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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
BUTLER HEALTHCARE PROVIDERS

Doing Business As
Butler Memorial Hospital

Number and street (or P O box if mail is not delivered to street address) | Room/suite
ONE HOSPITAL WAY

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

D Employer identification number
25-0965274

E Telephone number
(724) 284-4429

G Gross receipts $ 221,597,280

F Name and address of principal officer
Kenneth P DeFurio
ONE HOSPITAL WAY
BUTLER, PA 16001

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

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

H(c) Group exemption number ▶

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

J Website: ▶ www butlerhealthsystem org

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

L Year of formation 1898

M State of legal domicile PA

Part I Summary

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

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	12
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	9
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	2,069
6	Total number of volunteers (estimate if necessary)	**6**	293
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	4,726,770
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	657,988

		Prior Year	Current Year
Revenue			
8	Contributions and grants (Part VIII, line 1h)	2,354,315	2,307,488
9	Program service revenue (Part VIII, line 2g)	204,952,852	209,233,549
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,804,233	1,112,075
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	9,562,505	8,944,168
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	218,673,905	221,597,280
Expenses			
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	50,000	50,350
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)	102,100,965	99,980,607
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)	112,248,474	112,251,580
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	214,399,439	212,282,537
19	Revenue less expenses Subtract line 18 from line 12	4,274,466	9,314,743

		Beginning of Current Year	End of Year
Net Assets or Fund Balances			
20	Total assets (Part X, line 16)	307,666,583	311,663,633
21	Total liabilities (Part X, line 26)	174,484,811	188,837,518
22	Net assets or fund balances Subtract line 21 from line 20	133,181,772	122,826,115

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

****** | 2013-05-15
Signature of officer | Date

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

Paid Preparer's Use Only

Preparer's signature | Date | Check if self-employed ▶☐ | Preparer's taxpayer identification number (see instructions)

Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ | EIN ▶ | Phone no ▶

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

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

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the 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 $ 176,521,723 including grants of $ 50,350) (Revenue $ 212,072,033)

Butler Memorial Hospital (BMH) is an independent, community-based hospital that has served Butler County, PA, and the surrounding area for over 100 years BMH employs nearly 2,000 people, making it the largest employer in Butler County The hospital has grown into a regional referral center for the areas It is the largest hospital facility between Pittsburgh and Erie It is comprised of 296 acute care beds and a 25 bed skilled nursing facility BMH serves approximately 13,000 acute care patients (admissions) and over 485,000 outpatients each year The Hospital maintains a deep commitment to its community, as is demonstrated through its broad services offering It provides all levels of general medical and surgical care, emergency services, a robust psychiatric service, drug & alcohol treatment, family services, preventative & wellness programs and tertiary cardiovascular care It also has a network of 28 convenient, low cost outpatient site that are located in communities through Butler County and the surrounding area

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

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

4d Other program services (Describe in Schedule O)
(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ $ 176,521,723

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		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts 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		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, 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**	Yes	
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**	Yes	
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
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**	131		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c**	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	2,069			
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	12		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	9		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		5		No
6	Did the organization have members or stockholders?		6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review 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	Yes	
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	Yes	

Section C. Disclosure

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

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

Finance Department
One Hospital Way
Butler, PA 16001
(724) 284-4429

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

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

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

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, 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) Fiore C Londino Chairman	2 00	X		X				0	0	0
(2) Kenneth P DeFurio President & CEO	40 00	X		X				654,692	0	190,434
(3) Marcia Segraves Corporate Secretary	2 00	X		X				0	0	0
(4) D Kelly Agnew MD Trustee	1 00	X						0	0	0
(5) C Ross Betts MD Trustee	1 00	X						0	0	0
(6) Mario Kinsella MD Trustee	1 00	X						0	0	0
(7) T T Channapati MD Trustee	1 00	X						17,792	0	0
(8) David E Foreman Trustee	1 00	X						0	0	0
(9) Kathryn S Helfer Trustee	1 00	X						0	0	0
(10) Patti-Ann Kanterman Trustee	1 00	X						0	0	0
(11) Douglas K McClaine Trustee	1 00	X						0	0	0
(12) Robert M Smith PhD Trustee	1 00	X						0	0	0
(13) Margaret Irvine Trustee	1 00	X						0	0	0
(14) Anne B Krebs Chief Financial Officer	40 00			X				350,846	0	73,984
(15) Stephanie Roskovski VP of Operations	45 00				X			251,685	0	45,151
(16) Karen Allen VP of Patient Svc CON	50 00				X			225,579	0	54,045
(17) Charles Oleson Chief Information Officer	50 00					X		245,101	0	63,913

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) A Thomas McGill MD VP Quality & Safety	40 00					X		357,869	0	74,273
(19) John C Reefer MD VP Prof Affairs Med Director	40 00					X		355,799	0	86,875
(20) Paula L Hooper VP General Counsel	30 00					X		266,094	0	56,905
(21) Maureen A Gray Chief Experience Officer	50 00					X		263,892	0	56,028

1b	**Sub-Total** . . . . . ▶			
c	**Total from continuation sheets to Part VII, Section A** . . . . ▶			
d	**Total (add lines 1b and 1c)** . . . . . ▶	2,989,349	0	701,608

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 ▶ 42

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Metz Environmental Services Two Woodland Drive Dallas, PA 18612	Environmental/Dietary	2,532,571
Advanced Imaging Inc 4198 Washington Road McMurray, PA 15317	Imaging Servies	2,211,223
Butler Anesthesia Associates PO Box 737 East Butler, PA 16029	Anesthesiology	1,923,324
Quest Diagnostics 875 Greentree Road Pittsburgh, PA 152203610	Laboratory Services	1,532,507
Point Security Company 359 Northgate Road Warrendale, PA 15086	Security Services	1,016,728

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 ▶ 19

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 4,729				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d 878,799				
	e	Government grants (contributions)	1e 1,423,960				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		2,307,488			
Program Service Revenue			Business Code				
	2a	Net Patient Revenue	621500	209,233,549	206,044,638	3,188,911	
	b						
	c						
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		209,233,549			
	3	Investment income (including dividends, interest and other similar amounts)		1,112,075		915	1,111,160
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real	(ii) Personal			
	6a	Gross rents					
	b	Less rental expenses					
	c	Rental income or (loss)					
	d	Net rental income or (loss)					
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory					
	b	Less cost or other basis and sales expenses					
	c	Gain or (loss)					
	d	Net gain or (loss)					
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 a					
	b	Less direct expenses b					
	c	Net income or (loss) from fundraising events					
	9a	Gross income from gaming activities See Part IV, line 19 a					
	b	Less direct expenses b					
	c	Net income or (loss) from gaming activities					
	10a	Gross sales of inventory, less returns and allowances a					
	b	Less cost of goods sold b					
	c	Net income or (loss) from sales of inventory					
		Miscellaneous Revenue	Business Code				
	11a	Other Income	900099	3,508,000	3,273,956	234,044	
	b	Meaningful Use	900099	1,865,423	1,865,423		
	c	Dietary	722210	1,379,829			1,379,829
	d	All other revenue		2,190,916	888,016	1,302,900	
	e	**Total.** Add lines 11a–11d		8,944,168			
	12	**Total revenue.** See Instructions		221,597,280	212,072,033	4,726,770	2,490,989

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	50,350	50,350		
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	1,636,868	118,243	1,518,625	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	74,226,271	65,878,441	8,347,830	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	4,751,330	4,228,684	522,646	
9	Other employee benefits	13,971,521	12,434,654	1,536,867	
10	Payroll taxes	5,394,617	4,787,207	607,410	
11	Fees for services (non-employees)				
a	Management				
b	Legal	311,782	31,833	279,949	
c	Accounting	120,000		120,000	
d	Lobbying				
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees				
g	Other				
12	Advertising and promotion	938,716	199,920	738,796	
13	Office expenses	51,896,791	50,631,140	1,265,651	
14	Information technology	2,237,068	2,231,675	5,393	
15	Royalties . .				
16	Occupancy	5,356,149	5,005,212	350,937	
17	Travel	458,444	129,237	329,207	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	124,267	81,660	42,607	
20	Interest	6,479,498	6,479,498		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	14,076,797	10,739,013	3,337,784	
23	Insurance	1,956,253	9,040	1,947,213	
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	Purchased Services	12,571,949	9,766,130	2,805,819	
b	Bad Debt	8,625,745	45,474	8,580,271	
c	Physician Fees	5,030,365	3,237,779	1,792,586	
d	Miscellaneous	2,067,756	436,533	1,631,223	
e					
f	All other expenses				
25	**Total functional expenses.** Add lines 1 through 24f	212,282,537	176,521,723	35,760,814	0
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		2,875	1	2,850
	2	Savings and temporary cash investments		25,275,539	2	44,447,448
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		27,674,587	4	29,756,714
	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		1,713,996	7	1,220,393
	8	Inventories for sale or use		3,040,910	8	2,940,699
	9	Prepaid expenses and deferred charges		2,946,874	9	3,127,347
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 300,867,706			
	b	Less accumulated depreciation	10b 151,548,057	158,802,793	10c	149,319,649
	11	Investments—publicly traded securities		78,984,616	11	71,970,788
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		3,622,868	13	3,737,922
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		5,601,525	15	5,139,823
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		307,666,583	16	311,663,633
Liabilities	17	Accounts payable and accrued expenses		20,148,787	17	23,009,461
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		135,309,188	20	133,449,557
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		19,026,836	25	32,378,500
	26	**Total liabilities.** Add lines 17 through 25		174,484,811	26	188,837,518
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		131,773,372	27	121,680,563
	28	Temporarily restricted net assets		1,408,400	28	1,145,552
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		133,181,772	33	122,826,115
	34	Total liabilities and net assets/fund balances		307,666,583	34	311,663,633

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	221,597,280
2	Total expenses (must equal Part IX, column (A), line 25)	2	212,282,537
3	Revenue less expenses Subtract line 2 from line 1	3	9,314,743
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	133,181,772
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-19,670,400
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	122,826,115

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
BUTLER HEALTHCARE PROVIDERS

Employer identification number
25-0965274

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

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

1 ☐ A church, convention of churches, or association of churches **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 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
BUTLER HEALTHCARE PROVIDERS

Employer identification number
25-0965274

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

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

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

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		2,577,581		2,577,581
b Buildings		84,606,335	29,426,424	55,179,911
c Leasehold improvements		6,987,629	2,561,759	4,425,870
d Equipment		196,286,445	115,721,190	80,565,255
e Other		10,409,716	3,838,684	6,571,032
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				149,319,649

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	
Pension	27,493,466
Third Party Settlements	4,885,034
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	32,378,500

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

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

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

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
Description of Uncertain Tax Positions Under FIN 48	Part X	The System adopted the standard for accounting for uncertainty in income taxes recognized in a company's financial statement that prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority Measurement of the tax uncertainty occurs if the recognition threshold has not been met The standard also provides guidance on derecognition, classification, interest and penalties, accounting for interim periods, and disclosure Management determined that there were no tax uncertainties that meet the recognition threshold as of June 30, 2012 or 2011 The Systems income tax returns for the years ended 2011, 2010 and 2009 remain subject to examination by the Internal Revenue Service and state agencies

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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
BUTLER HEALTHCARE PROVIDERS

Employer identification number
25-0965274

Part I Charity Care and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b	Yes	
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit reportduring the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			3,836,888	161,591	3,675,297	1 800 %
b Medicaid (from Worksheet 3, column a)			25,767,134	17,411,570	8,355,564	4 100 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			193,158	186,448	6,710	0 %
d **Total** Charity Care and Means-Tested Government Programs			29,797,180	17,759,609	12,037,571	5 900 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)			210,594	16,725	193,869	0 100 %
f Health professions education (from Worksheet 5)			439,166		439,166	0 220 %
g Subsidized health services (from Worksheet 6)			17,714,021	12,930,547	4,783,474	2 350 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			231,699		231,699	0 110 %
j **Total** Other Benefits			18,595,480	12,947,272	5,648,208	2 780 %
k **Total.** Add lines 7d and 7j			48,392,660	30,706,881	17,685,779	8 680 %

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			14,564		14,564	0 010 %
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development						
9	Other						
10	**Total**			14,564		14,564	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		No
2	Enter the amount of the organization's bad debt expense	2	8,625,745		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	4,634,000		
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	40,452,169		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	44,871,175		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-4,419,006		
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					
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	Butler Healthcare Providers One Hospital Way Butler, PA 160014670	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)

