funded status at end of year	$ (31,065,582)	$ (11,182,003)
Accumulated benefit obligation	$ 122,486,415	$ 92,102,331
Reconciliation of amounts recognized in the consolidated statement of financial position,		
Accrued pension cost	$ 31,065,582	$ 11,182,003

The following table sets forth the components of net periodic costs in 2012 and 2011:

	2012	2011
Service cost	$ 4,755,424	$ 4,340,290
Interest cost	6,443,542	5,891,248
Expected return on plan assets	(7,599,786)	(6,779,592)
Amortization of unrecognized prior service cost	-	-
Amortization of actuarial loss	1,579,043	1,528,133
Net periodic pension cost	$ 5,178,223	$ 4,980,079

A net loss of $51,511,300 represents the unrecognized component of net periodic pension cost included in unrestricted net assets at June 30, 2012. A net loss of $28,959,790 represents the unrecognized components of net periodic pension cost included in unrestricted net assets at June 30, 2011.

An estimated amortization of net loss of $2,708,941 is expected to be recognized in net periodic pension cost in the next fiscal year.

The weighted-average assumptions used in the measurement of the Medical Center's benefit obligation at June 30, 2012 and 2011 are as follows:

	2012	2011
Discount rate	4 50 %	5 75 %
Rate of compensation increase	2 00 %	4 00 %

The weighted-average assumptions used in the measurement of the Medical Center's net periodic benefit cost for the years ended June 30, 2012 and 2011 are as follows:

	2012	2011
Discount rate	5 75 %	5 75 %
Rate of compensation increase	4 00 %	4 00 %
Expected long-term return on plan assets	7 50 %	7 50 %

The expected long-term return on assets was developed using the Building Block Method covered under Actuarial Standard of Practice No. 27. Under this approach, the weighted average return is developed based on applying historical average total returns by asset class to the plan's current asset allocation. The calculation of the Weighted Average Expected Long-Term Rate of Return uses the 50-year historical market performance data over the period from 1956-2005. The 50-year period was selected as a reasonable estimate of the runout period of expected future benefit payments.

When determining an appropriate risk tolerance, the Medical Center examines the financial ability to accept risk within the investment program and its willingness to accept return volatility. Based on these factors, the Medical Center established a range of investment percentages, by asset type, to which the mix of assets should be generally maintained. When necessary, the Medical Center will rebalance its investment portfolio within its target allocation.

The composition of plan assets at June 30, 2012 is set forth in the following table:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	$ 934,372	$ -	$ -	$ 934,372
Mutual funds, fixed income				
Bond fund	20,782,173	-	-	20,782,173
Mutual funds, equity				
International funds	21,504,238	-	-	21,504,238
Small cap value funds	6,488,406	-	-	6,488,406
Mid cap growth funds	6,559,350	-	-	6,559,350
Emerging markets	5,475,383	-	-	5,475,383
Real estate	2,415,513	-	-	2,415,513
Corporate	6,756,270	-	-	6,756,270
Guaranteed investment contract	-	-	2,068,462	2,068,462
Separate account – equity index fund	30,474,524	-	-	30,474,524
Hedge fund	-	-	4,062,063	4,062,063
	$ 101,390,229	$ -	$ 6,130,525	$ 107,520,754

The composition of plan assets at June 30, 2011 is set forth in the following table:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	$ 5,623,320	$ -	$ -	$ 5,623,320
Mutual funds, fixed income				
Bond fund	16,497,614	-	-	16,497,614
Mutual funds, equity				
International funds	16,285,902	-	-	16,285,902
Small cap value funds	8,919,779	-	-	8,919,779
Mid cap growth funds	5,755,830	-	-	5,755,830
Emerging markets	3,972,809	-	-	3,972,809
Real estate	2,224,581	-	-	2,224,581
Corporate	5,722,536	-	-	5,722,536
Guaranteed investment contract	-	-	3,389,870	3,389,870
Separate account – equity index fund	-	29,823,572	-	29,823,572
Hedge fund	-	-	4,149,346	4,149,346
	$ 65,002,371	$ 29,823,572	$ 7,539,216	$ 102,365,159

The following information is related to the hedge fund discusses the nature and risk of the investments and whether they have redemption restrictions as of June 30, 2012.

	Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
The Weatherlow Offshore Fund I L P	$ 4,062,063	Quarterly	65 days

The Weatherlow Offshore Fund I L.P. is a Delaware limited liability company. The investment objective of the hedge fund is to invest predominantly in limited partnerships and pooled investment vehicles, including long-short growth, value, technology, energy, financial, and healthcare hedge funds.

The investment object of the separate account is to provide the same rate of return of an equity market index by investing primarily in stocks.

