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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>B</b> Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization SOMERSET COMMUNITY HOSPITAL		<b>D</b> Employer identification number 25-0965570
	Doing Business As		<b>E</b> Telephone number (814) 443-5221
	Number and street (or P O box if mail is not delivered to street address) Room/suite 225 SOUTH CENTER AVENUE	<b>G</b> Gross receipts \$ 68,764,872	
	City or town, state or country, and ZIP + 4 SOMERSET, PA 15501		
	<b>F</b> Name and address of principal officer RONALD M PARK 225 SOUTH CENTER AVENUE SOMERSET, PA 15501	<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) <b>H(c)</b> Group exemption number	
<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) (insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			
<b>J</b> Website: WWW.SOMERSETHOSPITAL.COM			
<b>K</b> Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other			<b>L</b> Year of formation 1921
			<b>M</b> State of legal domicile PA

**Part I Summary**

<b>Activities &amp; Governance</b>	<b>1</b> Briefly describe the organization's mission or most significant activities SOMERSET HOSPITAL IS A NOT-FOR-PROFIT COMMUNITY ASSET COMMITTED TO PROVIDING CARE TO THE SICK AND INJURED, PRESERVING AND SUSTAINING LIFE, AND PROMOTING HEALTH AND WELL BEING, TO THE PROMOTION AND DEVELOPMENT OF COMPLEMENTARY PROGRAMS AND SERVICES, MANPOWER AND FACILITIES, TO THE CONTINUOUS IMPROVEMENT OF QUALITY, ACCESSIBILITY AND CONTINUITY OF PATIENT CARE, TO THE WELFARE AND LIVELIHOOD OF ITS EMPLOYEES, TO ENSURING THE HOSPITAL'S FINANCIAL VIABILITY NECESSARY TO MEET THE HEALTHCARE NEEDS OF THE COMMUNITY AND REGION TODAY AND IN THE FUTURE			
	<b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets			
	<b>3</b>	Number of voting members of the governing body (Part VI, line 1a)	19	
	<b>4</b>	Number of independent voting members of the governing body (Part VI, line 1b)	13	
	<b>5</b>	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	850	
	<b>6</b>	Total number of volunteers (estimate if necessary)	107	
	<b>7a</b>	Total unrelated business revenue from Part VIII, column (C), line 12	55,861	
<b>7b</b>	Net unrelated business taxable income from Form 990-T, line 34	33,494		
<b>Revenue</b>	<b>8</b>	Contributions and grants (Part VIII, line 1h)	2,181,623	19,645
	<b>9</b>	Program service revenue (Part VIII, line 2g)	66,534,177	66,829,225
	<b>10</b>	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	757,690	638,966
	<b>11</b>	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	82,267	927,814
	<b>12</b>	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	69,555,757	68,415,650
<b>Expenses</b>	<b>13</b>	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	0	2,500
	<b>14</b>	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	<b>15</b>	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	32,864,423	32,624,465
	<b>16a</b>	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	<b>b</b>	Total fundraising expenses (Part IX, column (D), line 25) $\rightarrow$ 0		
	<b>17</b>	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	33,076,719	33,740,480
<b>18</b>	Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	65,941,142	66,367,445	
<b>19</b>	Revenue less expenses Subtract line 18 from line 12	3,614,615	2,048,205	
<b>Net Assets or Fund Balances</b>	<b>20</b>	Total assets (Part X, line 16)	72,527,859	72,670,647
	<b>21</b>	Total liabilities (Part X, line 26)	36,603,520	44,201,598
	<b>22</b>	Net assets or fund balances Subtract line 21 from line 20	35,924,339	28,469,049

**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.

<b>Sign Here</b>	***** Signature of officer	2013-05-02 Date		
	RONALD M PARK CEO/PRESIDENT Type or print name and title			
<b>Paid Preparer's Use Only</b>	Preparer's signature $\rightarrow$ JEFFREY J PETRELL CPA	Date 2013-05-02	Check if self-employed <input type="checkbox"/>	Preparer's taxpayer identification number (see instructions) P00138808
	Firm's name (or yours if self-employed), address, and ZIP + 4 $\rightarrow$ CARBIS WALKER LLP 5700 CORPORATE DRIVE STE 650 PITTSBURGH, PA 15237			EIN $\rightarrow$ 25-0988255
				Phone no $\rightarrow$ (412) 635-6270

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
OUR MISSION AS AN ORGANIZATION IS TO PRESERVE AND IMPROVE LIFE BY PROVIDING ACCESS TO QUALITY, CUSTOMER-FRIENDLY HEALTHCARE SERVICES

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

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

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses

4a (Code ) (Expenses \$ 57,138,679 including grants of \$ ) (Revenue \$ 66,818,364 )
SOMERSET HOSPITAL IS A NOT-FOR-PROFIT COMMUNITY ASSET COMMITTED TO PROVIDING CARE TO THE SICK AND INJURED, PRESERVING AND SUSTAINING LIFE, AND PROMOTING HEALTH AND WELL BEING, TO THE PROMOTION AND DEVELOPMENT OF COMPLEMENTARY PROGRAMS AND SERVICES, MANPOWER AND FACILITIES, TO THE CONTINUOUS IMPROVEMENT OF QUALITY, ACCESSIBILITY AND CONTINUITY OF PATIENT CARE, TO THE WELFARE AND LIVELIHOOD OF ITS EMPLOYEES, TO ENSURING THE HOSPITAL'S FINANCIAL VIABILITY NECESSARY TO MEET THE HEALTHCARE NEEDS OF THE COMMUNITY AND REGION TODAY AND IN THE FUTURE SOMERSET HOSPITAL IS A 150-BED, NOT-FOR-PROFIT COMMUNITY HOSPITAL SERVING THE SOMERSET AREA THE HOSPITAL ALSO PROVIDES CARE FOR MANY PATIENTS NORTH OF SOMERSET TO ROUTE 30 AND SOUTH OF SOMERSET TO THE MARYLAND STATE LINE SOMERSET HOSPITAL, ONE OF THE TOP FIVE EMPLOYERS IN SOMERSET COUNTY, PROVIDES QUALITY HEALTH CARE IN A COMPASSIONATE MANNER REGARDLESS OF RACE, CREED, SEX, NATIONAL ORIGIN, HANDICAP, AGE OR THE PATIENT'S ABILITY TO PAY ALTHOUGH REIMBURSEMENT FOR SERVICES RENDERED IS CRITICAL TO THE OPERATION AND STABILITY OF SOMERSET HOSPITAL, THE HOSPITAL, UNDER ITS WRITTEN CHARITY CARE POLICY, IS COMMITTED TO PROVIDING NECESSARY HEALTH CARE SERVICES AT NO CHARGE OR AT A REDUCED CHARGE TO PATIENTS CHARITY CARE FY 2012BAD DEBT \$2,974,420FREE CARE \$1,735,790CONTRACTUAL ALLOWANCES \$124,696,272TOTAL CHARITY CARE \$129,406,482PUBLIC POLICIESTHROUGH SIGNAGE POSTED IN THE HOSPITAL'S INFORMATION CENTER, ADMISSIONS DEPARTMENT, EMERGENCY ROOM AND CREDIT OFFICE, THE PUBLIC IS PROVIDED WITH THE ORGANIZATION'S POLICY OF PROVIDING CARE REGARDLESS OF ABILITY TO PAY ADDITIONALLY, PUBLIC NOTICES ADVERTISED IN THE DAILY AMERICAN, TRIBUNE DEMOCRAT AND MEYERSDALE REPUBLIC CALL ATTENTION TO THE HOSPITAL'S HILL BURTON OBLIGATIONS AND OPEN ADMISSIONS POLICY SOMERSET HOSPITAL GENERALLY DESIGNATES SERVICES AS "CHARITY CARE" AFTER BILLING BASED ON AN INDIVIDUAL'S ABILITY TO PAY, SOMERSET HOSPITAL OFFERS PAYMENT PLANS AND ASSISTS INDIVIDUALS IN APPLYING FOR THE STATE'S MEDICAL ASSISTANCE PROGRAM SELF-PAY PATIENTS ARE REQUESTED TO PROVIDE PARTIAL PRE-PAYMENT FOR SERVICES RENDERED BY THE HOSPITAL HOWEVER, SERVICES BY SOMERSET HOSPITAL ARE PROVIDED WITHOUT REGARD TO AN INDIVIDUAL'S ABILITY TO PAY COMMUNITY SERVICE AND CONTRIBUTIONS DURING THE PAST YEAR, SOMERSET HOSPITAL HAS PROVIDED THE FOLLOWING SERVICES AND CONTRIBUTIONS TO THE COMMUNITY THE SERVICES ARE PROVIDED FREE OF CHARGE OR AT A NOMINAL FEE AS INDICATED COMMUNITY HEALTH EDUCATION (FREE OR MINIMAL FEES CHARGED TO COVER DIRECT COSTS)PRE-NATAL EDUCATION, 32/YEAR, 24 HOURS BREASTFEEDING CLASS, 21/YEAR, 24 HOURS CPR, 54/YEAR, 16 HOURS TOTAL, 107/YEAR, 56 HOURS SPEAKER'S BUREAU (NO CHARGE TO THE COMMUNITY)31 VARIOUS GROUPS, 1097/YEAR, 62 HOURS SUPPORT GROUPS (NO CHARGE)HOSPICE BEREAVEMENT, 85/YEAR, 10 HOURS ARTHRITIS, 107/YEAR, 24 HOURS DIABETES SUPPORT, 116/YEAR, 18 HOURS DIABETES WITH PUMPS, 22/YEAR, 18 HOURS ALZHEIMER'S, 29/YEAR, 10 HOURS SLEEP APNEA, 152/YEAR, 18 HOURS COMPASSIONATE FRIENDS, 94/YEAR, 12 HOURS PARKINSON'S, 56/YEAR, 12 HOURS HEALTHWALK, 42/YEAR, 30 HOURS CAMP KIDD BEREAVEMENT, 5/YEAR, 6 HOURS TRANSPLANT SUPPORT, 46/YEAR, 8 HOURS WEIGHT LOSS SUPPORT, 18/YEAR, 4 HOURS TOTAL, 772/YEAR, 170 HOURS COMMUNITY EDUCATION INFORMATION REQUESTS (NO CHARGE)PHONE REQUESTS, 3170/YEAR, 125 HOURS MAIL REQUESTS, 666/YEAR, 16 HOURS WALK-IN REQUESTS, 200/YEAR, 10 HOURS DIABETES BOOT CAMP, 128/YEAR, 48 HOURS SCHOOL PROGRAMS (NO CHARGE) SECOND GRADE TOURS, 242/YEAR, 32 HOURS POISON PREVENTION PROGRAMS, 425/YEAR, 36 HOURS SHADOW STUDENTS, 78/YEAR, 312 HOURS TEACHER TOURS, 36/YEAR, 6 HOURS TOTAL, 781/YEAR, 386 HOURS HEALTH FAIRS OR COMMUNITY EDUCATION PROGRAMS (NO CHARGE TO THE COMMUNITY)SMOKING CESSATION, 98/YEAR, 32 HOURS DIABETIC EDUCATION PROGRAMS, 371/YEAR, 32 HOURS HEALTH FAIRS, 1233/YEAR, 36 HOURS HIGHMARK PROGRAMS, 266/YEAR, 64 HOURS HEALTHWALK, 42/YEAR, 12 HOURS VARIOUS COMM EDUCATION, 615/YEAR, 48 HOURS SAFE KIDS/CAR SEATS, 371/YEAR, 24 HOURS HIGHMARK PROGRAMS, 266/YEAR, 18 HOURS WOMEN'S HEALTH PROGRAMS, 193/YEAR, 12 HOURS SEMINARS OFF CAMPUS, 301/YEAR, 12 HOURS PROGRAMS ON CAMPUS, 181/YEAR, 12 HOURS SILVER SNEAKERS, 224/YEAR, 23,296 HOURS KIDSHAPE, 26/YEAR, 414 HOURS SENIOR CENTER PROGRAMS, 177/YEAR, 16 HOURS TOTAL, 4,364/YEAR, 24,028 HOURS HOSPITAL STAFF CONTRIBUTIONS TO COMMUNITY ORGANIZATIONS SOMERSET ROTARY, 150 HOURS/YEAR SOMERSET COUNTY CHAMBER OF COMMERCE, 24 HOURS/YEAR HEALTH & WELFARE COUNCIL, 12 HOURS/YEAR REDEVELOPMENT AUTHORITY, 24 HOURS/YEAR OTHER CONTRIBUTIONS IN TOUCH HOSPICE THROUGH THE HOSPITAL'S HOME HEALTH AND HOSPICE CARE DEPARTMENT, TERMINALLY ILL PATIENTS AND THEIR FAMILIES ARE PROVIDED CLINICAL AND EMOTIONAL SUPPORT THIS SERVICE IS SUPPORTED THROUGH COMMUNITY CONTRIBUTIONS ANNUAL OPERATING BUDGET \$2,918,130 IN FISCAL YEAR 2012 SOCIAL WORK SERVICES SOMERSET HOSPITAL' SOCIAL WORK SERVICES DEPARTMENT, WITH AN OPERATING BUDGET IN EXCESS OF \$124,670 IN FY 2012, IS RESPONSIBLE FOR MEETING BOTH INPATIENT AND OUTPATIENT SOCIAL NEEDS INCLUDING THE PLACEMENT OF PATIENTS IN AN APPROPRIATE COMMUNITY SETTING UPON DISCHARGE THE STAFF PROVIDES EXPERTISE TO MANY COMMUNITY ORGANIZATIONS

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 \$ 57,138,679

**Part IV Checklist of Required Schedules**

		Yes	No
<b>1</b>	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> <input checked="" type="checkbox"/>	Yes	
<b>2</b>	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? <input checked="" type="checkbox"/>	Yes	
<b>3</b>	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i> <input checked="" type="checkbox"/>		No
<b>4</b>	<b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i> <input checked="" type="checkbox"/>	Yes	
<b>5</b>	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? <i>If "Yes," complete Schedule C, Part III.</i> <input checked="" type="checkbox"/>		No
<b>6</b>	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? <i>If "Yes," complete Schedule D, Part I.</i> <input checked="" type="checkbox"/>		No
<b>7</b>	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i> <input checked="" type="checkbox"/>		No
<b>8</b>	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> <input checked="" type="checkbox"/>		No
<b>9</b>	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? <i>If "Yes," complete Schedule D, Part IV.</i> <input checked="" type="checkbox"/>		No
<b>10</b>	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> <input checked="" type="checkbox"/>		No
<b>11</b>	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		
<b>a</b>	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> <input checked="" type="checkbox"/>	Yes	
<b>b</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? <i>If "Yes," complete Schedule D, Part VII.</i> <input checked="" type="checkbox"/>	Yes	
<b>c</b>	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? <i>If "Yes," complete Schedule D, Part VIII.</i> <input checked="" type="checkbox"/>		No
<b>d</b>	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? <i>If "Yes," complete Schedule D, Part IX.</i> <input checked="" type="checkbox"/>		No
<b>e</b>	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> <input checked="" type="checkbox"/>	Yes	
<b>f</b>	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)? <i>If "Yes," complete Schedule D, Part X.</i> <input checked="" type="checkbox"/>		No
<b>12a</b>	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> <input checked="" type="checkbox"/>		No
<b>b</b>	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> <input checked="" type="checkbox"/>	Yes	
<b>13</b>	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>		No
<b>14a</b>	Did the organization maintain an office, employees, or agents outside of the United States?		No
<b>b</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? <i>If "Yes," complete Schedule F, Part I.</i>		No
<b>15</b>	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? <i>If "Yes," complete Schedule F, Part II and IV.</i>		No
<b>16</b>	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? <i>If "Yes," complete Schedule F, Part III and IV.</i>		No
<b>17</b>	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? <i>If "Yes," complete Schedule G, Part I.</i>		No
<b>18</b>	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>	Yes	
<b>19</b>	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>		No
<b>20a</b>	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> <input checked="" type="checkbox"/>	Yes	
<b>b</b>	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> All Form 990 filers that operated one or more hospitals must attach audited financial statements. <input checked="" type="checkbox"/>	Yes	

**Part IV Checklist of Required Schedules** (continued)

<b>21</b>	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? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	<b>21</b>		No
<b>22</b>	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? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	<b>22</b>		No
<b>23</b>	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? <i>If "Yes," complete Schedule J</i> . . . . .	<b>23</b>	Yes	
<b>24a</b>	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? <i>If "Yes," answer questions 24b-24d and complete Schedule K. If "No," go to line 25</i> . . . . .	<b>24a</b>	Yes	
<b>b</b>	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . . .	<b>24b</b>		No
<b>c</b>	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	<b>24c</b>		No
<b>d</b>	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . . .	<b>24d</b>		No
<b>25a</b>	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	<b>25a</b>		No
<b>b</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? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	<b>25b</b>		No
<b>26</b>	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? <i>If "Yes," complete Schedule L, Part II</i> . . . . .	<b>26</b>		No
<b>27</b>	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? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	<b>27</b>		No
<b>28</b>	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)			
<b>a</b>	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	<b>28a</b>		No
<b>b</b>	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	<b>28b</b>	Yes	
<b>c</b>	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? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	<b>28c</b>		No
<b>29</b>	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	<b>29</b>		No
<b>30</b>	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	<b>30</b>		No
<b>31</b>	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	<b>31</b>		No
<b>32</b>	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	<b>32</b>		No
<b>33</b>	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	<b>33</b>		No
<b>34</b>	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i> . . . . .	<b>34</b>	Yes	
<b>35a</b>	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	<b>35a</b>	Yes	
<b>b</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)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	<b>35b</b>	Yes	
<b>36</b>	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	<b>36</b>		No
<b>37</b>	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? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	<b>37</b>		No
<b>38</b>	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	<b>38</b>	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

Table with columns for question number, question text, and Yes/No response. Rows include questions 1a-14a regarding Form 1096, W-2G, Form W-3, federal employment tax returns, unrelated business income, prohibited tax shelter transactions, deductible contributions, and charitable trusts.

**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
<b>1a</b>	Enter the number of voting members of the governing body at the end of the tax year . . . . .		
<b>1b</b>	Enter the number of voting members included in line 1a, above, who are independent . . . . .		
<b>2</b>	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? . . . . .		No
<b>3</b>	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? . . . . .		No
<b>4</b>	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .		No
<b>5</b>	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .		No
<b>6</b>	Did the organization have members or stockholders? . . . . .	Yes	
<b>7a</b>	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? . . . . .	Yes	
<b>7b</b>	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . .		No
<b>8</b>	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following . . . . .		
<b>8a</b>	The governing body? . . . . .	Yes	
<b>8b</b>	Each committee with authority to act on behalf of the governing body? . . . . .	Yes	
<b>9</b>	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 . . . . .		No

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

		Yes	No
<b>10a</b>	Did the organization have local chapters, branches, or affiliates? . . . . .		No
<b>10b</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? . . . . .		
<b>11a</b>	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? . . . . .	Yes	
<b>11b</b>	Describe in Schedule O the process, if any, used by the organization to review the Form 990 . . . . .		
<b>12a</b>	Did the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .	Yes	
<b>12b</b>	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .	Yes	
<b>12c</b>	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done . . . . .	Yes	
<b>13</b>	Did the organization have a written whistleblower policy? . . . . .	Yes	
<b>14</b>	Did the organization have a written document retention and destruction policy? . . . . .	Yes	
<b>15</b>	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? . . . . .		
<b>15a</b>	The organization's CEO, Executive Director, or top management official . . . . .	Yes	
<b>15b</b>	Other officers or key employees of the organization . . . . .	Yes	
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)		
<b>16a</b>	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .		No
<b>16b</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? . . . . .		

