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

4a (Code) (Expense \$ 259,822,076 including grants of \$ 13,850,795) (Revenue \$ 278,528,821)

MOUNT NITTANY MEDICAL CENTER IS COMMITTED TO PROVIDING QUALITY MEDICAL CARE IN AN ATMOSPHERE THAT REFLECTS HIGH STANDARDS OF SOCIAL, ETHICAL, AND FINANCIAL RESPONSIBILITY AND WILL ASSURE THAT THOSE SAME STANDARDS ARE MET IN ALL CONTRACTUAL RELATIONSHIPS THE BOARD OF TRUSTEES HAS ESTABLISHED THIS STATEMENT OF ORGANIZATIONAL VALUES TO ASSURE THAT MEMBERS OF THE BOARD, THE MEDICAL CENTER STAFF, AND THE MEDICAL STAFF HONOR THE FOLLOWING PRINCIPLES THROUGH OUR BEHAVIORS ALLIANCES WITH PATIENTS - WE WILL TREAT ALL PATIENTS WITH DIGNITY AND RESPECT, AND WILL ACCOMMODATE INDIVIDUAL RESPONSES TO THE STRESS OF ILLNESS - WE FULLY SUPPORT THE PRINCIPLES OUTLINED IN THE STATEMENT OF PATIENT'S RIGHTS AND RESPONSIBILITIES DOCUMENT - WE COMMIT TO A SERVICE EXCELLENCE PHILOSOPHY THAT STRIVES TO MEET OR EXCEED PATIENT EXPECTATIONS - ALL PATIENTS RECEIVE A UNIFORM STANDARD OF CARE THROUGHOUT THE FACILITY, REGARDLESS OF SOCIAL, CULTURAL, FINANCIAL, RELIGIOUS, RACIAL, GENDER, OR SEXUAL ORIENTATION FACTORS - THE MEDICAL CENTER AND MEDICAL STAFF WORK JOINTLY TO ASSURE THAT ONLY APPROPRIATE AND EFFECTIVE TESTS, PROCEDURES, AND TREATMENTS ARE PROVIDED TO PATIENTS COMMUNITY RELATIONS- WE WILL FAIRLY AND ACCURATELY REPRESENT OURSELVES AND OUR CAPABILITIES TO THE PUBLIC - WE ARE COMMITTED TO CONSTANT PREPARATION FOR THE LONG-TERM FINANCIAL VIABILITY OF THE MEDICAL CENTER THROUGH RESPONSIBLE UTILIZATION OF RESOURCES AND IN SUPPORT OF OUR COMMITMENT TO MEET THE HEALTHCARE NEEDS OF THE COMMUNITY - MEDICAL CENTER LEADERSHIP (EXECUTIVES, BOARD OF TRUSTEES, MEDICAL STAFF) WILL DISCLOSE AND AVOID POTENTIAL CONFLICTS OF INTEREST ALL OTHER HOSPITAL STAFF WILL AVOID SIMILAR CONFLICTS OF INTEREST - WE WILL MAINTAIN AN OPEN ADMISSIONS POLICY NO PATIENT WILL BE REFUSED EVALUATION AND SERVICE BASED UPON SEX, AGE, RACE, CREED, NATIONAL ORIGIN, SEXUAL ORIENTATION, INFECTION STATUS, OR THE ABILITY TO PAY TRANSFERS TO OTHER FACILITIES WILL OCCUR ONLY WHEN WE ARE UNABLE TO PROVIDE NEEDED SERVICES AND ONLY TO FACILITIES THAT PROVIDE AN APPROPRIATE LEVEL OF CARE, BASED ON OUR ASSESSMENT OF THE PATIENTS' NEEDS PATIENTS MAY ALSO REQUEST ELECTIVE TRANSFER AND AN INFORMED CONSENT PROCESS WILL BE FOLLOWED GENERAL PROGRAM SERVICE INFORMATIONOPERATIONS & PATIENTSMOUNT NITTANY MEDICAL CENTER, LOCATED IN STATE COLLEGE, PENNSYLVANIA, IS A 260-BED ACUTE-CARE, NOT-FOR-PROFIT FACILITY OFFERING GENERAL MEDICAL AND SURGICAL SERVICES THAT ARE FOCUSED ON HELPING PATIENTS REACH THEIR HEALTH POTENTIAL FOR THE FISCAL YEAR ENDED JUNE 30, 2013, MOUNT NITTANY MEDICAL CENTER PROVIDED CARE TO THE FOLLOWING NUMBER OF PATIENTS TOTAL NUMBER OF INPATIENTS 12,681, OUTPATIENTS 220,211 AND ER VISITS 39,748 NUMBER WITH PRIVATE INSURANCE INPATIENTS 5,299, OUTPATIENTS 127,214 AND ER VISITS 19,184NUMBER WITH MEDICARE INPATIENTS 3,519, OUTPATIENTS 35,236 AND ER VISITS 4,558 NUMBER WITH MEDICARE HMO INPATIENTS 2,486, OUTPATIENTS 31,936 AND ER VISITS 2,554 NUMBER WITH MEDICAID INPATIENTS 623, OUTPATIENTS 10,518 ER VISITS 4,321NUMBER WITH MEDICAID HMO INPATIENTS 480, OUTPATIENTS 5,151 ER VISITS 2,597NUMBER WITH OTHER INSURANCE INPATIENTS 113, OUTPATIENTS 2,357 AND ER VISITS 1,035 NUMBER WITHOUT INSURANCE/SELF PAY INPATIENTS 161, OUTPATIENTS 7,799, AND ER VISITS 5,499MOUNT NITTANY MEDICAL CENTER DID NOT DENY MEDICAL SERVICES TO ANY INDIVIDUALS INCLUDING THOSE THAT HAD PRIVATE INSURANCE, MEDICARE, MEDICAID, PUBLIC HEALTH INSURANCE, OR NO INSURANCE EMERGENCY DEPARTMENTMOUNT NITTANY MEDICAL CENTER OPERATES AN EMERGENCY ROOM 24 HOURS A DAY, 365 DAYS A YEAR PROVIDING SERVICES TO ALL MEMBERS OF THE COMMUNITY REGARDLESS OF THEIR ABILITY TO PAY AND DENIED ZERO PATIENTS REQUESTING SUCH SERVICES THE EMERGENCY ROOM DOES NOT HAVE A TRAUMA CENTER CERTIFICATION MEDICAL STAFF PRIVILEGESALL QUALIFIED PHYSICIANS IN THE COMMUNITY ARE ELIGIBLE FOR MEDICAL STAFF PRIVILEGES AT MOUNT NITTANY MEDICAL CENTER AND ALL QUALIFIED PHYSICIAN APPLICATIONS HAVE BEEN ACCEPTED FOR MEDICAL STAFF PRIVILEGES MORE THAN 300 NON-EMPLOYED PHYSICIANS IN 42 SPECIALTIES AND SUBSPECIALTIES ARE CREDENTIALLED AT MOUNT NITTANY MEDICAL CENTER PROFESSIONAL MEDICAL EDUCATION AND TRAININGMOUNT NITTANY MEDICAL CENTER CONDUCTS PROFESSIONAL MEDICAL EDUCATION AND TRAINING PROGRAMS FOR THE BENEFIT OF THE COMMUNITY WITH A RESULTING FINANCIAL LOSS TO THE MEDICAL CENTER

[illegible]

4e	Total program service expenses	259,822,076
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Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10 Yes	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 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>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest 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>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	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>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, 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>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	74	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	1,860	
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	Yes	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8822?		No
d	If "Yes," indicate the number of Forms 8822 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	Section 501(c)(7) organizations. Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11	Section 501(c)(12) organizations. Enter		
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	15	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	8	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	PA
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. ☐ Own website ☐ Another's website ☒ Upon request ☐ Other (explain in Schedule O)	
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 during the tax year	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization	RICHARD WISNIEWSKI SR VP FINANCE 1800 EAST PARK AVENUE STATE COLLEGE, PA (814) 234-6148

Part VII

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

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

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

- 1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year
- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation 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 organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099- MISC)	(E) Reportable compensation from related organizations (W- 2/1099- MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) RICHARD D ALLATT MD DIRECTOR	2 00	X						16,440	0	0
(2) CARL A ANDERSON CHAIR	2 00 4 00	X		X				0	0	0
(3) PATRICIA BEST DED DIRECTOR	2 00 2 00	X						0	0	0
(4) S DIANE BRANNON PHD DIRECTOR	2 00	X						0	0	0
(5) STEVEN E BROWN DIRECTOR/PRESIDENT & CEO	32 00 8 00	X		X				602,851	0	58,200
(6) JONATHON DRANOV MD DIRECTOR	2 00 4 00	X						0	494,880	55,124
(7) THOMAS J HARRIS SECRETARY	2 00 4 00	X		X				0	0	0
(8) EUGENE KEPHART DED DIRECTOR	2 00	X						0	0	0
(9) PHILIP I PARK DIRECTOR	2 00	X						0	0	0
(10) WAYNE SEBASTIANELLI MD DIRECTOR	2 00 2 00	X						28,021	0	0
(11) KAREN P SHUTE DIRECTOR	2 00	X						0	0	0
(12) JAMES B THOMAS PHD VICE CHAIR	2 00 4 00	X		X				0	0	0
(13) CHARLES WITMER DIRECTOR	2 00	X						0	0	0
(14) PAUL SHUEY DO DIRECTOR	2 00	X						0	0	0
(15) THOMAS F BROWN TREASURER	2 00 8 00	X		X				0	0	0
(16) RICHARD WISNIEWSKI SR VP OF FINANCE & CFO	36 00 4 00			X				326,704	0	53,230
(17) JEFFREY RATNER MD SR VP OF MEDICAL AFFAIRS	40 00				X			337,087	0	58,690