The following is a reconciliation of the beginning and ending balances of the fair value measurements of the Corporation's guaranteed investment contract and hedge fund:

	Corporation's Guaranteed Investment Contract	Hedge Fund	Total
Balances at June 30, 2010	$ 6,069,143	$ -	$ 6,069,143
Actual return on plan assets	308,380	149,346	457,726
Sales	(2,987,653)	-	(2,987,653)
Transfers in/out	-	4,000,000	4,000,000
Balances at June 30, 2011	$ 3,389,870	4,149,346	7,539,216
Actual return on plan assets	$ 202,476	$ (87,283)	$ 115,193
Sales	(3,323,884)	-	(3,323,884)
Transfers in/out	1,800,000	-	1,800,000
Balances at June 30, 2012	$ 2,068,462	$ 4,062,063	$ 6,130,525

Cash and cash equivalents and mutual funds are valued at fair value based upon quoted market prices in active markets. The separate account is valued based upon the fair value of their underlying assets derived principally from or corroborated by observable market data by correlation or other means. The guaranteed investment contract is valued based on unobservable inputs using valuation methodologies to determine fair value to include discounted cash flows based on current yields of similar instruments with comparable durations with consideration of the credit-worthiness of the issuer. The estimated fair values of the hedge fund accounted for at fair value, for which no quoted market prices are readily available, are determined based upon information provided by the fund managers. Such information is generally based on the pro rata interest in the net assets of the underlying investments which approximates fair value. There have been no changes in the methodologies used at June 30, 2012 and 2011.

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

The Medical Center expects to contribute $8,000,000 to its pension plan in 2013.

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

Years ending June 30:	
2013	$ 3,516,000
2014	3,812,000
2015	4,150,000
2016	4,552,000
2017	5,069,000
2018 - 2022	33,473,000

10. Medical Malpractice Claims Coverage

The medical malpractice insurance coverages for the Medical Center, the Surgical Center, and Physician Group are provided under the provisions of various 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 with an initial effective date of July 1, 1976 for the Medical Center and Surgical Center. The initial effective date for the Physicians Group was January 1, 2011.

MCARE Fund coverage – The Pennsylvania Medical Care Availability and Reduction of Error Fund ("MCARE Fund") provides coverage in accordance with the Pennsylvania law governing the MCARE Fund. Pursuant to the per occurrence and aggregate limits set forth in the controlling Pennsylvania statutes, the MCARE Fund provides coverage for losses in excess of the primary coverage that was in effect on the date of the incident. The cost of MCARE Fund coverage is recognized as expense in the period incurred. Increases in annual surcharges and concerns over the MCARE Fund's ability to manage and pay claims continue to result in proposals to reform or restructure the MCARE Fund. MCARE Fund coverage is currently scheduled to be compressed in 2013, unless the State Insurance Commissioner determines that additional primary insurance capacity is not available at that time, and to be eliminated three years after such reduction. The Medical Center, Surgical Center, and Physician Group will be required to purchase higher primary insurance limits to take the place of the MCARE Fund coverage if it is compressed. Depending upon the ultimate resolution of this matter, the Medical Center, Surgical Center, and Physician Group may incur additional insurance costs.

Excess coverage - The Medical Center, Surgical Center, and Physician Group have an excess liability insurance contract that insures against losses in excess of the above coverages reported during the period of policy coverage.

The primary and excess coverages are provided by Community Hospital Alternative For Risk Transfer ("CHART"). CHART was formed as a reciprocal risk retention group to provide liability insurance, reinsurance, and risk management services for its subscribers. The Medical Center is a subscriber in CHART and retains a 3% interest. This investment totaling $1,290,643 at June 30, 2012 and $181,000 at June 30, 2011 is included in other assets in the accompanying consolidated statement of financial position.

A portion of the annual primary coverage premium through the 2009 policy year is retrospectively determined based on the actual costs incurred by CHART on behalf of the Medical Center, Surgical Center, and Physician Group. As of June 30, 2012, premiums totaling $234,417 are subject to retrospective determination. The Medical Center, Surgical Center, and Physician Group can be assessed additional premiums up to this amount. The obligation to pay additional premiums is secured by a letter of credit in this amount. Unused premiums are refundable to the Medical Center, Surgical Center, and Physician Group. Beginning with the 2010 policy, this practice has been eliminated and a $10,000 deductible per claim has been instituted.

At June 30, 2012, the Medical Center, Surgical Center, and Physician Group believe, based upon the endorsements provided by CHART that, for the policy periods 2008, 2009, and 2010, it will receive a refund on its premium. The Medical Center, Surgical Center, and Physician Group cannot determine the amount of any additional premiums it may be assessed nor any premium refunds it may ultimately be entitled to and has, therefore, expensed the billed premiums ratably over the term of the 2011 policy.

The Medical Center, Surgical Center, and Physician Group believe they have adequate insurance coverage for all asserted claims and they have no knowledge of unasserted claims that would exceed its insurance coverage.