**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   
 RONALD M PARK  
 225 SOUTH CENTER AVENUE  
 SOMERSET, PA 15501  
 (814) 443-5221

**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) BRUCE SHIPLEY CHAIRMAN	2 00	X		X				0	0	0
(2) BOB BASTIAN 1ST VICE CHAIRMAN	2 00	X		X				0	0	0
(3) VINCENT J JACOB 2ND VICE CHAIRMAN	2 00	X		X				0	0	0
(4) CATHERINE POORBAUGH SECRETARY	2 00	X		X				0	0	0
(5) BRAD COBER TREASURER	1 00	X		X				0	0	0
(6) WILBUR A THOMAS ASST SECRETARY/TREASURER	2 00	X		X				0	0	0
(7) ROBERTA ANTRAM DIRECTOR	1 00	X						0	0	0
(8) NATHANIEL A BARBERA DIRECTOR	1 00	X						0	0	0
(9) AJAY P SINGH MD DIRECTOR	1 00	X						0	245,682	13,748
(10) MICHELLE MOON DIRECTOR	1 00	X						0	0	0
(11) SHARON CLAPPER DIRECTOR	1 00	X						0	0	0
(12) REV ARTHUR GOTJEN DIRECTOR	1 00	X					850	0	0	0
(13) JOHN HARTMAN DIRECTOR	1 00	X					0	0	0	0
(14) V KRISHNAN NAIR MD DIRECTOR	1 00	X					0	415,000	0	13,288
(15) FREDERIC ROSEMEYER DIRECTOR	1 00	X					0	0	0	0
(16) LINDA FETTEROLF DIRECTOR	1 00	X					0	0	0	0
(17) RON ALDOM DIRECTOR	1 00	X					0	0	0	0

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (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) KRISTA MATHIAS DIRECTOR	1 00	X					0	0	0	
(19) MARK BOWER DIRECTOR	1 00	X					0	0	0	
(20) MICHAEL FARRELL CEO/PRESIDENT	29 00			X			295,949	0	13,128	
(21) RONALD PARK CFO	29 00			X			218,159	0	17,566	
(22) GEORGE GROF-TISZA MD PHYSICIAN	40 00				X		293,711	0	14,308	
(23) JEFFERY LAVANIER MD PHYSICIAN	40 00				X		289,031	0	13,792	
(24) ANIL PAREKH MD PHYSICIAN	40 00				X		302,308	0	15,203	
(25) GEORGE THOMAS MD PHYSICIAN	40 00				X		293,711	0	16,091	
(26) SHOMENDRA MOITRA MD PHYSICIAN	40 00				X		365,432	0	2,505	
<b>1b Sub-Total</b>										
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>							2,059,151	660,682	119,629	

**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 **7**

	Yes	No
<b>3</b> Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		No
<b>4</b> 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? <i>If "Yes," complete Schedule J for such individual</i>	Yes	
<b>5</b> Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		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
NCA CORPORATION 816 GRAMAC LANE PITTSBURGH, PA 15235	ANESTHESIOLOGY SERVICES	1,351,734
SOMERSET OBGYN ASSOCIATES 229 SOUTH KIMBERLY AVENUE SOMERSET, PA 15501	OB/GYN SERVICES	384,000
HOSPITALIST MEDICINE PHYSICIANS OF PA PO BOX 645037 CINCINNATI, OH 45264	HOSPITALIST GROUP	136,294
MCKINSEY SOLUTIONS PO BOX 7247-72585 PHILADELPHIA, PA 19170	HEALTHCARE CONSULTING	135,000
THE ADVISORY BOARD PO BOX 79461 BALTIMORE, MD 21279	HEALTHCARE CONSULTING	130,845

**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 **6**

**Part VIII Statement of Revenue**

			(A)	(B)	(C)	(D)		
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514		
<b>Contributions, gifts, grants and other similar amounts</b>	<b>1a</b>	Federated campaigns . . . . . <b>1a</b>						
	<b>b</b>	Membership dues . . . . . <b>1b</b>						
	<b>c</b>	Fundraising events . . . . . <b>1c</b>	19,440					
	<b>d</b>	Related organizations . . . . . <b>1d</b>						
	<b>e</b>	Government grants (contributions) <b>1e</b>						
	<b>f</b>	All other contributions, gifts, grants, and similar amounts not included above <b>1f</b>	205					
	<b>g</b>	Noncash contributions included in lines 1a-1f \$ _____						
	<b>h</b>	<b>Total.</b> Add lines 1a-1f . . . . .		19,645				
<b>Program Service Revenue</b>	<b>2a</b>	NET PATIENT REVENUE	900099	64,673,048	64,673,048			
	<b>b</b>	MISC PATIENT REVENUE	900099	1,965,824	1,954,963	10,861		
	<b>c</b>	PHARMACY SALES	900099	155,083	155,083			
	<b>d</b>	MEDICAL RECORDS	900099	35,270	35,270			
	<b>e</b>							
	<b>f</b>	All other program service revenue						
	<b>g</b>	<b>Total.</b> Add lines 2a-2f . . . . .		66,829,225				
<b>Other Revenue</b>	<b>3</b>	Investment income (including dividends, interest and other similar amounts) . . . . .		617,193		617,193		
	<b>4</b>	Income from investment of tax-exempt bond proceeds . . . . .						
	<b>5</b>	Royalties . . . . .						
	<b>6a</b>	Gross rents	(i) Real	390,532				
			(ii) Personal					
			<b>b</b>	Less rental expenses	320,756			
			<b>c</b>	Rental income or (loss)	69,776			
	<b>d</b>	<b>Net rental income or (loss)</b> . . . . .		69,776		69,776		
	<b>7a</b>	Gross amount from sales of assets other than inventory	(i) Securities		21,773			
			(ii) Other		0			
			<b>b</b>	Less cost or other basis and sales expenses				
			<b>c</b>	Gain or (loss)		21,773		
	<b>d</b>	<b>Net gain or (loss)</b> . . . . .		21,773		21,773		
	<b>8a</b>	Gross income from fundraising events (not including \$ 19,440 of contributions reported on line 1c) See Part IV, line 18 . . . . .						
	<b>a</b>		54,712					
<b>b</b>	Less direct expenses . . . . . <b>b</b>	28,466						
<b>c</b>	<b>Net income or (loss) from fundraising events</b> . . . . .		26,246		26,246			
<b>9a</b>	Gross income from gaming activities See Part IV, line 19 . . . . .							
<b>a</b>								
<b>b</b>	Less direct expenses . . . . . <b>b</b>							
<b>c</b>	<b>Net income or (loss) from gaming activities</b> . . . . .							
<b>10a</b>	Gross sales of inventory, less returns and allowances . . . . .							
<b>a</b>								
<b>b</b>	Less cost of goods sold . . . . . <b>b</b>							
<b>c</b>	<b>Net income or (loss) from sales of inventory</b> . . . . .							
Miscellaneous Revenue		Business Code						
<b>11a</b>	ASSETS RELEASED FROM R	900099	524,361			524,361		
<b>b</b>	GAIN ON INVESTMENTS IN	900099	276,502			276,502		
<b>c</b>	OTHER OPERATING REVENUE	900099	129,213			129,213		
<b>d</b>	All other revenue . . . . .		-98,284		45,000	-143,284		
<b>e</b>	<b>Total.</b> Add lines 11a-11d . . . . .		831,792					
<b>12</b>	<b>Total revenue.</b> See Instructions . . . . .		68,415,650	66,818,364	55,861	1,521,780		

**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

<b>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</b>		<b>(A)</b> Total expenses	<b>(B)</b> Program service expenses	<b>(C)</b> Management and general expenses	<b>(D)</b> Fundraising expenses
<b>1</b>	Grants and other assistance to governments and organizations in the United States See Part IV, line 21				
<b>2</b>	Grants and other assistance to individuals in the United States See Part IV, line 22	2,500	2,500		
<b>3</b>	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
<b>4</b>	Benefits paid to or for members				
<b>5</b>	Compensation of current officers, directors, trustees, and key employees				
<b>6</b>	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
<b>7</b>	Other salaries and wages	26,003,909	21,037,162	4,966,747	
<b>8</b>	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)				
<b>9</b>	Other employee benefits	4,639,116	3,753,045	886,071	
<b>10</b>	Payroll taxes	1,981,440	1,602,985	378,455	
<b>11</b>	Fees for services (non-employees)				
<b>a</b>	Management				
<b>b</b>	Legal	137,298		137,298	
<b>c</b>	Accounting	73,911		73,911	
<b>d</b>	Lobbying				
<b>e</b>	Professional fundraising See Part IV, line 17				
<b>f</b>	Investment management fees				
<b>g</b>	Other	4,396,859	3,557,059	839,800	
<b>12</b>	Advertising and promotion	213,177	172,460	40,717	
<b>13</b>	Office expenses	660,693	534,501	126,192	
<b>14</b>	Information technology				
<b>15</b>	Royalties				
<b>16</b>	Occupancy	1,270,842	1,028,111	242,731	
<b>17</b>	Travel	155,434	125,746	29,688	
<b>18</b>	Payments of travel or entertainment expenses for any federal, state, or local public officials				
<b>19</b>	Conferences, conventions, and meetings	6,310	5,105	1,205	
<b>20</b>	Interest	516,686	417,999	98,687	
<b>21</b>	Payments to affiliates				
<b>22</b>	Depreciation, depletion, and amortization	3,760,587	3,042,315	718,272	
<b>23</b>	Insurance	618,206	500,129	118,077	
<b>24</b>	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 )				
<b>a</b>	MEDICAL SUPPLIES	10,902,557	10,902,557		
<b>b</b>	PHYSICIAN FEES	5,066,916	5,066,916		
<b>c</b>	BAD DEBTS	2,974,420	2,974,420		
<b>d</b>	EQUIPMENT RENTAL & MAIN	1,332,627	1,078,095	254,532	
<b>e</b>					
<b>f</b>	All other expenses	1,653,957	1,337,574	316,383	
<b>25</b>	<b>Total functional expenses.</b> Add lines 1 through 24f	66,367,445	57,138,679	9,228,766	0
<b>26</b>	<b>Joint costs.</b> Check here <input type="checkbox"/> 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)		(B)
		Beginning of year		End of year
<b>Assets</b>	<b>1</b> Cash—non-interest-bearing . . . . .		<b>1</b>	
	<b>2</b> Savings and temporary cash investments . . . . .	11,007,421	<b>2</b>	11,060,995
	<b>3</b> Pledges and grants receivable, net . . . . .		<b>3</b>	
	<b>4</b> Accounts receivable, net . . . . .	5,923,214	<b>4</b>	5,167,311
	<b>5</b> Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L . . . . .		<b>5</b>	
	<b>6</b> 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 . . . . .		<b>6</b>	
	<b>7</b> Notes and loans receivable, net . . . . .	146,000	<b>7</b>	146,000
	<b>8</b> Inventories for sale or use . . . . .	921,301	<b>8</b>	943,230
	<b>9</b> Prepaid expenses and deferred charges . . . . .	195,854	<b>9</b>	313,239
	<b>10a</b> Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	91,298,186		
	<b>b</b> Less accumulated depreciation . . . . .	56,574,497		
		32,719,066	<b>10c</b>	34,723,689
	<b>11</b> Investments—publicly traded securities . . . . .		<b>11</b>	
	<b>12</b> Investments—other securities See Part IV, line 11 . . . . .	21,043,417	<b>12</b>	19,770,270
	<b>13</b> Investments—program-related See Part IV, line 11 . . . . .		<b>13</b>	
	<b>14</b> Intangible assets . . . . .		<b>14</b>	
<b>15</b> Other assets See Part IV, line 11 . . . . .	571,586	<b>15</b>	545,913	
<b>16</b> <b>Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .	72,527,859	<b>16</b>	72,670,647	
<b>Liabilities</b>	<b>17</b> Accounts payable and accrued expenses . . . . .	8,093,241	<b>17</b>	8,700,272
	<b>18</b> Grants payable . . . . .		<b>18</b>	
	<b>19</b> Deferred revenue . . . . .		<b>19</b>	
	<b>20</b> Tax-exempt bond liabilities . . . . .	16,486,000	<b>20</b>	15,803,000
	<b>21</b> Escrow or custodial account liability Complete Part IV of Schedule D . . . . .		<b>21</b>	
	<b>22</b> Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L . . . . .		<b>22</b>	
	<b>23</b> Secured mortgages and notes payable to unrelated third parties . . . . .	3,852,907	<b>23</b>	3,675,383
	<b>24</b> Unsecured notes and loans payable to unrelated third parties . . . . .		<b>24</b>	
	<b>25</b> 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 . . . . .	8,171,372	<b>25</b>	16,022,943
	<b>26</b> <b>Total liabilities.</b> Add lines 17 through 25 . . . . .	36,603,520	<b>26</b>	44,201,598
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117, check here</b> <input checked="" type="checkbox"/> <b>and complete lines 27 through 29, and lines 33 and 34.</b>			
	<b>27</b> Unrestricted net assets . . . . .	35,646,230	<b>27</b>	28,225,518
	<b>28</b> Temporarily restricted net assets . . . . .	258,109	<b>28</b>	223,531
	<b>29</b> Permanently restricted net assets . . . . .	20,000	<b>29</b>	20,000
	<b>Organizations that do not follow SFAS 117, check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>			
	<b>30</b> Capital stock or trust principal, or current funds . . . . .		<b>30</b>	
	<b>31</b> Paid-in or capital surplus, or land, building or equipment fund . . . . .		<b>31</b>	
	<b>32</b> Retained earnings, endowment, accumulated income, or other funds . . . . .		<b>32</b>	
<b>33</b> Total net assets or fund balances . . . . .	35,924,339	<b>33</b>	28,469,049	
<b>34</b> Total liabilities and net assets/fund balances . . . . .	72,527,859	<b>34</b>	72,670,647	

**Part XI Reconciliation of Net Assets**

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

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12)	<b>1</b>	68,415,650
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25)	<b>2</b>	66,367,445
<b>3</b>	Revenue less expenses Subtract line 2 from line 1	<b>3</b>	2,048,205
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	<b>4</b>	35,924,339
<b>5</b>	Other changes in net assets or fund balances (explain in Schedule O)	<b>5</b>	-9,503,495
<b>6</b>	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	<b>6</b>	28,469,049

**Part XII Financial Statements and Reporting**

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

		Yes	No
<b>1</b>	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
<b>2a</b>	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
<b>2b</b>	Were the organization's financial statements audited by an independent accountant?	Yes	
<b>2c</b>	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	Yes	
<b>d</b>	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 <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separated basis		
<b>3a</b>	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?	Yes	
<b>3b</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	Yes	

**SCHEDULE A**  
(Form 990 or 990EZ)

**Public Charity Status and Public Support**

OMB No 1545-0047

**2011**

**Open to Public Inspection**

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.

Department of the Treasury  
Internal Revenue Service

Name of the organization  
SOMERSET COMMUNITY HOSPITAL

Employer identification number  
25-0965570

**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?  
 (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?  
 (ii) a family member of a person described in (i) above?  
 (iii) a 35% controlled entity of a person described in (i) or (ii) above?
- h Provide the following information about the supported organization(s)

	Yes	No
<b>11g(i)</b>		
<b>11g(ii)</b>		
<b>11g(iii)</b>		

(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?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of support?
			Yes	No	Yes	No	Yes	No	
<b>Total</b>									

**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
<b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
<b>2</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
<b>3</b> The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>4 Total.</b> Add lines 1 through 3						
<b>5</b> 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)						
<b>6 Public Support.</b> 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
<b>7</b> Amounts from line 4						
<b>8</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>9</b> Net income from unrelated business activities, whether or not the business is regularly carried on						
<b>10</b> Other income (Explain in Part IV.) Do not include gain or loss from the sale of capital assets						
<b>11 Total support</b> (Add lines 7 through 10)						
<b>12</b> Gross receipts from related activities, etc (See instructions)					<b>12</b>	

**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**

<b>14</b> Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))	<b>14</b>	
<b>15</b> Public Support Percentage for 2010 Schedule A, Part II, line 14	<b>15</b>	
<b>16a 33 1/3% support test—2011.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>b 33 1/3% support test—2010.</b> 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 <b>stop here.</b> The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>17a 10%-facts-and-circumstances test—2011.</b> 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 <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>b 10%-facts-and-circumstances test—2010.</b> 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 <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>18 Private Foundation</b> If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions <input type="checkbox"/>		

**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
<b>1</b> Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
<b>2</b> 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						
<b>3</b> Gross receipts from activities that are not an unrelated trade or business under section 513						
<b>4</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
<b>5</b> The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>6 Total.</b> Add lines 1 through 5						
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons						
<b>b</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						
<b>c</b> Add lines 7a and 7b						
<b>8 Public Support</b> (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
<b>9</b> Amounts from line 6						
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
<b>c</b> Add lines 10a and 10b						
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
<b>12</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
<b>13 Total support</b> (Add lines 9, 10c, 11 and 12.)						
<b>14 First Five Years</b> 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 <b>stop here</b> <input type="checkbox"/>						

**Section C. Computation of Public Support Percentage**

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

**Section D. Computation of Investment Income Percentage**

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

- 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).

<b>Facts And Circumstances Test</b>
-------------------------------------

<b>Explanation</b>
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SCHEDULE C (Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No 1545-0047

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

Complete if the organization is described below.

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

2011

Open to Public Inspection

Department of the Treasury Internal Revenue Service

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

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

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

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

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

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

Name of the organization SOMERSET COMMUNITY HOSPITAL

Employer identification number

25-0965570

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

- 1 Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV
2 Political expenditures
3 Volunteer hours

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

- 1 Enter the amount of any excise tax incurred by the organization under section 4955
2 Enter the amount of any excise tax incurred by organization managers under section 4955
3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year?
4a Was a correction made?
b If "Yes," describe in Part IV

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

- 1 Enter the amount directly expended by the filing organization for section 527 exempt function activities
2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities
3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b
4 Did the filing organization file Form 1120-POL for this year?
5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments

Table with 5 columns: (a) Name, (b) Address, (c) EIN, (d) Amount paid from filing organization's funds, (e) Amount of political contributions received and promptly and directly delivered to a separate political organization.