Part VII

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(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) WAYNE THOMPSON SR VP , CIO	40 00				X			260,034	0	50,233
(19) HAROLD BRUNGARD III VP, FACILITIES & PLANT OPERATION	40 00				X			156,401	0	25,874
(20) JANET SCHACHTNER SR VP OF PATIENT CARE SERV	38 00 2 00				X			273,883	0	50,970
(21) GERALD DITTMANN VP OF HUMAN RESOURCES	40 00				X			177,705	0	49,567
(22) GAIL MILLER VP OF QUALITY/PATIENT SAFE	40 00				X			161,216	0	41,190
(23) THOMAS STOESSEL SR VP OF BUSINESS DEVELOPM	40 00					X		192,175	0	43,040
(24) STEPHEN TINGLEY MD CHIEF MEDICAL INFORMATICS OFFICER	40 00					X		251,308	0	56,113
(25) JOHN ROSSI PHD DIRECTOR PHARMACY	40 00					X		157,430	0	25,484
(26) PATRICIA WATSON VP NURSING/CNO	40 00					X		140,293	0	39,947
(27) NEAL HOLTER PHYSICIST	40 00					X		188,309	0	35,834
(28) LANCE ROSE FORMER PRESIDENT & CEO	0 00						X	14,721	0	1,126

1b	Sub-Total	▶			
c	Total from continuation sheets to Part VII, Section A	▶			
d	Total (add lines 1b and 1c)	▶	3,284,578	494,880	644,622

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▶46

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

Section B. Independent Contractors

1

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

(A) Name and business address	(B) Description of services	(C) Compensation
ALEXANDER BUILDING CONSTRUCTION LLC 315 VAUGHN STREET HARRISBURG PA 17110	CONSTRUCTION	20,637,813
PENN STATE MILTON S HERSHEY MEDICAL CEN 210 W HAMILTON AVE 294 STATE COLLEGE PA 16801	CONTRACTED PHYSICIAN SERVICES	7,272,669
VERONESI BUILDING & R 1111 WEST COLLEGE AVE STATE COLLEGE PA 16801	CONSTRUCTION	1,779,067
POOLE ANDERSON CONSTRUCTION 2121 GATESBURG ROAD STATE COLLEGE PA 16803	CONSTRUCTION	1,295,657
HF LENZ CO 1407 SCALP AVENUE JOHNSTOWN PA 15904	CONSTRUCTION	1,295,657

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 ▶51

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . .	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d	2,882,879			
	e	Government grants (contributions)	1e	304,683			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	576			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f		3,188,138			
Program Service Revenue	2a	NET PATIENT SERVICE REV	Business Code 621110	264,166,838	264,166,838		
	b	OTHER OPERATING REV	900099	14,361,983	14,361,983		
	c						
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		278,528,821			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		4,214,800		4,214,800
4		Income from investment of tax-exempt bond proceeds . . .					
5		Royalties					
6a		Gross rents	(i) Real	(ii) Personal			
			394,189				
			832,936				
			-438,747				
d		Net rental income or (loss)		-438,747		-438,747	
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other			
			142,521,432				
			142,455,059	207,350			
			66,373	-207,350			
d		Net gain or (loss)		-140,977		-140,977	
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a				
b		Less direct expenses	b				
c		Net income or (loss) from fundraising events . . .					
9a		Gross income from gaming activities See Part IV, line 19	a				
b		Less direct expenses	b				
c		Net income or (loss) from gaming activities . . .					
10a		Gross sales of inventory, less returns and allowances	a				
b	Less cost of goods sold	b					
c	Net income or (loss) from sales of inventory . . .						
Miscellaneous Revenue		Business Code					
11a	OUTPATIENT LAB SERVICES	621500	2,712,755		2,712,755		
b	CAFETERIA SALES	722210	817,142			817,142	
c	SNACK BAR REVENUE	722210	266,602			266,602	
d	All other revenue		228,063		42,983	185,080	
e	Total. Add lines 11a-11d		4,024,562				
12	Total revenue. See Instructions		289,376,597	278,528,821	2,755,738	4,903,900	

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).

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.	13,850,795	13,850,795		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.				
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	95,773,424	83,630,237	12,143,187	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	6,323,136	6,323,136		
9	Other employee benefits.	15,756,942	13,488,841	2,268,101	
10	Payroll taxes.	6,536,702	5,712,174	824,528	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	822,674		822,674	
c	Accounting.	95,663		95,663	
d	Lobbying.	14,541	14,541		
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.	23,755		23,755	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	13,424,258	9,901,298	3,522,960	
12	Advertising and promotion.	534,223	4,566	529,657	
13	Office expenses.	3,973,170	280,120	3,693,050	
14	Information technology.	488,030		488,030	
15	Royalties.				
16	Occupancy.	2,774,712	1,122,704	1,652,008	
17	Travel.	25,440	17,742	7,698	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	177,974	83,002	94,972	
20	Interest.	7,726,545	7,726,545		
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	13,740,213	13,740,213		
23	Insurance.	755,019	755,019		
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	UBIT TAXES	345,000	345,000		
b	MEDICAL SUPPLIES	74,279,980	74,279,980		
c	LOSS ON REFINANCING	11,515,213	11,515,213		
d	BAD DEBT EXPENSE	9,347,595	9,347,595		
e	All other expenses	9,171,478	7,683,355	1,488,123	
25	Total functional expenses. Add lines 1 through 24e.	287,476,482	259,822,076	27,654,406	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ☐ if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		3,848	1	3,847
	2	Savings and temporary cash investments		25,257,138	2	12,482,677
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		27,893,048	4	28,403,753
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		6,133,968	8	6,460,349
	9	Prepaid expenses and deferred charges		1,833,564	9	3,051,376
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a338,154,242			
	b	Less accumulated depreciation	10b151,768,057	157,326,541	10c	186,386,185
	11	Investments—publicly traded securities		117,826,438	11	163,086,729
	12	Investments—other securities See Part IV, line 11		750,288	12	855,196
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		16,115,284	15	13,614,125
	16	Total assets. Add lines 1 through 15 (must equal line 34)		353,140,117	16	414,344,237
Liabilities	17	Accounts payable and accrued expenses		92,661,151	17	85,120,354
	18	Grants payable			18	
	19	Deferred revenue		470,147	19	476,134
	20	Tax-exempt bond liabilities		140,320,170	20	183,678,884
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties		703,917	23	589,985
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		4,533,149	25	6,347,075
	26	Total liabilities. Add lines 17 through 25		238,688,534	26	276,212,432
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here ☒ and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		114,237,472	27	137,917,694
	28	Temporarily restricted net assets		35,617	28	35,617
	29	Permanently restricted net assets		178,494	29	178,494
	Organizations that do not follow SFAS 117 (ASC 958), check here ☐ and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		114,451,583	33	138,131,805
	34	Total liabilities and net assets/fund balances		353,140,117	34	414,344,237

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	289,376,597
2	Total expenses (must equal Part IX, column (A), line 25)	2	287,476,482
3	Revenue less expenses Subtract line 2 from line 1	3	1,900,115
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	114,451,583
5	Net unrealized gains (losses) on investments	5	6,236,906
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	15,543,201
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	138,131,805

Part XII Financial Statements and Reporting

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

		Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☒ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis		No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separate basis	Yes	
2c	If "Yes," to line 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	
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
3b	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		

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization MOUNT NITTANY MEDICAL CENTER	Employer identification number 24-0795682
--	--

Part I

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

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

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)
- 9

☐

An organization that normally receives (1) more than 33¹/₃% 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 33¹/₃% 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 - Non-functionally integrated
- 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 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
11g(i)		
11g(ii)		
11g(iii)		

(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 monetary support
			Yes	No	Yes	No	Yes	No	
Total									

Part II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage						
14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2011 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2012. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						▶
b 33 1/3% support test—2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						▶
17a 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization						▶
b 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization						▶
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions						▶

Part IIISupport Schedule for Organizations Described in Section 509(a)(2)
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2012. 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—2011. 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.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ Complete if the organization is described below. ▶ Attach to Form 990 or Form 990-EZ.
▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization MOUNT NITTANY MEDICAL CENTER	Employer identification number 24-0795682
--	--

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

1	Provide a description of the organization’s direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	☐ Yes ☐ No
4a	Was a correction made?	☐ Yes ☐ No
b	If “Yes,” describe in Part IV	

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt 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?	☐ Yes ☐ No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization’s funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

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

Part II-A

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)															
c Total lobbying expenditures (add lines 1a and 1b)															
d Other exempt purpose expenditures															
e Total exempt purpose expenditures (add lines 1c and 1d)															
f Lobbying nontaxable amount Enter the amount from the following table in both columns															
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><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></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														
g Grassroots nontaxable amount (enter 25% of line 1f)															
h Subtract line 1g from line 1a If zero or less, enter -0-															
i Subtract line 1f from line 1c If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		☐ Yes	☐ No												

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		14,541
j	Total. Add lines 1c through 1i.			14,541
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
EXPLANATION OF LOBBYING ACTIVITIES	PART II-B, LINE 1	A PORTION OF THE DUES PAID TO THE HOSPITAL & HEALTHSYSTEM ASSOCIATION OF PENNSYLVANIA (\$7,549) AND THE AMERICAN HOSPITAL ASSOCIATION (\$6,992) WAS DETERMINED TO BE FOR LOBBYING PURPOSES - TOTAL COST \$14,541

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization MOUNT NITTANY MEDICAL CENTER	Employer identification number 24-0795682
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Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes☐ No	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes☐ No	

Part II

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

1

Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or education)☐ Preservation of an historically important land area☐ Protection of natural habitat☐ Preservation of a certified historic structure☐ Preservation of open space

2

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

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

3

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

4

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

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes☐ No

6

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

7

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

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

In Part XIII, 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 (ASC 958), 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 XIII, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116 (ASC 958), 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 (ASC 958) relating to these items

a

Revenues included in Form 990, Part VIII, line 1

▶\$ _____

b

Assets included in Form 990, Part X

▶\$ _____

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2012

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

3

Using the organization's acquisition, 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 XIII

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 XIII and complete the following table

	Amount
1c	
1d	
1e	
1f	

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance	615,509	305,935	279,801	275,745	281,903
b Contributions	97,914	306,824	3,991		1,505
c Net investment earnings, gains, and losses	7,328	2,750	22,143	4,056	-7,663
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	720,750	615,509	305,935	279,801	275,745

2

Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as

a

Board designated or quasi-endowment

b

Permanent endowment 100.000 %

c

Temporarily restricted endowment

The percentages in lines 2a, 2b, and 2c should equal 100%

3a

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

b

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

3b

Yes

4

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

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		9		9
b Buildings		189,996,473	64,663,653	125,332,820
c Leasehold improvements		1,246,316	521,053	725,263
d Equipment		117,507,288	83,950,790	33,556,498
e Other		29,404,156	2,632,561	26,771,595
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				186,386,185