11. Temporarily and Permanently Restricted Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2012 and 2011:

	2012	2011
Use in operations	$ 1,694,781	$ 833,111
Purchase of property and equipment	3,163,174	5,302,194
Total	$ 4,857,955	$ 6,135,305

Permanently Restricted Net Assets

Permanently restricted net assets are available for the following purposes as of June 30, 2012 and 2011:

	2012	2011
Investments to be held in perpetuity, the income from which is expendable:		
For the purchase of equipment	$ 151,405	$ 140,360
To support health care services	464,104	165,575
Total	$ 615,509	$ 305,935

12. Net Patient Service Revenues

The Medical Center, the Surgical Center, and Physician Group have agreements with third-party payors that provide for payments at amounts different from their established rates. A significant portion of the net patient service revenues is derived from these third-party payor programs. A summary of the principal payment arrangements with major third-party payors follows:

- Medicare – Inpatient acute care and nonacute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. 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 under contract with the Medical Center and Surgical Center. The Medical Center's Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2007.

- Medical Assistance – Inpatient acute care services and nonacute 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. Outpatient services are paid based on a published fee schedule.

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

The Medical Center, the Surgical Center, and Physician Group may, from time to time, also enter into payment agreements with certain insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, or prospectively determined rates.

13. Rental Commitments

The Medical Center, Surgical Center, and Physician Group lease equipment and facilities under operating leases expiring at various dates through 2051. Total rental expense for all operating leases was $4,760,972 in 2012 and $3,259,253 in 2011 (see Note 15 for related party portions).

The following is a schedule, by year, of future minimum lease payments under operating leases as of June 30, 2012, that have initial or remaining lease terms in excess of one year.

Years ending June 30:	
2013	$ 1,727,664
2014	1,483,864
2015	1,231,074
2016	1,143,723
2017	1,143,723
Thereafter	8,732,337
Total	$ 15,462,385

14. Functional Expenses

The Corporation provides general acute care and related services to individuals within its geographic region. Expenses related to providing these services for the years ended June 30, 2012 and 2011 are approximately as follows:

	2012	2011
	(In Thousands)	
Health care and other related services	$ 248,142	$ 217,626
General and administrative	41,617	30,054
Fundraising	455	467
Total expenses	$ 290,214	$ 248,147

15. Related Party Transactions

Bellfonte Medical Investors ("BMI") is owned by employees of the Corporation and MNPG. The investment in the BMI, included in other assets, was $842,684 at June 30, 2012 and $873,848 at June 30, 2011. The Corporation paid rent of $406,434 in 2012 and $233,583 in 2011.

The Medical Center holds an approximate 24% ownership in a limited partnership at June 30, 2012 and 2011. The Medical Center recognizes its proportionate share of the limited partnership's operating results as a component of other operating revenue. The investment in the partnership, included in other assets, was $750,288 at June 30, 2012 and $658,804 at June 30, 2011. The Medical Center leases office and medical space from the partnership for a rental amount based on the operating expenses of the partnership. This lease expires in 2021 and is renewable for seven five-year periods. Rental expense was $578,441 in 2012 and $649,098 in 2011.

Summary financial information for the limited partnership is as follows for the years ended December 31, 2011 and 2010 :

	2011	2010
Assets:		
Current assets	$ 795,185	$ 799,257
Property and equipment, net	9,811,216	10,249,144
Deferred financing costs	127,585	145,811
Total assets	$ 10,733,986	$ 11,194,212
Liabilities and Partners' Equity:		
Current liabilities	$ 1,342,650	$ 1,342,550
Long-term debt	6,298,001	7,135,504
Total liabilities	7,640,651	8,478,054
Partners' equity	3,093,335	2,716,158
Total liabilities and partners' equity	$ 10,733,986	$ 11,194,212
Gross Rental Income	$ 1,472,000	$ 1,472,000
Net Income	$ 509,177	$ 457,663

16. Contingencies

The Corporation is subject to lawsuits and claims arising out of its business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the consolidated statement of financial position of the Corporation or consolidated results of operations.

The health care industry is subject to numerous laws and regulations by 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 statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on the Medical Center, Surgical Center, and Health Services, if any, are not presently determinable.

The Corporation owns property constructed prior to the passage of the Clean Air Act that contains encapsulated asbestos material. Current law requires that this asbestos be removed in an environmentally safe manner prior to demolition or renovation of the property. The Corporation has not recognized the asset retirement obligation for asbestos removal in its financial statements because it currently has no plans to demolish or renovate this property and as such, cannot reasonably estimate the fair value of the obligation. If plans change with respect to the use of the property and sufficient information becomes available to estimate the liability it will be recognized at that time.

17. Significant Concentrations of Credit Risk

The Corporation grants credit to patients, substantially all of whom are local residents. The Corporation generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits receivable under their health insurance programs, plans or policies.