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

- A** Check  if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B** Check  if the filing organization checked box A and "limited control" provisions apply

<b>Limits on Lobbying Expenditures</b> (The term "expenditures" means amounts paid or incurred.)	(a) Filing Organization's Totals	(b) Affiliated Group Totals												
<b>1a</b> Total lobbying expenditures to influence public opinion (grass roots lobbying)														
<b>b</b> Total lobbying expenditures to influence a legislative body (direct lobbying)														
<b>c</b> Total lobbying expenditures (add lines 1a and 1b)														
<b>d</b> Other exempt purpose expenditures														
<b>e</b> Total exempt purpose expenditures (add lines 1c and 1d)														
<b>f</b> Lobbying nontaxable amount Enter the amount from the following table in both columns														
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: left;">If the amount on line 1e, column (a) or (b) is:</th> <th style="width: 50%; text-align: left;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000</td> </tr> </tbody> </table>	If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:													
Not over \$500,000	20% of the amount on line 1e													
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000													
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000													
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000													
Over \$17,000,000	\$1,000,000													
<b>g</b> Grassroots nontaxable amount (enter 25% of line 1f)														
<b>h</b> Subtract line 1g from line 1a If zero or less, enter -0-														
<b>i</b> Subtract line 1f from line 1c If zero or less, enter -0-														
<b>j</b> If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No													

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

<b>Lobbying Expenditures During 4-Year Averaging Period</b>					
Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
<b>2a</b> Lobbying non-taxable amount					
<b>b</b> Lobbying ceiling amount (150% of line 2a, column(e))					
<b>c</b> Total lobbying expenditures					
<b>d</b> Grassroots non-taxable amount					
<b>e</b> Grassroots ceiling amount (150% of line 2d, column (e))					
<b>f</b> Grassroots lobbying expenditures					

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

	(a)		(b)
	Yes	No	Amount
<b>1</b> During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
<b>a</b> Volunteers?		No	
<b>b</b> Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
<b>c</b> Media advertisements?		No	
<b>d</b> Mailings to members, legislators, or the public?		No	
<b>e</b> Publications, or published or broadcast statements?		No	
<b>f</b> Grants to other organizations for lobbying purposes?		No	
<b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		62,787
<b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
<b>i</b> Other activities? If "Yes," describe in Part IV	Yes		14,993
<b>j</b> Total lines 1c through 1i			77,780
<b>2a</b> Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
<b>b</b> If "Yes," enter the amount of any tax incurred under section 4912			
<b>c</b> If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
<b>d</b> If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

**Part IV Supplemental Information**

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

Identifier	Return Reference	Explanation
EXPLANATION OF LOBBYING ACTIVITIES	PART II-B, LINE 1	A PORTION OF SOMERSET COMMUNITY HOSPITAL'S DUES TO THE HOSPITAL & HEALTHSYSTEM ASSOCIATION OF PENNSYLVANIA (HAP), HOSPITAL COUNCIL, AND OTHER HEALTHCARE ASSOCIATIONS ARE USED FOR LOBBYING PART II-B, LINE 1(G), DIRECT CONTACT WITH LEGISLATORS, THEIR STAFFS, GOVERNMENT OFFICIALS, OR A LEGISLATIVE BODY SOMERSET COMMUNITY HOSPITAL CONTACTS VARIOUS LEGISLATORS AND GOVERNMENT OFFICIALS TO FURTHER HEALTH CARE INITIATIVES IN THE COMMUNITIES IT SERVES

SCHEDULE D (Form 990)

OMB No 1545-0047

Supplemental Financial Statements

2011

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization SOMERSET COMMUNITY HOSPITAL

Employer identification number 25-0965570

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.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows 1-4: Total number at end of year, Aggregate contributions to (during year), Aggregate grants from (during year), 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?
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?

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, Protection of natural habitat, Preservation of open space, Preservation of an historically importantly land area, Preservation of a certified historic structure.

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

Table with 2 columns: Description, Held at the End of the Year. Rows 2a-2d: Total number of conservation easements, Total acreage restricted by conservation easements, Number of conservation easements on a certified historic structure included in (a), Number of conservation easements included in (c) acquired after 8/17/06.

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?

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)?

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
<b>1c</b> Beginning balance	
<b>1d</b> Additions during the year	
<b>1e</b> Distributions during the year	
<b>1f</b> Ending balance	

**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
<b>1a</b> Beginning of year balance . . . . .					
<b>b</b> Contributions . . . . .					
<b>c</b> Investment earnings or losses . . . . .					
<b>d</b> Grants or scholarships . . . . .					
<b>e</b> Other expenditures for facilities and programs . . . . .					
<b>f</b> Administrative expenses . . . . .					
<b>g</b> 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

- (i)** unrelated organizations . . . . .
- (ii)** related organizations . . . . .

	Yes	No
<b>3a(i)</b>		
<b>3a(ii)</b>		
<b>3b</b>		

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

**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
<b>1a</b> Land . . . . .		3,234,956		3,234,956
<b>b</b> Buildings . . . . .		49,458,898	25,773,924	23,684,974
<b>c</b> Leasehold improvements . . . . .				
<b>d</b> Equipment . . . . .		38,424,248	30,800,573	7,623,675
<b>e</b> Other . . . . .		180,084		180,084
<b>Total.</b> Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . .				34,723,689



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

<b>1</b>	Total revenue (Form 990, Part VIII, column (A), line 12)	<b>1</b>	68,415,650
<b>2</b>	Total expenses (Form 990, Part IX, column (A), line 25)	<b>2</b>	66,367,445
<b>3</b>	Excess or (deficit) for the year Subtract line 2 from line 1	<b>3</b>	2,048,205
<b>4</b>	Net unrealized gains (losses) on investments	<b>4</b>	-768,141
<b>5</b>	Donated services and use of facilities	<b>5</b>	
<b>6</b>	Investment expenses	<b>6</b>	
<b>7</b>	Prior period adjustments	<b>7</b>	
<b>8</b>	Other (Describe in Part XIV)	<b>8</b>	-8,735,354
<b>9</b>	Total adjustments (net) Add lines 4 - 8	<b>9</b>	-9,503,495
<b>10</b>	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	<b>10</b>	-7,455,290

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

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

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

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

**Part XIV Supplemental Information**

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

Identifier	Return Reference	Explanation
PART XI, LINE 8 - OTHER ADJUSTMENTS		NET ASSETS RELEASED FROM RESTRICTIONS -479,361 CHANGE IN FAIR VALUE OF INTEREST RATE SWAP - 334,451 CHANGE IN DEFINED BENEFIT PENSION COSTS - 7,567,350 TRANSFERS TO AFFILIATES -1,873,975 TEMPORARILY RESTRICTED INVESTMENT INCOME 858 TEMPORARILY RESTRICTED CONTRIBUTIONS 1,518,925 TOTAL TO SCHEDULE D, PART XI, LINE 8 -8,735,354

SCHEDULE G (Form 990 or 990-EZ)

Supplemental Information Regarding Fundraising or Gaming Activities

OMB No 1545-0047

2011

Open to Public Inspection

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

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

Department of the Treasury Internal Revenue Service

Name of the organization SOMERSET COMMUNITY HOSPITAL

Employer identification number 25-0965570

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

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

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

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

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

Table with 6 columns: (i) Name and address of individual or entity (fundraiser), (ii) Activity, (iii) Did fundraiser have custody or control of contributions?, (iv) Gross receipts from activity, (v) Amount paid to (or retained by) fundraiser listed in col (i), (vi) Amount paid to (or retained by) organization. Includes a Total row at the bottom.

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

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

		(a) Event #1	(b) Event #2	(c) Other Events	(d) Total Events
		<b>GOLF OUTING</b> (event type)	(event type)	(total number)	(Add col (a) through col (c))
<b>Revenue</b>	<b>1</b> Gross receipts . . . . .	74,152			74,152
	<b>2</b> Less Charitable contributions . . . . .	19,440			19,440
	<b>3</b> Gross income (line 1 minus line 2) . . . . .	54,712			54,712
<b>Direct Expenses</b>	<b>4</b> Cash prizes . . . . .				
	<b>5</b> Non-cash prizes . . . . .	13,680			13,680
	<b>6</b> Rent/facility costs . . . . .	4,736			4,736
	<b>7</b> Food and beverages . . . . .	8,880			8,880
	<b>8</b> Entertainment . . . . .				
	<b>9</b> Other direct expenses . . . . .	1,170			1,170
	<b>10</b> Direct expense summary Add lines 4 through 9 in column (d) . . . . . ▶				( 28,466 )
<b>11</b> Net income summary Combine lines 3 and 10 in column (d) . . . . . ▶				26,246	

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

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

**9** Enter the state(s) in which the organization operates gaming activities \_\_\_\_\_

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

**b** If "No," Explain \_\_\_\_\_

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

**b** If "Yes," Explain \_\_\_\_\_

- 11** Does the organization operate gaming activities with nonmembers?  Yes  No
- 12** Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming?  Yes  No

**13** Indicate the percentage of gaming activity operated in

<b>a</b> The organization's facility	<b>13a</b>
<b>b</b> An outside facility	<b>13b</b>

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

Name ▶ .....

Address ▶ .....

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

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

**c** If "Yes," enter name and address

Name ▶ .....

Address ▶ .....

**16** Gaming manager information

Name ▶ .....

Gaming manager compensation ▶ \$ .....

Description of services provided ▶ .....

- Director/officer       Employee       Independent contractor

- 17** Mandatory distributions
- a** Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license?  Yes  No
- b** Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ \$ \_\_\_\_\_

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

Identifier	ReturnReference	Explanation
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SCHEDULE H (Form 990)

Hospitals

OMB No 1545-0047

2011

Open to Public Inspection

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

Department of the Treasury Internal Revenue Service

Name of the organization SOMERSET COMMUNITY HOSPITAL

Employer identification number

25-0965570

Part I Charity Care and Certain Other Community Benefits at Cost

1a Did the organization have a charity care policy? 1b If "Yes," is it a written policy? 2 If the organization had multiple hospitals... 3 Answer the following based on the charity care eligibility criteria... 4 Did the organization's policy provide free or discounted care to the "medically indigent"? 5a Did the organization budget amounts for free or discounted care... 5b If "Yes," did the organization's charity care expenses exceed the budgeted amount? 5c If "Yes" to line 5b... 6a Did the organization prepare a community benefit report... 6b If "Yes," did the organization make it available to the public?

7 Charity Care and Certain Other Community Benefits at Cost

Table with 6 columns: (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. Rows include Charity Care and Means-Tested Government Programs (a-d) and Other Benefits (e-k).

**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
<b>1</b> Physical improvements and housing						
<b>2</b> Economic development						
<b>3</b> Community support						
<b>4</b> Environmental improvements						
<b>5</b> Leadership development and training for community members						
<b>6</b> Coalition building						
<b>7</b> Community health improvement advocacy						
<b>8</b> Workforce development						
<b>9</b> Other						
<b>10 Total</b>						

**Part III Bad Debt, Medicare, & Collection Practices**

**Section A. Bad Debt Expense**

		Yes	No
<b>1</b> Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?			No
<b>2</b> Enter the amount of the organization's bad debt expense	<b>2</b> 1,031,529		
<b>3</b> Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	<b>3</b> 511,117		
<b>4</b> 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**

<b>5</b> Enter total revenue received from Medicare (including DSH and IME)	<b>5</b> 12,827,880		
<b>6</b> Enter Medicare allowable costs of care relating to payments on line 5	<b>6</b> 13,246,008		
<b>7</b> Subtract line 6 from line 5. This is the surplus or (shortfall)	<b>7</b> -418,128		
<b>8</b> 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: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

**Section C. Collection Practices**

<b>9a</b> Did the organization have a written debt collection policy during the tax year?	<b>9a</b> Yes	
<b>b</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	<b>9b</b> 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 %
<b>1</b>				
<b>2</b>				
<b>3</b>				
<b>4</b>				
<b>5</b>				
<b>6</b>				
<b>7</b>				
<b>8</b>				
<b>9</b>				
<b>10</b>				
<b>11</b>				
<b>12</b>				
<b>13</b>				

**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	SOMERSET COMMUNITY HOSPITAL 225 SOUTH CENTER AVENUE SOMERSET, PA 15501	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)

SOMERSET COMMUNITY HOSPITAL

Name of Hospital Facility: \_\_\_\_\_

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

	Yes	No
<b>Community Health Needs Assessment</b> (Lines 1 through 7 are optional for 2011)		
<b>1</b> 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 . . . . . If "Yes," indicate what the Needs Assessment describes (check all that apply)	<b>1</b>	No
<b>a</b> <input type="checkbox"/> A definition of the community served by the hospital facility		
<b>b</b> <input type="checkbox"/> Demographics of the community		
<b>c</b> <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
<b>d</b> <input type="checkbox"/> How data was obtained		
<b>e</b> <input type="checkbox"/> The health needs of the community		
<b>f</b> <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
<b>g</b> <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs		
<b>h</b> <input type="checkbox"/> The process for consulting with persons representing the community's interests		
<b>i</b> <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
<b>j</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>2</b> Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
<b>3</b> 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	<b>3</b>	
<b>4</b> 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 . . . . .	<b>4</b>	
<b>5</b> Did the hospital facility make its Needs Assessment widely available to the public? . . . . . If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)	<b>5</b>	
<b>a</b> <input type="checkbox"/> Hospital facility's website		
<b>b</b> <input type="checkbox"/> Available upon request from the hospital facility		
<b>c</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>6</b> If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)		
<b>a</b> <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community		
<b>b</b> <input type="checkbox"/> Execution of the implementation strategy		
<b>c</b> <input type="checkbox"/> Development of a community-wide community benefit plan for the facility		
<b>d</b> <input type="checkbox"/> Participation in community-wide community benefit plan		
<b>e</b> <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
<b>f</b> <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
<b>g</b> <input type="checkbox"/> Prioritization of health needs in the community		
<b>h</b> <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
<b>i</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>7</b> 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	<b>7</b>	
<b>Financial Assistance Policy</b>		
<b>8</b> Did the hospital facility have in place during the tax year a written financial assistance policy that explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	<b>8</b>	Yes
<b>9</b> Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	<b>9</b>	Yes

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

	Yes	No
<b>10</b> Used FPG to determine eligibility for providing discounted care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used	<b>10</b> Yes	
<b>11</b> Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply) <b>a</b> <input checked="" type="checkbox"/> Income level <b>b</b> <input type="checkbox"/> Asset level <b>c</b> <input checked="" type="checkbox"/> Medical indigency <b>d</b> <input checked="" type="checkbox"/> Insurance status <b>e</b> <input checked="" type="checkbox"/> Uninsured discount <b>f</b> <input checked="" type="checkbox"/> Medicaid/Medicare <b>g</b> <input type="checkbox"/> State regulation <b>h</b> <input type="checkbox"/> Other (describe in Part VI)	<b>11</b> Yes	
<b>12</b> Explained the method for applying for financial assistance? . . . . .	<b>12</b> Yes	
<b>13</b> Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply) <b>a</b> <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site <b>b</b> <input type="checkbox"/> The policy was attached to all billing invoices <b>c</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms <b>d</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices <b>e</b> <input checked="" type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility <b>f</b> <input checked="" type="checkbox"/> The policy was available upon request <b>g</b> <input type="checkbox"/> Other (describe in Part VI)	<b>13</b> Yes	

**Billing and Collections**

<b>14</b> 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? . . . . .	<b>14</b> Yes	
<b>15</b> 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 <b>a</b> <input type="checkbox"/> Reporting to credit agency <b>b</b> <input type="checkbox"/> Lawsuits <b>c</b> <input type="checkbox"/> Liens on residences <b>d</b> <input type="checkbox"/> Body attachments or arrests <b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)		
<b>16</b> 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? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged <b>a</b> <input type="checkbox"/> Reporting to credit agency <b>b</b> <input type="checkbox"/> Lawsuits <b>c</b> <input type="checkbox"/> Liens on residences <b>d</b> <input type="checkbox"/> Body attachments <b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)	<b>16</b>	No
<b>17</b> Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) <b>a</b> <input type="checkbox"/> Notified patients of the financial assistance policy upon admission <b>b</b> <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge <b>c</b> <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills <b>d</b> <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy <b>e</b> <input type="checkbox"/> Other (describe in Part VI)		

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

**Policy Relating to Emergency Medical Care**

**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? . . . . .

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)

	Yes	No
<b>18</b>	Yes	

**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 its 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? . . . . .

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?

. . . . .