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return					
1	Total revenue, gains, and other support per audited financial statements			1	309,083,006
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	6,236,906		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d	15,543,201		
e	Add lines 2a through 2d			2e	21,780,107
3	Subtract line 2e from line 1			3	287,302,899
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	23,755		
b	Other (Describe in Part XIII)	4b	2,049,943		
c	Add lines 4a and 4b		4c		
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)			5	289,376,597
Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return					
1	Total expenses and losses per audited financial statements			1	285,402,784
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIII)	2d	-2,049,943		
e	Add lines 2a through 2d			2e	-2,049,943
3	Subtract line 2e from line 1			3	287,452,727
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	23,755		
b	Other (Describe in Part XIII)	4b			
c	Add lines 4a and 4b		4c		
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18)			5	287,476,482

Part XIII 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, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	PERMANENT ENDOWMENT FUNDS ARE HELD BY THE FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER, INC. AND EARNINGS ARE DESIGNATED TO FUND FUTURE EXPENDITURES AND CAPITAL ACQUISITIONS FOR MOUNT NITTANY MEDICAL CENTER.
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	THE CORPORATION ACCOUNTS FOR UNCERTAINTY IN INCOME TAXES USING A RECOGNITION THRESHOLD OF MORE-LIKELY-THAN-NOT TO BE SUSTAINED UPON EXAMINATION BY THE APPROPRIATE TAXING AUTHORITY. MEASUREMENT OF THE TAX UNCERTAINTY OCCURS IF THE RECOGNITION THRESHOLD IS MET. MANAGEMENT DETERMINED THERE WERE NO TAX UNCERTAINTIES THAT MET THE RECOGNITION THRESHOLD IN 2013 AND 2012. ALL REQUIRED FEDERAL EXEMPT ORGANIZATION BUSINESS INCOME TAX RETURNS FOR THE ORGANIZATION HAVE BEEN FILED UP TO, AND INCLUDING, THE TAX YEAR ENDED JUNE 30, 2012. THE ORGANIZATION'S FEDERAL INCOME TAX RETURNS ARE NO LONGER SUBJECT TO EXAMINATION BY THE INTERNAL REVENUE SERVICE ("IRS") FOR THE YEARS ENDED BEFORE JUNE 30, 2010.
PART XI, LINE 2D - OTHER ADJUSTMENTS		CHANGE IN INTEREST IN THE FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER, INC. -791,045. PENSION LIABILITY ADJUSTMENT 16,913,353. CHANGE IN FAIR VALUE OF DERIVATIVE INSTRUMENTS -579,107.
PART XI, LINE 4B - OTHER ADJUSTMENTS		TRANSFERS FROM RELATED ORGANIZATIONS (NETTED ON FINANCIAL STATEMENTS) 2,882,879. RENTAL EXPENSES -832,936.
PART XII, LINE 2D - OTHER ADJUSTMENTS		RENTAL EXPENSES 832,936. TRANSFERS FROM RELATED ORGANIZATIONS (NETTED ON FINANCIAL STATEMENTS) -2,882,879.

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	Yes	
b	If "Yes," was it a written policy?	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☐ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care ☐ 100% ☐ 150% ☐ 200% ☒ Other <u>25000 0000000000 %</u> b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other _____ % c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b		No
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5a	Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b	Yes	
b	If "Yes," did the organization make it available to the public?	5c		No
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a	Yes	
		6b	Yes	

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			1,822,862		1,822,862	0 660 %
b Medicaid (from Worksheet 3, column a)			14,769,694	8,975,436	5,794,258	2 080 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			16,592,556	8,975,436	7,617,120	2 740 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			584,832	280	584,552	0 210 %
f Health professions education (from Worksheet 5)			321,686	44,940	276,746	0 100 %
g Subsidized health services (from Worksheet 6)			4,673,825	2,645,791	2,028,034	0 730 %
h Research (from Worksheet 7)			6,083		6,083	0 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			284,638		284,638	0 100 %
j Total. Other Benefits			5,871,064	2,691,011	3,180,053	1 140 %
k Total. Add lines 7d and 7j			22,463,620	11,666,447	10,797,173	3 880 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development			3,603		3,603	0 %
3Community support			4,173		4,173	0 %
4Environmental improvements						
5Leadership development and training for community members			559		559	0 %
6Coalition building			3,663		3,663	0 %
7Community health improvement advocacy						
8Workforce development			279		279	0 %
9Other						
10Total			12,277		12,277	

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1

Yes

2Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

2,978,144

3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

4Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5Enter total revenue received from Medicare (including DSH and IME).

5

43,501,608

6Enter Medicare allowable costs of care relating to payments on line 5.

6

60,543,847

7Subtract line 6 from line 5. This is the surplus (or shortfall).

7

-17,042,239

8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.

☐ Cost accounting system

☒ Cost to charge ratio

☐ Other

Section C. Collection Practices

9aDid the organization have a written debt collection policy during the tax year?

9a

Yes

bIf "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.

9b

Yes

Part IVManagement Companies and Joint Ventures

(owned 10% or more by officers, directors, trustees, key employees, and physicians—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 %
11 ADG HOSPITAL DRIVE ASSOCIATES	LEASING REAL PROPERTY FOR MEDICAL OFFICE AND SURGICAL CENTER	24.260 %		
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
1

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	MOUNT NITTANY MEDICAL CENTER 1800 EAST PARK AVENUE STATE COLLEGE, PA 16803	X	X					X			

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

MOUNT NITTANY MEDICAL CENTER

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply) a ☒ A definition of the community served by the hospital facility b ☒ Demographics of the community c ☒ Existing health care facilities and resources within the community that are available to respond to the health needs of the community d ☒ How data was obtained e ☒ The health needs of the community f ☒ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g ☒ The process for identifying and prioritizing community health needs and services to meet the community health needs h ☒ The process for consulting with persons representing the community's interests i ☒ Information gaps that limit the hospital facility's ability to assess the community's health needs j ☐ Other (describe in Part VI)	1	Yes	
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>			
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		No
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply) a ☒ Hospital facility's website b ☒ Available upon request from the hospital facility c ☐ Other (describe in Part VI)	5	Yes	
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date) a ☒ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA b ☒ Execution of the implementation strategy c ☒ Participation in the development of a community-wide plan d ☐ Participation in the execution of a community-wide plan e ☐ Inclusion of a community benefit section in operational plans f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA g ☒ Prioritization of health needs in its community h ☒ Prioritization of services that the hospital facility will undertake to meet health needs in its community i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	Yes	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a		No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b		
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____			

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>250 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u> </u> % If "No," explain in Part VI the criteria the hospital facility used		11	No
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
a ☒ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?		13	Yes
14 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)		14	Yes
a ☒ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☒ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☒ The policy was posted in the hospital facility's admissions offices			
e ☒ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☒ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 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?		15	Yes
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a ☒ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			
17 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		17	No
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☒

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☒

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	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	Yes	
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)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	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)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals 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		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year?

Name and address	Type of Facility (describe)
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
		PART I, LINE 3C A DISCOUNT OF 50% OFF OF CHARGES IS OFFERED TO UNINSURED PATIENTS ON HOSPITAL ACCOUNT BALANCES THE FOLLOWING ARE EXAMPLES THAT QUALIFY PATIENTS AS UNINSURED TERMINATED COVERAGE EITHER DUE TO JOB TERMINATION OR UNINSURED PERIODS DURING INSURANCE TRANSITION, EMPLOYED PATIENTS WHO MAY BE IN A "WAITING/GRACE" PERIOD FOR INSURANCE, OR INSURED PATIENTS WHERE COVERAGE HAS EXHAUSTED
		PART I, LINE 7 COST TO CHARGE RATIO WAS COMPUTED USING WORKSHEET 2 IN THE IRS INSTRUCTIONS TO FORM 990 FOR LINES 7A, 7B, AND 7G COST ACCOUNTING SYSTEM WAS USED FOR SUBSIDIZED HEALTH SERVICES FOR ALL OTHERS, COSTS INCLUDED THE VALUE OF STAFF DONATED HOURS (WITH ESTIMATED BENEFITS), MONETARY CONTRIBUTIONS, ESTIMATED VALUE OF MATERIALS USED IN DELIVERING PROGRAMS, AND ESTIMATED SPACE COSTS THE INDIRECT COST ALLOCATION APPLIES THE INDIRECT-TO-DIRECT COST RATIO FROM THE MEDICAL CENTER'S MOST RECENT MEDICARE COST REPORT (AS OF 6/30/2013 APPROX 31%)

Identifier	ReturnReference	Explanation
		PART I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$ 9347595
		PART II OUR ENTRIES FOR COALITION BUILDING INCLUDE STAFF TIME FOR PARTICIPATION ON LOCAL COMMUNITY BOARDS OR STEERING COMMITTEES THAT FOCUS ON COMMUNITY HEALTH, FOR EXAMPLE, THE ADMINISTRATIVE DIRECTOR OF THE CANCER PROGRAM SERVES ON THE PA OATIENT NAVIGATOR INTERWORK STEERING COMMITTEE, MNMC'S DIRECTOR OF EDUCATION SERVED ON THE BOARD FOR CENTRE COUNTY PARTNERSHIP FOR COMMUNITY HEALTH, OUR INFECTION CONTROL NURSE SERVES ON THE INFECTION CONTROL COMMITTEE AT HEALTHSOUTH, AND OUR CFO SERVES ON THE BOARD FOR CENTRE VOLUNTEERS IN MEDICINE THESE ARE JUST A FEW EXAMPLES