At June 30, 2012 and 2011, concentrations of gross receivables from third-party payors and others are as follows:

	2012	2011
Medicare	22 %	20 %
Blue Cross	20	24
Other third party payers	17	20
Medicare HMO	17	9
Self-pay and others	15	15
Medicaid	9	12
	100 %	100 %

Gross patient service revenue, by payor class, consisted of the following for the years ended December 31:

	2012	2011
Medicare	26 %	27 %
Blue Cross	30	31
Medicare HMO	19	17
Other third party payers	16	16
Medicaid	7	7
Self-pay and others	2	2
	100 %	100 %

The Corporation maintains substantially all of its cash and cash equivalent balances with financial institutions. Cash and cash equivalents on deposit with any one financial institution is insured to $250,000.

Approximately 50% of the Medical Center's employees are covered by a collective bargaining agreement, which expires on June 30, 2013.

ParenteBeard

Independent Auditors' Report on Supplementary Information

Board of Directors
Mount Nittany Health System

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information presented on pages 36 through 45 is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

ParenteBeard LLC

State College, Pennsylvania
September 13, 2012

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Financial Position
June 30, 2012

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidation Eliminations	Consolidation Consolidated
Assets							
Current Assets							
Cash and cash equivalents	$ 57,489	$ 25,260,985	$ 225	$ 2,076,892	$ 2,341,396	$ -	$ 29,736,987
Short-term investments	-	6,107,692	-	2,336,601	-	-	8,444,293
Accounts receivable							
Patients (net of estimated allowance for doubtful collections of $17,505,000)	-	27,244,580	1,545,152	-	3,760,530	-	32,550,262
Other	-	648,468	-	-	505,481	-	1,153,949
Inventories of drugs and supplies	-	6,133,968	367,641	-	63,282	-	6,564,891
Prepaid expenses and other current assets	-	1,833,564	4,059	2,747	606,010	-	2,446,380
Total current assets	57,489	67,229,257	1,917,077	4,416,240	7,276,699	-	80,896,762
Assets Whose Use is Limited							
Under trust indenture, held by trustee	-	22,640,647	-	-	-	-	22,640,647
Board designated, debt service		6,158,468					6,158,468
Worker's compensation self-insurance, held by trustee	-	1,342,344	-	-	-	-	1,342,344
Total assets whose use is limited	-	30,141,459	-	-	-	-	30,141,459
Long-Term Investments	-	81,577,287	-	2,177,600	-	-	83,754,887
Pledges Receivable	-	-	-	1,223,012	-	-	1,223,012
Property and Equipment, Net	-	157,326,541	2,730,203	5,206	4,191,423	-	164,253,373
Beneficial Interest in Perpetual Trust	-	-	-	49,008	-	-	49,008
Deferred Financing Costs, Net	-	4,215,756	-	-	-	-	4,215,756
Goodwill		-	-	-	1,209,867	-	1,209,867
Derivative Financial Instrument	-	1,516,908	-	-	-	-	1,516,908
Other Assets, Net	-	4,160,500	-	-	7,780,612	-	11,941,112
Interest in Net Assets of Foundation for Mount Nittany Medical Center	-	7,733,452	-	-	-	(7,733,452)	-
Due from affiliates	-	57,572	39,033,695	-	-	(39,091,267)	-
Total assets	$ 57,489	$ 353,958,732	$ 43,680,975	$ 7,871,066	$ 20,458,601	$ (46,824,719)	$ 379,202,144

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Financial Position
June 30, 2012

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidated Eliminations	Consolidated
Liabilities and Net Assets							
Current Liabilities							
Current maturities of long-term debt							
Long-term debt	$ -	$ 1,545,172	$ -	$ -	$ -	$ -	$ 1,545,172
Obligations under capital leases	-	200,747	-	-	-	-	200,747
Accounts payable	-	5,638,079	184,916	-	1,537,254	-	7,360,249
Blue Cross current financing advance	-	475,663	-	-	-	-	475,663
Estimated third-party payor settlements	-	2,791,388	3,350,526	-	-	-	6,141,914
Accrued expenses							
Employee paid time off	-	5,670,902	163,429	22,650	2,939,653	-	8,796,634
Payroll and withholdings	-	2,002,194	18,159	1,598	1,225,031	-	3,246,982
Interest	-	1,076,585	-	-	-	-	1,076,585
Other	-	5,366,948	-	-	425,000	-	5,791,948
Deferred compensation, current	-	76,973	-	-	-	-	76,973
Current portion of charitable gift annuity liability	-	-	-	11,925	-	-	11,925
Refundable advance from Mount Nittany Medical Center	-	-	-	178,349	-	(178,349)	-
Total current liabilities	-	24,844,651	3,717,030	214,522	6,126,938	(178,349)	34,724,792
Long-Term Debt							
Long-Term debt	-	138,850,170	-	-	-	-	138,850,170
Obligations under capital leases	-	427,998	-	-	-	-	427,998
Deferred Revenue	-	470,147	-	-	-	-	470,147
Charitable Gift Annuity Liability	-	-	-	43,869	-	-	43,869
Accrued Pension Costs	-	31,065,582	-	-	-	-	31,065,582
Accrued Medical Malpractice and Workers' Compensation Costs	-	3,883,751	-	-	489,157	-	4,372,908
Deferred Compensation	-	112,539	-	-	-	-	112,539
Due to Affiliates	-	39,033,695	-	57,572	-	(39,091,267)	-
Total liabilities	-	238,688,533	3,717,030	315,963	6,616,095	(39,269,616)	210,068,005
Net Assets							
Unrestricted	57,489	109,796,735	39,963,945	2,308,337	13,842,506	(2,308,337)	163,660,675
Temporarily restricted	-	4,857,955		4,631,257		(4,631,257)	4,857,955
Permanently restricted	-	615,509		615,509		(615,509)	615,509
Total net assets	57,489	115,270,199	39,963,945	7,555,103	13,842,506	(7,555,103)	169,134,139
Total liabilities and net assets	$ 57,489	$ 353,958,732	$ 43,680,975	$ 7,871,066	$ 20,458,601	$ (46,824,719)	$ 379,202,144