Butler Memorial Hospital

Name of Hospital Facility:

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

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

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing discounted care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Explained the basis for calculating amounts charged to patients?	**11**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	**12**	Yes	
13 Included measures to publicize the policy within the community served by the hospital facility?	**13**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted at all times on the hospital facility's web site			
b ☐ The policy was attached to all billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			

Billing and Collections

14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**14**	Yes	
15 Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments or arrests			
e ☐ Other similar actions (describe in Part VI)			
16 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**16**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
a ☐ Notified patients of the financial assistance policy upon admission			
b ☐ Notified patients of the financial assistance policy prior to discharge			
c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

Individuals Eligible for Financial Assistance

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

Part V Facility Information *(continued)*

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

How many non-hospital facilities did the organization operate during the tax year? 2

	Name and address	Type of Facility (Describe)
1	Butler Healthcare Providers SNF One Hospital Way Butler, PA 16001	Skilled Nursing Facility
2	Butler Healthcare Providers Psych One Hospital Way Butler, PA 16001	Psychiatric and Chemical Dependency
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 The costing methodology is based on the ratio of cost to charges from our hospital's accounting system

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A), was subtracted for purposes of calculating the percentage in this column is $8,625,745

Identifier	ReturnReference	Explanation
		Part III, Line 4 Provision for bad debts and allowance for doubtful accounts In July 2011, the FASB issued guidance related to the presentation and disclosure of patient service revenue, provision for bad debts, the allowance for doubtful accounts, and the related disclosures for certain health care entities This guidance requires health care entities that recognize significant amounts of patient service revenue at the time services are rendered, even though they do not access the patient's ability to pay, to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their statement of operations The new guidance also establishes enhanced disclosures surrounding the bad debts, net patient revenue, as well as the allowance for doubtful accounts This guidance is effective for public entities with fiscal years beginning after December 15, 2011, with early adoption permitted The system is currently evaluating the impact that adoption will have on its consolidated financial statements The costing methodology is based on the ratio of cost to charges from our hospital's accounting system

Identifier	ReturnReference	Explanation
		Bad debt expense represents the amount of the patient's obligation that the hospital has been unable to collect This includes amounts the hospital has written off, plus amounts estimated as uncollectible, less any amounts collected on accounts previously written off For self pay patients, the balance due is adjusted from the charge amount to 32% of charges based on the average collection rate for insurance contracts For non self pay patients, the balance is the amount due after insurance payments Typically this is a deductible or co-insurance

Identifier	ReturnReference	Explanation
		Part III, Line 8 The cost used to determine the Medicare payment shortfall comes from the CMS required filing of the Medicare cost report The methodology uses a ratio of cost to charges to determine the cost assigned to the Medicare services Butler Memorial Hospital is committed to serving the healthcare needs of all members of our Community We consider the revenue shortfall from the Medicare program payments to be part of our community contribution

Identifier	ReturnReference	Explanation
		Part III, Line 9b Patients who have previously applied and been approved for our charity care program are automatically qualified for any additional services provided over the next six months after application approval We also will presumptively qualify patients for charity care if they meet criteria such as being food stamp eligible and qualifying for section 8 housing

Identifier	ReturnReference	Explanation
Butler Memorial Hospital		Part V, Section B, Line 19d The Hospital used the average payment to charge ratio of all the commercial insurance plans The ratio is updated annually based on the prior year's payment ratio

Identifier	ReturnReference	Explanation
		Part VI,Line 2 BMH periodically surveys Butler County Residents about their healthcare needs Included in the survey are questions from the Centers for Disease Control Behavioral Risk Factor Surveillance System The goal is to assess health status, disease burden and diagnosis, disease prevention, exercise and nutrition status, access to care and overall health literacy Responses to the survey are carefully evaluated by a specialist in Public Health and results are shared with BMH's clinical staff The findings are then integrated into operations that meet the community's health needs

Identifier	ReturnReference	Explanation
		Part VI, Line 3 There are signs posted in all registration areas indicating that free care is provided to those people in need Information is provided to all self pay patients at time of registration indicating that help is available if the patient meets the criteria A notice is also posted on the hospital's web site Each patient statement that is mailed out has a notice of the availability of free care and how to apply The Hospital provides assistance to patients to determine if they are eligible for the Pennsylvania Medical Assistance program The Patient Financial Assistance staff notifies patients of the availability of free care during phone conversations about the collection of balances due

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Butler, Pennsylvania is a rural town with a population of approximately 13,000 The estimated median household income of $28,000 is well below the Pennsylvania average of $49,520 Approximately 21% of residents in Butler Pennsylvania live in poverty Residents of Butler County Pennsylvania comprise the majority of patients served by Butler Memorial Hospital Additionally, BMH serves residents of surrounding counties including Allegheny, Lawrence, Mercer, Venango, Clarion and Armstrong Counties

Identifier	ReturnReference	Explanation
		Part VI,Line 5 A majority of the Governing Body of Butler Memorial Hospital reside in our primary service area Per the Corporate Bylaws 60% of the Trustees must work or reside in the service area Medical Staff Privileges are offered to all qualified physicians subject to the recommendation of the Hospital Medical Staff and in compliance with the policies of the Board of Trustees Currently 284 physicians, podiatrists and dentists hold privileges on the Butler Memorial Hospital Medical Staff Privileges are offered based on qualifications and community need without regard to other factors such as race, sex, color, creed, or national origin Annually, Butler Memorial Hospital establishes operating and capital budgets designed to efficiently allocate funds for its ongoing operation and for the additional investment in new and replacement patient care equipment, plant and infrastructure, and technology Upon preparation by management staff the final budget is presented for approval by the Board of Trustees

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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
BUTLER HEALTHCARE PROVIDERS

Employer identification number
25-0965274

Part I General Information on Grants and Assistance

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

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

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

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. 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) Community Health Clinic of Butler County103 Bonnie Drive Butler, PA 16002	20-4852135	501 (c) (3)	50,350				General Support to provide medical care of indigent patients

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

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

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 The organization's bylaws control the contributions that can be made and the process related to such

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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
BUTLER HEALTHCARE PROVIDERS

Employer identification number
25-0965274

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply ☑ Compensation committee ☑ Written employment contract ☑ Independent compensation consultant ☑ Compensation survey or study ☑ Form 990 of other organizations ☑ Approval by the board or compensation committee			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use 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) Kenneth P DeFurio	(i)	470,164	155,106	29,422	150,925	39,509	845,126	0
	(ii)	0	0	0	0	0	0	0
(2) Anne B Krebs	(i)	260,870	52,075	37,901	46,867	27,117	424,830	0
	(ii)	0	0	0	0	0	0	0
(3) Stephanie Roskovski	(i)	201,319	38,601	11,765	25,929	19,222	296,836	0
	(ii)	0	0	0	0	0	0	0
(4) Karen Allen	(i)	177,076	38,002	10,501	21,450	32,595	279,624	0
	(ii)	0	0	0	0	0	0	0
(5) Charles Oleson	(i)	197,264	34,462	13,375	26,353	37,560	309,014	0
	(ii)	0	0	0	0	0	0	0
(6) A Thomas McGill MD	(i)	282,618	55,261	19,990	46,911	27,362	432,142	0
	(ii)	0	0	0	0	0	0	0
(7) John C Reefer MD	(i)	282,091	55,261	18,447	49,657	37,218	442,674	0
	(ii)	0	0	0	0	0	0	0
(8) Paula L Hooper	(i)	211,385	41,929	12,780	20,502	36,403	322,999	0
	(ii)	0	0	0	0	0	0	0
(9) Maureen A Gray	(i)	208,262	43,102	12,528	29,638	26,390	319,920	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Line 4b	4 (b) Anne B Krebs received payment of 21,689 as part of a Senior Executive Benefit Plan for a tax-deferred Capital Accumulation Account The amount represents the amount paid out after a two year vesting period The program was discontinued in January, 2009 However, in some cases payments have been deferred into future years 4 (b) As part of the Senior Executive Benefit Plan, the organization contributes to a SERP plan The SERP plan is a benefit used to retain executives Executives do not receive any payment from the plan until they reach a vesting milestone at 5 years, 10 years and then finally at 65 years of age Benefits paid to the participant are taxable The organization contributed the following amounts to the SERP plan for the following individuals 4 (b) Kenneth P DeFurio 134,425, Anne B Krebs 31,245, Maureen A Gray 23,460, Stephanie J Roskovski 23,160, A Thomas McGill MD 33,157, John C Reefer MD 33,157, Paula L Hooper 11,550, Karen A Allen 11,550, Charles Oleson 14,190
	Part I, Line 7	7 Officers and employees are eligible and received bonus compensation Bonuses are not guaranteed and are awarded based on Board approved metrics which include quality, services and financial performances
Supplemental Information	Part III	Butler Health System Executive Compensation Philosophy and Process The Board of Trustees recognizes the great challenges and difficulties that healthcare executives face, particularly in the current era of national and state healthcare reform In addition, the Pittsburgh regional market is highly competitive and changing rapidly The Board competes for and seeks executive talent on a national basis It engages expert compensation consultants, utilizing national comparative data to guide the determination of competitive, appropriate levels of compensation The total compensation program for executives consists of cash compensation and benefits Factors taken into consideration in determining compensation for executives include market demand and competition for similar positions, experience and tenure, and actual performance and effectiveness Based on these and other pertinent criteria, BHS targets total compensation to fall within a range of the 25th to 75th percentile of the market BHS executive compensation generally will not exceed the 75th percentile of the market Exceptions to this may be subject to review and recommendation by the Compensation Committee, which in turn is subject to review and approval by the Board of Trustees Exception must be supported by organizational and /or individual performance, or a retention/recruitment circumstance that warrants such compensation The Compensation Committee consists exclusively of "non-interested" individuals with no real or perceived conflicts of interest in recommending executive compensation guidelines and levels While benefits are accounted for in Schedule J, actual "take home" pay to the executive consists only of base salary and incentive award earned, if any Annual increases in base pay, if any, are based on competitive market trends from the comparison group Supplemental retirement benefits are used as a vehicle for executive recruitment and retention with appropriate vesting periods The Board of Trustees reviews and approves executive compensation in its entirety, including the use of "tally sheets", which disclose 100% executive compensation The Board of Trustees engages external compensation and legal expertise to assure reasonableness of executive compensation levels

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
BUTLER HEALTHCARE PROVIDERS

Employer identification number
25-0965274

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	Butler County Hospital Authority	25-1458912	1235926QB	04-29-2009	50,000,000	Construction of addition to hospital		X	X			X
B	Butler County Hospital Authority	25-1458912	123592CPO	04-29-2009	74,728,451	Construction of addition to hospital		X	X			X
C	Butler County Hospital Authority	25-1458912	000000000	06-29-2010	12,165,000	Construction of addition to hospital		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	50,000,000	74,728,451	12,165,000	
4	Gross proceeds in reserve funds		6,853,385		
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds	833,495	1,419,179	217,226	
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	49,166,505	66,455,887		
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2010	2010		

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

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

Part IV Arbitrage

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

Part V Procedures To Undertake Corrective Action

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

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
BUTLER HEALTHCARE PROVIDERS

Employer identification number
25-0965274

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

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

1 (a) Name of disqualified person	(b) Description of transaction	(c) Corrected? Yes	(c) Corrected? No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 . . . . . ▶ $

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ $

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

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

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of grant or type of assistance

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Anne B Krebs	CFO & Officer of Org, Uncompensated member of Board of Directors of YMCA	191,129	Organization leases from the YMCA		No
(2) Mario Kinsella MD	Member of the Board of Trustees of Org,Officer of AIRMED with 14% ownership	674,602	Assoc in Respiratory Medicine, AIRMED,provides respiratory services for the organization		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
BUTLER HEALTHCARE PROVIDERS

Employer identification number
25-0965274

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 6	Per the By-Laws of the organization, the organization shall have one corporate member, Butler Health System, Inc There shall be no other members

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7a	Butler Health System, Inc , the corporate member of the organization, appoints the members of the Board of Trustees