Identifier	ReturnReference	Explanation
		PART III, LINE 4 BAD DEBT (AT COST) IS CALCULATED BY APPLYING THE PATIENT CARE COST-TO-CHARGE RATIO FROM WORKSHEET 2 TO THE MEDICAL CENTER'S PROVISION FOR DOUBTFUL COLLECTIONS AS OF JUNE 30, 2013 THE MEDICAL CENTER'S ACCOUNTING DEPARTMENT RECORDS PAYMENTS, WHILE PATIENT ACCOUNTING STAFF MAKES APPROPRIATE ADJUSTMENTS TO PATIENT ACCOUNTS FOR BAD DEBT, DISCOUNTS, OR FREE CARE WRITE-OFFS THE MEDICAL CENTER IS UNABLE TO ESTIMATE THE AMOUNT OF BAD DEBT THAT COULD BE ATTRIBUTABLE TO PATIENTS WHO LIKELY WOULD QUALIFY FOR FINANCIAL ASSISTANCE UNDER THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY PATIENTS DO NOT PROVIDE INCOME INFORMATION PRIOR TO RECEIVING CARE THE REGISTRATION DEPARTMENT GIVES EVERY PATIENT A COPY OF OUR FINANCIAL ASSISTANCE PROGRAM TO ENSURE EVERY PATIENT HAS THE OPPORTUNITY AS APPROPRIATE TO QUALIFY FOR OUR ASSISTANCE PROGRAM THE MEDICAL CENTER OFFERS DETAILED INFORMATION ABOUT THE CHARITY CARE PROGRAM WHEN PATIENTS OFFER INFORMATION THAT IS NEEDED TO DETERMINE ELIGIBILITY SEE RESPONSE TO PART VI, LINE 3 HEREIN BAD DEBT IS PUBLISHED IN THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS ON THE STATEMENT OF OPERATIONS ON THE LINE ENTITLED, "PROVISION FOR BAD DEBTS "MOUNT NITTANY MEDICAL CENTER PROVIDES SERVICES TO ALL PATIENTS REGARDLESS OF ABILITY TO PAY AS PART OF THE HOSPITAL'S MISSION A PORTION OF THE MOUNT NITTANY MEDICAL CENTER'S BAD DEBT WOULD RELATE TO PATIENTS THAT COULD QUALIFY FOR CHARITY CARE BUT WERE UNWILLING OR UNABLE TO PROVIDE THE APPROPRIATE DOCUMENTATION TO ALLOW THAT CLASSIFICATION AS SUCH A PORTION OF THE HOSPITAL'S BAD DEBT SHOULD BE CONSIDERED COMMUNITY BENEFIT
		PART III, LINE 8 THE MEDICAL CENTER CONTINUES TO PROVIDE CARE TO ALL PRESENTING AND ADMITTED PATIENTS, REGARDLESS OF ABILITY TO PAY THROUGH DILIGENT COST CONTROL PROCESSES, THE MEDICAL CENTER SEEKS WAYS TO KEEP COSTS OF PROVIDING CARE TO A MINIMUM, WHILE STILL PROVIDING THE SAFETY MEASURES, TECHNOLOGICAL CAPABILITIES, AND APPROPRIATE STAFFING LEVELS TO ENSURE THE BEST POSSIBLE OUTCOMES NOTWITHSTANDING THE COSTS TO PROVIDE CARE, RECEIVING "LESS" THAN WHAT IT COSTS TO PROVIDE ADEQUATE CARE TO MEDICARE COVERED LIVES DOES THE MEDICAL CENTER A DISSERVICE THIS SHORTFALL SHOULD COUNT AS A COMMUNITY BENEFIT AS THE MEDICAL CENTER STRIVES TO PROVIDE THE BEST CARE POSSIBLE TO ALL PATIENTS REGARDLESS OF THEIR ABILITY TO PAY THE MEDICAL CENTER USES A STEP-DOWN COST ALLOCATION METHOD AND THEN APPLIES A COST-TO-CHARGE RATIO

Identifier	ReturnReference	Explanation
		PART III, LINE 9B IF PATIENTS ARE FOUND TO QUALIFY, THE MEDICAL CENTER IMMEDIATELY CEASES COLLECTIONS AND ADJUSTS CHARGES OFF AS CHARITY CARE
MOUNT NITTANY MEDICAL CENTER		PART V, SECTION B, LINE 3 DURING THE RECENT COMMUNITY NEEDS ASSESSMENT, MNMC PERSONNEL MET WITH COMMUNITY REPERSENTATIVES DURING THE HEALTH SUMMIT, AS WELL AS DURING KEY STAKEHOLDER INTERVIEWS A TOTAL OF 36 INDIVIDUAL INTERVIEWS WERE CONDUCTED DURING THE FALL AND WINTER OF 2012/13 INTERVIEWEES INCLUDED THE DIRECTORS OF A VARIETY OF MAJOR HEALTH AND HUMAN SERVICE ORGANIZATIONS IN AND AROUND CENTRE COUNTY, HEALTH-RELATED FACULTY AND LEADERS FROM THE PENNSYLVANIA STATE UNIVERSITY, STUDENT HEALTH SERVICES STAFF, PUBLIC SAFETY OFFICIALS, SCHOOL DISTRICT ADMINISTRATORS, PHYSICIANS, AND TRANSPORTATION MANAGERS

Identifier	ReturnReference	Explanation
MOUNT NITTANY MEDICAL CENTER		PART V, SECTION B, LINE 11 A DISCOUNT OF 50% OFF OF CHARGES IS OFFERED TO UNINSURED PATIENTS ON HOSPITAL ACCOUNT BALANCES THE FOLLOWING ARE EXAMPLES THAT QUALIFY PATIENTS AS UNINSURED TERMINATED COVERAGE EITHER DUE TO JOB TERMINATION OR UNINSURED PERIODS DURING INSURANCE TRANSITION, EMPLOYED PATIENTS WHO MAY BE IN A "WAITING/GRACE" PERIOD FOR INSURANCE, OR INSURED PATIENTS WHERE COVERAGE HAS EXHAUSTED
MOUNT NITTANY MEDICAL CENTER		PART V, SECTION B, LINE 20D PATIENTS WHOSE FAMILY INCOME IS AT OR BELOW 250% OF THE FEDERAL POVERTY GUIDELINES ARE ELIGIBLE TO RECEIVE A 100% DISCOUNT FOR FREE CHARITY/FREE CARE PATIENTS WHOSE FAMILY INCOME EXCEEDS 250% OF THE FEDERAL POVERTY GUIDELINES MAY BE ELIGIBLE TO RECEIVE DISCOUNTED RATES ON A CASE-BY-CASE BASIS BASED ON THEIR SPECIFIC CIRCUMSTANCES, SUCH AS CATASTROPHIC ILLNESS OR MEDICAL INDIGENCE, AT THE DISCRETION OF THE MEDICAL CENTER