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Operations
Year Ended June 30, 2012

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidation Eliminations	Consolidated
Unrestricted Revenues, Gains, and Other Support							
Net patient service revenues	$ -	$ 243,219,553	$ 16,634,974	$ -	$ 38,896,373	$ -	$ 298,750,900
Other operating revenues	11,875,609	17,456,557	403	-	6,311,443	(29,340,259)	6,303,753
Gain on sale of equipment	-	70,553	39,888	-	-	-	110,441
Net assets released from restrictions used in operations	-	47,378	-	47,378	-	(47,378)	47,378
Total unrestricted revenues, gains and other support	11,875,609	260,794,041	16,675,265	47,378	45,207,816	(29,387,637)	305,212,472
Expenses							
Salaries and wages	-	84,424,831	-	-	31,271,882	-	115,696,713
Supplies and other	12,007,962	95,779,097	7,941,002	559,605	25,305,223	(29,340,259)	112,252,630
Employee benefits	-	25,936,741	-	-	5,548,140	-	31,484,881
Depreciation and amortization	-	12,732,436	377,436	672	2,368,908	-	15,479,452
Provision for doubtful collections	-	8,155,138	295,886	-	315,179	-	8,766,203
Interest	-	5,821,603	-	-	1,803	-	5,823,406
Insurance	-	684,445	26,574	-	-	-	711,019
Total expenses	12,007,962	233,534,291	8,640,898	560,277	64,811,135	(29,340,259)	290,214,304
Operating income (loss)	(132,353)	27,259,750	8,034,367	(512,899)	(19,603,319)	(47,378)	14,998,168
Other Income							
Change in fair value of derivative financial instruments	-	995,680	-	-	-	-	995,680
Investment income	-	782,629	-	181,796	-	-	964,425
Non-operating grant revnue	-	45,200	-	-	-	-	45,200
Contributions	-	-	-	78,523	-	-	78,523
Change in interest in The Foundation for Mount Nittany Medical Center, Inc	-	(2,107,418)	-	-	-	2,107,418	-
Other income, net	-	(283,909)	-	260,319	-	2,107,418	2,083,828
Revenues in excess of (less than) expenses	(132,353)	26,975,841	8,034,367	(252,580)	(19,603,319)	2,060,040	17,081,996
Pension Liability Adjustment	-	(22,705,356)	-	-	-	-	(22,705,356)
Net Assets Released from Restrictions to Purchase Property and Equipment	-	2,026,294	-	2,026,294	-	(2,026,294)	2,026,294
Transfer of Unrestricted Net Assets	132,363	(14,025,930)	-	(1,807,460)	15,701,027	-	-
(Decrease) increase in unrestricted net assets	$ 10	$ (7,729,151)	$ 8,034,367	$ (33,746)	$ (3,902,292)	$ 33,746	$ (3,597,066)

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Cash Flows
Year Ended June 30, 2012