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7b	As per the By-Laws of the organization, the subject matters of the powers reserved to the Member are as follows a The number of Trustees that will comprise the Board b The election of Trustees c The removal of any Trustee for cause from the Corporation's Board of Trustees and approval of the replacement of any such removed Trustee for the unexpired portion of the term d The election, re-election, appointment and reappointment of all Officers of the Board e The amendment, revision, or restatement of the Corporation's Articles of Incorporation and/or By-Laws f The adoption or change in the mission, purpose, philosophy or objectives of the Corporation g The change in the general structure of the Corporation as a voluntary, nonprofit corporation h The dissolution, division, conversion or liquidation of the Corporation, the consolidation or merger of the Corporation with another corporation or entity, or the acquisition of substantially all of the assets of another corporation or entity, subject to the provision of the Articles of Incorporation i The Corporation's borrowing of money, issuance of indebtedness and/or incurrence of guarantees, whether in a single transaction or a series of related transactions, whether or not such borrowings or guarantees are to be secured by a mortgage, pledge or other lien on the Corporation's current or future real property, personal property or endowment funds j Approval of the annual capital and operating budgets of the Corporation and any amendments thereto k Approval of any charitable donation by the Corporation, other than to the Member or any nonprofit entity in which the Member is a sole member, in an amount exceeding $15,000 or in an amount exceeding $150,000 in the aggregate during any one fiscal year l Approval of any transfer other than charitable donations of the Corporation's assets unless specifically authorized in the Corporation's approved budgets m Approval of change of membership or voting rights of the Member

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 11	The completed 990 was reviewed by the Chief Financial Officer and an outside independent public accounting firm Relevant sections were reviewed by the Vice President and General Counsel Highlights of the Form 990 were reviewed with the Finance Committee and the Board of Trustees After these reviews, but prior to filing, the full Board of Trustees and the Finance Committee was notified that the completed Form 990 was available for review on the Boards secure website

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	The responses to the Conflict of Interest Disclosure form are collected and reviewed annually by General Counsel, who then reviews the same with the Audit and Compliance Committee of the Board of Trustees Conflict of Interest Disclosure forms are completed by all trustees, officers, committee members as well as the executive team In the event a relationship results in a potential conflict for an issue being discussed by the Board, the trustee recues himself/herself from the discussion and vote The recusal is documented in the minutes The Vice President and General Counsel attends all board meetings and ensures that any needed recusals occur

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	The Board of Trustees recognizes the great challenges and difficulties that healthcare executives face, particularly in the current era of national and state healthcare reform In addition, the Pittsburgh regional market is highly competitive and changing rapidly The Board competes for and seeks executive talent on a national basis It engages expert compensation consultants, utilizing national comparative data to guide the determination of competitive, appropriate levels of compensation The total compensation program for executives consists of cash compensation and benefits Factors taken into consideration in determining compensation for executives include market demand and competition for similar positions, experience and tenure,and actual performance and effectiveness Based on these and other pertinent criteria, BHS targets total compensation to fall within a range of the 25th to 75th percentile of the market BHS executive compensation generally will not exceed the 75th percentile of the market Exceptions to this may be subject to review and recommendation by the Compensation Committee, which in turn is subject to review and approval by the Board of Trustees Exception must be supported by organizational and /or individual performance, or a retention/recruitment circumstance that warrants such compensation The Compensation Committee consists exclusively of "non-interested" individuals with no real or perceived conflicts of interest in recommending executive compensation guidelines and levels While benefits are accounted for in Schedule J, actual "take home" pay to the executive consists only of base salary and any incentive award earned Annual increases in base pay, if any, are based on competitive market trends from the comparison group Supplemental retirement benefits are used as a vehicle for executive recruitment and retention with appropriate vesting periods The Board of Trustees reviews and approves executive compensation in its entirety, including the use of "tally sheets", which disclose 100% executive compensation The Board of Trustees engages external compensation and legal expertise to assure reasonableness of executive compensation levels

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	Historically financial information is provided to the public at the annual public board meeting Bylaws, Articles of Incorporation and the Conflict of Interest Policy are posted on the website

Identifier	Return Reference	Explanation
	Part VII Section A Column B Hours for related organization	1 Kenneth P DeFurio Hospital 40, Butler Medical Providers 15, Butler Health System Foundation 2, Butler Health System 2, Nixsar Corp 1 2 Anne B Krebs Hospital 40, Butler Medical Providers 7, Butler Health System Foundation 1, Butler Health System 1, Nixsar Corp 1 3 Stephanie J Roskovski Butler Hospital 45, Butler Medical Providers 5 4 A Thomas McGill MD Hospital 40, Butler Medical Providers 15 5 John C Reefer MD Hospital 40, Butler Medical Providers 15 6 Paula L Hooper Hospital 30, Butler Medical Providers 15, BHS Foundation 2, Butler Health System 5, Nixsar 1

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Noncontrolling interest in net income of consolidated subsidiaries -73,416 Transfers (to) from affiliates -5,100,000 Accumulated liability for pension benefits -14,234,136 Decrease in interest in investment of BHS assets -262,848 Total to Form 990, Part XI, Line 5 -19,670,400

Identifier	Return Reference	Explanation
	Part XII Line 2c explanation	The organization has not changed its process for reviewing the audited financials or the selection of an independent auditor during the year

Identifier	Return Reference	Explanation
		Form 990, Part III, Line 4a, Program Service Accomplishments "Butler Memorial Hospital is privileged to be a healing presence in the communities we serve We exist to make a positive difference in the lives of people by providing compassionate, high quality care and comfort and inspiring health and well being" This is the mission statement of Butler Memorial Hospital (BMH) These words guide the doctors and staff of BMH every day, as they serve the residents of Butler County and the surrounding area The people of BMH are passionate about providing high quality care with a high level of service It extends to a commitment to being an excellent corporate citizen, demonstrated by our remaining an independent community hospital - locally controlled - working diligently to meet your healthcare needs BMH is proud of the high value care that it provides It offers convenient facilities and technology that rival any in the region BMH physicians and employees are exceptionally well-trained, committed to providing patients and families the best care possible In 2012 BMH provided over $16 4 million in charity care and other uncompensated care Critical support is provided to education endeavors through our partnerships with Slippery Rock University, Butler County Community College, local school districts, and various other educational institutions throughout the region BMH makes its facilities and staff available to support training programs BMH leaders are active members of the local business community, supporting Leadership Butler County, local Chambers of Commerce, Butler County Development Corporation, and a variety of civic and social groups These include the American Heart Association, American Cancer Society, March of Dimes and Butler Road Race, providing college scholarships to student-athletes from Butler County These are only a few ways BMH works to serve and live up to its mission of caring for neighbors In total, BMH provides over $22 1 million in community support each year This report outlines some of the ways BMH supports the health and lives of people throughout the region It is a testimony to the commitment and leadership of the BMH medical staff, Board of Trustees, employees, volunteers, and community partners, whose dedication to service touches many lives and makes the community a better place Respectfully Submitted Kenneth P DeFurio President & CEO Margaret Irvine Chairperson, Board of Trustees Fiscal Year 2012 Community Benefit Report 2011 IRS Form 990 Schedule H Executive Summary Butler Memorial Hospital (BMH) is proud to serve our community In furtherance of our charitable mission, BMH provided over $22 1 million in support in the form of charity care, unreimbursed care, community health improvement, health education, subsidized services and contributions to community organizations This support accounts for over 10 8% of total expenses BMH demonstrates its commitment by improving the overall health of our community through the operation of an efficient and effective health care system and by actively supporting appropriate community services Summary of Services and Community Support Helping People to Live Better, Every Day At Butler Memorial Hospital, a key goal is to strengthen the health and well-being of the community BMH understand that as a sole community hospital it plays an important role in the health of Butler County residents This role is taken very seriously Last year BMH provided over $22 1 million in total community benefit support This accounts for over 10 8% of our total expenses The services BMH provides are essential to not only the community's overall health, but also to the quality of life of every resident Community Health Assessment Butler Memorial Hospital periodically surveys up to 1000 Butler County residents We use questions from the Centers for Disease Control Behavioral Risk Factor Surveillance System Our goal is to assess health status, disease burden and diagnosis, disease prevention, exercise and nutrition status, access to care and overall health literacy Responses to the survey are carefully evaluated by a specialist in Public Health and results are shared with the health system's clinical staff The findings are then integrated into our plans to improve our service to meet the health needs of our neighbors Butler Health System Meeting your health care needs cannot be achieved through any one employee, department, or facility With BMH as the centerpiece of our services, Butler Health System (BHS) has established convenient locations throughout Butler County and the surrounding areas Butler Memorial Hospital provides 3 39 licensed beds to care for inpatients, (237 medical/surgical, 59 behavioral, 25 skilled nursing and 18 nursery) Services include Critical Care, Surgical Services, Medical Care, Psychiatric Treatment, Drug & Alcohol Rehabilitation, Obstetrics and Skilled Nursing Additionally our Emergency Department treated over 47,

Identifier	Return Reference	Explanation
		122 patients last year This range and complexity of service is not offered by any other e ntity in Butler County When the complexity of in-patient treatment is not required, it is more convenient and cost-effective to have services close to home BHS offers 32 location s throughout the region that offer diagnostic and treatment services including imaging, ca rdiac diagnostics, laboratory services, family resources, physical therapy, urgent care an d physician care This year w e have opened locations in Law rence, Venango and Armstrong Co unty BMH recognizes the need to establish medical care available in the evening and w eeke nds To that end, BMH has partnered w ith local physicians to establish urgent care service s, called BHS FastERcare This service is offered in Butler Tow nship, Saxonburg, Slippery Rock and Kittanning, and offers high quality w alk-in medical care throughout the day and i nto the evening Supporting those in need Our Charity Care and Community Benefit BMH prov ides free care to those patients w ho have an obligation after insurance payments, if any The amount of free care is determined based on the patient's income and family size Free care is provided to those w ith incomes up to 300% of the Federal Poverty Guideline To inf orm patients of this program, signs are posted in all the registration areas notifying the public of the availability of our free care program More information is available throug h our Patient Handbook and on our w ebsite at w w w butlerhealthsystem org on the "About BHS" page At the time of registration, any patient w ho is uninsured is given a "Patient Notic e of Financial Aid " The notice instructs the patient to call or visit the Patient Financi al Assistance Department to seek more information about how BMH may be able to help pay fo r part or all of their care The monthly collection statements that are mailed to the pati ent state that the patient may contact the Patient Financial Assistance Department to disc uss their eligibility for free care The Financial Representatives receive and make many c alls to the patients During the calls the financial representatives w ill discuss w ith the patients the availability of the free care program and w ill mail out applications to thos e patients w ho w ant to apply BMH also contracts w ith representatives to assist the patien t in applying for Medical Assistance coverage These representatives w ill also discuss w it h the patient the availability for free care, especially for those w ho may not be eligible for the government healthcare plan Government Program Subsidies In addition to providing free and discounted care to uninsured patients or patients that need financial help, BMH makes up the difference betw een the costs of care and the amount paid by government-sponso red programs such as Medicare and Medicaid Last year, that amounted to more than $12 7 mi llion As provisions of the Patient Protection and Affordable Care Act are implemented, w e expect this burden on our patients and the health system w ill increase To that end, to r emain a viable healthcare provider to our community, BMH continually evaluates w ays to kee p our costs low w hile maintain high quality Billing and Collections BMH is diligent in pr oviding bills that are accurate and easy to understand Every bill and statement includes information about how to contact financial representatives and arrange payment plans BMH is committed to finding w ays to help every patient pay the portion of their bill they are responsible for w ithout experiencing an overw helming financial burden In addition to maki ng our billing process easy to understand and ensuring ready access to charity care and fi nancial assistance, BMH provides patient cost information in advance of services or treatm ent, upon request