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 MOUNT NITTANY HEALTH SYSTEM ("MNHS") HAS HISTORICALLY USED INFORMAL COMMUNITY FEEDBACK MECHANISMS SUCH AS PATIENT AND STAFF INTERACTIONS, AS WELL AS MORE FORMAL MEANS SUCH AS CONSULTANT-LED MARKET RESEARCH AND SOLICITING FEEDBACK FROM DONORS, NON-EMPLOYED PHYSICIANS, AND COMMUNITY LEADERS TO UNDERSTAND THE NEEDS OF REGIONAL POPULATIONS IN ADDITION, MNHS CONTINUES TO HOLD ONGOING AND MEANINGFUL DISCUSSIONS WITH MAJOR COMMUNITY STAKEHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE PENNSYLVANIA STATE UNIVERSITY AND MILTON S HERSHEY MEDICAL CENTER, TO DEVELOP RESPONSIVE PROGRAMS AND SOLUTIONS TO THE HEALTH CARE NEEDS OF PROMINENT SEGMENTS OF THE LOCAL POPULATION IN CENTRE COUNTY DURING FISCAL YEAR 2013, MOUNT NITTANY MEDICAL CENTER CONDUCTED A COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) THE CHNA EFFORT CONSISTED OF THE COLLECTION, ANALYSIS, AND SYNTHESIS OF DATA FROM A WIDE VARIETY OR PRIMARY AND SECONDARY SOURCES IN ORDER TO CHARACTERIZE THE POPULATION AND PRIORITY HEALTH NEEDS OF CENTRE COUNTY AND THE SURROUNDING REGION MNMC BEGAN ITS COMPREHENSIVE CHNA IN THE SUMMER OF 2012 PRELIMINARY MEETINGS WERE HELD WITH COMMUNITY LEADERS TO EXPLORE THE COMMUNITY'S PERCEPTION OF THE SCOPE OF MOUNT NITTANY MEDICAL CENTER'S EFFORTS, RESOURCES AVAILABLE FOR COLLABORATION, AND LEVEL OF INTEREST IN COMMUNITY-BASED AND COMMUNITY-OWNED SOLUTIONS THESE DISCUSSIONS LED TO A FIVE PART APPROACH WHEREBY WE CONDUCTED 1 KEY STAKEHOLDER INTERVIEWS - A TOTAL OF 36 INDIVIDUAL INTERVIEWS WERE CONDUCTED DURING THE FALL AND WINTER OF 2012/13 INTERVIEWEES INCLUDED THE DIRECTORS OF A VARIETY OF MAJOR HEALTH AND HUMAN SERVICE ORGANIZATIONS IN AND AROUND CENTRE COUNTY, HEALTH-RELATED FACULTY AND LEADERS FROM THE PENNSYLVANIA STATE UNIVERSITY, STUDENT HEALTH SERVICES STAFF, PUBLIC SAFETY OFFICIALS, SCHOOL DISTRICT ADMINISTRATORS, PHYSICIANS, AND TRANSPORTATION MANAGERS 2 HEALTH NEEDS SURVEY - AN ONLINE AND PAPER-BASED SURVEY WAS WIDELY DISTRIBUTED TO THE COMMUNITY AND WITHIN MOUNT NITTANY MEDICAL CENTER'S FACILITIES BY THE END OF MARCH 2013, 1,133 COMPLETED SURVEYS WERE RECEIVED RESULTS ARE INCLUDED IN THIS REPORT 3 INTERNAL ADVISORY TEAM - BEGINNING IN LATE FALL 2012, AN INTERNAL TEAM OF EXPERIENCED MOUNT NITTANY MEDICAL CENTER CLINICAL AND CASE MANAGEMENT STAFF MET FOR A SERIES OF DISCUSSIONS TO DOCUMENT HEALTH NEEDS AS UNDERSTOOD BY THE PROVIDER COMMUNITY 4 SECONDARY DATA - MOUNT NITTANY MEDICAL CENTER PARTNERED WITH THE PENNSYLVANIA STATE UNIVERSITY FACULTY AND STUDENTS IN THE DEPARTMENT OF HEALTH POLICY AND ADMINISTRATION TO IDENTIFY, REVIEW, AND SYNTHESIZE SECONDARY DATA ABOUT THE HEALTH OF CENTRAL PENNSYLVANIANS 5 HEALTH NEEDS SUMMIT - MOUNT NITTANY MEDICAL CENTER IDENTIFIED CENTRE COUNTY'S SOLE STATE HEALTH IMPROVEMENT PLAN (SHIP) PARTNERSHIP AS A LOGICAL COLLABORATOR TO HELP BRING COMMUNITY LEADERS TOGETHER TO ENSURE COMPREHENSIVE INPUT INTO LOCAL AND REGIONAL POCKETS OF NEED THE SHIP PARTNERSHIP, CENTRE COUNTY PARTNERSHIP FOR COMMUNITY HEALTH (CCPCH), HOSTED THIS EVENT ON FEBRUARY 25, 2013 THIS SUMMIT WAS THE FIRST IN A SERIES OF ONGOING MEETINGS ORGANIZED AND HOSTED BY CCPCH WITH SUPPORT FROM MOUNT NITTANY MEDICAL CENTER THESE ONGOING EVENTS PROVIDE INCLUSIVE FORUMS TO MONITOR NEEDS, ADJUST IMPLEMENTATION TACTICS, AND CONDUCT ONGOING NEEDS ASSESSMENTS MORE EFFICIENTLY OVER TIME SEE ALSO SCHEDULE H PART V
		PART VI, LINE 3 MOUNT NITTANY MEDICAL CENTER IS DEDICATED TO IMPROVING THE HEALTH AND WELL-BEING OF ALL ITS CONSTITUENTS AS MENTIONED PREVIOUSLY, MNMC CONDUCTED A COMMUNITY HEALTH NEEDS ASSESSMENT DURING FISCAL YEAR 2013 THIS ASSESSMENT RESULTED IN SIX MAJOR COMMUNITY HEALTH NEEDS AND GAPS WHICH INCLUDE ACCESS TO CARE, HEALTHY AGING, MENTAL HEALTH, OBESITY/DIABETES, ORAL HEALTH AND SUBSTANCE ABUSE REFER TO THE CHNA FOR ANALYSIS AND RESPONSE TO THESE AREAS THROUGH THE FINANCIAL ASSISTANCE PROGRAM, MOUNT NITTANY MEDICAL CENTER PROVIDES MEDICAL CARE REGARDLESS OF A PATIENT'S ABILITY TO PAY, INSUFFICIENT HEALTH INSURANCE OR WHETHER A GOVERNMENT-SPONSORED PROGRAM COVERS THE FULL COST OF SERVICES AND AS THE COUNTRY'S ECONOMIC FUTURE REMAINS UNCERTAIN, MOUNT NITTANY MEDICAL CENTER WILL CONTINUE TO PROVIDE CARE FOR THOSE WHO NEED IT MOUNT NITTANY MEDICAL CENTER WILL PROVIDE SERVICES AT NO CHARGE OR REDUCED CHARGES TO THOSE WHO ARE FINANCIALLY UNABLE TO PAY FOR THOSE SERVICES MOUNT NITTANY MEDICAL CENTER WILL NOT ARBITRARILY RESTRICT THE PROVISIONS OF HEALTH SERVICES TO CERTAIN INDIVIDUALS OR GROUPS MOUNT NITTANY MEDICAL CENTER'S REGISTRATION DEPARTMENT REPRESENTATIVES WILL GIVE A COPY OF OUR FINANCIAL ASSISTANCE PROGRAM TO EVERY PATIENT ALONG WITH OTHER IMPORTANT BILLING INFORMATION OUR FINANCIAL COUNSELOR WILL DISCUSS THE AVAILABILITY OF VARIOUS GOVERNMENT BENEFITS SUCH AS MEDICAID OR STATE PROGRAMS TO ASSIST THE PATIENT WITH QUALIFICATIONS FOR THESE PROGRAMS THE FINANCIAL COUNSELOR WILL ALSO ASSIST THE PATIENT IN COMPLETING THE PROPER PAPERWORK FOR ASSISTANCE IN ADDITION, OUR VENDOR DEBIASE & LEVINE REPRESENTATIVE, WHO IS WORKING ON BEHALF OF MOUNT NITTANY MEDICAL CENTER, WILL ALSO ASSIST PATIENTS WITH THE MEDICAL ASSISTANCE PROCESS OUR THIRD PARTY VENDOR WORKS ON BEHALF OF THE ORGANIZATION TO FOLLOW THE HOSPITAL'S POLICIES REGARDING PATIENT NOTIFICATION AND THE AVAILABILITY OF FINANCIAL ASSISTANCE MOUNT NITTANY MEDICAL CENTER'S FINANCIAL ASSISTANCE POLICY IS POSTED ON OUR WEBSITE ALONG WITH AN APPLICATION FOR PATIENTS TO COMPLETE FOR FINANCIAL ASSISTANCE THE FINANCIAL COUNSELORS AND CASE MANAGEMENT STAFF WILL ALSO WORK CLOSELY TO IDENTIFY AND ASSIST ELIGIBLE PATIENTS MOUNT NITTANY MEDICAL CENTER WILL MAKE AVAILABLE A WRITTEN NOTICE TO EACH PATIENT OR THEIR REPRESENTATIVE OF THE EXISTENCE, CRITERIA AND MECHANISM FOR RECEIVING FINANCIAL ASSISTANCE THE HOSPITAL WILL CREATE AND MAINTAIN RECORDS AND DOCUMENT THAT AN APPLICATION WAS SENT TO THE PATIENT DEMONSTRATING THAT THE REQUIRED CRITERIA AND MECHANISM ARE ESTABLISHED (MOUNT NITTANY MEDICAL CENTER WILL RECORD ANY AND ALL REQUESTS FOR FINANCIAL ASSISTANCE, THE DISPOSITION AND THE DOLLAR AMOUNT OF MOUNT NITTANY MEDICAL CENTER'S FINANCIAL ASSISTANCE PROGRAM PROVIDED) THE COMPLETED APPLICATIONS ARE GIVEN TO THE PATIENT ACCOUNTS DEPARTMENT SHOWING WHETHER THE APPLICATION WAS APPROVED OR DENIED IN ALL INSTANCES, PATIENT CONFIDENTIALITY WILL BE PROTECTED ELIGIBILITY WILL BE DETERMINED BY COMPARING HOUSEHOLD FAMILY INCOME AGAINST THE INCOME POVERTY GUIDELINES INCOME IS DEFINED AS THE TOTAL ANNUAL CASH RECEIPTS BEFORE TAXES FROM ALL SOURCES A NOTICE OF AVAILABILITY OF MOUNT NITTANY MEDICAL CENTER'S FINANCIAL ASSISTANCE PROGRAM WILL BE GIVEN TO EACH PATIENT OR THEIR REPRESENTATIVE PRIOR TO SERVICES BEING RENDERED, WITH THE EXCEPTION OF EMERGENCY SERVICES WHEREBY THE PATIENT IS TRIAGED PRIOR TO COMPLETING THE REGISTRATION PROCESS THESE PATIENTS WOULD RECEIVE THE NOTICE REGARDING THE FINANCIAL ASSISTANCE PROGRAM AT SOME POINT DURING THAT VISIT THESE NOTICES ARE DISPLAYED AND MADE AVAILABLE IN ALL REGISTRATION AREAS OF THE HOSPITAL AND INCLUDES THE MOST CURRENT AVAILABLE "HOUSEHOLD INCOME GUIDELINES" AS PUBLISHED IN THE FEDERAL REGISTER MOUNT NITTANY MEDICAL CENTER'S CURRENT FINANCIAL ASSISTANCE PROGRAM ELIGIBILITY IS BASED ON 2 5 TIMES THE "HOUSEHOLD INCOME GUIDELINES" THE PATIENT ACCOUNTS DIRECTOR OR HIS/HER DESIGNEE SHALL REVIEW ALL APPLICATIONS FOR THE MOUNT NITTANY MEDICAL CENTER FINANCIAL ASSISTANCE PROGRAM IT IS THE APPLICANT'S RESPONSIBILITY TO PROVIDE PROOF OF INCOME

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 THE MEDICAL CENTER'S PRIMARY SERVICE AREA INCLUDES CENTRE COUNTY AND PARTS OF THE SURROUNDING COUNTIES CENTRE COUNTY'S POPULATION IS APPROXIMATELY 155,000 APPROXIMATELY 16% OF THE POPULATION IS AGED 0-14, 72% AGED 15-64, AND 12% IS 65 OR OLDER THE ESTIMATE FOR THE POPULATION LIVING BELOW THE POVERTY LINE IS 19% THE MEDIAN AGE IN CENTRE COUNTY IS 26 6 (39 9 FOR ALL OF PA) 40% OF THOSE AGED 25 OR OLDER HAVE AT LEAST A BACHELOR'S DEGREE VS 26 4% FOR ALL OF PA THE MEDIAN HOUSEHOLD INCOME IS \$48,262, WHILE THE PA MEDIAN IS \$51,651 40,000+ COLLEGE STUDENTS LIVE IN STATE COLLEGE MOUNT NITTANY MEDICAL CENTER IS THE SOLE GENERAL ACUTE CARE HOSPITAL IN CENTRE COUNTY THE NEAREST LEVEL II TRAUMA CENTER IS APPROX 43 MILES AWAY PART OF CENTRE COUNTY IS A DESIGNATED MEDICALLY UNDERSERVED AREA
		PART VI, LINE 5 THE MEDICAL CENTER'S BOARD OF TRUSTEES AND ITS VARIOUS COMMITTEES INCLUDE COMMUNITY MEMBERS AS WELL AS MEDICAL STAFF THE COMMUNITY MEMBERS ARE NOT DIRECTLY INVOLVED IN THE MEDICAL CENTER'S OPERATIONS THE MEDICAL CENTER'S MEDICAL STAFF EXCEEDS 300 PHYSICIANS THE MEDICAL CENTER CONTINUES TO INVEST IN STRONG AND BENEFICIAL RELATIONSHIPS WITH ALL PHYSICIANS WHO HAVE AN INTEREST IN WORKING WITH THE MEDICAL CENTER ALL REVENUES IN EXCESS OF EXPENSES ARE RE-INVESTED IN THE COMMUNITY, INCLUDING SIGNIFICANT DONATIONS TO THE COUNTY'S ONLY FREE MEDICAL AND DENTAL CLINIC, AS WELL AS INTERNAL IMPROVEMENTS TO TECHNOLOGY SO THAT THE PEOPLE AND COMMUNITIES WE SERVE HAVE IMMEDIATE ACCESS TO THE BEST AND MOST APPROPRIATE DIAGNOSTIC AND TREATMENT OPTIONS AVAILABLE