If "Yes," explain in Part VI

<b>20</b>		No
<b>21</b>		No

**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? 1

Name and address	Type of Facility (Describe)
<b>1</b> THE WHEELER CENTER 126 EAST CHURCH STREET SOMERSET, PA 15501	OUTPATIENT REHABILITATION
<b>2</b>	
<b>3</b>	
<b>4</b>	
<b>5</b>	
<b>6</b>	
<b>7</b>	
<b>8</b>	
<b>9</b>	
<b>10</b>	

**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, 6l, 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 A COST-TO-CHARGE RATIO CALCULATED FROM WORKSHEET 2, RATIO OF PATIENT CARE COSTS-TO-CHARGES IS THE COSTING METHODOLOGY USED TO DETERMINE THE AMOUNTS REPORTED ON PART I, LINE 7

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) THE BAD DEBT EXPENSE OF 2,974,420 INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN A WAS SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE OF TOTAL EXPENSES

Identifier	ReturnReference	Explanation
		PART II THE ORGANIZATION CLEANED UP AREAS SURROUNDING THE HOSPITAL WHICH INCLUDED A COMMUNITY PARK AND OTHER IMPROVEMENTS THAT ENCOURAGE PHYSICAL ACTIVITY

Identifier	ReturnReference	Explanation
		PART III, LINE 4 THE PROVISION FOR BAD DEBTS IS BASED UPON MANAGEMENT'S ASSESSMENT OF HISTORICAL AND EXPECTED NET COLLECTIONS CONSIDERING BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTH CARE COVERAGE, AND OTHER COLLECTION INDICATORS PERIODICALLY THROUGHOUT THE YEAR, MANAGEMENT ASSESSES THE ADEQUACY OF THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS BASED UPON HISTORICAL WRITE-OFF EXPERIENCE BY PAYOR THE RESULTS OF THIS REVIEW ARE THEN USED TO MAKE MODIFICATIONS TO THE PROVISION FOR BAD DEBTS TO ESTABLISH AN APPROPRIATE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Identifier	ReturnReference	Explanation
		PART III, LINE 9B SOMERSET HOSPITAL GENERALLY DESIGNATES SERVICES AS "CHARITY CARE" BASED ON AN INDIVIDUAL'S ABILITY TO PAY SOMERSET HOSPITAL OFFERS PAYMENT PLANS AND ASSISTS INDIVIDUALS IN APPLYING FOR THE STATE'S MEDICAL ASSISTANCE PROGRAM

Identifier	ReturnReference	Explanation
SOMERSET COMMUNITY HOSPITAL		<p>PART V, SECTION B, LINE 19D IN DETERMINING A REASONABLE AND FAIR LEVEL OF ASSISTANCE, SOMERSET HOSPITAL WILL APPLY A SLIDING SCALE IF A PATIENT'S INCOME FALLS AT OR BELOW 400% OF THE FEDERAL POVERTY GUIDELINES, THE PATIENT IS ELIGIBLE TO RECEIVE SOME FORM OF FINANCIAL ASSISTANCE -IF A PATIENT'S INCOME FALLS AT OR BELOW 200% OF THE FEDERAL POVERTY GUIDELINES, THE PATIENT WILL HAVE NO FINANCIAL RESPONSIBILITY FOR CARE PROVIDED, THE FEES FOR SOMERSET HOSPITAL ARE COMPLETELY WAIVED -IF A PATIENT'S INCOME FALLS BETWEEN 201% AND 300% OF THE FEDERAL POVERTY GUIDELINES, THE PATIENT IS ELIGIBLE FOR FINANCIAL ASSISTANCE IN THE FORM OF 80% REDUCTION IN CHARGES THIS MEANS THAT THE FEES FOR SOMERSET HOSPITAL SERVICES ARE LIMITED TO A MAXIMUM OF 20% OF THE CHARGES -IF A PATIENT'S INCOME FALLS BETWEEN 301% AND 400% OF FEDERAL POVERTY GUIDELINES, THE PATIENT IS ELIGIBLE FOR FINANCIAL ASSISTANCE IN THE FORM OF A 70% REDUCTION IN CHARGES THIS MEANS THAT THE FEES FOR SOMERSET HOSPITAL SERVICES ARE LIMITED TO A MAXIMUM OF 30% OF THE CHARGES -IF A PATIENT'S INCOME FALLS ABOVE 401% OF THE FEDERAL POVERTY GUIDELINES AND IS UNINSURED, THE PATIENT IS ELIGIBLE FOR SELF PAY DISCOUNT SUBJECT TO CURRENT POLICY IN PLACE AT SOMERSET HOSPITAL OR AFFILIATE ENTITY</p>

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 SOMERSET HOSPITAL DOES NOT CURRENTLY HAVE A FORMALIZED METHOD TO ASSESS THE COMMUNITY FOR ITS HEALTH NEEDS WE CURRENTLY USE INTERNAL AND EXTERNAL MARKET STUDIES TO ESTABLISH PATTERNS OF UTILIZATION OF SERVICES SOMERSET COMMUNITY HOSPITAL IS CURRENTLY LAUNCHING A MORE FORMALIZED PROCESS TO ASSESS OUR COMMUNITY NEEDS THE COMMUNITY HEALTH NEEDS ASSESSMENT IS EXPECTED TO BE IN PLACE AND APPROVED BY THE BOARD OF DIRECTORS BY JUNE 30, 2013

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 3 THROUGH SIGNAGE POSTED IN THE HOSPITAL'S INFORMATION CENTER, ADMISSIONS DEPARTMENT, EMERGENCY ROOM AND CREDIT OFFICE, THE PUBLIC IS PROVIDED WITH THE ORGANIZATION'S POLICY OF PROVIDING CARE REGARDLESS OF ABILITY TO PAY. ADDITIONALLY, PUBLIC NOTICES ADVERTISED IN THE DAILY AMERICAN, TRIBUNE DEMOCRAT AND MEYERSDALE REPUBLIC CALL ATTENTION TO THE HOSPITAL'S OPEN ADMISSIONS POLICY. SOMERSET HOSPITAL GENERALLY DESIGNATES SERVICES AS "CHARITY CARE" AFTER BILLING. BASED ON AN INDIVIDUAL'S ABILITY TO PAY, SOMERSET HOSPITAL OFFERS PAYMENT PLANS AND ASSISTS INDIVIDUALS IN APPLYING FOR THE STATE'S MEDICAL ASSISTANCE PROGRAM. SELF-PAY PATIENTS ARE REQUESTED TO PROVIDE PARTIAL PRE-PAYMENT FOR SERVICES RENDERED BY THE HOSPITAL. HOWEVER, SERVICES BY SOMERSET HOSPITAL ARE PROVIDED WITHOUT REGARD TO AN INDIVIDUAL'S ABILITY TO PAY.</p>

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 SOMERSET HOSPITAL SERVES RESIDENTS IN SOMERSET COUNTY, PENNSYLVANIA SOMERSET COUNTY IS A RURAL AREA WITH A POPULATION OF APPROXIMATELY 77,000 AND LAND AREA OF 1075 SQUARE MILES THE COST OF LIVING IS BELOW THE NATIONAL AVERAGE AND THE ESTIMATED MEDIAN HOUSEHOLD INCOME IS \$39,362 WHICH IS ALSO BELOW THE PENNSYLVANIA AVERAGE APPROXIMATELY 13% OF SOMERSET RESIDENTS LIVE IN POVERTY

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 5 SOMERSET HOSPITAL IS A NOT-FOR-PROFIT COMMUNITY ASSET COMMITTED TO PROVIDING CARE TO THE SICK AND INJURED, PRESERVING AND SUSTAINING LIFE, AND PROMOTING HEALTH AND WELL BEING, TO THE PROMOTION AND DEVELOPMENT OF COMPLEMENTARY PROGRAMS AND SERVICES, MANPOWER AND FACILITIES, TO THE CONTINUOUS IMPROVEMENT OF QUALITY, ACCESSIBILITY AND CONTINUITY OF PATIENT CARE, TO THE WELFARE AND LIVELIHOOD OF ITS EMPLOYEES, TO ENSURING THE HOSPITAL'S FINANCIAL VIABILITY NECESSARY TO MEET THE HEALTHCARE NEEDS OF THE COMMUNITY AND REGION TODAY AND IN THE FUTURE SOMERSET HOSPITAL PROVIDES QUALITY HEALTH CARE IN A COMPASSIONATE MANNER REGARDLESS OF RACE, CREED, SEX, NATIONAL ORIGIN, HANDICAP, AGE OR THE PATIENT'S ABILITY TO PAY ALTHOUGH REIMBURSEMENT FOR SERVICES RENDERED IS CRITICAL TO THE OPERATION AND STABILITY OF SOMERSET HOSPITAL, THE HOSPITAL, UNDER ITS WRITTEN CHARITY CARE POLICY, IS COMMITTED TO PROVIDING NECESSARY HEALTH CARE SERVICES AT NO CHARGE OR AT A REDUCED CHARGE TO PATIENTS THE HOSPITAL USES ANY EXCESS IN REVENUES OVER EXPENSES TO FUND IMPROVEMENTS IN PATIENT CARE IN ORDER TO PROVIDE THE COMMUNITY WITH STATE OF THE ART EQUIPMENT AND FACILITIES THE HOSPITAL RECRUITS THE BEST AND THE BRIGHTEST TO PROVIDE SERVICES TO THE COMMUNITY WHERE THERE IS A NEED AND A SHORTAGE OF PHYSICIANS THE HOSPITAL EXTENDS MEDICAL PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY THE GOVERNING BODY IS COMPRISED OF LOCAL RESIDENTS WHO HAVE THE BEST INTEREST OF THE COMMUNITY A MAJORITY OF THE GOVERNING BODY CONSISTS OF INDIVIDUALS WHO ARE NEITHER EMPLOYEES OF THE ORGANIZATION NOR CONTRACTORS OF THE ORGANIZATION</p>

**Schedule J**  
(Form 990)

**Compensation Information**

OMB No 1545-0047

**2011**

**Open to Public Inspection**

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.

Department of the Treasury  
Internal Revenue Service

Name of the organization  
SOMERSET COMMUNITY HOSPITAL

Employer identification number

25-0965570

**Part I Questions Regarding Compensation**

- 1a** Check the appropriate 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
- |   |  |
|---|--|
| <input type="checkbox"/> First-class or charter travel            | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions                    | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax idemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees   |
| <input type="checkbox"/> Discretionary spending account           | <input type="checkbox"/> 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 or provision of all the expenses described above? If "No," complete Part III to explain

**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?

**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

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Compensation committee   | <input type="checkbox"/> Written employment contract                                |
| <input type="checkbox"/> Independent compensation consultant | <input type="checkbox"/> Compensation survey or study                               |
| <input type="checkbox"/> Form 990 of other organizations     | <input checked="" type="checkbox"/> 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?

**b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?

**c** Participate in, or receive payment from, an equity-based compensation arrangement?

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?

**b** Any related organization?

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?

**b** Any related organization?

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

**8** Were any amounts reported in Form 990, Part VII, paid or accrued 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

**9** If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?

	Yes	No
<b>1b</b>		
<b>2</b>		
<b>4a</b>		No
<b>4b</b>		No
<b>4c</b>		No
<b>5a</b>		No
<b>5b</b>		No
<b>6a</b>		No
<b>6b</b>		No
<b>7</b>		No
<b>8</b>		No
<b>9</b>		

**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) AJAY P SINGH MD	(i)	0	0	0	0	0	0	0
	(ii)	230,000	15,682	0	0	13,748	259,430	0
(2) V KRISHNAN NAIR MD	(i)	0	0	0	0	0	0	0
	(ii)	415,000	0	0	0	13,288	428,288	0
(3) MICHAEL FARRELL	(i)	279,449	0	16,500	5,986	7,142	309,077	0
	(ii)	0	0	0	0	0	0	0
(4) RONALD PARK	(i)	201,659	0	16,500	4,500	13,066	235,725	0
	(ii)	0	0	0	0	0	0	0
(5) GEORGE GROF-TISZA MD	(i)	277,211	0	16,500	0	14,308	308,019	0
	(ii)	0	0	0	0	0	0	0
(6) JEFFERY LAVANIER MD	(i)	272,531	0	16,500	0	13,792	302,823	0
	(ii)	0	0	0	0	0	0	0
(7) ANIL PAREKH MD	(i)	285,808	0	16,500	0	15,203	317,511	0
	(ii)	0	0	0	0	0	0	0
(8) GEORGE THOMAS MD	(i)	289,211	0	4,500	0	16,091	309,802	0
	(ii)	0	0	0	0	0	0	0
(9) SHOMENDRA MOITRA MD	(i)	365,432	0	0	0	2,505	367,937	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
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**Schedule K  
(Form 990)**

OMB No 1545-0047

**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.**

**2011**

**Open to Public  
Inspection**

Department of the Treasury  
Internal Revenue Service

Name of the organization  
SOMERSET COMMUNITY HOSPITAL

Employer identification number  
25-0965570

**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
<b>A</b>	SOMERSET COUNTY HOSPITAL AUTHORITY	25-6001040		04-27-2009	3,590,000	REPAYMENT OF NOTE		X		X		X
<b>B</b>	SOMERSET COUNTY HOSPITAL AUTHORITY	25-6001040		12-23-2010	17,471,000	REFUND SERIES 1997A, SERIES 2002A, SERIES 2007A, AND SERIES 2007B BONDS		X		X		X

**Part II Proceeds**

		A	B	C	D
<b>1</b>	Amount of bonds retired				
<b>2</b>	Amount of bonds defeased				
<b>3</b>	Total proceeds of issue	3,590,000	17,471,000		
<b>4</b>	Gross proceeds in reserve funds				
<b>5</b>	Capitalized interest from proceeds				
<b>6</b>	Proceeds in refunding escrow				
<b>7</b>	Issuance costs from proceeds	66,780	86,232		
<b>8</b>	Credit enhancement from proceeds				
<b>9</b>	Working capital expenditures from proceeds				
<b>10</b>	Capital expenditures from proceeds				
<b>11</b>	Other spent proceeds				
<b>12</b>	Other unspent proceeds				
<b>13</b>	Year of substantial completion				
		<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>
<b>14</b>	Were the bonds issued as part of a current refunding issue?		X		X
<b>15</b>	Were the bonds issued as part of an advance refunding issue?	X		X	
<b>16</b>	Has the final allocation of proceeds been made?	X		X	
<b>17</b>	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X	

**Part III Private Business Use**

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

**Part III Private Business Use (Continued)**

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>3a</b> Are there any management or service contracts that may result in private business use?		X		X				
<b>b</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?								
<b>c</b> Are there any research agreements that may result in private business use of bond-financed property?		X		X				
<b>d</b> 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?								
<b>4</b> 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 %					
<b>5</b> 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 %					
<b>6</b> Total of lines 4 and 5	0 %		0 %					
<b>7</b> Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X					

**Part IV Arbitrage**

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>1</b> 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					
<b>2</b> Is the bond issue a variable rate issue?		X	X					
<b>3a</b> Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X	X					
<b>b</b> Name of provider			PNC BANK					
<b>c</b> Term of hedge			7 000000000000					
<b>d</b> Was the hedge superintegrated?				X				
<b>e</b> Was a hedge terminated?				X				
<b>4a</b> Were gross proceeds invested in a GIC?		X		X				
<b>b</b> Name of provider								
<b>c</b> Term of GIC								
<b>d</b> Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
<b>5</b> Were any gross proceeds invested beyond an available temporary period?		X		X				
<b>6</b> Did the bond issue qualify for an exception to rebate?		X		X				

**Part V Procedures To Undertake Corrective Action**

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

**Part VI Supplemental Information**

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

Identifier	Return Reference	Explanation
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Schedule L (Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization SOMERSET COMMUNITY HOSPITAL

Employer identification number 25-0965570

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

Table with 3 main columns: (a) Name of disqualified person, (b) Description of transaction, (c) Corrected? (Yes/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

Table with 7 main columns: (a) Name of interested person and purpose, (b) Loan to or from the organization?, (c) Original principal amount, (d) Balance due, (e) In default?, (f) Approved by board or committee?, (g) Written agreement?

Part III Grants or Assistance Benefitting Interested Persons.

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

Table with 3 main columns: (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) ANN COBER	BRAD COBER, DIRECTOR - FAMILY MEMBER	96,030	EMPLOYEE OF SOMERSET COMMUNITY HOSPITAL		No
(2) JILLIAN THOMAS	WILBUR A THOMAS, DIRECTOR - FAMILY MEMBER	17,543	EMPLOYEE OF SOMERSET COMMUNITY HOSPITAL		No
(3) JOYCE FARRELL	MICHAEL FARRELL, CEO/PRESIDENT - FAMILY MEMBER	89,726	EMPLOYEE OF SOMERSET COMMUNITY HOSPITAL		No
(4) MIKE PETROSKY	MICHELLE MOON, ASST SECRETARY/TREASURER - FAMILY MEMBER	52,290	EMPLOYEE OF SOMERSET COMMUNITY HOSPITAL		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  
SOMERSET COMMUNITY HOSPITAL

**Employer identification number**

25-0965570

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	MEMBERS ARE SELECTED BY THE BOARD OF DIRECTORS ANY NATURAL PERSON OVER EIGHTEEN YEARS OF AGE WHO HAVE CONTRIBUTED TO SOMERSET COMMUNITY HOSPITAL IN THE YEAR PRECEDING THE SELECTION AN AMOUNT DETERMINED BY THE BOARD, OR PROPERTY OF EQUIVALENT VALUE SHALL BE ELIGIBLE TO BE SELECTED AS A MEMBER OF SOMERSET COMMUNITY HOSPITAL
	FORM 990, PART VI, SECTION A, LINE 7A	THE BOARD MEMBERS OF SOMERSET COMMUNITY HOSPITAL MUST BE APPROVED BY SOMERSET COMMUNITY HOSPITAL FOUNDATION
	FORM 990, PART VI, SECTION B, LINE 11	SOMERSET COMMUNITY HOSPITAL HAS A CPA FIRM PREPARE ITS FORM 990 THE RETURN IS COMPLETED IN DRAFT FORM AND REVIEWED BY MANAGEMENT OF THE ORGANIZATION THE RETURN IS THEN FINALIZED AND THE BOARD IS PROVIDED A COPY OF THE FORM 990 BEFORE IT IS FILED
	FORM 990, PART VI, SECTION B, LINE 12C	SOMERSET COMMUNITY HOSPITAL ANNUALLY REQUIRES ITS BOARD MEMBERS, OFFICERS AND KEY EMPLOYEES TO FILL OUT A CONFLICTS OF INTEREST FORM DURING BOARD MEETINGS, IF AN INTERESTED PARTY HAS A CONFLICT, HE OR SHE RECUSES THEMSELVES FROM VOTING
	FORM 990, PART VI, SECTION B, LINE 15	THE LEADERSHIP COMMITTEE, WHICH IS A SUBCOMMITTEE OF THE BOARD OF DIRECTORS, ANNUALLY REVIEWS AND APPROVES THE COMPENSATION OF THEIR ORGANIZATION'S TOP MANAGEMENT
	FORM 990, PART VI, SECTION C, LINE 18	SOMERSET COMMUNITY HOSPITAL MAKES ITS FORM 990, CONSOLIDATED FINANCIAL STATEMENTS, AND FORM 1023 AVAILABLE TO THE PUBLIC
	FORM 990, PART VI, SECTION C, LINE 19	AT THIS TIME, SOMERSET COMMUNITY HOSPITAL DOES NOT MAKE ITS GOVERNING DOCUMENTS AND CONFLICTS OF INTEREST POLICY AVAILABLE TO THE GENERAL PUBLIC
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -768,141 NET ASSETS RELEASED FROM RESTRICTIONS - 479,361 CHANGE IN FAIR VALUE OF INTEREST RATE SWAP -334,451 CHANGE IN DEFINED BENEFIT PENSION COSTS -7,567,350 TRANSFERS TO AFFILIATES -1,873,975 TEMPORARILY RESTRICTED INVESTMENT INCOME 858 TEMPORARILY RESTRICTED CONTRIBUTIONS 1,518,925 TOTAL TO FORM 990, PART XI, LINE 5 -9,503,495
	FORM 990, PART XII, LINE 2C	SOMERSET COMMUNITY HOSPITAL HAS A FINANCE COMMITTEE THAT IS RESPONSIBLE FOR THE OVERSIGHT OF THE AUDIT AND SELECTION OF THE INDEPENDENT AUDITORS THE PROCESS IS CONSISTENT WITH PRIOR YEARS AND HAS NOT CHANGED
	FORM 990, PART VII, COLUMN B	MICHAEL FARRELL, CEO/PRESIDENT AND RONALD PARK, CFO SPLIT THEIR TIME BETWEEN SOMERSET COMMUNITY HOSPITAL, SOMERSET HEALTH SERVICES, INC , SOMERSET COMMUNITY HOSPITAL FOUNDATION, TWIN LAKES CENTER, INC , SOMERSET MANAGEMENT SERVICES, INC , AND SOMERSET ORTHOPEDICS, INC BREAKDOWN OF HOURS PER WEEK DEVOTED TO EACH ENTITY MICHAEL FARRELL, CEO/PRESIDENT SOMERSET COMMUNITY HOSPITAL - 29 HOURS SOMERSET HEALTH SERVICES, INC - 6 HOURS SOMERSET COMMUNITY HOSPITAL FOUNDATION - 1 HOUR TWIN LAKES CENTER, INC - 1 HOUR SOMERSET MANAGEMENT SERVICES, INC - 1 HOUR SOMERSET ORTHOPEDICS, INC - 2 HOURS RONALD PARK, CFO SOMERSET COMMUNITY HOSPITAL - 29 HOURS SOMERSET HEALTH SERVICES, INC - 6 HOURS SOMERSET COMMUNITY HOSPITAL FOUNDATION - 1 HOUR TWIN LAKES CENTER, INC - 1 HOUR SOMERSET MANAGEMENT SERVICES, INC - 1 HOUR SOMERSET ORTHOPEDICS, INC - 2 HOURS
	FORM 990, PAGE 1, LINE F	RONALD M PARK WAS NAMED CEO OF SOMERSET COMMUNITY HOSPITAL ON JANUARY 1, 2013 AND IS THE CURRENT PRINCIPAL OFFICER