Identifier	Return Reference	Explanation
		Form 990, Part III, Line 4a, Program Service Accomplishments (cont) Providing Needed Care and Services Plays a Critical Role in Meeting Patient Needs Butler Memorial Hospital subsidizes many of the critical services it offers, such as the Transitional Care Facility, Family Services, obstetrical services, psychiatric services, and prevention and wellness services and primary care services offered through our Physician Clinics Last year, we provided $4,783,474 in subsidized care and services BMH actively supports the Community Health Clinic We provide financial support as well as operational and technical support for many of the diagnostic services provided at the Clinic Many of our physicians and employees also volunteer their own time to treat patients at the Clinic Building Our Community Strengthening the community is a responsibility for all local businesses and something BMH takes very seriously For example we offer space for meetings and community education, we help local residents escape violent situations, by volunteering to help those in need, we provide education to new and expectant parents, and we provide community health outreach and patient advocacy Opening Our Facilities for Local Meetings The Knowledge Center at Butler Memorial Hospital offers modern meeting and education space for local and regional conferences Last year, we hosted the third annual Carol Dietrich Memorial Health Symposium to physicians, nurses and other providers, entitled "Cardiology in the Community Setting " The day long program provided a variety of high quality programs at no cost to participants Butler Memorial Hospital also offers a series of Continuing Medical Education programs which are made available to health care professionals throughout the region In cooperation with local institutions like Slippery Rock University and Butler County Community College, as well as others throughout Butler County and the region, we are fully committed to maintaining high quality professional health education for students and practitioners alike Classroom space is provided for these programs within our Knowledge Center and students are given real life clinical experience as they work with our staff in the care and treatment of patients BMH works closely with local school districts in supporting high school health occupation programs The Simulation Laboratory is available for seminars that give students hands on experience, exposing them to the highly complex world of health care delivery Employees in the Community Every year, BMH and its employees support a variety of community support programs These include the Caring Angel Program, the United Way and organizations like the American Heart Association, the American Cancer Society, the Butler YMCA and the March of Dimes This year, employees, physicians, nurses, and board members volunteered to give back to the community In addition to these activities, employees participate in a variety of community service initiatives, from Habitat for Humanity, to Doctors without Borders, to local student mentoring programs Summary BMH physicians, nurses, employees, volunteers and volunteer leadership maintain deep connections to the communities we serve We live and work in Butler County and we are acutely aware of the needs of its residents As a tax-exempt charitable organization, BMH is careful to manage our resources to meet the current and future healthcare needs of our neighbors BMH is proud of our independence and pledge to always strive to provide high quality, low cost care in a comfortable and supporting environment

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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
BUTLER HEALTHCARE PROVIDERS

Employer identification number
25-0965274

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) Butler Health System One Hospital Way Butler, PA 16001 25-1441855	Healthcare Delivery System	PA	501(c)(3)	Line 3			No
(2) Butler Medical Providers One Hospital Way Butler, PA 16001 25-1441855	Physician Practices	PA	501(c)(3)	Line 3	Butler Health System		No
(3) Butler Health System Foundation One Hospital Way Butler, PA 16001 26-1543883	Fundraising on behalf of Butler Health System	PA	501(c)(3)	Line 11a, I	Butler Health System		No
(4) Nixsar Corporation One Hospital Way Butler, PA 16001 25-1441960	Own and Operate real estate	PA	501(c)(3)	Line 3	Butler Health System		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) Butler Ambulatory Surgery Center 102 Technology Drive Butler, PA 16001 06-1728190	Surgery	PA	N/A									
(2) BHS FastER Care One Hospital Way Butler, PA 16001 27-1961562	Urgent Care	PA	Butler Healthcare Providers	Related	-93,518	-111,269		No		Yes		51 000 %

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) PCA of Butler Pc 480 East Jefferson Street Butler, PA 16001 25-1351445	Physician Office Practice	PA		C			

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		No
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	Yes	
j Lease of facilities, equipment, or other assets from related organization(s)	1j	Yes	
k Performance of services or membership or fundraising solicitations for related organization(s)	1k		No
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	Yes	
p Reimbursement paid by related organization(s) for expenses	1p	Yes	
q Other transfer of cash or property to related organization(s)	1q		No
r Other transfer of cash or property from related organization(s)	1r	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) BHS-FastER Care	I	76,522	
(2) BHS-FastER Care	P	2,427,174	
(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	

Butler Health System and Subsidiaries

Consolidated Financial Statements
June 30, 2012

CONTENTS

Carbis Walker LLP
Certified Public Accountants & Consultants
Members Carbis Walker Group ■ McGladrey Alliance ■ AICPA Alliance for CPA Firms

Meadville, PA
New Castle, PA
Pittsburgh, PA

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Butler Health System and Subsidiaries
Butler, Pennsylvania

We have audited the accompanying consolidated balance sheet of Butler Health System and Subsidiaries (System) as of June 30, 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended These consolidated financial statements are the responsibility of the System's management Our responsibility is to express an opinion on these consolidated financial statements based on our audit The consolidated financial statements of the System for the year ended June 30, 2011, were audited by other auditors whose report dated October 3, 2011, expressed an unqualified opinion on those statements

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

In our opinion, the 2012 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Butler Health System and Subsidiaries as of June 30, 2012, and the results of their operations, changes in net assets, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America

Carbis Walker LLP
Certified Public Accountants

New Castle, Pennsylvania
October 4, 2012

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
June 30, 2012 and 2011

ASSETS	**2012**	2011
CURRENT ASSETS		
Cash and cash equivalents	**$ 21,685,156**	$ 22,034,952
Patient accounts receivable, less allowance for doubtful accounts 2012 $ 5,310,970, 2011 $ 4,571,572	**25,191,590**	24,112,609
Other receivables	**8,452,616**	7,072,793
Inventories	**3,216,957**	3,351,388
Prepaid expenses and other current assets	**2,968,996**	2,476,224
Total current assets	**61,515,315**	59,047,966
ASSETS WHOSE USE IS LIMITED		
Board-designated for future capital improvements	**60,973,528**	67,860,514
Under trust indenture, held by trustee	**7,227,475**	7,085,855
Foundation investments	**1,590,271**	1,312,081
Under agreement for self-insured workers' compensation	**1,300,000**	1,574,301
Funds held in escrow	**2,469,785**	2,463,946
Total assets whose use is limited	**73,561,059**	80,296,697
INVESTMENTS	**26,996,030**	7,618,941
PROPERTY AND EQUIPMENT, net of accumulated depreciation	**164,867,141**	175,331,938
INVESTMENTS IN AND LOANS TO AFFILIATES	**4,494,418**	4,411,312
DEBT ISSUANCE COSTS, net	**2,263,969**	2,413,374
OTHER ASSETS	**3,001,001**	2,835,759
Total assets	**$ 336,698,933**	$ 331,955,987

See Notes to Consolidated Financial Statements

LIABILITIES AND NET ASSETS	2012	2011
CURRENT LIABILITIES		
Current maturities of long-term debt	**$ 2,470,302**	$ 2,161,022
Accounts payable	**3,904,932**	3,290,069
Accrued expenses	**18,889,983**	16,294,413
Accrued interest payable	**2,762,654**	2,765,359
Estimated third-party payor settlements	**4,885,034**	4,901,452
Total current liabilities	**32,912,905**	29,412,315
LONG-TERM DEBT, net of current maturities	**131,695,269**	133,769,158
ACCRUED PENSION LIABILITY	**27,493,466**	14,125,384
Total liabilities	**192,101,640**	177,306,857
NET ASSETS		
Unrestricted	**141,828,743**	152,125,984
Noncontrolling interest in consolidated subsidiaries	**1,182,625**	676,108
Temporarily restricted	**1,145,552**	1,408,400
Permanently restricted	**440,373**	438,638
Total net assets	**144,597,293**	154,649,130
Total liabilities and net assets	**$ 336,698,933**	$ 331,955,987

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended June 30, 2012 and 2011

	2012	2011
Changes in unrestricted net assets		
Net patient service revenue	**$ 242,675,484**	$ 234,284,652
Other operating revenue	**11,524,964**	11,309,991
Contributions	**141,671**	176,324
Net assets released from restrictions used for operations	**88,566**	256,330
Total unrestricted revenue	**254,430,685**	246,027,297
Expenses		
Salaries and wages	**80,222,473**	82,000,795
Medical and surgical supplies	**41,300,850**	38,392,594
General supplies and purchased services	**31,790,727**	32,276,437
Employee benefits	**27,442,790**	27,299,311
Physicians' fees	**23,379,118**	22,114,056
Depreciation and amortization	**15,732,954**	15,847,557
Provision for doubtful collections	**9,276,846**	9,094,772
Interest	**6,515,793**	6,033,860
Utilities and insurance	**6,380,492**	5,696,347
Professional fees and miscellaneous	**4,486,084**	4,762,938
Outside medical services	**4,105,647**	3,276,097
Total expenses	**250,633,774**	246,794,764
Operating income (loss)	**3,796,911**	(767,467)
Other non-operating income (loss)		
Investment income	**705,748**	849,018
Equity in earnings of affiliates	**235,381**	725,356
Other income (loss)	**32,922**	(262,072)
Total non-operating income	**974,051**	1,312,302
Excess of revenue over expenses before noncontrolling interest	**4,770,962**	544,835
Noncontrolling interest in net income of consolidated subsidiaries	**(1,242,665)**	(1,064,861)
Excess (deficiency) of revenue over expenses	**3,528,297**	(520,026)
Other changes in unrestricted net assets		
Unrealized gain (loss) on investments	**(382,005)**	368,551
Net assets released from restrictions used for capital expenditures	**790,603**	822,636
Accumulated liability for pension benefits	**(14,234,136)**	6,200,587
Increase (decrease) in unrestricted net assets	**$ (10,297,241)**	$ 6,871,748

See Notes to Consolidated Financial Statements

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted net assets		
Excess (deficiency) of revenue over expenses	**$ 3,528,297**	$ (520,026)
Unrealized gain (loss) on investments	**(382,005)**	368,551
Net assets released from restrictions used for capital expenditures	**790,603**	822,636
Accumulated liability for pension benefits	**(14,234,136)**	6,200,587
Increase (decrease) in unrestricted net assets	**(10,297,241)**	6,871,748
Temporarily restricted net assets		
Contributions	**615,773**	1,006,221
Change in value of pledges receivable	**-**	12,964
Net realized gain on investments	**548**	1,045
Net assets released from restrictions	**(879,169)**	(1,078,966)
Decrease in temporarily restricted net assets	**(262,848)**	(58,736)
Permanently restricted net assets		
Net realized gain on investments	**1,735**	3,027
Increase (decrease) in net assets	**(10,558,354)**	6,816,039
Net assets, beginning, before noncontrolling interest	**153,973,022**	147,156,983
Net assets, ending, before noncontrolling interest	**$ 143,414,668**	$ 153,973,022

See Notes to Consolidated Financial Statements

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	**$ (10,558,354)**	$ 6,816,039
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	**15,732,954**	15,847,557
Amortization of debt issuance costs	**149,405**	152,912
Amortization of original bond discount	**60,369**	60,368
Provision for doubtful collections	**9,276,846**	9,094,772
Equity in earnings of affiliates	**(235,381)**	(725,356)
Net realized (gain) on sale of investments	**-**	(14,455)
Loss on disposal of property and equipment	**9,881**	236,910
Noncontrolling interest in net income of consolidated subsidiary	**1,242,665**	1,064,861
Change in accumulated liability for pension benefits	**14,234,136**	(6,200,587)
Change in net unrealized (gain) loss on investments other than trading securities	**382,005**	(368,551)
Restricted contributions and realized gains	**(616,321)**	(1,007,266)
(Increase) decrease in assets		
Patient accounts receivable	**(10,355,827)**	(11,243,998)
Other receivables	**(1,379,823)**	(4,996,759)
Inventories	**134,431**	26,734
Prepaid expenses and other current assets	**(492,772)**	3,090
Other assets	**(165,242)**	1,038,768
Increase (decrease) in liabilities		
Accounts payable	**614,863**	560,146
Accrued expenses	**2,595,570**	852,808
Accrued interest payable	**(2,705)**	67,350
Estimated third-party payor settlements	**(16,418)**	57,179
Accrued pension liability	**(866,054)**	(3,875,305)
Net cash provided by operating activities	**19,744,228**	7,447,217
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in assets whose use is limited	**6,735,638**	29,166,884
Increase in investments	**(19,759,094)**	(627,506)
Purchase of property and equipment	**(5,278,038)**	(29,859,738)
Decrease in investments in and loans to affiliates	**152,275**	496,955
Net cash (used in) investing activities	**(18,149,219)**	(823,405)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	**(2,279,978)**	(1,780,554)
Noncontrolling interest in equity distributions of consolidated subsidiary	**(736,148)**	(1,053,504)
Proceeds from restricted contributions and realized gains	**616,321**	1,007,266
Proceeds from long-term debt	**455,000**	-
Net cash (used in) financing activities	**(1,944,805)**	(1,826,792)