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidation Eliminations	Consolidation Consolidated
Cash Flows from Operating Activities							
(Decrease) increase in net assets	$ 10	$ (8,696,927)	$ 8,034,367	$ (1,001,522)	$ (3,902,292)	$ 1,001,522	$ (4,564,842)
Adjustments to reconcile (decrease) increase in net assets to net cash provided by (used in) operating activities							
Depreciation and amortization	-	12,734,947	377,436	672	2,368,908	-	15,481,963
Net amortization of premium on long-term debt	-	(2,511)	-	-	-	-	(2,511)
Provision for doubtful collections	-	8,155,138	295,886	-	315,179	-	8,766,203
Change in fair value of derivative financial instruments	-	(995,680)	-	-	-	-	(995,680)
Restricted contributions, investment income, and valuation loss/gain	-	(1,105,896)	-	(1,105,896)	-	1,105,896	(1,105,896)
Unrestricted net realized and unrealized loss (gains) on investments	-	2,111,226	-	(105,547)	-	-	2,005,679
Pension liability adjustment	-	22,705,356	-	-	-	-	22,705,356
Gain on sale of equipment	-	(70,553)	(39,888)	-	-	-	(110,441)
Transfers to affiliates	-	14,025,930	-	1,807,460	-	(15,833,390)	-
Changes in assets and liabilities							
Accounts receivable	-	(8,338,872)	(668,413)	-	956,746	-	(8,050,539)
Inventories of drugs and supplies	-	(452,306)	20,436	-	(19,587)	-	(451,457)
Prepaid expenses and other current assets	-	1,449,628	19,146	(2,747)	261,183	-	1,727,210
Accounts payable, accrued expenses, and other liabilities	-	8,266,768	1,790,513	1,043	735,175	(13,126,213)	(2,332,714)
Net cash provided by (used in) operating activities	10	49,786,248	9,829,483	(406,537)	715,312	(26,852,185)	33,072,331
Cash Flows from Investing Activities							
Purchases of property and equipment	-	(50,775,502)	(672,535)	(1,574)	(1,137,124)	-	(52,586,735)
Decrease (increase) in investments	-	25,519,594	-	3,361,283	-	-	28,880,877
Increase in other assets	-	(2,936,282)	-	-	(373,586)	-	(3,309,868)
Proceeds from sale of equipment	-	60,811	29,396	-	-	-	90,207
Change in interest of net assets Foundation for Mount Nittany Medical Center	-	1,005,853	-	-	-	(1,005,853)	-
Net cash provided by (used in) investing activities	-	(27,125,526)	(643,139)	3,359,709	(1,510,710)	(1,005,853)	(26,925,519)

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Cash Flows
Year Ended June 30, 2012

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidation Eliminations	Consolidation Consolidated
Cash Flows from Financing Activities							
Restricted contributions and investment income	$ -	$ 1,105,896	$ -	$ 2,390,463	$ -	$ (1,105,896)	$ 2,390,463
Repayment of long-term debt	-	(1,222,196)	-	-	-	-	(1,222,196)
Change in charitable gift annuity liability	-	-	-	(20,171)	-	-	(20,171)
Transfer to affiliates	-	(14,025,930)	-	(1,807,460)	-	15,833,390	-
Change in due to/due from accounts	-	(57,572)	(9,186,344)	(3,883,768)	(2,860)	13,130,544	-
Net cash provided by (used in) financing activities	-	(14,199,802)	(9,186,344)	(3,320,936)	(2,860)	27,858,038	1,148,096
Net increase (decrease) in cash and cash equivalents	10	8,460,920	-	(367,764)	(798,258)	-	7,294,908
Cash and Cash Equivalents, Beginning	57,479	16,800,065	225	2,444,656	3,139,654	-	22,442,079
Cash and Cash Equivalents, Ending	$ 57,489	$ 25,260,985	$ 225	$ 2,076,892	$ 2,341,396	$ -	$ 29,736,987

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Financial Position
June 30, 2011

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidation Eliminations	Consolidation Consolidated
Assets							
Current Assets							
Cash and cash equivalents	$ 57,479	$ 16,800,065	$ 225	$ 2,444,656	$ 3,139,654	$ -	$ 22,442,079
Short-term investments	-	20,904,182	-	5,653,288	-	-	26,557,470
Accounts receivable							
Patients (net of estimated allowance for doubtful collections of $13,702,000)	-	23,961,874	1,172,625	-	5,306,866	-	30,441,365
Other	-	3,747,440	-	-	231,070	-	3,978,510
Inventories of drugs and supplies	-	5,681,662	388,077	-	43,695	-	6,113,434
Prepaid expenses and other current assets	-	3,283,192	23,205	-	867,193	-	4,173,590
Total current assets	57,479	74,378,415	1,584,132	8,097,944	9,588,478	-	93,706,448
Assets Whose Use is Limited							
Under trust indenture, held by trustee	-	70,520,763	-	-	-	-	70,520,763
Workers compensation self-insurance, held by trustee	-	1,319,700	-	-	-	-	1,319,700
Total assets whose use is limited	-	71,840,463	-	-	-	-	71,840,463
Long-Term Investments	-	52,712,613	-	2,114,926	-	-	54,827,539
Pledges Receivable		-	-	2,507,579	-	-	2,507,579
Property and Equipment, Net		119,081,389	2,424,612	4,304	3,855,151	-	125,365,456
Beneficial Interest in Perpetual Trust		-	-	50,731	-	-	50,731
Deferred Financing Costs, Net		4,410,611	-	-	-	-	4,410,611
Goodwill	-	-	-	-	1,209,867	-	1,209,867
Derivative Financial Instrument	-	521,228	-	-	-	-	521,228
Other Assets, Net		1,224,218	-	-	8,975,082	-	10,199,300
Interest in Net Assets of Foundation for Mount Nittany Medical Center	-	8,739,305	-	-	-	(8,739,305)	-
Due from Mount Nittany Medical Center	-	-	29,847,351	-	-	(29,847,351)	-
Total assets	$ 57,479	$ 332,908,242	$ 33,856,095	$ 12,775,484	$ 23,628,578	$ (38,586,656)	$ 364,639,222