**SCHEDULE R  
(Form 990)**

**Related Organizations and Unrelated Partnerships**

OMB No 1545-0047

**2011**

**Open to Public  
Inspection**

▶ **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.**

Department of the Treasury  
Internal Revenue Service

**Name of the organization**  
SOMERSET COMMUNITY HOSPITAL

**Employer identification number**

25-0965570

**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
<b>(1)</b> TWIN LAKES CENTER INC 225 SOUTH CENTER AVENUE SOMERSET, PA 15501 23-2910318	HEALTH CARE	PA	501(C)(3)	509(A)(1)	SOMERSET COMMUNITY HOSPITAL	Yes	
<b>(2)</b> SOMERSET COMMUNITY HOSPITAL FOUNDATION 225 SOUTH CENTER AVENUE SOMERSET, PA 15501 25-1441863	HEALTH CARE	PA	501(C)(3)	509(A)(3)			No
<b>(3)</b> SOMERSET HEALTH SERVICES INC 223 SOUTH PLEASANT AVENUE SOMERSET, PA 15501 25-1441920	HEALTH CARE	PA	501(C)(3)	509(A)(1)	SOMERSET COMMUNITY HOSPITAL	Yes	

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(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	

**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) SOMERSET MANAGEMENT SERVICES INC 225 SOUTH CENTER AVENUE SOMERSET, PA 15501 25-1512960	REAL ESTATE HOLDING	PA	SOMERSET HEALTH SERVICES INC	C			
(2) SOMERSET ORTHOPEDICS INC 225 SOUTH CENTER AVENUE SOMERSET, PA 15501 11-3725138	ORTHOPEDIC PHYSICIANS	PA	SOMERSET COMMUN HOSP FOUNDATION	C			

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

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

**1** During the tax year, did the organization 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
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)

- f** Sale of assets to related organization(s)
- g** Purchase of assets from related organization(s)
- h** Exchange of assets with related organization(s)
- i** Lease of facilities, equipment, or other assets to related organization(s)
- j** Lease of facilities, equipment, or other assets from related organization(s)
- k** Performance of services or membership or fundraising solicitations for related organization(s)
- l** Performance of services or membership or fundraising solicitations by related organization(s)
- m** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- n** Sharing of paid employees with related organization(s)

- o** Reimbursement paid to related organization(s) for expenses
- p** Reimbursement paid by related organization(s) for expenses
- q** Other transfer of cash or property to related organization(s)
- r** Other transfer of cash or property from related organization(s)

	Yes	No
<b>1a</b>		No
<b>1b</b>		No
<b>1c</b>		No
<b>1d</b>		No
<b>1e</b>		No
<b>1f</b>		No
<b>1g</b>		No
<b>1h</b>		No
<b>1i</b>		No
<b>1j</b>		No
<b>1k</b>		No
<b>1l</b>		No
<b>1m</b>		No
<b>1n</b>	Yes	
<b>1o</b>	Yes	
<b>1p</b>	Yes	
<b>1q</b>	Yes	
<b>1r</b>		No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) SOMERSET HEALTH SERVICESINC	Q	485,000	
(2) SOMERSET HEALTH SERVICESINC	N	909,719	
(3)			
(4)			
(5)			
(6)			



**Part VII Supplemental Information**

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

**Identifier****Return Reference****Explanation****Schedule R (Form 990) 2011**

# **Somerset Hospital and Subsidiary**

Accountants' Report and Consolidated Financial Statements

June 30, 2012 and 2011

# Somerset Hospital and Subsidiary

## June 30, 2012 and 2011

### Contents

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## Independent Accountants' Report

Board of Directors  
Somerset Hospital and Subsidiary  
Somerset, Pennsylvania

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

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

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

As discussed in *Note 20*, in 2012 the Hospital changed its method of presentation and disclosure of patient service revenue, provision for uncollectible accounts and the allowance for doubtful accounts in accordance with Accounting Standards Update 2011-07.

Our audits were performed for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*BKD, LLP*

September 24, 2012

**Somerset Hospital and Subsidiary**  
**Consolidated Balance Sheets**  
**June 30, 2012 and 2011**

**Assets**

	<u>2012</u>	<u>2011</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 12,097,362	\$ 12,038,970
Assets limited as to use - current	149,572	453,871
Patient accounts receivable, net of allowance, 2012 – \$1,250,000, 2011 – \$1,150,000	5,073,449	5,254,069
Estimated amounts due from third-party payers	79,755	679,601
Supply inventories	943,230	921,301
Prepaid expenses and other	584,559	463,677
	<u>18,927,927</u>	<u>19,811,489</u>
<b>Assets Limited As To Use</b>		
Internally designated	17,944,843	18,754,635
Externally restricted by donors	253,063	311,287
Externally restricted by grantors	-	143,871
Workers' compensation self-insurance fund	-	241,982
Medical malpractice deductible fund	962,923	992,545
Held by trustee	586,791	580,983
	<u>19,747,620</u>	<u>21,025,303</u>
Less amount required to meet current obligations	149,572	453,871
	<u>19,598,048</u>	<u>20,571,432</u>
<b>Investments in and Advances to Equity Investee</b>	<u>425,478</u>	<u>434,379</u>
<b>Property and Equipment, At Cost</b>	92,974,780	87,720,495
Less accumulated depreciation	57,493,414	54,253,908
	<u>35,481,366</u>	<u>33,466,587</u>
<b>Other Assets</b>		
Deferred financing costs	120,437	137,207
Other	157,225	178,181
	<u>277,662</u>	<u>315,388</u>
<b>Total assets</b>	<u><u>\$ 74,710,481</u></u>	<u><u>\$ 74,599,275</u></u>

## Liabilities and Net Assets

	<u>2012</u>	<u>2011</u>
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 890,663	\$ 860,523
Accounts payable	3,922,579	3,795,102
Accrued payroll and vacation pay	3,369,303	3,271,790
Estimated insurance liabilities - current	599,572	760,000
Accrued interest payable	24,928	25,947
Deferred revenue and other	354,980	169,431
	<hr/>	<hr/>
Total current liabilities	9,162,025	8,882,793
<b>Estimated Insurance Liabilities and Other</b>	4,109,509	4,044,747
<b>Interest Rate Swap Agreements</b>	584,365	249,914
<b>Long-Term Debt</b>	18,587,720	19,478,383
<b>Accrued Pension Obligation</b>	11,913,434	4,126,625
	<hr/>	<hr/>
Total liabilities	44,357,053	36,782,462
<b>Net Assets</b>		
Unrestricted	30,109,897	37,538,704
Temporarily restricted	223,531	258,109
Permanently restricted	20,000	20,000
	<hr/>	<hr/>
Total net assets	30,353,428	37,816,813
Total liabilities and net assets	<u>\$ 74,710,481</u>	<u>\$ 74,599,275</u>

**Somerset Hospital and Subsidiary**  
**Consolidated Statements of Operations**  
**Years Ended June 30, 2012 and 2011**

	<b>2012</b>	<b>2011 (Adjusted - Note 21)</b>
<b>Unrestricted Revenues, Gains and Other Support</b>		
Patient service revenue (net of contractual discounts and allowances)	\$ 66,839,211	\$ 67,847,386
Provision for uncollectible accounts	(2,983,840)	(2,890,146)
Net patient service revenue less provision for uncollectible accounts	63,855,371	64,957,240
Federal, state and county grants	730,202	912,534
Other	2,824,862	1,190,880
Net assets released from restrictions used for operations	524,361	535,383
Total unrestricted revenues, gains and other support	67,934,796	67,596,037
<b>Expenses</b>		
Salaries and wages	27,351,516	26,830,573
Employee benefits	6,979,573	7,615,758
Physician fees	5,143,168	4,490,374
Supplies and other	22,484,320	22,744,503
Depreciation and amortization	3,841,252	3,567,030
Interest	516,686	536,518
Total expenses	66,316,515	65,784,756
<b>Operating Income</b>	1,618,281	1,811,281
<b>Other Income (Expense)</b>		
Contributions	146,550	2,162,183
Investment return	601,633	726,280
Investment return - change in fair value of investments accounted for under the fair value option of Topic 825	(143,284)	284,418
Loss on extinguishment of debt	-	(838,689)
Loss on termination of swap agreement	-	(158,200)
Gain (loss) on investments in equity investee	129,952	(135,771)
Other	21,978	4,337
Total other income (expense)	756,829	2,044,558
<b>Excess of Revenues Over Expenses</b>	2,375,110	3,855,839
Investment return - change in unrealized gains and losses on other than trading securities	(768,141)	1,664,631
Grant funds utilized for acquisition of property and equipment	45,000	539,000
Net assets released from restriction used for purchase of property and equipment	1,030,000	15,000
Change in fair value of interest rate swap agreements	(334,451)	(69,287)
Defined benefit pension costs		
Recognition of net loss	532,045	884,582
Net gain (loss) arising during the year	(8,099,395)	1,694,978
Transfers to affiliates	(2,208,975)	(1,831,486)
<b>Increase (Decrease) in Unrestricted Net Assets</b>	\$ (7,428,807)	\$ 6,753,257

**Somerset Hospital and Subsidiary**  
**Consolidated Statements of Change in Net Assets**  
**Years Ended June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Unrestricted Net Assets</b>		
Excess of revenues over expenses	\$ 2,375,110	\$ 3,855,839
Investment return - change in unrealized gains and losses on other than trading securities	(768,141)	1,664,631
Grant funds utilized for acquisition of property and equipment	45,000	539,000
Net assets released from restriction used for purchase of property and equipment	1,030,000	15,000
Change in fair value of interest rate swap agreements	(334,451)	(69,287)
Defined benefit pension costs		
Recognition of net loss	532,045	884,582
Net gain (loss) arising during the year	(8,099,395)	1,694,978
Transfers to affiliates	(2,208,975)	(1,831,486)
	<u>(7,428,807)</u>	<u>6,753,257</u>
<b>Temporarily Restricted Net Assets</b>		
Contributions received	1,518,925	390,053
Investment return	858	6,562
Net assets released from restriction	(1,554,361)	(550,383)
	<u>(34,578)</u>	<u>(153,768)</u>
<b>Change in Net Assets</b>	(7,463,385)	6,599,489
<b>Net Assets, Beginning of Year</b>	<u>37,816,813</u>	<u>31,217,324</u>
<b>Net Assets, End of Year</b>	<u>\$ 30,353,428</u>	<u>\$ 37,816,813</u>

**Somerset Hospital and Subsidiary**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Operating Activities</b>		
Change in net assets	\$ (7,463,385)	\$ 6,599,489
Items not requiring (providing) cash		
Gain on sale of property and equipment	(26,091)	(8,204)
Depreciation and amortization	3,841,252	3,567,030
(Gain) loss on investment in equity investee	(129,952)	135,771
Net (gain) loss on investments	678,987	(2,282,813)
Change in fair value of interest rate swap agreements	334,451	69,287
Transfers to affiliates	2,208,975	1,831,486
Restricted contributions, grants and investment return	(1,564,783)	(935,615)
Change in accrued self-insurance costs	(600,187)	24,248
Change in defined benefit pension plans	7,567,350	(2,579,560)
Loss on extinguishment of debt	-	838,689
Changes in		
Patient accounts receivable, net	180,620	(261,125)
Estimated amounts due from third-party payers	1,091,594	(469,831)
Accounts payable and accrued expenses	532,777	192,419
Other current assets and liabilities	240,414	84,844
Other, net	(142,811)	(109,707)
Net cash provided by operating activities	6,749,211	6,696,408
<b>Investing Activities</b>		
Proceeds from sales of assets limited as to use	4,607,348	13,525,252
Purchase of assets limited as to use	(4,032,298)	(13,832,447)
Dividends and return of equity from equity investee	162,500	200,000
Purchase of property and equipment	(5,955,254)	(3,770,457)
Proceeds from sale of property and equipment	31,600	85,000
Net cash used in investing activities	(5,186,104)	(3,792,652)
<b>Financing Activities</b>		
Cash transfers to affiliates	(2,208,975)	(1,831,486)
Proceeds from restricted contributions, grants and investment return	1,564,783	935,615
Payment of deferred financing costs	-	(86,232)
Principal payments on long-term debt	(860,523)	(18,509,171)
Proceeds from issuance of note payable	-	17,471,000
Net cash used in financing activities	(1,504,715)	(2,020,274)
<b>Increase in Cash and Cash Equivalents</b>	58,392	883,482
<b>Cash and Cash Equivalents, Beginning of Year</b>	12,038,970	11,155,488
<b>Cash and Cash Equivalents, End of Year</b>	\$ 12,097,362	\$ 12,038,970
<b>Supplemental Cash Flows Information</b>		
Interest paid	\$ 515,866	\$ 637,100
Purchase of property and equipment in accounts payable	\$ 223,254	\$ 340,704

**Somerset Hospital and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

Somerset Hospital (the "Hospital") is a wholly owned subsidiary of Somerset Hospital Foundation (the "Foundation") and operates an acute care hospital facility in Somerset, Pennsylvania. The Hospital also operates a home health agency and an inpatient hospice facility in the same geographic area. The Foundation is also the parent of Somerset Health Services, Inc. (SHS), a not-for-profit corporation established to provide health-related activities in the Somerset, Pennsylvania, area, and Somerset Orthopedics, Inc. (SOI), a corporation created to employ orthopedic physicians.

Twin Lakes Center (TLC) is a not-for-profit corporation, wholly owned by the Hospital, providing drug and alcohol rehabilitation services on both an inpatient and outpatient basis.

Somerset Anesthesia, Inc. (SAI), a taxable corporation, wholly owned by the Hospital, providing professional anesthesiology services on both an inpatient and outpatient basis was established during the year ended June 30, 2012. For the year ended June 30, 2012, SAI had no activities and therefore SAI is not included in the consolidated financial statements of the Hospital. SAI is expected to be included in the consolidated financial statements of the Hospital for the year ending June 30, 2013.

***Principles of Consolidation***

The consolidated financial statements include the financial statements of Somerset Hospital and its wholly owned subsidiary, Twin Lakes Center. All significant intercompany accounts and transactions have been eliminated.

***Use of Estimates***

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

***Cash Equivalents***

The Hospital considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At June 30, 2012 and 2011, cash equivalents consisted primarily of deposits in weekly maturing municipal securities, money market funds and certificates of deposit.

# **Somerset Hospital and Subsidiary**

## **Notes to Consolidated Financial Statements**

### **June 30, 2012 and 2011**

Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010, through December 31, 2012, at all FDIC-insured institutions

For interest-bearing cash accounts, the FDIC's insurance limits were permanently increased to \$250,000, effective July 21, 2010. At June 30, 2012, the Hospital's interest-bearing cash accounts exceeded federally insured limits by approximately \$2,090,000

The Hospital and TLC maintained approximately \$8,585,000 and \$7,425,000 of its cash equivalents in one money market fund at June 30, 2012 and 2011, respectively. This money market fund invests in certificates of deposit, commercial paper, variable rate obligations, agency obligations, time deposits, repurchase agreements, master notes and promissory notes, and is not subject to FDIC coverage

The Hospital maintained approximately \$100,000 and \$2,100,000 of its cash equivalents in weekly maturing tax exempt variable rate demand bonds backed by letters of credit from nationally recognized financial institutions at June 30, 2012 and 2011, respectively, which are not subject to FDIC coverage

#### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investments in equity investees are reported on the equity method of accounting. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is initially included in temporarily restricted net assets. Other investment return is reflected in the statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions

Investments in hedge funds and investment partnerships are carried at fair value pursuant to the fair value option provision of Topic 825 (*Note 18*)

#### ***Assets Limited As To Use***

Assets limited as to use include (1) assets held by trustees for debt service, deferred compensation and workers' compensation requirements, (2) assets restricted by donors and grantors, (3) medical malpractice deductible fund and (4) assets set aside by the Board of Directors for designated purposes over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the Hospital are included in current assets

**Somerset Hospital and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

***Patient Accounts Receivable***

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital and TLC analyze their past history and identify trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the Hospital and TLC analyze contractually due amounts and provide an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital and TLC record a provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Hospital and TLC's allowance for doubtful accounts for self-pay patients was 71% of self-pay accounts receivable at June 30, 2012 and 2011. In addition, the Hospital and TLC's write-offs increased approximately \$105,000 from approximately \$2,800,000 for the year ended June 30, 2011, to approximately \$2,905,000 for the year ended June 30, 2012.

***Supply Inventories***

The Hospital states supply inventories at the lower of cost, determined using the first-in, first-out method, or market.

***Property and Equipment***

Property and equipment acquisitions are recorded at cost and are depreciated on a straight-line basis over the estimated useful life of each asset.

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

**Somerset Hospital and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

***Long-Lived Asset Impairment***

The Hospital evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2012 and 2011.

***Deferred Financing Costs***

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the effective interest method.

***Deferred Revenue***

Support funded by grants is recognized as the Hospital and TLC performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Deferred revenue represents grant funds received not yet eligible for recognition. Grant activities and outlays are subject to audit and acceptance by granting agencies and, as a result of such audit, adjustments could be required.