See Notes to Consolidated Financial Statements

	2012	2011
Increase (decrease) in cash and cash equivalents	**$ (349,796)**	$ 4,797,020
Cash and cash equivalents		
Beginning	**22,034,952**	17,237,932
Ending	**$ 21,685,156**	$ 22,034,952
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	**$ 6,369,093**	$ 6,315,313

Note 1. Nature of Operations and Summary of Significant Accounting Policies

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

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

Basis of presentation Net assets, revenue, and gains and losses are classified based on the existence or absence of donor-imposed restrictions Accordingly, the net assets of the System and changes therein are classified and reported as follows

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met/expire either by actions of the System and/or the passage of time

Permanently Restricted Net Assets - Net assets subject to law or donor-imposed stipulations that require funds be maintained permanently by the System

Industry risks The U S health care industry continues to experience significant change Today, the primary force for change is being created by a competitive marketplace resulting in rapid change in health care delivery and financing as well as significant regulatory change

An increasing number of the System's third-party payors are adopting prospective payment systems similar to those used by the federal government's Medicare program which shift financial risk from the payor/insurer to the health care provider The System has signed provider contracts with several managed care organizations, which emphasize utilization control and cost containment Managed care organizations either directly transfer risk to health care providers through capitation payment arrangements or pay for units of service on a steeply discounted basis

Cost containment measures by third-party payors have resulted in an excess supply of inpatient acute care beds in western Pennsylvania Mergers and affiliations are occurring in order to create larger integrated delivery systems to compete for patients enrolled in commercial, state Medicaid, and Medicare managed care programs This consolidation is expected to result in the continuing closure of hospital beds and a reduction in the number of full-service health care providers

These factors cause significant challenges to all providers, including the System, in the western Pennsylvania marketplace

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Laws and regulations The health care industry is subject to numerous laws and regulations of federal, state, and local governments These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers

Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed Management believes that the System is in compliance with fraud and abuse as well as other applicable government laws and regulations While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time

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

Cash and cash equivalents and deposit risk Cash and cash equivalents include cash on hand, demand deposits, and investments in highly liquid debt instruments with an original maturity of three months or less As of June 30, 2012 and 2011, the System had cash balances with financial institutions that exceeded the Federal Deposit Insurance Corporation (FDIC) limits The System has not experienced any losses in such accounts

Patient accounts receivable Patients accounts receivable are stated at the amount the System expects to collect The System provides an allowance for doubtful accounts equal to the estimated uncollectable amounts The System's estimate is based on historical collection experience and a review of the current status of patient accounts receivable It is reasonably possible that the System's estimate of the allowance for doubtful accounts will change

Other receivables Other receivables are reported at net realizable value Accounts are written off when they are determined to be uncollectable based upon management's assessment of individual accounts No allowance for doubtful collections was recorded because management believes realization losses on other receivables will not be material

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

Assets whose use is limited Assets whose use is limited include assets held by a bond trustee under trust indenture, assets held by the Foundation, assets held by a trustee in connection with the System's self-insured workers' compensation program, and funds held in escrow which have been set aside by the Board of Directors The Board of Directors retains control of these assets and may, at its discretion, subsequently use these assets for other purposes

Hospital Assessment As an inpatient acute care hospital participating in Pennsylvania's Medicaid System, the Hospital is subject to Pennsylvania's Hospital Assessment Program The Hospital has elected to record the net effect of transactions on the consolidated statements of operations under net patient service revenue

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

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

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

Property and equipment Property, buildings, and equipment are carried at cost for purchased assets or fair market value at the date of donation for donated assets Property and equipment acquisitions are recorded at cost Depreciation and amortization of property and equipment, which includes amortization of assets recorded under capital leases, are provided for using the straight-line method over the estimated useful lives of the assets

Major improvements and betterments to property and equipment are capitalized Expenses for maintenance and repairs which do not extend the lives of the related assets are charged to expense as incurred When retired or otherwise disposed of, the asset and its related accumulated depreciation or amortization is adjusted accordingly, and any resulting gain or loss is included on the consolidated statements of operations

Debt issuance costs Costs incurred in connection with the issuance of long-term debt have been deferred and are being amortized over the term of the debt using the effective interest method Amortization of debt issuance costs amounted to $ 149,405 and $ 152,912 for the years ended June 30, 2012 and 2011, respectively

Medical malpractice The provision and related liability for estimated general and professional liability claims include estimates of the ultimate cost for both reported claims and claims incurred but not reported and, in management's opinion, provide an adequate reserve for loss contingencies

Excess (deficiency) of revenue over expenses Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses Peripheral or incidental transactions are reported as non-operating income or loss Changes in unrestricted net assets which are excluded from the excess (deficiency) of revenue over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, accumulated liability for pension benefits, and net assets released from restrictions used for capital expenditures

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

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Net patient service revenue and patient receivables The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined

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 on the consolidated statements of operations as net assets released from restrictions Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements

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

Income taxes The Hospital, the Foundation, Nixsar, and BMP are not-for-profit corporations and are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code Accordingly, no provision for income taxes has been provided

The Surgery Center's members have elected to have the Surgery Center's income taxed as a partnership under the provisions of the Code, therefore, taxable income or loss is reported to the members for inclusion in their respective tax returns No provision for federal or state income taxes is included in the accompanying consolidated financial statements

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

The System adopted the standard for accounting for uncertainty in income taxes recognized in a company's financial statements that prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority Measurement of the tax uncertainty occurs if the recognition threshold has not been met The standard also provides guidance on derecognition, classification, interest and penalties, accounting for interim periods, and disclosure Management determined that there were no tax uncertainties that meet the recognition threshold as of June 30, 2012 or 2011

The System's income tax returns for the years ended 2011, 2010, and 2009 remain subject to examination by the Internal Revenue Service and state agencies

Subsequent events In preparing these consolidated financial statements, management evaluated events that occurred through October 4, 2012, the date the consolidated financial statements were issued, for potential recognition or disclosure

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

Fair value measurement In January 2010, the Financial Accounting Standards Board (FASB) issued authoritative guidance on improving disclosures about fair value measurements to add additional disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in Level III fair value measurements, and the transfers between Levels I, II, and III This guidance also clarified the level of disaggregation for each class of assets and liabilities disclosed Levels I, II, and III of fair value measurements are defined in Note 5 The System has fully adopted this new accounting standards update in the year ended June 30, 2012

In May 2011, the FASB issued revised guidance related to fair value measurement and the related disclosures This guidance changes the wording used to describe many of the requirements in accounting principles generally accepted in the United States for measuring fair value and for disclosing information about fair value measurements The new guidance also establishes additional disclosures for assets and liabilities reported at fair value For many requirements, the FASB does not intend for the amendments in this update to result in a change in the application of the requirements in Topic 820 of the Codification This guidance is effective for all entities with fiscal years beginning after December 15, 2011 The System is currently evaluating the impact, if any, that adoption will have on its consolidated financial statements

Charity care In August 2010, the FASB issued authoritative guidance on improving disclosures about charity care to prescribe a specific measurement basis of charity care This guidance prescribes that the amount of charity care disclosed in the financial statements shall be measured based on the providers direct and indirect costs of providing charity care services The guidance also provides that if costs cannot be specifically attributed to services provided to charity care patients, that reasonable techniques may be used to estimate these costs, and that these techniques shall be disclosed and that any funds received to offset or subsidize charity care services also shall be disclosed The System adopted this new accounting standards update in the year ended June 30, 2012, and is discussed in Note 2

Provision for bad debts and allowance for doubtful accounts In July 2011, the FASB issued guidance related to the presentation and disclosure of patient service revenue, provision for bad debts, the allowance for doubtful accounts, and the related disclosures for certain health care entities This guidance requires health care entities that recognize significant amounts of patient service revenue at the time the services are rendered, even though they do not assess the patient's ability to pay, to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their statement of operations The new guidance also establishes enhanced disclosures surrounding the bad debts, net patient revenue, as well as the allowance for doubtful accounts This guidance is effective for public entities with fiscal years beginning after December 15, 2011, with early adoption permitted The System is currently evaluating the impact that adoption will have on its consolidated financial statements

Note 2. Charity Care and Community Service Benefits

Charity care is free or discounted health services provided to persons who cannot afford to pay and who meet the Hospital's criteria for financial assistance The Hospital maintains records to identify and monitor the level of charity care and other types of community benefits it provides All amounts are reported in terms of costs incurred less any reimbursement or support

The costs incurred for charity care are determined by management by taking the charges attributed to charity care and multiplying by a cost to charge ratio Net charity care for the years ended June 30, 2012 and 2011, amounted to approximately $ 3,348,000 and $ 2,642,000, respectively Net charity care represents the cost incurred related to charity care of approximately $ 3,510,000 and $ 3,084,000 with direct offsetting revenue of approximately $ 162,000 and $ 442,000 for the years ended June 30, 2012 and 2011, respectively

Note 2. Charity Care and Community Service Benefits (Continued)

In addition to the charity care provided for direct patient care, the Hospital provides services at a loss for the Pennsylvania Medicaid Program The Hospital also provides subsidized health services for programs that respond to identified community needs, including Behavioral Health, Substance Abuse, Skilled Nursing, Maternal Services, and Family Services The cost of these community benefits, including charity care, amounted to approximately $ 20,278,000 and $ 18,736,000 for the years ended June 30, 2012 and 2011, respectively These types of costs include community health improvement services, health professions education, research, in-kind contributions to other community groups, and community building activities

Note 3. Net Patient Service Revenue

Certain members of the System have agreements with third-party payors that provide for payments to the System at amounts different from its established rates A summary of the payment arrangements with major third-party payors follows

- Medicare – Inpatient and outpatient services rendered to Medicare patients are paid at prospective payment rates These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors
- Medical Assistance – Inpatient acute care, psychiatric care, and outpatient services rendered to Medical Assistance patients are paid at prospectively determined rates The System's classification of patients under the Medical Assistance program and the appropriateness of their admission are subject to an independent review by the utilization review committee
- Blue Cross – Inpatient and outpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates

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

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

	2012	2011
Medicare	**41 %**	43 %
Other	**21**	20
Self-Pay	**16**	12
Blue Cross	**15**	14
Medical Assistance	**7**	11
	100 %	100 %

Revenue from the Medicare program accounted for approximately 47% of the System's net patient revenue for each of the years ended June 30, 2012 and 2011, while the Medicaid program accounted for approximately 8% and 7% of the System's net patient revenue for the years ended June 30, 2012 and 2011, respectively Laws and regulations governing the Medicare and Medical Assistance programs are extremely complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term

Note 4. Investment Income

Investment income and gains and losses for assets limited as to use and investments are comprised of the following for the years ended June 30

	2012	2011
Other income		
Interest and dividend income	**$ 705,748**	$ 834,563
Net realized gain on sale of investments	**-**	14,455
Total other income	**705,748**	849,018
Other changes in unrestricted net assets		
Change in net unrealized gain (loss) on investments other than trading securities	**(382,005)**	368,551
Total investment income	**$ 323,743**	$ 1,217,569

Note 5. Fair Value Measurements

Authoritative guidance regarding *Fair Value Measurements* establishes a framework for measuring fair value This guidance defines fair value, establishes a framework and hierarchy for measuring fair value, and outlines the related disclosure requirements The guidance indicates that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability based upon an exit price model The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements)

Financial assets recorded on the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows

Level I Quoted prices in active markets for identical assets or liabilities Level I assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market

Level II Observable inputs other than Level I prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities Level II assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments or derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data

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

Note 5. Fair Value Measurements (Continued)

The table below presents the balances of assets measured at fair value as of June 30

	2012			
	Total	Level I	Level II	Level III
Assets whose use is limited				
Board-designated for future capital improvements				
Cash and cash equivalents	$ 60,773,528	$ 60,773,528	$ -	$ -
Certificates of deposit	200,000	200,000	-	-
Board designated for future capital improvements	60,973,528	60,973,528	-	-
Under trust indenture, held by trustee				
Certificates of deposit	7,227,475	7,227,475	-	-
Foundation investments				
Cash and cash equivalents	1,256,801	1,256,801	-	-
Certificates of deposit	333,470	333,470	-	-
Foundation investments	1,590,271	1,590,271	-	-
Under agreement for self-insured workers' compensation				
Certificates of deposit	1,300,000	1,300,000	-	-
Funds held in escrow				
Cash and cash equivalents	2,469,785	2,469,785	-	-
Investments				
Cash and cash equivalents	4,061,000	4,061,000	-	-
Equity mutual funds	2,547,691	2,547,691	-	-
Fixed income mutual funds	511,366	511,366	-	-
Government bonds	1,355,665	1,355,665	-	-
Municipal bonds	1,770,911	1,770,911	-	-
Corporate bonds	16,749,397	16,749,397	-	-
Investments	26,996,030	26,996,030	-	-
Total	$ 100,557,089	$ 100,557,089	$ -	$ -