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 AS OF JUNE 30, 2013, MOUNT NITTANY HEALTH SYSTEMS HAS TWO CONTROLLED CORPORATIONS, WHICH ARE THE MOUNT NITTANY MEDICAL CENTER (INPATIENT AND OUTPATIENT SERVICES) AND MOUNT NITTANY MEDICAL CENTER HEALTH SERVICES, INC (A PHYSICIAN PRACTICE D/B/A MOUNT NITTANY PHYSICAN GROUP) THE FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER, INC (FUNDRAISING) AND THE MOUNT NITTANY SURGICAL CENTER, INC (OUTPATIENT SURGICAL CENTER) ARE CONTROLLED BY MOUNT NITTANY MEDICAL CENTER COMMUNITY BENEFIT SERVICES OFFERED BY MOUNT NITTANY MEDICAL CENTER ARE AFFORDED TO THE BROAD COMMUNITY WITH THE INTENT OF IMPROVING COMMUNITY HEALTH PROGRAMS AND SERVICES ARE DESIGNED TO RESPOND TO IDENTIFIED COMMUNITY NEEDS COMMUNITY BENEFIT ACTIVITIES FALL INTO THESE MAJOR CATEGORIES COMMUNITY HEALTH IMPROVEMENT SERVICES - INCLUDES ACTIVITIES THAT ARE CARRIED OUT TO IMPROVE COMMUNITY HEALTH MOUNT NITTANY MEDICAL CENTER PROVIDES COMMUNITY HEALTH EDUCATION, HEALTH SCREENINGS, SUPPORT GROUPS, AND TRANSPORTATION ASSISTANCE THIS PAST YEAR OFFERED NUMEROUS SCREENINGS AND EDUCATION EVENTS FOR MEMBERS OF OUR COMMUNITY HEALTH PROFESSIONS EDUCATION - MOUNT NITTANY MEDICAL CENTER IS ADVANCING HEALTHCARE BY ADVANCING ACCESS TO EDUCATION AND TRAINING IN 2013, MOUNT NITTANY AWARDED CONTINUING EDUCATION CREDITS FOR NURSES AND PHYSICIANS, AS WELL AS TRAININGS IN THE AMERICAN HEART ASSOCIATION TRAINING CENTER CASH AND IN-KIND DONATIONS - MOUNT NITTANY MEDICAL CENTER REPORTED ITS SUPPORT OF MORE THAN FORTY LOCAL ORGANIZATIONS THROUGH IN-KIND AND CASH DONATIONS THE LEAD BENEFICIARY OF MOUNT NITTANY'S SUPPORT IS CENTRE VOLUNTEERS IN MEDICINE OTHER NON-PROFIT GROUPS INCLUDE AMERICAN HEART ASSOCIATION, PEOPLE CENTRE'D ON DIABETES, YMCA OF CENTRE COUNTY, AND MORE COMMUNITY-BUILDING ACTIVITIES - MOUNT NITTANY IS A LEAD FACILITATOR IN LOCAL AND REGIONAL PREPAREDNESS ACTIVITIES, ENSURING THAT CENTRE COUNTY IS PREPARED SHOULD A DISASTER STRIKE IN ADDITION, MOUNT NITTANY PROVIDES ACCESS TO CARE IN RURAL AREAS TO ENSURE THAT EVERY COMMUNITY HAS ACCESS TO CARE, SUCH AS PROVIDING DIABETES EDUCATION AT RURAL DOCTORS' OFFICES SUBSIDIZED HEALTH SERVICES - MOUNT NITTANY MEDICAL CENTER PROVIDES THE COMMUNITY MENTAL HEALTH SERVICES AT ITS INPATIENT UNIT, ONCOLOGY PATIENT NAVIGATOR PROGRAM, TRANSPORTATION SERVICES FOR PATIENTS WITH CANCER, PEDIATRIC MEDICAL HOME PROGRAM FOR AT-RISK CHILDREN AND SEVERAL FREE SUPPORT GROUPS THE MOUNT NITTANY PHYSICIAN GROUP OFFERS A COMMUNITY BENEFIT BY SEEING CENTRE VOLUNTEERS IN MEDICINE (CVIM) PATIENTS FOR SPECIALTY SERVICES AT NO COST TO THE PATIENT OR TO CVIM THIS GROUP ALSO PROVIDES VARIOUS INTERNSHIPS, PRESENTATIONS AND NEWSLETTERS TO THE COMMUNITY INCLUDING TOPICS LIKE HEART HEALTH AND PEDIATRICS
REPORTS FILED WITH STATES	PART VI, LINE 7	PA

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

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

Name of the organization
MOUNT NITTANY MEDICAL CENTER

Employer identification number

24-0795682

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No

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

Part II **Grants and Other Assistance to Governments and Organizations in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

[illegible]

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

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

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Part III can be duplicated if additional space is needed.

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

Part IV

Supplemental Information.

Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 ASSISTANCE IS PROVIDED TO RELATED ENTITIES FOR FINANCIAL SUPPORT MANAGEMENT OF THE ORGANIZATION OVERSEES THE USE OF FUNDS AT THE AFFILIATED ENTITIES

Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

Part I

Questions Regarding Compensation

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

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

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

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

(A) Name and Title		(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 as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								

Part III **Supplemental Information**

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II
Also complete this part for any additional information

Identifier	Return Reference	Explanation
	PART I, LINES 4A-B	KENNETH BIXEL RECEIVED SEVERANCE PAYMENTS LANCE ROSE RECEIVED NONQUALIFIED PLAN PAYMENTS
	PART I, LINE 6	THE EXECUTIVE TEAM MEMBERS OF MOUNT NITTANY MEDICAL CENTER RECEIVED A PORTION OF THEIR ANNUAL VARIABLE-PAY BASED UPON THE CONSOLIDATED OPERATING MARGIN, MOUNT NITTANY MEDICAL CENTER HEALTH SERVICES (D/B/A MOUNT NITTANY PHYSICIAN GROUP) OPERATING MARGIN, AND CONSOLIDATED NET EARNINGS OF MOUNT NITTANY HEALTH AND OTHER CORPORATE GOALS THE CORPORATE GOALS FOCUSED ON FINANCE, QUALITY, PATIENT SAFETY, STRATEGY, AND GROWTH

Software ID:

Software Version:

EIN: 24-0795682

Name: MOUNT NITTANY MEDICAL CENTER

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) 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 compensation				
STEVEN E BROWN	(i)	477,851	125,000	0	19,625	38,575	661,051	0
	(ii)	0	0	0	0	0	0	0
JONATHON DRANOV MD	(i)	0	0	0	0	0	0	0
	(ii)	494,880	0	0	25,301	29,823	550,004	0
RICHARD WISNIEWSKI	(i)	274,143	52,561	0	19,625	33,605	379,934	0
	(ii)	0	0	0	0	0	0	0
JEFFREY RATNER MD	(i)	313,859	23,228	0	19,625	39,065	395,777	0
	(ii)	0	0	0	0	0	0	0
WAYNE THOMPSON	(i)	226,366	33,668	0	19,625	30,608	310,267	0
	(ii)	0	0	0	0	0	0	0
HAROLD BRUNGARD III	(i)	138,731	17,670	0	13,654	12,220	182,275	0
	(ii)	0	0	0	0	0	0	0
JANET SCHACHTNER	(i)	226,072	47,811	0	19,625	31,345	324,853	0
	(ii)	0	0	0	0	0	0	0
GERALD DITTMANN	(i)	159,944	17,761	0	15,754	33,813	227,272	0
	(ii)	0	0	0	0	0	0	0
GAIL MILLER	(i)	134,592	26,624	0	13,234	27,956	202,406	0
	(ii)	0	0	0	0	0	0	0
THOMAS STOESSEL	(i)	160,799	31,376	0	16,022	27,018	235,215	0
	(ii)	0	0	0	0	0	0	0
STEPHEN TINGLEY MD	(i)	251,308	0	0	19,625	36,488	307,421	0
	(ii)	0	0	0	0	0	0	0
JOHN ROSSI PHD	(i)	157,430	0	0	15,428	10,056	182,914	0
	(ii)	0	0	0	0	0	0	0
PATRICIA WATSON	(i)	123,749	16,544	0	12,424	27,523	180,240	0
	(ii)	0	0	0	0	0	0	0
NEAL HOLTER	(i)	188,309	0	0	18,573	17,261	224,143	0
	(ii)	0	0	0	0	0	0	0
LANCE ROSE	(i)	14,721	0	0	0	1,126	15,847	0
	(ii)	0	0	0	0	0	0	0

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

Part I

Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	CENTRE COUNTY HOSPITAL AUTHORITY	20-3197497	156273CU6	05-05-2011	70,552,972	FUND EMERG DEPT EXPANSION & OTHER CAPITAL EXPENDITURES		X	X			X
B	CENTRE COUNTY HOSPITAL AUTHORITY	20-3197497	156273ED2	10-15-2012	69,404,972	REFUNDING OF THE SERIES 2009 BONDS & PAY ISSUANCE COSTS		X	X			X
C	CENTRE COUNTY HOSPITAL AUTHORITY	20-3197497	156273DK7	10-15-2012	44,591,375	FUND PERIOPERATIVE EXPANSION & OTHER CAPITAL EXPENDITURES		X	X			X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	690,000							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	70,552,972		69,404,972		44,591,375			
4	Gross proceeds in reserve funds	19		19					
5	Capitalized interest from proceeds	3,000,747				3,000,747			
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	1,033,856		811,090		534,964			
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	69,519,116				18,058,146			
11	Other spent proceeds	68,593,863		68,593,863					
12	Other unspent proceeds	22,997,518				22,997,518			
13	Year of substantial completion	2013		2013		2014			
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
			X		X		X		
15	Were the bonds issued as part of an advance refunding issue?		X	X			X		
16	Has the final allocation of proceeds been made?	X			X		X		
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X			

Part III

Private Business Use

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

Part III Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X		X		X		
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 00000%		0 00000%		0 00000%		%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 00000%		0 00000%		0 00000%		%	
6	Total of lines 4 and 5	0 00000%		0 00000%		0 00000%		%	
7	Does the bond issue meet the private security or payment test?		X		X		X		
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	%		%		%		%	
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X		X		X			