***Temporarily and Permanently Restricted Net Assets***

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

***Net Patient Service Revenue***

The Hospital and TLC have agreements with third-party payers that provide for payments to the Hospital and TLC at amounts different from their established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

***Federal, State and County Grants***

TLC contracts with Somerset County, Bedford County, Butler County, Cambria County, Centre County, Clarion County, Clearfield-Jefferson Counties, Greene County, Armstrong County, Indiana County, Washington County, Fayette County, Lawrence County and Westmoreland County, Single County Authorities (SCAS) of the state of Pennsylvania as well as with various Act 152 HUBS to provide services for the control, treatment, prevention, rehabilitation, research,

# **Somerset Hospital and Subsidiary**

## **Notes to Consolidated Financial Statements**

### **June 30, 2012 and 2011**

education and training aspects of drug and alcohol abuse and dependency problems, pursuant to the provisions of the Pennsylvania Drug and Alcohol Act of April 14, 1972, P L 221, No 63, 71 P S 1690 101 Each contract provides that costs incurred by TLC in the delivery of drug and alcohol program services are to serve as the basis for reimbursement of federal, state and county funds made available under the contracts Revenue for the reimbursed costs is recorded at the time the expense is incurred The Act 152 HUBS are charged with developing and implementing a multicounty service system for the case management, treatment and rehabilitation of drug and alcohol abuse and dependency problems for eligible Act 152 clients pursuant to the Pennsylvania Drug and Alcohol Act TLC received approximately 83% and 80% of its grant revenue from Somerset, Cambria, Westmoreland, Bedford, Fayette, Armstrong and Indiana counties in 2012 and 2011, respectively

#### ***Charity Care***

The Hospital and TLC provide care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy Because the Hospital and TLC do not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue

#### ***Contributions***

Unconditional gifts expected to be collected within one year are reported at their net realizable value Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique The resulting discount is amortized using the level-yield method and is reported as contribution revenue

Gifts received with donor stipulations are reported as either temporarily or permanently restricted support When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets Donor-restricted contributions whose restrictions are met within the same year as received are initially reported as temporarily restricted contributions Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor

#### ***Estimated Malpractice Costs***

An annual estimated provision is accrued for medical malpractice claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported

#### ***Estimated Self-Insurance Costs***

The Hospital accrues estimated liabilities for self-insurance losses associated with workers' compensation and employee health insurance claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported Costs resulting from self-insured losses are charged to income when incurred

**Somerset Hospital and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

***Income Taxes***

The Hospital and TLC have been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Hospital and TLC are subject to federal income tax on any unrelated business taxable income.

***Excess of Revenues Over Expenses***

The consolidated statements of operations include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers to and from affiliates for other than goods and services, contributions and grants of and for long-lived assets (including assets acquired using contributions or grant funds which by donor restriction were to be used for the purpose of acquiring such assets), changes in fair value of interest rate swap agreements and pension liability adjustments.

***Electronic Health Records Incentive Program***

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medical Assistance programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medical Assistance program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Hospital recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

In 2012, the Hospital completed the first-year requirements under the Medicare program and has recorded revenue of approximately \$1,700,000, which is included in other revenue within operating revenues in the consolidated statement of operations. Additionally, in 2011, the Hospital completed the first-year requirements under the Medical Assistance program and recorded revenue of approximately \$260,000, which is included in other revenue within operating revenues in the consolidated statements of operations.

***Reclassifications***

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 financial statement presentation (see *Note 21*). These reclassifications had no effect on the change in net assets.

# Somerset Hospital and Subsidiary

## Notes to Consolidated Financial Statements

### June 30, 2012 and 2011

#### **Subsequent Events**

Subsequent events have been evaluated through September 24, 2012, which is the date the financial statements were issued

#### **Note 2: Net Patient Service Revenue**

The Hospital and TLC recognize patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Hospital and TLC recognize revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital and TLC's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital and TLC record a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the statement of operations as a component of net patient service revenue.

The Hospital and TLC have agreements with third-party payers that provide for payments to the Hospital and TLC at amounts different from its established rates. These payment arrangements include

*Medicare* Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. The Hospital is designated as a sole community hospital by the Medicare program.

*Medical Assistance* Inpatient services rendered to Medical Assistance program beneficiaries are reimbursed based on a prospectively established rate. Outpatient services are reimbursed under a fee schedule methodology. In 2011, the Medical Assistance program underwent significant changes (MA Modernization), including updating the inpatient DRG payment system and creating a new provider assessment program. Effective July 1, 2011, services related to inpatient care for prison inmates in the state of Pennsylvania began being paid at Medical Assistance rates rather than commercial contract rates that were previously in effect. Additionally, reimbursement for outpatient services for these patients was also changed to approximate the Medicare reimbursement that would have been received.

*Highmark Blue Cross* Inpatient and outpatient services rendered to Highmark Blue Cross subscribers are reimbursed at prospective rates per discharge and fee schedules in accordance with established contractual agreements. The prospectively determined rates are not subject to retroactive adjustment.

Laws and regulations governing the Medicare and Medical Assistance programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

**Somerset Hospital and Subsidiary**  
**Notes to Consolidated Financial Statements**  
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The Hospital and TLC have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital and TLC under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the year ended June 30, 2012, was approximately

Medicare	\$ 27,547,000
Medicaid	4,552,000
Highmark Blue Cross	16,266,000
Other third-party payers	14,176,000
Self-pay	<u>4,298,000</u>
Total	<u><u>\$ 66,839,000</u></u>

**Note 3: Concentration of Credit Risk**

The Hospital and TLC grant credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers at June 30, 2012 and 2011, is

	<b>2012</b>	<b>2011</b>
Medicare	39%	34%
Medical Assistance	9%	14%
Highmark Blue Cross	16%	14%
Other third-party payers	26%	30%
Patients	<u>10%</u>	<u>8%</u>
	<u><u>100%</u></u>	<u><u>100%</u></u>

**Somerset Hospital and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

**Note 4: Investments and Investment Return**

***Assets Limited As To Use***

Assets limited as to use include

	<u>2012</u>	<u>2011</u>
Internally designated		
Cash and cash equivalents	\$ 223,061	\$ 645,363
Mutual funds - equities	7,576,643	8,274,180
Mutual funds - fixed income	7,406,719	6,953,388
Hedge funds and limited liability partnerships	2,738,420	2,881,704
	<u>17,944,843</u>	<u>18,754,635</u>
Externally restricted by donors		
Cash and cash equivalents	142,087	167,355
Trust held by others	20,000	20,000
Other assets	90,976	123,932
	<u>253,063</u>	<u>311,287</u>
Externally restricted by grantors		
Cash and cash equivalents	-	143,871
Workers' compensation self-insurance fund		
Cash and cash equivalents	-	241,982
Medical malpractice deductible fund		
Deposit held by malpractice insurer	962,923	992,545
Held by trustee under bond indenture and voluntary deferred compensation agreements		
Other	586,791	580,983
Total assets limited as to use	19,747,620	21,025,303
Less amounts required to meet current obligations	149,572	453,871
Assets limited as to use, net of current portion	<u>\$ 19,598,048</u>	<u>\$ 20,571,432</u>

**Somerset Hospital and Subsidiary**  
**Notes to Consolidated Financial Statements**  
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Total investment return is comprised of the following

	<b>2012</b>	<b>2011</b>
Interest and dividend income	\$ 381.666	\$ 416.655
Realized gains on sales of securities	231.580	327.202
Change in fair value of investments accounted for under the fair value option of Topic 825	(143.284)	284.418
Net unrealized gains and losses on other than trading securities	<u>(767.283)</u>	<u>1,671.193</u>
	<u>\$ (297.321)</u>	<u>\$ 2,699.468</u>

Total investment return is reflected in the statements of operations and changes in net assets as follows

	<b>2012</b>	<b>2011</b>
Unrestricted net assets		
Other operating revenue	\$ 11.613	\$ 17.577
Other nonoperating income	601.633	726.280
Investment return- change in fair value of investments accounted for under the fair value option of Topic 825	(143.284)	284.418
Change in unrealized gains and losses on other than trading securities	(768.141)	1,664.631
Temporarily restricted net assets	<u>858</u>	<u>6,562</u>
	<u>\$ (297.321)</u>	<u>\$ 2,699.468</u>

***Unrealized Losses on Investments***

Certain investments in debt and marketable equity securities are reported in the financial statements at an amount less than their historical cost by \$288.033 and \$27.688 at June 30, 2012 and 2011, respectively. Total fair value of these investments at June 30, 2012 and 2011, was \$4,252,576 and \$3,751,073, respectively, which is approximately 21% and 18%, respectively, of the Hospital's assets limited as to use. These declines primarily resulted from the performance of the underlying securities in mutual funds and changes in market interest rates.

Based on evaluation of available evidence, management believes the declines in fair value for these securities are temporary. Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in excess of revenues over expenses in the period the other-than-temporary impairment is identified.

**Somerset Hospital and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

The following table shows the Hospital's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2012 and 2011

Description of Securities	June 30, 2012					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mutual funds - fixed income	\$ 675.343	\$ (50.797)	\$ 3,009.582	\$ (153.015)	\$ 3,684.925	\$ (203.812)
Mutual funds - equities	380.818	(50.777)	186.833	(33.444)	567.651	(84.221)
Total temporarily impaired securities	<u>\$ 1,056.161</u>	<u>\$ (101.574)</u>	<u>\$ 3,196.415</u>	<u>\$ (186.459)</u>	<u>\$ 4,252.576</u>	<u>\$ (288.033)</u>

Description of Securities	June 30, 2011					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mutual funds - fixed income	\$ 2,057.482	\$ (27.132)	\$ 1,484.367	\$ (230)	\$ 3,541.849	\$ (27.362)
Mutual funds - equities	-	-	209.224	(326)	209.224	(326)
Total temporarily impaired securities	<u>\$ 2,057.482</u>	<u>\$ (27.132)</u>	<u>\$ 1,693.591</u>	<u>\$ (556)</u>	<u>\$ 3,751.073</u>	<u>\$ (27.688)</u>

***Hedge Funds and Limited Liability Partnerships***

The fair value of the hedge funds and limited liability partnerships has been estimated using the net asset value per share of the investments. Hedge funds and limited liability partnerships held at June 30 consist of the following:

	June 30, 2012				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	
Hedge fund of funds (A)	\$ 850.535	\$ -	Quarterly	90-day written notice	
Hedge fund of funds (B)	\$ 942.656	\$ -	Quarterly	90-day written notice	
Limited liability partnership (C)	\$ 945.229	\$ -	Quarterly	90-day written notice	

**Somerset Hospital and Subsidiary**  
**Notes to Consolidated Financial Statements**  
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	June 30, 2011			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge fund of funds (A)	\$ 889.457	\$ -	Quarterly	90-day written notice
Hedge fund of funds (B)	\$ 984.646	\$ -	Quarterly	90-day written notice
Limited liability partnership (C)	\$ 1,007.601	\$ -	Quarterly	90-day written notice

- (A) This fund seeks to generate total return in excess of the yields of short-term U S Treasury securities, irrespective of the performance of any particular sector of the global capital markets. The fund seeks to achieve its objective by capitalizing on inefficiencies in the global capital markets through an allocation of the fund's capital to various alternative investment strategies. The fund invests in hedge funds which hold various government and corporate debt obligations, corporate common stocks and warrants, closed-end funds, restricted preferred stock and derivative financial instruments, among other investments. Subsequent to June 30, 2012, the Hospital began liquidating these funds.
- (B) This fund seeks to achieve long-term growth of capital with reduced volatility by allocating its capital amount various money managers that, as a group, employ a variety of investment techniques and strategies. The money managers invest in diversified portfolios of U S and international equities as well as in distressed and arbitrage securities and some private, less liquid investments.
- (C) This fund seeks to earn an attractive return while minimizing risk over the long-term by investing in securities and other financial instruments that the general partner believes to be under-valued and that are issued by or related to special situation companies. This account invests in securities and other financial instruments of United States and foreign entities, including, without limitation, capital stock, partnership interests, interests in real estate and real estate related assets, bonds, notes and debentures, currencies, commodities, interest rate, currency, commodity, equity and other derivative products, loans participations, mutual funds, money market funds, obligations of the United States or any state therefore, foreign governments commercial paper, certificates of deposit, letters of credit, trade claims, and any other obligations and instruments or evidences of indebtedness of whatever kind or nature, and to sell securities short and cover such sales. Subsequent to June 30, 2012, the Hospital began liquidating these funds.

***Other-Than-Temporary Impairment***

The Hospital routinely conducts periodic reviews to identify and evaluate each investment security to determine whether an other-than-temporary impairment has occurred. For each security in the investment portfolio (including but not limited to those whose fair value is less than their amortized cost basis), an extensive, regular review is conducted to determine if an other-than-temporary impairment has occurred. Various inputs to the economic models are used to determine if an unrealized loss is other-than-temporary impairment such as severity of loss, length of time in a loss position and other significant factors.

**Somerset Hospital and Subsidiary**  
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**Note 5: Investments in and Advances to Equity Investee**

The investments in and advances to equity investee relate to a 50% ownership of Somerset Med Services, Inc

Financial position and results of operations of Somerset Med Services, Inc as of June 30, 2012 and 2011, are summarized below

	<b>2012</b>	<b>2011</b>
Current assets	\$ 1,168,282	\$ 1,189,430
Property and other long-term assets, net	128,372	121,901
Total assets	<u>1,296,654</u>	<u>1,311,331</u>
Total liabilities	<u>445,704</u>	<u>442,577</u>
Equity	<u>\$ 850,950</u>	<u>\$ 868,754</u>
Revenues	\$ 4,037,471	\$ 4,193,099
Net income	\$ 307,196	\$ 323,986

During 2012 and 2011, the Hospital received \$162,500 and \$200,000, respectively, in cash dividends from Somerset Med Services, Inc

**Note 6: Property and Equipment**

Property and equipment are stated at cost. A summary of cost by category and the related total accumulated depreciation follows

	<b>2012</b>	<b>2011</b>
Land	\$ 2,425,638	\$ 2,365,638
Land improvements	624,391	630,824
Buildings	50,903,571	47,894,929
Equipment	38,841,096	36,336,677
Construction in progress	180,084	492,427
	<u>92,974,780</u>	<u>87,720,495</u>
Less accumulated depreciation	<u>57,493,414</u>	<u>54,253,908</u>
	<u>\$ 35,481,366</u>	<u>\$ 33,466,587</u>

# **Somerset Hospital and Subsidiary**

## **Notes to Consolidated Financial Statements**

### **June 30, 2012 and 2011**

Included in construction in progress are capital costs associated with various projects all of which are expected to be completed during 2013 without incurring significant additional costs to complete. These projects are expected to be paid from operating funds of the Hospital.

#### **Note 7: Contingent Liabilities**

##### ***Medical Malpractice***

The Hospital purchases primary and excess liability malpractice insurance under claims-made policies. Adjustments of estimated to actual expense, if any, after the policy terms, are included in the period such adjustments are determined. Hospital management does not expect any claims to exceed malpractice insurance coverage limits. However, because of the risks involved in providing health care services, it is possible that an event has occurred which will be the basis of a future material claim.

Beginning January 1, 2003, the Hospital became a member of the Community Health Alliance (CHA), a Reciprocal Risk Retention Group approved to provide malpractice coverage in Pennsylvania. The group was formed in order to stabilize the cost and availability of malpractice insurance for Pennsylvania community hospitals by taking advantage of the self-funding capabilities of a larger group and leveraging the group's purchasing power. The group members are provided with primary and excess liability malpractice insurance under claims-made policies. Adjustments of estimated to actual expense, if any, after the policy terms, will be included in the period such adjustments are determined. The Hospital has an approximate 2% ownership in the group. During 2011, the Hospital contributed \$146,000 to CHA as a surplus note, and has recorded a related receivable at June 30, 2012 and 2011, respectively.

The Hospital also participates in the Medical Care Availability and Reduction of Error Fund (MCARE) of the Commonwealth of Pennsylvania. Any unfunded liabilities within the MCARE may be funded through surcharge assessments in future years. Recent increases in the annual surcharge and concerns over MCARE's ability to manage and pay claims resulted in proposals to reform, restructure or terminate MCARE. Depending upon the ultimate resolution of this matter, the Hospital may incur additional costs in future years. No amounts for such unfunded liabilities, if any, are currently estimable and none are recorded on the consolidated balance sheets at June 30, 2012 and 2011.

In 2012, the Hospital adopted the provisions of Accounting Standards Update (ASU) 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*, which eliminates the practice of netting claim liabilities with expected insurance recoveries for balance sheet presentation. Claim liabilities are to be determined without consideration of insurance recoveries. Expected recoveries are presented separately. Prior to the adoption of ASU 2010-24, accounting principles generally accepted in the United States of America required a health care provider to accrue only an estimate of the malpractice claim costs for both reported claims and claims incurred but not reported where the risk of loss had not been transferred to a financially viable insurer. There was no material impact of the ASU adoption to the Hospital's financial statements.

**Somerset Hospital and Subsidiary**  
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**Self-Insurance**

The Hospital is self-insured for employee health insurance and has accrued an estimate of the ultimate costs for both reported claims and claims incurred but not reported. Actual results could differ from these estimates.

The Hospital is self-insured for workers' compensation claims and has accrued an estimate of the ultimate costs for both reported claims and claims incurred but not reported estimated based upon known amounts and historical trends. Actual results could differ from these estimates. Effective for the year ended June 30, 2012, the Hospital is no longer required to carry restricted investments for the workers' compensation fund (see *Note 4*).

A summary of estimated self-insurance reserves accrued by the Hospital as of June 30, 2012 and 2011, follows:

	<b>Current</b>	<b>2012 Long-Term</b>	<b>Total</b>
Health insurance	\$ 325,000	\$ -	\$ 325,000
Medical malpractice	139,572	1,370,198	1,509,770
Workers' compensation	135,000	257,000	392,000
	<u>\$ 599,572</u>	<u>\$ 1,627,198</u>	<u>\$ 2,226,770</u>
		<b>2011</b>	
	<b>Current</b>	<b>Long-Term</b>	<b>Total</b>
Health insurance	\$ 325,000	\$ -	\$ 325,000
Medical malpractice	300,000	1,809,957	2,109,957
Workers' compensation	135,000	257,000	392,000
	<u>\$ 760,000</u>	<u>\$ 2,066,957</u>	<u>\$ 2,826,957</u>

The long-term portion of these estimated self-insurance reserves are presented as long-term liabilities on the consolidated balance sheets as a component of estimated self-insurance costs and other.

**Somerset Hospital and Subsidiary**  
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**Note 8: Long-Term Debt**

	2012	2011
Hospital Revenue Note, Series 2009 (A)	\$ 2,992,383	\$ 3,192,906
Hospital Revenue Note, Series 2010 (B)	16,486,000	17,146,000
	19,478,383	20,338,906
Less current maturities	890,663	860,523
	\$ 18,587,720	\$ 19,478,383

- (A) Hospital Revenue Note, Series 2009 dated April 1, 2009, in the original amount of \$3,590,000, bearing an interest rate of 3.32% when the prime rate is equal to or less than 4.75%, and 70% of the prime rate when it is higher than 4.75%, with a maximum variable rate of 6.00%. At June 30, 2012 and 2011, the interest rate was 3.32%. The note is payable in monthly installments through May 1, 2024.
- (B) Hospital Revenue Note, Series 2010 dated December 23, 2010, in the original amount of \$17,471,000, bearing an interest rate equal to the bank qualified tax-exempt rate of 65% of the sum of one-month LIBOR in effect for each reset day plus 2 percent. At June 30, 2012, the interest rate was 1.46%. Principal and interest on this variable rate note are payable in monthly installments in accordance with an established twenty-year amortization schedule up to the maturity date on the note of December 15, 2017. The outstanding principal of \$12,554,000 along with any accrued interest will be due and payable on this maturity date. This note was issued on December 23, 2010, to refund the Series 1997A, Series 2002A, Series 2007A and Series 2007B bond issues.