Note 5. Fair Value Measurements (Continued)

The table below presents the balances of assets measured at fair value as of June 30

	2011			
	Total	Level I	Level II	Level III
Assets whose use is limited				
Board-designated for future capital improvements				
Cash and cash equivalents	$ 63,408,359	$ 63,408,359	$ -	$ -
Certificates of deposit	200,000	200,000	-	-
Equity mutual funds	2,516,118	2,516,118	-	-
Fixed income mutual funds	1,736,037	1,736,037	-	-
Board designated for future capital improvements	67,860,514	67,860,514	-	-
Under trust indenture, held by trustee				
Certificates of deposit	7,085,855	7,085,855	-	-
Foundation investments				
Cash and cash equivalents	1,249,310	1,249,310	-	-
Certificates of deposit	62,771	62,771	-	-
Foundation investments	1,312,081	1,312,081	-	-
Under agreement for self-insured workers' compensation				
Certificates of deposit	1,574,301	1,574,301	-	-
Funds held in escrow				
Cash and cash equivalents	2,463,946	2,463,946	-	-
Investments				
Cash and cash equivalents	7,618,941	7,618,941	-	-
Total	$ 87,915,638	$ 87,915,638	$ -	$ -

The following methods were used by the System in estimating the fair value of its financial instruments There have been no changes in the methodologies used as of June 30, 2012 or 2011

Cash and cash equivalents The carrying amounts reported on the consolidated balance sheets for cash and cash equivalents approximate its fair value

Certificates of deposit Amortized cost plus accrued interest approximates fair value

Fixed income and equity mutual funds Fair values, which are amounts reported on the consolidated balance sheets, are based on quoted market prices

Government, municipal, and corporate bonds Fair values, which are amounts reported on the consolidated balance sheets, are based on quoted market prices, if available, or estimated using quoted market prices for similar assets

Note 5. Fair Value Measurements (Continued)

The carrying amounts and fair values of the System's financial instruments as of June 30 are as follows

	2012		2011	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**$ 21,685,156**	**$ 21,685,156**	$ 22,034,952	$ 22,034,952
Assets whose use is limited	**73,561,059**	**73,561,059**	80,296,697	80,296,697
Investments	**26,996,030**	**26,996,030**	7,618,941	7,618,941
Debt obligations	**134,165,571**	**114,082,660**	135,930,180	115,448,010

Note 6. Property and Equipment

Property and equipment, recorded at cost, consist of the following as of June 30

	2012	2011
Land	**$ 4,415,182**	$ 4,415,182
Land improvements	**9,415,617**	9,415,617
Buildings	**99,881,505**	99,088,335
Equipment (including equipment under capital lease)	**203,465,286**	206,366,968
Leasehold improvements	**8,776,349**	8,017,882
Construction-in-progress	**1,420,181**	885,546
Total	**327,374,120**	328,189,530
Less accumulated depreciation	**162,506,979**	152,857,592
Property and equipment, net	**$ 164,867,141**	$ 175,331,938

Depreciation expense amounted to $ 15,732,954 and $ 15,847,557 for the years ended June 30, 2012 and 2011, respectively

Note 7. Long-Term Debt

Long-term debt consists of the following as of June 30

	2012	2011
Variable Rate Hospital Revenue Bonds, Series 2009A	**$ 50,000,000**	$ 50,000,000
Hospital Revenue Bonds, Series 2009B	**75,990,000**	75,990,000
Variable Rate Hospital Revenue Bonds, Series 2010A	**8,540,000**	10,460,000
Equipment loan, NexTier Bank, due in equal monthly installments, including interest equal to the Five Year Federal Home Loan Bank Rate plus 2 0%, through December 2014	**336,746**	440,931
Loan payable, PNC Bank, due in one payment plus interest equal to the Daily LIBOR Rate in December 2012	**340,616**	-
Capital lease obligations	**38,652**	180,061
Total long-term debt	**135,246,014**	137,070,992
Less unamortized bond discount	**1,080,443**	1,140,812
Total long-term debt, net of unamortized bond discount	**134,165,571**	135,930,180
Less current maturities	**2,470,302**	2,161,022
Long-term debt, net	**$ 131,695,269**	$ 133,769,158

The scheduled principal repayments for long-term debt as of June 30, 2012, are as follows

Years Ending June 30:	
2013	$ 2,470,302
2014	2,171,168
2015	2,238,405
2016	2,195,000
2017	185,000
Thereafter	125,986,139
	$ 135,246,014

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

The 2009A Bonds initially bore interest at a weekly rate, not to exceed 12%, determined by a remarketing agent to be the lowest interest rate necessary which would allow for the sale of the bonds at par, taking into consideration prevailing financial market conditions The trust indenture also provided for the option to convert the bonds to a term rate, as calculated at specified conversion dates throughout the term of the bonds, not to exceed 8% On June 29, 2010, the trust indenture was amended to allow for conversion of the interest calculation to a Bank-Bought Interest Rate, as defined in the amended Master Trust Indenture The interest rate was 1 40% as of June 30, 2012 Scheduled principal payments commence July 1, 2017, and are due each year through 2039 The bonds are secured by pledged revenues

Note 7. Long-Term Debt (Continued)

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

The 2009B Bonds bear interest at rates ranging from 5 38% to 7 25% as of June 30, 2012 Scheduled principal payments commence July 1, 2017, and are due each year through 2039

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

The 2010A Bonds bear interest at a Bank-Bought Interest Rate, as defined in the amended Master Trust Indenture The interest rate was 1 40% as of June 30, 2012 Scheduled principal payments commenced August 1, 2010, and are due each year through 2017

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

The Master Trust Indentures contain various financial and other covenants The Obligated Group is required to maintain certain financial ratios including minimum days cash on hand, a minimum debt service coverage ratio, and a minimum debt-to-capitalization ratio As of June 30, 2012, the Obligated Group was in compliance with the required covenants under the terms of the Master Trust Indentures

Note 8. Operating Leases

The System has various non-cancelable operating lease agreements expiring through fiscal 2017 Expense associated with these operating lease agreements amounted to $ 1,592,830 and $ 950,179 for the years ended June 30, 2012 and 2011, respectively 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	$ 1,733,568
2014	1,321,931
2015	842,042
2016	753,773
2017	184,716
	$ 4,836,030

Note 9. Pension Plans

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

Note 9. Pension Plans (Continued)

The following table sets forth the benefit obligation, fair value of Plan assets, and the funded status of the Hospital's Plan amounts recognized in the consolidated financial statements as of and for the years ended June 30

	2012	2011
Change in projected benefit obligation		
Projected benefit obligation, beginning	**$ 78,648,752**	$ 75,120,791
Service cost	**2,845,391**	2,639,605
Interest cost	**4,307,793**	4,239,166
Actuarial gain	**11,561,095**	2,958,737
Benefits paid	**(3,417,585)**	(6,309,547)
Projected benefit obligation, ending	**93,945,446**	78,648,752
Change in Plan assets		
Fair value of Plan assets, beginning	**64,523,368**	50,919,515
Actual return on Plan assets	**594,867**	11,253,400
Employer contributions	**4,751,330**	8,660,000
Benefits paid	**(3,417,585)**	(6,309,547)
Fair value of Plan assets, ending	**66,451,980**	64,523,368
Funded status and amounts recognized on the consolidated balance sheets	**$ (27,493,466)**	$ (14,125,384)
Accumulated benefit obligation	**$ 91,244,101**	$ 76,314,762

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

The Plan's weighted-average asset allocations by asset category are as follows as of June 30

	Target Allocation	2012	2011
Equity securities	50% - 70%	**56%**	57%
Debt securities	20% - 40%	**35%**	32%
Other	8% - 22%	**9%**	10%

Note 9. Pension Plans (Continued)

The following tables set by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30

	2012			
	Total	**Level I**	**Level II**	**Level III**
Equity securities	**$ 37,213,109**	**$ 37,213,109**	**$ -**	**$ -**
Debt securities	**23,258,193**	**23,258,193**	**-**	**-**
Other	**5,980,678**	**-**	**5,980,678**	**-**
Total	**$ 66,451,980**	**$ 60,471,302**	**$ 5,980,678**	**$ -**

	2011			
	Total	**Level I**	**Level II**	**Level III**
Equity securities	$ 37,543,118	$ 37,543,118	$ -	$ -
Debt securities	20,673,334	20,673,334	-	-
Other	6,306,916	-	6,306,916	-
Total	$ 64,523,368	$ 58,216,452	$ 6,306,916	$ -

Other Plan investments include the SEI Opportunities Collective Fund (Fund), a non-readily marketable collective trust fund held by the Plan The significant investment strategy of the Fund is investing in private investment, or hedge funds The Plan's investment in the Fund is subject to a one-year lockup upon initial investment and is generally redeemable on a quarterly basis given a 65-day notice, at which time quarterly distributions may be taken, subject to a 10% holdback At this time, there is no intention of the Fund to liquidate There are no unfunded commitments relating to the Fund as of June 30, 2012 and 2011

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

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

The following table sets forth the components of net periodic pension cost for the years ended June 30

	2012	2011
Service cost	**$ 2,845,391**	$ 2,639,605
Interest cost	**4,307,793**	4,239,166
Expected return on Plan assets	**(5,400,250)**	(4,679,653)
Amortization of prior service cost	**(54,786)**	(94,005)
Recognized net actuarial loss	**2,187,128**	2,679,582
Net periodic pension cost	**$ 3,885,276**	$ 4,784,695

The Hospital expects to make contributions of approximately $ 8,389,000 to the Plan in 2013

Note 9. Pension Plans (Continued)

The assumptions used in determining the actuarial present value of the projected benefit obligation as of June 30 are as follows

	2012	2011
Discount rate	**4.53%**	5 59%
Rates of compensation increase	**3.25%**	3 50%

The assumptions used to determine the net periodic benefit cost as of June 30 are as follows

	2012	2011
Discount rate	**5.59%**	5 76%
Rates of compensation increase	**3.50%**	3 50%
Expected return on assets	**8.25%**	8 25%

The benefit payments which reflect expected future services as of June 30, 2012, as appropriate, are expected to be paid as follows

Years Ending June 30:	
2013	$ 3,424,843
2014	3,915,067
2015	3,541,684
2016	3,863,943
2017	5,902,708
2018 - 2022	35,642,114

Note 10. Self-Insurance Plans

The System provides for workers' compensation costs through a program of self-insurance supplemented by purchased excess liability coverage Estimated self-insurance costs are accrued based upon data provided by the third-party administrator of the program and historical claims experience The liability for workers' compensation was approximately $ 1,037,000 and $ 955,000 as of June 30, 2012 and 2011, respectively, and is included in accrued expenses on the accompanying consolidated balance sheets The discount rate used in determining these liabilities was 4 0% as of June 30, 2012 and 2011

The System also self-insures its employee health insurance coverage and supplements it with excess liability coverage The Hospital accrues the estimated costs of incurred and reported and incurred and unreported claims, after consideration of its stop-loss insurance coverages, based upon data provided by the third-party administrator of the program and its historical claims experience The liability for employee health insurance was approximately $ 889,000 and $ 936,000 as of June 30, 2012 and 2011, respectively, and is included in accrued expenses on the accompanying consolidated balance sheets

Note 11. Medical Malpractice Claims Coverage

As of June 30, 2012, the Hospital's medical malpractice insurance coverage is provided under the provisions of the following insurance arrangements

Primary coverage – Primary coverage is provided under the terms of an insurance contract which covers losses, if any, which are reported during the period the contract is in force, "claims-made coverage," subject to the per occurrence and aggregate limits of such contact, which are $ 500,000 and $ 2,500,000, respectively