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X		X		
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?	X		X		X			
b	Exception to rebate?		X		X		X		
c	No rebate due?		X		X		X		
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?		X		X		X		
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X		X		
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X		X		
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X		X		X		
7	Has the organization established written procedures to monitor the requirements of section 148?	X		X		X			

Part V

Procedures To Undertake Corrective Action

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has 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?	X		X		X			

Part VI

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

Identifier	Return Reference	Explanation
SCHEDULE K, PART III, LINE 3		THERE ARE NO MANAGEMENT OR SERVICE CONTRACTS OR RESEARCH AGREEMENTS RELATING TO THE FINANCED PROPERTIES FOR THE 2011 OR 2012 BONDS

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization MOUNT NITTANY MEDICAL CENTER	Employer identification number 24-0795682
--	--

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

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

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No

2 Enter the amount of tax incurred by 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-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

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

Part III Grants or Assistance Benefitting Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) EDWARD BELL	FAMILY MEMBER OF A BOARD TRUSTEE, KAREN SHUTE	126,729	SALARY COMPENSATION AS A MNMC EMPLOYEE		No
(2) APRIL HARRIS	FAMILY MEMBER OF A BOARD TRUSTEE, THOMAS HARRIS	26,676	SALARY COMPENSATION		No
(3) BLUE COURSE MEDICAL REALITY	PAUL SHUEY, DO (BOARD TRUSTEE) HAS OWNERSHIP INTEREST IN BLUE COURSE	112,067	RENTAL INCOME TO COMPANY		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

2012**Open to Public
Inspection**Name of the organization
MOUNT NITTANY MEDICAL CENTER**Employer identification number**

24-0795682

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	THE 990 WAS PROVIDED TO THE BOARD OF TRUSTEES AND TO THE MOUNT NITTANY HEALTH SYSTEM AUDIT COMMITTEE BEFORE BEING FILED WITH THE IRS
	FORM 990, PART VI, SECTION B, LINE 12C	ANNUALLY, THE CONFLICT OF INTEREST POLICY IS DISTRIBUTED TO KEY MEMBERS OF THE ORGANIZATION INCLUDING BOARD MEMBERS, OFFICERS, AND KEY EMPLOYEES EACH PERSON MUST REPORT ANY POTENTIAL CONFLICT OF INTERESTS, WHICH IS THEN REVIEWED BY THE CORPORATE COMPLIANCE OFFICER AND THEN REPORTED AND REVIEWED BY THE HEALTH SYSTEM'S AUDIT COMMITTEE
	FORM 990, PART VI, SECTION B, LINE 15	EXECUTIVE COMPENSATION COMMITTEE FROM BOARD OF TRUSTEES REVIEWS COMPENSATION PAID TO EXECUTIVE MANAGEMENT TEAM IN CONJUNCTION WITH AN INDEPENDENT THIRD PARTY CONSULTING FIRM TO ENSURE COMPENSATION IS REASONABLE AND APPROPRIATE FOR DUTIES AND RESPONSIBILITIES ASSIGNED REVIEW AND APPROVAL OF COMPENSATION IS DOCUMENTED VIA MINUTES OF COMMITTEE MEETINGS
	FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE MADE AVAILABLE TO THE PUBLIC UPON REQUEST
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	CHANGE IN INTEREST IN THE FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER, INC -791,045 PENSION LIABILITY ADJUSTMENT 16,913,353 CHANGE IN FAIR VALUE OF DERIVATIVE -579,107

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
MOUNT NITTANY MEDICAL CENTER

Employer identification number

24-0795682

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

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

Part III

Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" to 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" to 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	(i) Section 512 (b)(13) controlled entity?	
								Yes	No

Part V

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

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

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 or (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

Dividends from related organization(s)

g

Sale of assets to related organization(s)

h

Purchase of assets from related organization(s)

i

Exchange of assets with related organization(s)

j

Lease of facilities, equipment, or other assets to related organization(s)

k

Lease of facilities, equipment, or other assets from related organization(s)

l

Performance of services or membership or fundraising solicitations for related organization(s)

m

Performance of services or membership or fundraising solicitations by related organization(s)

n

Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

o

Sharing of paid employees with related organization(s)

p

Reimbursement paid to related organization(s) for expenses

q

Reimbursement paid by related organization(s) for expenses

r

Other transfer of cash or property to related organization(s)

s

Other transfer of cash or property from related organization(s)

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

No

No

No

No

No

No

No

Yes

Yes

Yes

Yes

No

No

Yes

Yes

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER	C	2,795,379	CASH
(2) FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER	O	380,582	COST OF SHARING PAID EMPLOYEES
(3) MOUNT NITTANY SURGICAL CENTER	O	505,799	COST OF SHARING PAID EMPLOYEES
(4) MOUNT NITTANY SURGICAL CENTER	L	497,922	COST OF SERVICES PERFORMED

Schedule R (Form 990) 2012

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

[illegible]

Software ID:
Software Version:
EIN: 24-0795682
Name: MOUNT NITTANY MEDICAL CENTER

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	
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Mount Nittany Health System and Affiliates

Consolidated Financial Statements and
Supplementary Information

June 30, 2013 and 2012



Mount Nittany Health System and Affiliates

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June 30, 2013 and 2012

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Independent Auditors' Report

Board of Directors
Mount Nittany Health System and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Mount Nittany Health System and Affiliates, which comprise the consolidated statements of financial position, as of June 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mount Nittany Medical Center and Affiliates as of June 30, 2013 and 2012, and the results of their operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 1 to the consolidated financial statements, Mount Nittany Health System and Affiliates adopted new authoritative guidance for the presentation and disclosure of patient service, provision for bad debts, and the allowance for doubtful accounts in 2013. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information presented on pages 39 to 48 is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "ParenteBeard LLC".

State College, Pennsylvania
September 20, 2013

Mount Nittany Health System and Affiliates

Consolidated Statement of Financial Position

June 30, 2013 and 2012

	2013	2012		2013	2012
Assets			Liabilities and Net Assets		
Current Assets			Current Liabilities		
Cash and cash equivalents	\$ 15,846,424	\$ 29,736,987	Current maturities of long-term debt		
Short-term investments	13,451,856	8,444,293	Revenue bonds and note payable	\$ 2,050,000	\$ 1,545,172
Accounts receivable			Obligations under capital leases	247,645	200,747
Patients (net of estimated allowance for doubtful			Accounts payable	9,033,574	7,360,249
accounts of \$21,581,000 in 2013			Blue Cross current financing advance	475,663	475,663
and \$17,505,000 in 2012)	30,185,165	32,550,262	Estimated third-party payor settlements	7,805,301	6,141,914
Other	2,459,341	1,153,949	Accrued expenses		
Inventories of drugs and supplies	6,889,307	6,564,891	Employee paid time off	9,636,582	8,796,634
Prepaid expenses and other current assets	3,893,620	2,446,380	Payroll and withholdings	3,988,197	3,246,982
			Accrued interest	1,503,552	1,076,585
Total current assets	72,725,713	80,896,762	Construction in progress payable	3,683,291	1,908,949
			Other	3,506,145	3,882,999
Assets Whose Use is Limited			Deferred compensation, current	32,336	76,973
Under trust indenture, held by trustee	29,673,234	22,640,647	Current portion of charitable gift annuity liability	11,925	11,925
Board designated, debt service	403,090	6,158,468			
Worker's compensation self-insurance, held by trustee	1,350,268	1,342,344	Total current liabilities	41,974,211	34,724,792
Total assets whose use is limited	31,426,592	30,141,459	Long-Term Debt		
			Revenue bonds and note payable	181,628,884	138,850,170
Long-Term Investments	122,534,333	83,754,887	Obligations under capital leases	342,340	427,998
Property and Equipment, Net	193,861,691	164,253,373	Deferred Revenue	476,134	470,147
Beneficial Interest in Perpetual Trust	49,563	49,008	Charitable Gift Annuity Liability	41,319	43,869
Pledges Receivable	1,468,970	1,223,012	Accrued Pension Costs	12,228,872	31,065,582
Deferred Financing Costs, Net	2,251,325	4,215,756	Accrued Medical Malpractice and		
			Workers' Compensation Costs	4,945,824	4,372,908
Goodwill	1,209,867	1,209,867	Deferred Compensation	100,767	112,539
Derivative Financial Instruments	937,801	1,516,908	Total liabilities	241,738,351	210,068,005
Other Assets, Net	11,200,554	11,941,112	Net Assets		
			Unrestricted	191,420,350	163,660,675
			Temporarily restricted	3,786,959	4,857,955
			Permanently restricted	720,749	615,509
			Total net assets	195,928,058	169,134,139
Total assets	\$ 437,666,409	\$ 379,202,144	Total liabilities and net assets	\$ 437,666,409	\$ 379,202,144

See notes to consolidated financial statements

Mount Nittany Health System and Affiliates

Consolidated Statement of Operations

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted Revenues, Gains, and Other Support		
Patient service revenues (net of contractual allowances and discounts)	\$ 320,958,389	\$ 298,750,900
Provision for bad debts	<u>(9,088,425)</u>	<u>(8,766,203)</u>
Net patient service revenues less provision for bad debts	311,869,964	289,984,697
Other operating revenues	6,560,167	6,303,753
Net assets released from restrictions used in operations	48,289	47,378
(Loss) gain on sale of equipment	<u>(210,535)</u>	<u>110,441</u>
Total unrestricted revenues, gains, and other support	<u>318,267,885</u>	<u>296,446,269</u>
Expenses		
Salaries and wages	126,795,528	115,696,713
Supplies and other	122,672,435	112,252,630
Employee benefits	35,117,833	31,484,881
Depreciation and amortization	16,665,475	15,479,452
Interest (net of capitalized interest of \$889,432 in 2013 and \$2,186,231 in 2012)	7,726,545	5,823,406
Insurance	<u>786,030</u>	<u>711,019</u>
Total expenses	<u>309,763,846</u>	<u>281,448,101</u>
Operating income	<u>8,504,039</u>	<u>14,998,168</u>
Other (Loss) Income		
Investment income	10,649,849	964,425
Other revenues	305,259	45,200
Contributions	30,648	78,523
Change in fair value of derivative financial instruments	(579,107)	995,680
Loss on refinancing	<u>(11,515,213)</u>	<u>-</u>
Other (loss) income, net	<u>(1,108,564)</u>	<u>2,083,828</u>
Revenues in excess of expenses	7,395,475	17,081,996
Pension Liability Adjustment	16,913,353	(22,705,356)
Net Assets Released from Restrictions Used for the Purchase of Property and Equipment	<u>3,450,847</u>	<u>2,026,294</u>
Increase (decrease) in unrestricted net assets	<u>\$ 27,759,675</u>	<u>\$ (3,597,066)</u>