The Hospital has entered into an interest rate swap agreement to help mitigate exposure to future changes in interest rates on a portion of the Series 2010 Note. See *Note 9* for additional discussion of the interest rate swap agreement.

Proceeds from the Series 2010 Note were also used to purchase securities that were deposited in trust under an escrow agreement sufficient in the amount to pay for future principal, interest and redemption premiums on the Series 2002A defeased bonds. In March 2012, the Series 2002A bonds were paid in full.

These advance refunding transactions resulted in a loss on extinguishment of debt of \$838,689 at June 30, 2011, since the Hospital was released from its obligation on the 1997A, 2002A, 2007A and 2007B bonds.

The Hospital has pledged as collateral all income received by or on behalf of the Hospital from the use of the health care facilities and all equipment and inventory used in the operation of the health care facilities for each of the Hospital Revenue Bonds Series, the Hospital Revenue Notes and the interest rate swap agreement entered into in 2010 (*Note 9*). Additionally, the Hospital had entered into a Mortgage and Security Agreement with the bond trustee with respect to the Hospital's health care facilities.

**Somerset Hospital and Subsidiary**  
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The bond agreements and notes contain certain restrictive covenants which, among other provisions, require that the Hospital maintain certain financial covenants which include maximum annual debt service, debt service coverage, leverage and liquidity ratios. As of June 30, 2012 and 2011, and for the years then ended, the Hospital was in compliance with these covenants.

Aggregate annual maturities and sinking fund requirements of long-term debt at June 30, 2012, are as follows:

2013	\$ 890,663
2014	907,762
2015	946,104
2016	972,492
2017	1,005,542
Thereafter	<u>14,755,820</u>
	<u><u>\$ 19,478,383</u></u>

**Note 9: Interest Rate Swap Agreements**

***2008 Interest Rate Swap***

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Hospital entered into an interest rate swap agreement for a portion of its floating rate debt on March 3, 2008. The agreement provided for the Hospital to receive interest from the counterparty equivalent to 65% of LIBOR and to pay interest to the counterparty at a fixed rate of 2.364%. Under the agreement, the Hospital paid or received the net interest amount monthly, with the monthly settlements included in interest expense. The swap was set to expire on March 1, 2013, however, the Hospital terminated the swap agreement during 2011 with the repayment of the Series 2007A bonds (see *Note 8*). The expense associated with the swap, recognized in interest expense in the statement of operations, for the year ended June 30, 2011, was approximately \$58,000. The cost associated to terminate the interest rate swap agreement prior to its maturity was \$158,200. This cost associated with the termination has been reclassified to a component of excess of revenues over expenses.

Management designated the interest rate swap agreement as a cash flow hedging instrument. As a result, the agreement is recorded at its fair value with subsequent changes in fair value excluded from excess of revenues over expenses until the swap agreement was terminated in advance of its maturity date. The change in the fair value of the swap was \$180,627 at June 30, 2011, and was recorded as a component of changes in unrestricted net assets.

***2010 Interest Rate Swap***

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Hospital entered into an interest rate swap agreement for a portion of its floating rate debt relating to the Hospital Revenue Note, Series 2010, on

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December 23, 2010 The agreement provides for the Hospital to receive interest from the counterparty equivalent to the sum of 65% of one-month LIBOR plus a 2.00% spread and to pay interest to the counterparty at a fixed rate of 3.315% on a notional amount of \$8,494,209 and \$8,833,115 at June 30, 2012 and 2011, respectively. Under the agreement, the Hospital pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The swap expires on December 15, 2017.

The table below presents certain information regarding the Hospital's interest rate swap agreement designated as a cash flow hedge.

	<u>2012</u>	<u>2011</u>
<b>Other Liabilities</b>		
Fair value of interest rate swap agreement	\$ (584,365)	\$ (249,914)
<b>Changes in Unrestricted Net Assets</b>		
Change in interest rate swap agreement	(334,451)	(249,914)
<b>Interest Expense</b>		
Loss reclassified from unrestricted net assets into excess revenues over expenses	164,000	75,000

**Note 10: Line of Credit**

During 2012, the Hospital extended a revolving line of credit of \$1,500,000 for one year which expires on January 30, 2013. The line is collateralized by any hardware and software purchased from the proceeds of this line of credit. Interest is at a fixed rate of 4.75%, and is payable monthly. At June 30, 2012 and 2011, there was \$0 borrowed against this line.

**Note 11: Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purpose or periods:

	<u>2012</u>	<u>2011</u>
Operating room needs	\$ 70,783	\$ 67,215
Equipment purchases	17,986	27,907
Inpatient hospice program	44,690	72,395
Medical student program	16,315	27,090
Campus development	19,174	29,174
Breast cancer	20,845	-
Diabetic education	33,738	34,328
	<u>\$ 223,531</u>	<u>\$ 258,109</u>

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During 2012 and 2011, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes in the amounts of \$524,361 and \$535,383, respectively. During 2012 and 2011, net assets of \$1,030,000 and \$15,000, respectively, were released to purchase property and equipment.

Permanently restricted net assets are restricted to

	<b>2012</b>	<b>2011</b>
Trusts held by others	\$ 20,000	\$ 20,000

**Note 12: Charity Care**

The costs of charity care provided under the Hospital's charity care policy were \$511,117 and \$635,457 for 2012 and 2011, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

**Note 13: Functional Expenses**

The Hospital provides health care services primarily to residents within its geographic area. Expenses related to providing these services are as follows:

	<b>2012</b>	<b>2011</b>
Health care services	\$ 53,658,997	\$ 51,799,055
General and administrative	12,657,518	13,985,701
	\$ 66,316,515	\$ 65,784,756

**Note 14: Pension Plan**

***Defined Benefit Plan***

The Hospital has a noncontributory defined benefit pension plan covering all employees who meet the eligibility requirements. The Hospital's funding policy is to contribute such amounts as are necessary on an actuarial basis to provide the plan with assets sufficient to meet the benefits to be paid to retirees or their beneficiaries. The Hospital expects to contribute \$700,000 to the plan in 2013.

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Effective June 30, 2008, pension benefits for all employees in the defined benefit pension plan have been frozen

The Hospital uses a June 30 measurement date for the plan. Information about the plan's funded status follows

	<b>2012</b>	<b>2011</b>
Benefit obligation	\$(32,265,163)	\$(25,487,161)
Fair value of plan assets	20,351,729	21,360,536
Funded status	<u>\$(11,913,434)</u>	<u>\$ (4,126,625)</u>
Liabilities recognized in the balance sheets		
Noncurrent liabilities - accrued pension obligation	\$ 11,913,434	\$ 4,126,625

Amounts recognized in unrestricted net assets not yet recognized as components of net periodic benefit cost consist of

	<b>2012</b>	<b>2011</b>
Net loss	\$ 14,909,795	\$ 7,342,445

Amortization of the unrecognized net loss, excluding asset gains and losses not yet reflected in the fair value of assets, is required if it exceeds 10% of the greater of the benefit obligation or the fair value of plan assets

The estimated net loss for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is \$411,635

The accumulated benefit obligation for the defined benefit pension plan was \$32,265,163 and \$25,487,161 at June 30, 2012 and 2011, respectively

	<b>2012</b>	<b>2011</b>
Other significant balances and costs are		
Benefit costs	\$ 570,196	\$ 970,182
Employer contributions	\$ 350,732	\$ 500,000
Benefits paid	\$ 985,732	\$ 692,273

During the year ended June 30, 2012, the Hospital amended the benefit plan allowing the Hospital to pay one-time benefit settlements to participants with small accumulated benefits. These one-time payments were approximately \$223,000 in 2012 and are included in benefits paid of \$985,732

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The following amounts have been recognized in the statements of operations for the years ended June 30, 2012 and 2011

	<b>2012</b>	<b>2011</b>
Amounts arising during the period		
Net gain (loss)	\$ (8,099,395)	\$ 1,694,978
Amounts reclassified as components of net periodic pension cost		
Net loss	\$ 532,045	\$ 884,582
Amounts reflected as components of net periodic benefit cost for the period		
Interest cost	\$ 1,503,849	\$ 1,435,108
Expected return on plan assets	(1,465,698)	(1,349,508)
Recognition of net loss	532,045	884,582
Total	\$ 570,196	\$ 970,182

Significant assumptions include

	<b>2012</b>	<b>2011</b>
Weighted average assumptions used to determine benefit obligations		
Discount rate	4.45%	6.00%
Rate of compensation increase	N/A	N/A
Weighted average assumptions used to determine benefit costs		
Discount rate	6.00%	5.75%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A

The Hospital has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information

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Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through a limited investment in equity securities. The target asset allocation percentages for 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Equity securities	55% - 75%	40% - 60%
Fixed income	15% - 25%	25% - 45%
Hedge funds and distressed securities	10% - 20%	5% - 20%

Plan assets are rebalanced quarterly. At June 30, 2012 and 2011, plan assets by category are as follows:

	<u>2012</u>	<u>2011</u>
Equity securities	57%	56%
Fixed income	33%	35%
Hedge funds and distressed securities	10%	9%
	<u>100%</u>	<u>100%</u>

***Pension Plan Assets***

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of pension plan assets pursuant to the valuation hierarchy:

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market funds and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Level 3 securities include investments in hedge funds and limited liability partnerships. For investments, other than the hedge funds and limited liability partnerships, the inputs used by the pricing service to determine fair value may include one, or a combination of observable inputs such as benchmark yields, broker/dealer quotes, issuer spreads, benchmark securities and reference data market research publications. For the hedge funds and limited liability partnerships, the net asset value reported by the fund manager was used to determine fair value.

**Somerset Hospital and Subsidiary**  
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The fair values of the Hospital's pension plan assets at June 30, 2012 and 2011, by asset class are as follows

		<b>2012</b>		
		<b>Fair Value Measurements Using</b>		
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Money market funds	\$ 197,622	\$ 197,622	\$ -	\$ -
Mutual funds - equities	11,522,590	11,522,590	-	-
Mutual funds - fixed income	6,745,906	6,745,906	-	-
Hedge funds and limited liability partnerships	1,885,611	-	-	1,885,611

		<b>2011</b>		
		<b>Fair Value Measurements Using</b>		
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Mutual funds - equities	\$ 11,886,701	\$ 11,886,701	\$ -	\$ -
Mutual funds - fixed income	7,502,716	7,502,716	-	-
Hedge funds and limited liability partnerships	1,971,119	-	-	1,971,119

**Somerset Hospital and Subsidiary**  
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	<b>Investments in Hedge Funds and Limited Liability Partnerships</b>
Balance, July 1, 2010	\$ 2,696,591
Actual return on plan assets Relating to assets still held at June 30, 2011	110,446
Relating to assets sold during the prior period	12,191
Sales of investments	(848,109)
Balance, July 1, 2011	1,971,119
Actual return on plan assets Relating to assets still held at June 30, 2012	(85,508)
Balance, June 30, 2012	\$ 1,885,611

Plan assets are held by a bank-administered trust fund, which invest the assets in accordance with investment policy statements. The plan agreements permit investment in equity mutual funds, fixed income mutual funds, certain insurance contracts and other specified investments, hedge funds and distressed securities based on certain target allocation percentages.

The following benefit payments, which reflect expected future service, are expected to be paid as of June 30, 2012:

2013	\$ 935,183
2014	975,794
2015	1,032,044
2016	1,113,205
2017	1,211,837
2018 – 2022	7,978,641

**Somerset Hospital and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

***Defined Contribution Plans***

The Hospital has also established a 403(b) plan to which employees may elect to contribute, from their compensation each pay period, a percentage up to the maximum dollar limit allowed by the Internal Revenue Service and upon which the employer matching contribution is determined. The salary deferral contributions and related investments of the 403(b) plan are held separately within each employee's account along with the employer's match. Employer discretionary contributions to the 403(b) plan for the years ended June 30, 2012 and 2011, were approximately \$570,000 and \$588,000, respectively.

TLC has established a 403(b) plan to which employees may elect to contribute, from their compensation each pay period, a percentage up to the maximum dollar limit allowed by the Internal Revenue Service and upon which the employer matching contribution is determined. The salary deferral contributions and related investments of the 403(b) plan are held separately within each employee's account along with the employer's match. Employer discretionary contributions to the 403(b) plan for the years ended June 30, 2012 and 2011, were approximately \$13,500 and \$12,000, respectively.

***Voluntary Deferred Compensation Plan***

The Hospital has a voluntary deferred compensation 457(b) plan for the benefit of certain employees. No Hospital assets are being used to fund the plan, as amounts are withheld from employee compensation. The trust account assets are classified as assets limited as to use and a corresponding deferred compensation obligation has been recorded by the Hospital in the amount of \$586,791 and \$580,983 at June 30, 2012 and 2011, respectively.

**Note 15: Related Party Transactions**

The Hospital leases office space from Somerset Management Services (SMS), a wholly owned subsidiary of SHS, under leases that are renewable annually. Total lease expense for 2012 and 2011 totaled approximately \$89,100 annually. The Hospital has advanced operating capital to SMS, and a receivable of \$22,785 and \$175,051 is recorded in prepaid expenses and other on the balance sheet at June 30, 2012 and 2011, respectively.

Net transfers from the Hospital to SHS in 2012 and 2011 were approximately \$1,395,000 and \$873,000, respectively. Transfers are used to fund operations and cash needs for affiliates of the Hospital. SHS paid the Hospital \$158,000 and \$118,500 for office rental space for the years ended June 30, 2012 and 2011, respectively. The Hospital and TLC have advanced operating capital to SHS, and a receivable of \$188,000 and \$52,700 is recorded in prepaid expenses and other on the balance sheet at June 30, 2012 and 2011, respectively.

The Hospital received contributions of approximately \$146,550 and \$1,140,000 from the Foundation during 2012 and 2011, respectively, for certain operations of the Hospital, the purchase of property and equipment, campus development and educational assistance programs.

**Somerset Hospital and Subsidiary**  
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Net transfers from the Hospital to SOI in 2012 and 2011 were approximately \$814,000 and \$958,000, respectively. SOI paid the Hospital \$64,000 and \$87,000 for office rental space for the years ended June 30, 2012 and 2011, respectively. The Hospital has advanced operating capital to SOI, and a receivable of \$55,780 is recorded in prepaid expenses and other on the balance sheet at June 30, 2012 and 2011.

The Hospital received temporarily restricted contributions of \$60,000 and \$45,000 from the Somerset Hospital Auxiliary during 2012 and 2011, respectively, to be used in certain operations of the Hospital.

**Note 16: Disclosures About Fair Value of Financial Instruments**

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

***Cash Equivalents and Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market funds, mutual funds – equities and mutual funds – fixed income. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include weekly maturing variable rate demand bonds. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Level 3 securities include investments in hedge funds.

**Somerset Hospital and Subsidiary**  
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and limited liability partnerships. For investments, other than the hedge funds and limited liability partnerships, the inputs used by the pricing service to determine fair value may include one, or a combination of observable inputs such as benchmark yields, broker/dealer quotes, issuer spreads, benchmark securities and reference data market research publications. For the hedge funds and limited liability partnerships, the net asset value reported by the fund manager was used to determine fair value.

***Interest in Common Trust Funds***

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreements. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

***Interest Rate Swap Agreement***

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

The following tables present estimated fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2012 and 2011.

	<b>2012</b>			
	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Cash equivalents				
Weekly maturing variable rate demand bonds	\$ 100,000	\$ -	\$ 100,000	\$ -
Money market funds	8,586,557	8,586,557	-	-
Investments				
Money market funds	240,099	240,099	-	-
Mutual funds - equities	8,163,433	8,163,433	-	-
Mutual funds - fixed income	7,406,719	7,406,719	-	-
Hedge funds and limited liability partnerships	2,738,420	-	-	2,738,420
Interest in common trust funds	73,716	-	73,716	-
Interest rate swap agreement	584,365	-	584,365	-

**Somerset Hospital and Subsidiary**  
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	2011 Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents				
Weekly maturing variable rate demand bonds	\$ 2,100,413	\$ -	\$ 2,100,413	\$ -
Money market funds	7,423,794	7,423,794	-	-
Investments				
Money market funds	402,580	402,580	-	-
Mutual funds - equities	8,855,163	8,855,163	-	-
Mutual funds - fixed income	6,953,388	6,953,388	-	-
Hedge funds and limited liability partnerships	2,881,704	-	-	2,881,704
Interest in common trust funds	71,699	-	71,699	-
Interest rate swap agreement	249,914	-	249,914	-

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheets using significant unobservable (Level 3) inputs

	<b>Investments in Hedge Funds and Limited Liability Partnerships</b>
Balance, July 1, 2010	\$ 2,390,824
Purchases	125,000
Total realized and unrealized losses included in other income (expense)	365,880
Balance, June 30, 2011	2,881,704
Total realized and unrealized losses included in other income (expense)	(143,284)
Balance, June 30, 2012	\$ 2,738,420

**Somerset Hospital and Subsidiary**  
**Notes to Consolidated Financial Statements**  
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Realized and unrealized gains and losses are included in excess of revenues over expenses for the period from July 1, 2010, through June 30, 2012

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value

**Cash and Cash Equivalents**

The carrying amount approximates fair value

**Notes Payable and Long-Term Debt**

Fair value is estimated based on the borrowing rates currently available to the Hospital for bank loans with similar terms and maturities

The following table presents estimated fair values of the Hospital's financial instruments in accordance with Topic 825 not previously disclosed at June 30, 2012 and 2011

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	\$ 9,849,379	\$ 9,849,379	\$ 9,800,995	\$ 9,800,995
Financial liabilities				
Long-term debt (including current portion)	19,478,383	19,478,383	20,338,906	20,338,906

**Note 17: The Fair Value Option**

As permitted by Topic 825, *The Fair Value Option for Financial Assets and Financial Liabilities*, the Hospital elected to measure its hedge funds and investment partnerships at fair value. Management has elected the fair value option for its hedge funds and investment partnerships because it more accurately reflects the portfolio returns and financial position of the Hospital. Total investment partnerships at June 30, 2012 and 2011, are \$2,738,420 and \$2,881,704, respectively.

See *Note 17* for additional disclosures regarding fair value of each of the balance sheet line items listed in the preceding paragraph.

**Changes in Fair Value**

Changes in fair value for items for which the fair value option has been elected are reported as investment return in other income (expense) in the financial statements. The change for 2012 was a decrease of \$143,284, and the change in 2011 was an increase of \$284,418, which reflects all investment return amounts from the hedge funds and investment partnerships.