MCARE Fund coverage – The Pennsylvania Medical Care Availability and Reduction of Error Fund (MCARE Fund) provides excess coverage per the Pennsylvania law governing the MCARE Fund Pursuant to the per occurrence and aggregate limits set forth in the controlling Pennsylvania statutes, the MCARE Fund provides coverage for losses in excess of the primary coverage that was in effect on the date of the incident The cost of MCARE Fund coverage is recognized as expense in the period incurred Increases in the annual surcharges and concerns over the MCARE Fund's ability to manage and pay claims continues to result in proposals to reform or restructure the MCARE Fund The Hospital will be required to purchase additional primary insurance to take the place of the MCARE Fund coverage if it is reduced Depending upon the ultimate resolution of this matter, the Hospital may incur additional insurance costs

Excess coverage – The Hospital has excess liability insurance contracts which 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), a reciprocal risk retention group, which is a form of a captive insurance company CHART was formed in April 2002 to provide liability insurance, reinsurance, and risk management services for its subscribers

A portion of the annual primary coverage premium through the 2009 policy year is retrospectively determined based on the actual costs incurred by CHART on behalf of the Hospital As of June 30, 2012, premiums totaling approximately $ 114,134 are subject to retrospective determination The Hospital can be assessed additional premiums up to this amount The obligation to pay additional premiums is secured by letters of credit totaling this amount Unused premiums are refundable to the Hospital Beginning with the 2010 policy, this practice has been eliminated and a $ 10,000 deductible per claim has been instituted

The Hospital's estimated medical malpractice claims liability for both asserted and unasserted claims was approximately $ 1,147,000 and $ 1,013,000 as of June 30, 2012 and 2011, respectively, and is included in accrued expenses on the accompanying consolidated balance sheets It is reasonably possible that the estimates could change materially in the near term

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

Note 12. Investments in and Loans to Affiliates

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

Note 12. Investments in and Loans to Affiliates (Continued)

Investments in and loans to affiliates consist of the following as of June 30

	2012	2011
CHART	**$ 2,063,540**	$ 2,063,540
Benbrook Medical Holdings, LLC	**1,024,507**	912,598
MedCare Equipment Company, LLC	**808,666**	844,099
Benbrook 107, LLC	**225,799**	214,450
South Butler Medical Holdings Management Company, LLC	**159,500**	146,000
VieCare - Butler, LLC	**128,110**	128,110
Butler Physicians Realty, LLC	**84,296**	102,515
Total	**$ 4,494,418**	$ 4,411,312

The Hospital has a 4% ownership in CHART and participates with other subscribers in the operations of CHART This ownership is accounted for in accordance with the cost method of accounting The Hospital received a dividend distribution of $ 153,314 and $ 197,849 for the years ended June 30, 2012 and 2011, respectively

The Hospital has a 15% ownership in Benbrook Medical Holdings, LLC, a joint venture with several physicians for the purpose of acquiring real property and constructing a 55,000 square foot building to be leased to BHS and to operate an ambulatory surgery center The Hospital received a member's distribution from this joint venture of $ 36,143 and $ 25,250 for the years ended June 30, 2012 and 2011, respectively

In 2006, the Hospital entered into a loan agreement with Benbrook Medical Holdings, LLC for $ 915,741 The balance of the loan receivable was $ 756,496 and $ 788,444 as of June 30, 2012 and 2011, respectively The loan bears interest at 6 25% per annum and is due in equal monthly installments through 2026

The Hospital has a 5% ownership in MedCare Equipment Company, LLC, an entity that provides durable medical equipment and related services The Hospital received a member's distribution from MedCare Equipment Company, LLC of $ 117,500 and $ 225,000 for the years ended June 30, 2012 and 2011, respectively

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

The Hospital has a 15% ownership in Butler Physicians Realty, LLC, a joint venture with several physicians to construct a medical office building in Butler County The Hospital received a member's distribution from this joint venture of $ 18,219 and $ 18,839 for the years ended June 30, 2012 and 2011, respectively

The Hospital has a 19 9% ownership in South Butler Medical Holdings Management Company, LLC, a joint venture with several partners for the purpose of acquiring real property and leasing the same to BMP

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

Note 13. Functional Expenses

The System provides general health care services to residents within its geographic location Expenses related to providing these services for the years ended June 30 are as follows

	2012	2011
Health care services	**$ 203,389,307**	$ 200,735,302
General and administrative	**47,069,023**	45,905,239
Fundraising activities	**175,444**	154,223
Total	**$ 250,633,774**	$ 246,794,764

Note 14. Commitments and Contingencies

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

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

Approximately 29% of the Hospital's employees are covered by two collective bargaining agreements The collective bargaining agreement related to the System's maintenance employees, which was set to expire on June 30, 2012, was renegotiated during the year for an additional five year term The collective bargaining agreement related to the System's registered nurses expires on April 16, 2013

INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY INFORMATION

Board of Trustees
Butler Health System and Subsidiaries
Butler, Pennsylvania

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as of and for the year ended June 30, 2012, as a whole The supplementary information is presented for purposes of additional analysis 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 as of and for the year ended June 30, 2012, is fairly stated in all material respects in relation to the consolidated financial statements as a whole The supplementary information for the year ended June 30, 2011, was audited by other auditors whose report, dated October 3, 2011, expressed an unqualified opinion on such information in relation to the consolidated financial statements as a whole

Carbis Walker LLP
Certified Public Accountants

New Castle, Pennsylvania
October 4, 2012

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
June 30, 2012 (With Comparative Totals for 2011)
See Independent Auditors' Report on the Supplementary Information

ASSETS	Obligated Group (Combined)	Butler Health System Foundation
CURRENT ASSETS		
Cash and cash equivalents	$ 20,584,939	$ 528,211
Patient accounts receivable, less allowance for doubtful accounts $ 5,310,970	24,583,632	-
Other receivables	7,739,519	750,517
Inventories	2,940,699	-
Prepaid expenses and other current assets	2,859,628	-
Total current assets	58,708,417	1,278,728
ASSETS WHOSE USE IS LIMITED		
Board-designated for future capital improvements	60,973,528	-
Under trust indenture, held by trustee	7,227,475	-
Foundation investments	-	1,590,271
Under agreement for self-insured workers' compensation	1,300,000	-
Funds held in escrow	2,469,785	-
Total assets whose use is limited	71,970,788	1,590,271
INVESTMENTS	26,996,030	-
PROPERTY AND EQUIPMENT, net of accumulated depreciation	163,256,747	14,733
INVESTMENTS IN AND LOANS TO AFFILIATES	4,850,228	-
INTEREST IN NET ASSETS OF BUTLER HEALTH SYSTEM FOUNDATION	1,135,423	-
DEBT ISSUANCE COSTS, net	2,263,011	-
OTHER ASSETS	2,566,771	-
Total assets	$ 331,747,415	$ 2,883,732

Primary Care Associates, PC	Butler Ambulatory Surgery Center, LLC	Consolidation Eliminations	Consolidation Consolidated	2011 Consolidated
$ 9,935	$ 562,071	$ -	$ 21,685,156	$ 22,034,952
167,499	440,459	-	25,191,590	24,112,609
-	448	(37,868)	8,452,616	7,072,793
36,503	239,755	-	3,216,957	3,351,388
44,995	64,373	-	2,968,996	2,476,224
258,932	1,307,106	(37,868)	61,515,315	59,047,966
-	-	-	60,973,528	67,860,514
-	-	-	7,227,475	7,085,855
-	-	-	1,590,271	1,312,081
-	-	-	1,300,000	1,574,301
-	-	-	2,469,785	2,463,946
-	-	-	73,561,059	80,296,697
-	-	-	26,996,030	7,618,941
30,851	1,564,810	-	164,867,141	175,331,938
-	-	(355,810)	4,494,418	4,411,312
-	-	(1,135,423)	-	-
-	958	-	2,263,969	2,413,374
-	434,230	-	3,001,001	2,835,759
$ 289,783	$ 3,307,104	$ (1,529,101)	$ 336,698,933	$ 331,955,987

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET (CONTINUED)
June 30, 2012 (With Comparative Totals for 2011)
See Independent Auditors' Report on the Supplementary Information

LIABILITIES AND NET ASSETS	Obligated Group (Combined)	Butler Health System Foundation
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 1,985,000	$ -
Accounts payable	3,398,534	330,213
Accrued expenses	18,391,374	6,374
Accrued interest payable	2,759,888	-
Estimated third-party payor settlements	4,885,034	-
Total current liabilities	31,419,830	336,587
LONG-TERM DEBT, net of current maturities	131,464,557	-
ACCRUED PENSION LIABILITY	27,493,466	-
Total liabilities	190,377,853	336,587
NET ASSETS		
Unrestricted	140,061,958	971,349
Noncontrolling interest in consolidated subsidiaries	162,052	-
Temporarily restricted	1,145,552	1,135,423
Permanently restricted	-	440,373
Total net assets	141,369,562	2,547,145
Total liabilities and net assets	$ 331,747,415	$ 2,883,732

Primary Care Associates, PC	Butler Ambulatory Surgery Center, LLC	Consolidation Eliminations	Consolidation Consolidated	2011 Consolidated
$ -	$ 759,853	$ (274,551)	$ 2,470,302	$ 2,161,022
26,563	149,622	-	3,904,932	3,290,069
353,023	177,080	(37,868)	18,889,983	16,294,413
-	2,766	-	2,762,654	2,765,359
-	-	-	4,885,034	4,901,452
379,586	1,089,321	(312,419)	32,912,905	29,412,315
-	311,971	(81,259)	131,695,269	133,769,158
-	-	-	27,493,466	14,125,384
379,586	1,401,292	(393,678)	192,101,640	177,306,857
(89,803)	885,239	-	141,828,743	152,125,984
-	1,020,573	-	1,182,625	676,108
-	-	(1,135,423)	1,145,552	1,408,400
-	-	-	440,373	438,638
(89,803)	1,905,812	(1,135,423)	144,597,293	154,649,130
$ 289,783	$ 3,307,104	$ (1,529,101)	$ 336,698,933	$ 331,955,987

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended June 30, 2012 (With Comparative Totals for 2011)
See Independent Auditors' Report on the Supplementary Information

	Obligated Group (Combined)	Butler Health System Foundation
Changes in unrestricted net assets		
Net patient service revenue	$ 231,559,134	$ -
Other operating revenue	11,695,492	-
Contributions	145	144,326
Net assets released from restrictions used for operations	88,566	-
Total unrestricted revenue	243,343,337	144,326
Expenses		
Salaries and wages	78,276,769	56,721
Medical and surgical supplies	39,768,698	-
General supplies and purchased services	29,714,571	112,492
Employee benefits	26,833,813	12,611
Physicians' fees	21,281,982	-
Depreciation and amortization	15,494,004	4,600
Provision for doubtful collections	9,123,256	-
Interest	6,479,502	-
Utilities and insurance	6,198,976	460
Professional fees and miscellaneous	4,266,994	7,438
Outside medical services	4,105,647	-
Total expenses	241,544,212	194,322
Operating income (loss)	1,799,125	(49,996)
Other non-operating income		
Investment income	733,076	748
Equity in earnings of affiliates	235,381	-
Other income	32,922	-
Total non-operating income	1,001,379	748
Excess (deficiency) of revenue over expenses before noncontrolling interest	2,800,504	(49,248)
Noncontrolling interest in net income of consolidated subsidiaries	(162,052)	-
Excess (deficiency) of revenue over expenses	2,638,452	(49,248)
Other changes in unrestricted net assets		
Unrealized gain (loss) on investments	(382,005)	-
Net assets released from restrictions used for capital expenditures	790,603	-
Transfers (to) from affiliates	866,999	-
Accumulated liability for pension benefits	(14,234,136)	-
Increase (decrease) in unrestricted net assets	$ (10,320,087)	$ (49,248)