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Financial Position
June 30, 2011

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidation Eliminations	Consolidated
Liabilities and Net Assets							
Current Liabilities							
Current maturities of long-term debt							
Long-term debt	$ -	$ 880,015	$ -	$ -	$ -	$ -	$ 880,015
Obligations under capital leases	-	341,350	-	-	-	-	341,350
Accounts payable	-	8,638,346	177,048	-	1,840,931	-	10,656,325
Blue Cross current financing advance	-	475,663	-	-	-	-	475,663
Estimated third-party payor settlements	-	3,898,231	1,601,119	-	-	-	5,499,350
Accrued expenses							
Employee paid time off	-	4,783,310	133,143	16,711	2,159,492	-	7,092,656
Payroll and withholdings	-	1,328,951	15,207	2,163	1,055,507	-	2,401,828
Interest	-	1,197,410	-	-	-	-	1,197,410
Other	-	6,964,762	-	-	8,847	-	6,973,609
Deferred compensation, current	-	110,644	-	-	585,720	-	696,364
Current portion of charitable gift annuity liability	-	-	-	15,051	-	-	15,051
Refundable advance from Mount Nittany Medical Center	-	-	-	182,680	-	(182,680)	-
Total current liabilities	-	28,618,682	1,926,517	216,605	5,650,497	(182,680)	36,229,621
Long-Term Debt							
Long-term debt	-	140,398,041	-	-	-	-	140,398,041
Obligations under capital leases	-	629,388	-	-	-	-	629,388
Deferred Revenue	-	327,363	-	-	-	-	327,363
Charitable Gift Annuity Liability	-	-	-	60,914	-	-	60,914
Accrued Pension Costs	-	11,182,003	-	-	-	-	11,182,003
Accrued Medical Malpractice and Workers' Compensation Costs	-	1,683,882	-	-	230,423	-	1,914,305
Deferred Compensation	-	198,606	-	-	-	-	198,606
Due to Affiliates	-	25,903,151	-	3,941,340	2,860	(29,847,351)	-
Total liabilities	-	208,941,116	1,926,517	4,218,859	5,883,780	(30,030,031)	190,940,241
Net Assets							
Unrestricted	57,479	117,525,886	31,929,578	2,342,083	17,744,798	(2,342,083)	167,257,741
Temporarily restricted	-	6,135,305	-	5,908,607	-	(5,908,607)	6,135,305
Permanently restricted	-	305,935	-	305,935	-	(305,935)	305,935
Total net assets	57,479	123,967,126	31,929,578	8,556,625	17,744,798	(8,556,625)	173,698,981
Total liabilities and net assets	$ 57,479	$ 332,908,242	$ 33,856,095	$ 12,775,484	$ 23,628,578	$ (38,586,656)	$ 364,639,222

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Operations
Year Ended June 30, 2011

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidation Eliminations	Consolidated
Unrestricted Revenues, Gains, and Other Support							
Net patient service revenues	$ -	$ 226,290,145	$ 14,985,865	$ -	$ 20,559,836	$ -	$ 261,835,846
Other operating revenues	6,046,682	9,180,156	6,337		3,354,891	(14,872,818)	3,715,248
Gain on disposal of property and equipment	-	71,960	-	-	-	-	71,960
Net assets released from restrictions used in operations	-	124,210		124,210	-	(124,210)	124,210
Total unrestricted revenues, gains, and other support	6,046,682	235,666,471	14,992,202	124,210	23,914,727	(14,997,028)	265,747,264
Expenses							
Salaries and wages	-	75,866,942	-	-	20,538,089	-	96,405,031
Supplies and expenses	5,720,879	84,608,652	7,776,668	535,679	15,968,157	(14,872,818)	99,737,217
Employee benefits	-	22,471,728	-	-	3,348,471	-	25,820,199
Depreciation and amortization	-	10,973,742	401,445	410	1,247,496	-	12,623,093
Provision for doubtful collections	-	7,452,930	257,493	-	613,808	-	8,324,231
Interest	-	3,893,563	-	-	4,573	-	3,898,136
Insurance	-	1,295,310	43,580	-	-	-	1,338,890
Total expenses	5,720,879	206,562,867	8,479,186	536,089	41,720,594	(14,872,818)	248,146,797
Operating income (loss)	325,803	29,103,604	6,513,016	(411,879)	(17,805,867)	(124,210)	17,600,467
Other Income							
Change in fair value of derivative financial instruments	-	1,030,201	-	-	-	-	1,030,201
Investment loss	-	8,556,505	-	284,374	-	-	8,840,879
Non-operating grant revnue	-	423,676	-	-	-	-	423,676
Contributions	-	-	-	154,839	-	-	154,839
Change in interest in The Foundation for Mount Nittany Medical Center, Inc	-	(2,454,233)	-	-	-	2,454,233	-
Other income, net	-	7,556,149	-	439,213	-	2,454,233	10,449,595
Revenues in excess of (less than) expenses	325,803	36,659,753	6,513,016	27,334	(17,805,867)	2,330,023	28,050,062
Pension Liability Adjustment	-	9,418,904	-	-	-	-	9,418,904
Net Assets Released from Restrictions to Purchase Property and Equipment	-	4,273,888	-	4,273,888	-	(4,273,887)	4,273,889
Transfer of Unrestricted Net Assets	(268,324)	(31,933,228)	-	(2,357,358)	34,558,910	-	-
Increase in unrestricted net assets	$ 57,479	$ 18,419,317	$ 6,513,016	$ 1,943,864	$ 16,753,043	$ (1,943,864)	$ 41,742,855