**Somerset Hospital and Subsidiary**  
**Notes to Consolidated Financial Statements**  
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**Note 18: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Estimates of allowances for adjustments included in net patient service revenue are described in *Notes 1* and *2*. Estimates related to the accrual for medical malpractice claims are described in *Notes 1* and *7*. Estimates related to the accrual for self-employee health insurance and workers' compensation are described in *Notes 1* and *7*.

***Collective Bargaining Agreement***

Approximately 23% of the Hospital employees are covered by two collective bargaining agreements, dietary and nursing services. The dietary collective bargaining agreement covering the dietary employees is scheduled to expire on February 29, 2016. The nursing collective bargaining agreement covering nursing services employees is scheduled to expire on March 23, 2014.

***Litigation***

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's self-insurance program (discussed elsewhere in these notes) or by commercial insurance, for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

***Asset Retirement Obligations***

As discussed in *Note 19*, the Hospital has recorded a liability for its conditional asset retirement obligations related to asbestos abatement.

***Investments***

The Hospital invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying balance sheets. The hedge funds and limited liability partnerships investments are subject to varying degrees of market and credit risks.

**Somerset Hospital and Subsidiary**  
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***Pension Benefit Obligations***

The Hospital has a noncontributory defined benefit pension plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the linear method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

***Current Economic Conditions***

As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medical Assistance program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values, including defined benefit pension plan investments and allowances for accounts receivable that could negatively impact the Hospital's ability to meet debt covenants or maintain sufficient liquidity.

**Note 19: Asset Retirement Obligation**

Accounting principles generally accepted in the United States of America, require that an asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event. The Hospital's conditional asset retirement obligations primarily relate to asbestos contained in buildings that the Hospital owns. Environmental regulations exist that require the Hospital to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished. A liability of \$119,298 and \$112,332 has been recognized in the accompanying 2012 and 2011 financial statements, respectively, for the portion of the liability that can be reasonably estimated. However, there remains a liability that has not been recognized in the accompanying financial statements because the range of time over which the Hospital may settle is unknown and cannot be reasonably determined. The Hospital will recognize a liability when sufficient information is available to reasonably estimate fair value.

**Somerset Hospital and Subsidiary**  
**Notes to Consolidated Financial Statements**  
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**Note 20: Change in Accounting Principle**

In 2012, the Hospital changed its method of presentation and disclosure of patient service revenue, provision of uncollectible accounts and the allowance for doubtful accounts in accordance with Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The major changes associated with ASU 2011-07 are to reclassify the provision for uncollectible accounts to a deduction from patient service revenue and to provide enhanced disclosures around the Hospital's policies related to uncollectible accounts. The change had no effect on the operating income or on prior year change in net assets.

The following financial statement line items for fiscal 2012 were affected by the change:

	<b>As Adjusted</b>	<b>As Previously Reported</b>	<b>Effect of Change</b>
Total unrestricted revenues, gains and other support	\$ 67,596,037	\$ 70,486,183	\$ (2,890,146)
Total expenses	65,784,756	68,674,902	(2,890,146)

## **Supplementary Information**

**Somerset Hospital and Subsidiary**  
**Consolidating Schedule – Balance Sheet Information**  
**June 30, 2012**

**Assets**

	<b>Somerset Hospital</b>	<b>Twin Lakes Center</b>	<b>Consolidated</b>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 11,060,993	\$ 1,036,369	\$ 12,097,362
Assets limited as to use - current	149,572	-	149,572
Patient accounts receivable, net of allowance, 2012 - \$1,250,000	4,831,080	242,369	5,073,449
Estimated amounts due from third-party payers	79,755	-	79,755
Supply inventories	943,230	-	943,230
Prepaid expenses and other	581,140	3,419	584,559
	<u>17,645,770</u>	<u>1,282,157</u>	<u>18,927,927</u>
<b>Assets Limited As To Use</b>			
Internally designated	17,944,843	-	17,944,843
Externally restricted by donors	253,063	-	253,063
Medical malpractice deductible fund	962,923	-	962,923
Held by trustee	586,791	-	586,791
	<u>19,747,620</u>	<u>-</u>	<u>19,747,620</u>
Less amount required to meet current obligations	149,572	-	149,572
	<u>19,598,048</u>	<u>-</u>	<u>19,598,048</u>
<b>Investments in and Advances to Equity</b>			
<b>Investee</b>	<u>425,478</u>	<u>-</u>	<u>425,478</u>
<b>Property and Equipment, At Cost</b>			
Property and Equipment, At Cost	91,298,187	1,676,593	92,974,780
Less accumulated depreciation	56,574,498	918,916	57,493,414
	<u>34,723,689</u>	<u>757,677</u>	<u>35,481,366</u>
<b>Other Assets</b>			
Deferred financing costs	120,437	-	120,437
Other	157,225	-	157,225
	<u>277,662</u>	<u>-</u>	<u>277,662</u>
Total assets	<u>\$ 72,670,647</u>	<u>\$ 2,039,834</u>	<u>\$ 74,710,481</u>

## Liabilities and Net Assets

	<b>Somerset Hospital</b>	<b>Twin Lakes Center</b>	<b>Consolidated</b>
<b>Current Liabilities</b>			
Current maturities of long-term debt	\$ 890.663	\$ -	\$ 890.663
Accounts payable	3,901.506	21.073	3,922.579
Accrued pay roll and vacation pay	3,234.921	134.382	3,369.303
Estimated insurance liabilities – current	599.572	-	599.572
Accrued interest payable	24.928	-	24.928
Deferred revenue and other	354.980	-	354.980
	<u>9,006.570</u>	<u>155.455</u>	<u>9,162.025</u>
<b>Estimated Insurance Liabilities and Other</b>	4,109.509	-	4,109.509
<b>Interest Rate Swap Agreement</b>	584.365	-	584.365
<b>Long-Term Debt</b>	18,587.720	-	18,587.720
<b>Accrued Pension Obligation</b>	<u>11,913.434</u>	<u>-</u>	<u>11,913.434</u>
Total liabilities	<u>44,201.598</u>	<u>155.455</u>	<u>44,357.053</u>
<b>Net Assets</b>			
Unrestricted	28,225.518	1,884.379	30,109.897
Temporarily restricted	223.531	-	223.531
Permanently restricted	20,000	-	20,000
	<u>28,469.049</u>	<u>1,884.379</u>	<u>30,353.428</u>
Total net assets	<u>28,469.049</u>	<u>1,884.379</u>	<u>30,353.428</u>
Total liabilities and net assets	<u>\$ 72,670.647</u>	<u>\$ 2,039.834</u>	<u>\$ 74,710.481</u>

**Somerset Hospital and Subsidiary**  
**Consolidating Schedule – Balance Sheet Information**  
**June 30, 2011**

**Assets**

	<b>Somerset Hospital</b>	<b>Twin Lakes Center</b>	<b>Consolidated</b>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 11,007,419	\$ 1,031,551	\$ 12,038,970
Assets limited as to use – current	453,871	-	453,871
Patient accounts receivable, net of allowance, 2011 - \$1,150,000	4,962,075	291,994	5,254,069
Estimated amounts due from third-party payers	679,601	-	679,601
Supply inventories	921,301	-	921,301
Prepaid expenses and other	463,327	350	463,677
	<u>18,487,594</u>	<u>1,323,895</u>	<u>19,811,489</u>
<b>Assets Limited As To Use</b>			
Internally designated	18,754,635	-	18,754,635
Externally restricted by donors	311,287	-	311,287
Externally restricted by grantors	143,871	-	143,871
Workers' compensation self-insurance fund	241,982	-	241,982
Medical malpractice deductible fund	992,545	-	992,545
Held by trustee	580,983	-	580,983
	<u>21,025,303</u>	<u>-</u>	<u>21,025,303</u>
Less amount required to meet current obligations	453,871	-	453,871
	<u>20,571,432</u>	<u>-</u>	<u>20,571,432</u>
<b>Investments in and Advances to Equity</b>			
<b>Investee</b>	<u>434,379</u>	<u>-</u>	<u>434,379</u>
<b>Property and Equipment, At Cost</b>			
	85,945,571	1,774,924	87,720,495
Less accumulated depreciation	<u>53,226,505</u>	<u>1,027,403</u>	<u>54,253,908</u>
	<u>32,719,066</u>	<u>747,521</u>	<u>33,466,587</u>
<b>Other Assets</b>			
Deferred financing costs	137,207	-	137,207
Other	178,181	-	178,181
	<u>315,388</u>	<u>-</u>	<u>315,388</u>
Total assets	<u>\$ 72,527,859</u>	<u>\$ 2,071,416</u>	<u>\$ 74,599,275</u>

## Liabilities and Net Assets

	<b>Somerset Hospital</b>	<b>Twin Lakes Center</b>	<b>Consolidated</b>
<b>Current Liabilities</b>			
Current maturities of long-term debt	\$ 860,523	\$ -	\$ 860,523
Accounts payable	3,745,534	49,568	3,795,102
Accrued payroll and vacation pay	3,142,416	129,374	3,271,790
Estimated insurance liabilities – current	760,000	-	760,000
Accrued interest payable	25,947	-	25,947
Deferred revenue and other	169,431	-	169,431
	<u>8,703,851</u>	<u>178,942</u>	<u>8,882,793</u>
Total current liabilities			
<b>Estimated Insurance Liabilities and Other</b>	4,044,747	-	4,044,747
<b>Interest Rate Swap Agreements</b>	249,914	-	249,914
<b>Long-Term Debt</b>	19,478,383	-	19,478,383
<b>Accrued Pension Obligation</b>	<u>4,126,625</u>	<u>-</u>	<u>4,126,625</u>
Total liabilities	<u>36,603,520</u>	<u>178,942</u>	<u>36,782,462</u>
<b>Net Assets</b>			
Unrestricted	35,646,230	1,892,474	37,538,704
Temporarily restricted	258,109	-	258,109
Permanently restricted	20,000	-	20,000
	<u>35,924,339</u>	<u>1,892,474</u>	<u>37,816,813</u>
Total net assets			
Total liabilities and net assets	<u>\$ 72,527,859</u>	<u>\$ 2,071,416</u>	<u>\$ 74,599,275</u>

**Somerset Hospital and Subsidiary**  
**Consolidating Schedule – Statement of Operations Information**  
**Year Ended June 30, 2012**

	<b>Somerset Hospital</b>	<b>Twin Lakes Center</b>	<b>Consolidated</b>
<b>Unrestricted Revenues, Gains and Other Support</b>			
Patient service revenue (net of contractual discounts and allowances)	\$ 64,673,048	\$ 2,166,163	\$ 66,839,211
Provision for uncollectible accounts	(2,974,420)	(9,420)	(2,983,840)
Net patient service revenue less provision for uncollectible accounts	61,698,628	2,156,743	63,855,371
Federal, state and county grants	-	730,202	730,202
Other	2,810,634	14,228	2,824,862
Net assets released from restrictions used for operations	524,361	-	524,361
Total unrestricted revenues, gains and other support	<u>65,033,623</u>	<u>2,901,173</u>	<u>67,934,796</u>
<b>Expenses</b>			
Salaries and wages	26,004,248	1,347,268	27,351,516
Employee benefits	6,560,110	419,463	6,979,573
Physician fees	5,066,916	76,252	5,143,168
Supplies and other	21,833,700	650,620	22,484,320
Depreciation and amortization	3,760,587	80,665	3,841,252
Interest	516,686	-	516,686
Total expenses	<u>63,742,247</u>	<u>2,574,268</u>	<u>66,316,515</u>
<b>Operating Income</b>	<u>1,291,376</u>	<u>326,905</u>	<u>1,618,281</u>
<b>Other Income (Expense)</b>			
Contributions	146,550	-	146,550
Investment return	601,633	-	601,633
Investment return - change in fair value of investments accounted for under the fair value option of Topic 825	(143,284)	-	(143,284)
Gain on investments in equity investee	129,952	-	129,952
Other	21,978	-	21,978
Total other income (expense)	<u>756,829</u>	<u>-</u>	<u>756,829</u>
<b>Excess of Revenues Over Expenses</b>	2,048,205	326,905	2,375,110
Investment return – change in unrealized gains and losses on other than trading securities	(768,141)	-	(768,141)
Grant funds utilized for acquisition of property and equipment	45,000	-	45,000
Net assets released from restriction used for purchase of property and equipment	1,030,000	-	1,030,000
Change in fair value of interest rate swap agreement	(334,451)	-	(334,451)
Defined benefit pension costs			
Recognition of net loss	532,045	-	532,045
Net loss arising during the year	(8,099,395)	-	(8,099,395)
Transfers to affiliates	(1,873,975)	(335,000)	(2,208,975)
<b>Decrease in Unrestricted Net Assets</b>	<u>\$ (7,420,712)</u>	<u>\$ (8,095)</u>	<u>\$ (7,428,807)</u>

**Somerset Hospital and Subsidiary**  
**Consolidating Schedule – Statement of Operations Information**  
**Year Ended June 30, 2011**

	<b>Somerset Hospital</b>	<b>Twin Lakes Center</b>	<b>Consolidated</b>
<b>Unrestricted Revenues, Gains and Other Support</b>			
Patient service revenue (net of contractual discounts and allowances)	\$ 66,114,848	\$ 1,732,538	\$ 67,847,386
Provision for uncollectible accounts	(2,879,996)	(10,150)	(2,890,146)
Net patient service revenue less provision for uncollectible accounts	63,234,852	1,722,388	64,957,240
Federal, state and county grants	-	912,534	912,534
Other	1,187,273	3,607	1,190,880
Net assets released from restrictions used for operations	535,383	-	535,383
Total unrestricted revenues, gains and other support	<u>64,957,508</u>	<u>2,638,529</u>	<u>67,596,037</u>
<b>Expenses</b>			
Salaries and wages	25,573,938	1,256,635	26,830,573
Employee benefits	7,191,685	424,073	7,615,758
Physician fees	4,430,503	59,871	4,490,374
Supplies and other	22,148,896	595,607	22,744,503
Depreciation and amortization	3,505,911	61,119	3,567,030
Interest	536,518	-	536,518
Total expenses	<u>63,387,451</u>	<u>2,397,305</u>	<u>65,784,756</u>
<b>Operating Income</b>	<u>1,570,057</u>	<u>241,224</u>	<u>1,811,281</u>
<b>Other Income (Expense)</b>			
Contributions	2,162,183	-	2,162,183
Investment return	726,280	-	726,280
Investment return - change in fair value of investments accounted for under the fair value option of Topic 825	284,418	-	284,418
Loss on extinguishment of debt	(838,689)	-	(838,689)
Loss on termination of swap agreement	(158,200)	-	(158,200)
Loss on investments in equity investee	(135,771)	-	(135,771)
Other	4,337	-	4,337
Total other income (expense)	<u>2,044,558</u>	<u>-</u>	<u>2,044,558</u>
<b>Excess of Revenues Over Expenses</b>	3,614,615	241,224	3,855,839
Investment return – change in unrealized gains and losses on other than trading securities	1,664,631	-	1,664,631
Grant funds utilized for acquisition of property and equipment	539,000	-	539,000
Net assets released from restriction used for purchase of property and equipment	15,000	-	15,000
Change in fair value of interest rate swap agreement	(69,287)	-	(69,287)
Defined benefit pension costs			
Recognition of net loss	884,582	-	884,582
Net loss arising during the year	1,694,978	-	1,694,978
Contributions of property and equipment	-	-	-
Transfers to affiliates	(1,831,486)	-	(1,831,486)
<b>Increase in Unrestricted Net Assets</b>	<u>\$ 6,512,033</u>	<u>\$ 241,224</u>	<u>\$ 6,753,257</u>

**Somerset Hospital and Subsidiary**  
**Consolidating Schedule – Statement of Changes in Net Assets Information**  
**Year Ended June 30, 2012**

	<b>Somerset Hospital</b>	<b>Twin Lakes Center</b>	<b>Consolidated</b>
<b>Unrestricted Net Assets</b>			
Excess of revenues over expenses	\$ 2,048,205	\$ 326,905	\$ 2,375,110
Investment return – change in unrealized gains and losses on other than trading securities	(768,141)	-	(768,141)
Grant funds utilized for acquisition of property and equipment	45,000	-	45,000
Net assets released from restriction used for purchase of property and equipment	1,030,000	-	1,030,000
Change in fair value of interest rate swap agreement	(334,451)	-	(334,451)
Defined benefit pension costs			
Recognition of net loss	532,045	-	532,045
Net loss arising during the year	(8,099,395)	-	(8,099,395)
Transfers to affiliates	(1,873,975)	(335,000)	(2,208,975)
	<u>(7,420,712)</u>	<u>(8,095)</u>	<u>(7,428,807)</u>
<b>Temporarily Restricted Net Assets</b>			
Contributions received	1,518,925	-	1,518,925
Investment return	858	-	858
Net assets released from restriction	(1,554,361)	-	(1,554,361)
	<u>(34,578)</u>	<u>-</u>	<u>(34,578)</u>
	<u>(7,455,290)</u>	<u>(8,095)</u>	<u>(7,463,385)</u>
<b>Change in Net Assets</b>			
<b>Net Assets, Beginning of Year</b>	<u>35,924,339</u>	<u>1,892,474</u>	<u>37,816,813</u>
<b>Net Assets, End of Year</b>	<u>\$ 28,469,049</u>	<u>\$ 1,884,379</u>	<u>\$ 30,353,428</u>

**Somerset Hospital and Subsidiary**  
**Consolidating Schedule – Statement of Changes in Net Assets Information**  
**Year Ended June 30, 2011**

	<b>Somerset Hospital</b>	<b>Twin Lakes Center</b>	<b>Consolidated</b>
<b>Unrestricted Net Assets</b>			
Excess of revenues over expenses	\$ 3,614,615	\$ 241,224	\$ 3,855,839
Investment return – change in unrealized gains and losses on other than trading securities	1,664,631	-	1,664,631
Grant funds utilized for acquisition of property and equipment	539,000	-	539,000
Net assets released from restriction used for purchase of property and equipment	15,000	-	15,000
Change in fair value of interest rate swap agreement	(69,287)	-	(69,287)
Defined benefit pension costs			
Recognition of net loss	884,582	-	884,582
Net loss arising during the year	1,694,978	-	1,694,978
Transfers to affiliates	(1,831,486)	-	(1,831,486)
	<u>6,512,033</u>	<u>241,224</u>	<u>6,753,257</u>
<b>Temporarily Restricted Net Assets</b>			
Contributions received	390,053	-	390,053
Investment return	6,562	-	6,562
Net assets released from restriction	(550,383)	-	(550,383)
	<u>(153,768)</u>	<u>-</u>	<u>(153,768)</u>
<b>Change in Net Assets</b>	6,358,265	241,224	6,599,489
<b>Net Assets, Beginning of Year</b>	<u>29,566,074</u>	<u>1,651,250</u>	<u>31,217,324</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 35,924,339</u></u>	<u><u>\$ 1,892,474</u></u>	<u><u>\$ 37,816,813</u></u>