Primary Care Associates, PC	Butler Ambulatory Surgery Center, LLC	Consolidation Eliminations	Consolidation Consolidated	2011 Consolidated
$ 4,030,184	$ 7,086,166	$ -	$ 242,675,484	$ 234,284,652
8,511	80,891	(259,930)	11,524,964	11,309,991
-	-	(2,800)	141,671	176,324
-	-	-	88,566	256,330
4,038,695	7,167,057	(262,730)	254,430,685	246,027,297
729,755	1,159,228	-	80,222,473	82,000,795
245,194	1,286,958	-	41,300,850	38,392,594
524,141	1,699,453	(259,930)	31,790,727	32,276,437
410,559	185,807	-	27,442,790	27,299,311
2,097,136	-	-	23,379,118	22,114,056
2,776	231,574	-	15,732,954	15,847,557
24,324	129,266	-	9,276,846	9,094,772
6,115	59,167	(28,991)	6,515,793	6,033,860
121,135	59,921	-	6,380,492	5,696,347
63,186	151,266	(2,800)	4,486,084	4,762,938
-	-	-	4,105,647	3,276,097
4,224,321	4,962,640	(291,721)	250,633,774	246,794,764
(185,626)	2,204,417	28,991	3,796,911	(767,467)
-	915	(28,991)	705,748	849,018
-	-	-	235,381	725,356
-	-	-	32,922	(262,072)
-	915	(28,991)	974,051	1,312,302
(185,626)	2,205,332	-	4,770,962	544,835
-	(1,080,613)	-	(1,242,665)	(1,064,861)
(185,626)	1,124,719	-	3,528,297	(520,026)
-	-	-	(382,005)	368,551
-	-	-	790,603	822,636
-	(866,999)	-	-	-
-	-	-	(14,234,136)	6,200,587
$ (185,626)	$ 257,720	$ -	$ (10,297,241)	$ 6,871,748

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
Year Ended June 30, 2012 (With Comparative Totals for 2011)
See Independent Auditors' Report on the Supplementary Information

	Obligated Group (Combined)	Butler Health System Foundation
Unrestricted net assets		
Excess (deficiency) of revenue over expenses	$ 2,638,452	$ (49,248)
Unrealized gain (loss) on investments	(382,005)	-
Net assets released from restrictions used for capital expenditures	790,603	-
Transfers (to) from affiliates	866,999	-
Accumulated liability for pension benefits	(14,234,136)	-
Increase (decrease) in unrestricted net assets	(10,320,087)	(49,248)
Temporarily restricted net assets		
Contributions	-	615,773
Change in value of pledges receivable	-	-
Net realized gain on investments	-	548
Net assets transferred (to) from affiliates	879,169	(879,169)
Decrease in interest in net assets of Butler Health System Foundation	(262,848)	-
Net assets released from restrictions	(879,169)	-
Decrease in temporarily restricted net assets	(262,848)	(262,848)
Permanently restricted net assets		
Net realized gain on investments	-	1,735
Increase (decrease) in net assets	(10,582,935)	(310,361)
Net assets, beginning, before noncontrolling interest	151,790,445	2,857,506
Net assets, ending, before noncontrolling interest	$ 141,207,510	$ 2,547,145

Primary Care Associates, PC	Butler Ambulatory Surgery Center, LLC	Consolidation Eliminations	Consolidation Consolidated	2011 Consolidated
$ (185,626)	$ 1,124,719	$ -	$ 3,528,297	$ (520,026)
-	-	-	(382,005)	368,551
-	-	-	790,603	822,636
-	(866,999)	-	-	-
-	-	-	(14,234,136)	6,200,587
(185,626)	257,720	-	(10,297,241)	6,871,748
-	-	-	615,773	1,006,221
-	-	-	-	12,964
-	-	-	548	1,045
-	-	-	-	-
-	-	262,848	-	-
-	-	-	(879,169)	(1,078,966)
-	-	262,848	(262,848)	(58,736)
-	-	-	1,735	3,027
(185,626)	257,720	262,848	(10,558,354)	6,816,039
95,823	627,519	(1,398,271)	153,973,022	147,156,983
$ (89,803)	$ 885,239	$ (1,135,423)	$ 143,414,668	$ 153,973,022

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

COMBINING BALANCE SHEET
June 30, 2012
See Independent Auditors' Report on the Supplementary Information

ASSETS	Butler Health System	Butler Memorial Hospital
CURRENT ASSETS		
Cash and cash equivalents	$ 993,793	$ 17,454,440
Patient accounts receivable, less allowance for doubtful accounts $ 5,088,663	-	22,382,295
Other receivables	129,431	7,482,505
Inventories	-	2,940,699
Prepaid expenses and other current assets	-	2,301,966
Total current assets	1,123,224	52,561,905
ASSETS WHOSE USE IS LIMITED		
Board-designated for future capital improvements	-	60,973,528
Under trust indenture, held by trustee	-	7,227,475
Foundation investments	-	-
Under agreement for self-insured workers' compensation	-	1,300,000
Funds held in escrow	-	2,469,785
Total assets whose use is limited	-	71,970,788
INVESTMENTS	-	26,995,858
PROPERTY AND EQUIPMENT, net of accumulated depreciation	2,098,044	149,319,649
INVESTMENTS IN AND LOANS TO AFFILIATES	-	4,850,228
INTEREST IN NET ASSETS OF BUTLER HEALTH SYSTEM FOUNDATION	-	1,135,423
DEBT ISSUANCE COSTS, net	-	2,263,011
OTHER ASSETS	-	2,566,771
Total assets	$ 3,221,268	$ 311,663,633

Butler Medical Providers	Nixsar Corporation	Combination Eliminations	Combination Combined
$ 1,458,853	$ 677,853	$ -	$ 20,584,939
2,108,100	96,231	(2,994)	24,583,632
713,221	10,000	(595,638)	7,739,519
-	-	-	2,940,699
557,662	-	-	2,859,628
4,837,836	784,084	(598,632)	58,708,417
-	-	-	60,973,528
-	-	-	7,227,475
-	-	-	-
-	-	-	1,300,000
-	-	-	2,469,785
-	-	-	71,970,788
172	-	-	26,996,030
1,086,728	10,752,326	-	163,256,747
-	-	-	4,850,228
-	-	-	1,135,423
-	-	-	2,263,011
-	-	-	2,566,771
$ 5,924,736	$ 11,536,410	$ (598,632)	$ 331,747,415

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

COMBINING BALANCE SHEET (CONTINUED)
June 30, 2012
See Independent Auditors' Report on the Supplementary Information

LIABILITIES AND NET ASSETS	Butler Health System	Butler Memorial Hospital
CURRENT LIABILITIES		
Current maturities of long-term debt	$ -	$ 1,985,000
Accounts payable	-	3,392,845
Accrued expenses	-	16,856,728
Accrued interest payable	-	2,759,888
Estimated third-party payor settlements	-	4,885,034
Total current liabilities	-	29,879,495
LONG-TERM DEBT, net of current maturities	-	131,464,557
ACCRUED PENSION LIABILITY	-	27,493,466
Total liabilities	-	188,837,518
NET ASSETS		
Unrestricted	3,221,268	121,518,511
Noncontrolling interest in consolidated subsidiary	-	162,052
Temporarily restricted	-	1,145,552
Total net assets	3,221,268	122,826,115
Total liabilities and net assets	$ 3,221,268	$ 311,663,633

Butler Medical Providers	Nixsar Corporation	Combination Eliminations	Combination Combined
$ -	$ -	$ -	$ 1,985,000
5,689	-	-	3,398,534
2,119,279	13,999	(598,632)	18,391,374
-	-	-	2,759,888
-	-	-	4,885,034
2,124,968	13,999	(598,632)	31,419,830
-	-	-	131,464,557
-	-	-	27,493,466
2,124,968	13,999	(598,632)	190,377,853
3,799,768	11,522,411	-	140,061,958
-	-	-	162,052
-	-	-	1,145,552
3,799,768	11,522,411	-	141,369,562
$ 5,924,736	$ 11,536,410	$ (598,632)	$ 331,747,415

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

COMBINING STATEMENT OF OPERATIONS
Year Ended June 30, 2012
See Independent Auditors' Report on the Supplementary Information

	Butler Health System	Butler Memorial Hospital
Changes in unrestricted net assets		
Net patient service revenue	$ -	$ 209,233,549
Other operating revenue	362,287	10,844,046
Contributions	-	145
Net assets released from restrictions used for operations	-	88,566
Total unrestricted revenue	362,287	220,166,306
Expenses		
Salaries and wages	-	75,745,124
Medical and surgical supplies	-	39,487,831
General supplies and purchased services	96,796	26,089,732
Employee benefits	-	24,236,097
Physicians' fees	-	5,030,361
Depreciation and amortization	416,836	14,076,797
Provision for doubtful collections	-	8,625,744
Interest	-	6,479,502
Utilities and insurance	37,025	5,257,621
Professional fees and miscellaneous	35,607	3,765,867
Outside medical services	-	3,487,861
Total expenses	586,264	212,282,537
Operating income (loss)	(223,977)	7,883,769
Other non-operating income		
Investment income	89	732,973
Equity in earnings of affiliates	-	235,381
Other income	-	54,022
Total non-operating income	89	1,022,376
Excess (deficiency) of revenue over expenses before noncontrolling interest	(223,888)	8,906,145
Noncontrolling interest in net income of consolidated subsidiaries	-	(162,052)
Excess (deficiency) of revenue over expenses	(223,888)	8,744,093
Other changes in unrestricted net assets		
Unrealized (loss) on investments	-	(382,005)
Net assets released from restrictions used for capital expenditures	-	790,603
Transfers (to) from affiliates	266,999	(5,100,000)
Accumulated liability for pension benefits	-	(14,234,136)
Increase (decrease) in unrestricted net assets	$ 43,111	$ (10,181,445)

Butler Medical Providers	Nixsar Corporation	Combination Eliminations	Combination Combined
$ 22,330,668	$ -	$ (5,083)	$ 231,559,134
3,299,035	564,935	(3,374,811)	11,695,492
-	-	-	145
-	-	-	88,566
25,629,703	564,935	(3,379,894)	243,343,337
2,531,645	-	-	78,276,769
280,867	-	-	39,768,698
4,871,674	169,870	(1,513,501)	29,714,571
2,597,716	-	-	26,833,813
18,114,811	-	(1,863,190)	21,281,982
260,640	739,731	-	15,494,004
497,512	-	-	9,123,256
-	-	-	6,479,502
767,867	136,463	-	6,198,976
433,565	49,955	(18,000)	4,266,994
624,089	-	(6,303)	4,105,647
30,980,386	1,096,019	(3,400,994)	241,544,212
(5,350,683)	(531,084)	21,100	1,799,125
-	14	-	733,076
-	-	-	235,381
-	-	(21,100)	32,922
-	14	(21,100)	1,001,379
(5,350,683)	(531,070)	-	2,800,504
-	-	-	(162,052)
(5,350,683)	(531,070)	-	2,638,452
-	-	-	(382,005)
-	-	-	790,603
5,000,000	700,000	-	866,999
-	-	-	(14,234,136)
$ (350,683)	$ 168,930	$ -	$ (10,320,087)

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

COMBINING STATEMENT OF CHANGES IN NET ASSETS
Year Ended June 30, 2012
See Independent Auditors' Report on the Supplementary Information

	Butler Health System	Butler Memorial Hospital
Unrestricted net assets		
Excess (deficiency) of revenue over expenses	$ (223,888)	$ 8,744,093
Unrealized (loss) on investments	-	(382,005)
Net assets released from restrictions used for capital expenditures	-	790,603
Transfers (to) from affiliates	266,999	(5,100,000)
Accumulated liability for pension benefits	-	(14,234,136)
Increase (decrease) in unrestricted net assets	43,111	(10,181,445)
Temporarily restricted net assets		
Net assets transferred from affiliates	-	879,169
Decrease in interest in net assets of Butler Health System Foundation	-	(262,848)
Net assets released from restrictions	-	(879,169)
Decrease in temporarily restricted net assets	-	(262,848)
Increase (decrease) in net assets	43,111	(10,444,293)
Net assets, beginning, before noncontrolling interest	3,178,157	133,108,356
Net assets, ending, before noncontrolling interest	$ 3,221,268	$ 122,664,063

Butler Medical Providers	Nixsar Corporation	Combination Eliminations	Combination Combined
$ (5,350,683)	$ (531,070)	$ -	$ 2,638,452
-	-	-	(382,005)
-	-	-	790,603
5,000,000	700,000	-	866,999
-	-	-	(14,234,136)
(350,683)	168,930	-	(10,320,087)
-	-	-	879,169
-	-	-	(262,848)
-	-	-	(879,169)
-	-	-	(262,848)
(350,683)	168,930	-	(10,582,935)
4,150,451	11,353,481	-	151,790,445
$ 3,799,768	$ 11,522,411	$ -	$ 141,207,510