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Cash Flows
Year Ended June 30, 2012

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidation Eliminations	Consolidation Consolidated
Cash Flows from Operating Activities							
Increase (decrease) in net assets	$ 57,479	$ 15,772,120	$ 6,513,016	$ (703,332)	$ 16,753,043	$ 703,332	$ 39,095,658
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities							
Depreciation and amortization	-	10,965,165	401,445	410	1,247,496	-	12,614,516
Net accretion of discount on long-term debt	-	8,577	-	-	-	-	8,577
Provision for doubtful collections	-	7,452,930	257,493	-	613,808	-	8,324,231
Change in fair value of derivative financial instruments	-	(1,030,201)	-	-	-	-	(1,030,201)
Restricted contributions, investment income, and valuation loss/gain	-	(1,750,902)	-	(1,750,902)	-	1,750,902	(1,750,902)
Unrestricted net realized and unrealized loss (gains) on investments	-	(6,261,512)	-	(204,459)	-	-	(6,465,971)
Pension liability adjustment	-	(9,418,904)	-	-	-	-	(9,418,904)
Gain on sale of equipment	-	(71,960)	-	-	-	-	(71,960)
Transfers to affiliates	-	31,933,228	-	2,357,358	-	(34,290,586)	-
Changes in assets and liabilities							
Accounts receivable	-	(11,945,710)	(83,656)	-	(5,924,403)	-	(17,953,769)
Inventories of drugs and supplies	-	(1,200,723)	20,058	-	(34,603)	-	(1,215,268)
Prepaid expenses and other current assets	-	(527,831)	3,946	-	(880,920)	-	(1,404,805)
Accounts payable, accrued expenses, and other liabilities	-	2,278,062	1,221,796	(65,545)	5,751,071	(7,214,122)	1,971,262
Net cash provided by (used in) operating activities	57,479	36,202,339	8,334,098	(366,470)	17,525,492	(39,050,474)	22,702,464
Cash Flows from Investing Activities							
Purchases of property and equipment	-	(25,585,848)	(246,773)	-	(38,574)	-	(25,871,195)
Increase in investments	-	(51,656,956)	-	(2,179,332)	-	-	(53,836,288)
Increase in other assets	-	(113,284)	-	-	109,707	-	(3,577)
Proceeds from sale of equipment	-	20,717	-	-	-	-	20,717
Change in interest of net assets Foundation for Mount Nittany Medical Center	-	774,895	-	-	-	(774,895)	-
Purchases of assets of physician practices	-	-	-	-	(14,663,292)	-	(14,663,292)
Net cash used in investing activities	-	(76,560,476)	(246,773)	(2,179,332)	(14,592,159)	(774,895)	(94,353,635)

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Cash Flows
Year Ended June 30, 2012

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidation Eliminations	Consolidation Consolidated
Cash Flows from Financing Activities							
Restricted contributions and investment income	$ -	$ 1,750,902	$ -	$ 2,291,749	$ -	$ (1,750,902)	$ 2,291,749
Repayment of long-term debt	-	(1,108,061)	-	-	-	-	(1,108,061)
Change in charitable gift annuity liability	-	-	-	(20,056)	-	-	(20,056)
Proceeds from issuance of long-term debt,	-	-	-	-	-	-	-
net of premium of $322,972	-	70,552,972	-	-	-	-	70,552,972
Payment of financing costs	-	(1,042,433)	-	-	-	-	(1,042,433)
Transfer to affiliates	-	(31,933,228)	-	(2,357,358)	-	34,290,586	-
Change in due to/due from accounts	-	-	(8,087,325)	2,501,595	(1,699,955)	7,285,685	-
Net cash provided by (used in) financing activities	-	38,220,152	(8,087,325)	2,415,930	(1,699,955)	39,825,369	70,674,171
Net (decrease) increase in cash and cash equivalents	57,479	(2,137,985)	-	(129,872)	1,233,378	-	(977,000)
Cash and Cash Equivalents, Beginning	-	18,938,050	225	2,574,528	1,906,276	-	23,419,079
Cash and Cash Equivalents, Ending	$ 57,479	$ 16,800,065	$ 225	$ 2,444,656	$ 3,139,654	$ -	$ 22,442,079