See notes to consolidated financial statements

Mount Nittany Health System and Affiliates**Consolidated Statement of Changes in Net Assets**

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted Net Assets		
Revenues in excess of expenses	\$ 7,395,475	\$ 17,081,996
Pension liability adjustment	16,913,353	(22,705,356)
Net assets released from restrictions used for purchase of property and equipment	<u>3,450,847</u>	<u>2,026,294</u>
Increase (decrease) in unrestricted net assets	<u>27,759,675</u>	<u>(3,597,066)</u>
Temporarily Restricted Net Assets		
Contributions	2,408,524	808,845
Investment income (loss)	19,616	(12,523)
Net assets released from restrictions	<u>(3,499,136)</u>	<u>(2,073,672)</u>
Decrease in temporarily restricted net assets	<u>(1,070,996)</u>	<u>(1,277,350)</u>
Permanently Restricted Net Assets		
Contributions	104,685	311,297
Valuation gain (loss)	<u>555</u>	<u>(1,723)</u>
Increase in permanently restricted net assets	<u>105,240</u>	<u>309,574</u>
Increase (decrease) in net assets	26,793,919	(4,564,842)
Net Assets, Beginning	<u>169,134,139</u>	<u>173,698,981</u>
Net Assets, Ending	<u><u>\$ 195,928,058</u></u>	<u><u>\$ 169,134,139</u></u>

See notes to consolidated financial statements

Mount Nittany Health System and Affiliates

Consolidated Statement of Cash Flows

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 26,793,919	\$ (4,564,842)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities.		
Depreciation and amortization	16,823,442	15,481,963
Net (amortization of premium) accretion of discount on long-term debt	(157,967)	(2,511)
Provision for doubtful collections	9,088,425	8,766,203
Change in fair value of derivative financial instruments	579,107	(995,680)
Loss on refinancing, including write-off of deferred financing costs and original issue discount of \$3,395,094 and decrease in investments of \$8,120,119	11,515,213	-
Restricted contributions, investment income, and valuation loss/gain	(2,533,380)	(1,105,896)
Unrestricted net realized and unrealized loss (gains) on investments	(6,387,761)	2,005,679
Pension liability adjustment	(16,913,353)	22,705,356
Loss (gain) on sale of equipment	210,535	(110,441)
Changes in assets and liabilities		
Accounts receivable	(8,028,720)	(8,050,539)
Inventories of drugs and supplies	(324,416)	(451,457)
Prepaid expenses and other current assets	(1,447,240)	1,727,210
Accounts payable, accrued expenses, and other liabilities	<u>3,567,125</u>	<u>(4,241,663)</u>
Net cash provided by operating activities	<u>32,784,929</u>	<u>31,163,382</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(44,636,576)	(50,677,786)
(Increase) decrease in investments	(38,684,381)	28,880,877
Increase in other assets	(827,498)	(3,309,868)
Proceeds from sale of equipment	<u>1,669,381</u>	<u>90,207</u>
Net cash used in investing activities	<u>(82,479,074)</u>	<u>(25,016,570)</u>

See notes to consolidated financial statements

Mount Nittany Health System and Affiliates

Consolidated Statement of Cash Flows

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Financing Activities		
Proceeds from issuance of long-term debt, including premium of \$5,196,347 in 2013	\$ 43,996,341	\$ -
Payment to fund escrow account	(8,120,119)	-
Repayment of long-term debt	(1,010,902)	(1,222,196)
Restricted contributions and investment income	2,286,867	2,390,463
Payment of financing costs	(1,346,055)	-
Change in charitable gift annuity liability	(2,550)	(20,171)
	<u>35,803,582</u>	<u>1,148,096</u>
Net cash provided by financing activities	<u>35,803,582</u>	<u>1,148,096</u>
Net (decrease) increase in cash and cash equivalents	(13,890,563)	7,294,908
Cash and Cash Equivalents, Beginning	<u>29,736,987</u>	<u>22,442,079</u>
Cash and Cash Equivalents, Ending	<u>\$ 15,846,424</u>	<u>\$ 29,736,987</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest, net of amounts capitalized	<u>\$ 7,299,578</u>	<u>\$ 192,282</u>
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Capital lease incurred for purchase of property and equipment	<u>\$ 201,976</u>	<u>\$ 580,641</u>
Other obligations incurred for purchase of property and equipment	<u>\$ 1,774,342</u>	<u>\$ 1,908,949</u>
Revenue bonds refinanced	<u>\$ 70,000,000</u>	<u>\$ -</u>

See notes to consolidated financial statements

Mount Nittany Health System and Affiliates

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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

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

The Surgical Center is a not-for-profit corporation that provides outpatient surgical services.

The Foundation is a not-for-profit corporation that provides fundraising and other support to further the charitable, educational, and scientific purposes of the Medical Center.

The Physician Group is a not-for-profit corporation that provides professional services.

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

Basis of Consolidation

The consolidated financial statements include the accounts of the System, the Medical Center, the Surgical Center, the Physician Group, and the Foundation (collectively, the "Corporation"). All significant intercompany transactions and balances have been eliminated in consolidation.

Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through September 20, 2013, the date the consolidated financial statements were issued.

Use of Estimates

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

Cash and Cash Equivalents

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

Mount Nittany Health System and Affiliates

Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Accounts Receivable, Patients

Accounts receivable, patients, are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on a periodic review of the accounts receivable aging, payor classifications, and application of historical write-off percentages. For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractual amounts due and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients which includes both patients without insurance and insured patients with deductible and copayment balances, the Corporation records a significant provision for bad debts 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 billed rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Corporation's allowance for doubtful accounts for self-pay patients increased to 53% of self-pay accounts receivable at June 30, 2013, from 49% of self-pay accounts receivable at June 30, 2012. In addition, the Corporation's self-pay account write-offs (net of recoveries) increased to approximately \$5,110,000 in 2013 from \$4,932,000. The increases were the result of higher deductibles, increase in self-pay due to unemployment, and reduction in coverage. The Corporation has not changed its financial assistance policy in 2013 or 2012. The Corporation does not maintain material allowances for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

Accounts Receivable, Other

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

Inventories of Drugs and Supplies

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

Investments and Investment Risk

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

Mount Nittany Health System and Affiliates

Notes to Consolidated Financial Statements
June 30, 2013 and 2012

The Corporation's investments are comprised of a variety of financial instruments. The fair values reported in the consolidated statement of financial position are exposed to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

Assets Whose Use Is Limited

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

Deferred Financing Costs

Costs incurred in connection with the issuance of long-term debt have been deferred and are being amortized over the term of the debt using the straight-line method. Amortization of deferred financing costs was \$130,726 in 2013 and \$192,345 in 2012. Accumulated amortization was \$128,586 at June 30, 2013 and \$539,566 at June 30, 2014. Deferred financing costs of \$3,179,760 were written off during 2013 and included in loss on refinancing (Note 6).

Pledges Receivable

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

Goodwill

The Corporation follows Financial Accounting Standards Board ("FASB") authoritative guidance regarding goodwill with indefinite lives, which requires that such assets be reviewed annually or more frequently if impairment indicators arise. The Corporation has the option not to calculate annually the fair value of an indefinite-lived intangible asset if management determines that it is more likely than not that the asset is impaired. This permits the Corporation to assess qualitative factors when testing goodwill for impairment. If, after assessing the totality of events and circumstances, the Corporation concludes that it is more likely than not that the goodwill is not impaired, then the Corporation is not required to take further action. If indicators arise that further testing is needed, the review requires the Corporation to estimate the fair value of its identified reporting units and compare those estimates against the related carrying values. Identifiable assets and liabilities acquired in connection with business combinations accounted for under the purchase method are recorded at their respective fair values. During 2013, the qualitative factors evaluated by the Corporation included the financial performance and cash flows of the services provided by the acquired reporting units.

Mount Nittany Health System and Affiliates

Notes to Consolidated Financial Statements
June 30, 2013 and 2012

The Corporation follows FASB authoritative guidance regarding other intangible assets. Intangible assets with finite lives with a cost of \$7,840,284 at June 30, 2013 and 2012, and accumulated amortization of \$4,004,068 at June 30, 2013 and \$2,436,012 at June 30, 2012, are included in other assets in the accompanying consolidated statement of financial position. Amortization of the intangible assets was \$1,568,056 in 2013 and 2012.

Property and Equipment and Depreciation

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

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

Beneficial Interest in Perpetual Trust

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

Deferred Revenue

Proceeds from the rental of certain property are deferred. Rental revenues are recognized ratably over the term of the lease. The deferred revenue associated with this lease was \$228,254 at June 30, 2013 and \$233,882 at June 30, 2012.

The Medical Center received proceeds from The Tobacco Settlement Act that is administered through the Department of Public Welfare ("DPW"). These funds are intended to partially reimburse the Medical Center for the uncompensated care services it has provided. The Medical Center's claim to these funds is subject to review by the Department of the Auditor General of the Commonwealth of Pennsylvania. The Medical Center has not recognized as revenue a portion of the funds received in the amount of \$247,880 at June 30, 2013 and \$236,265 at June 30, 2012, pending the results of a review by the Department of the Auditor General.

Mount Nittany Health System and Affiliates

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Charitable Gift Annuity Liability

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

Deferred Compensation Arrangement

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

Derivative Financial Instruments

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

Temporarily and Permanently Restricted Net Assets

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

Net Patient Service Revenues

The Medical Center, the Surgical Center, and Physician Group have agreements with third-party payors that provide for payments at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. For uninsured patients that do not qualify for charity care, the Corporation recognizes revenues on the basis of its standard rates, discounted in accordance with the Corporation's policy. On the basis of historical experience, a significant portion of the Corporation's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Corporation records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenues, net of contractual allowances and discounts (but before the provision of bad debts), recognized in 2013 from these major payor sources, are as follows.

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	June 30, 2013			
	Third-Party Government Payors	Third-Party Non-Government Payors	Self-Pay	Total All Payors
Patient service revenues (net of contractual allowances and discounts)	<u>\$ 96,731,181</u>	<u>\$ 214,190,432</u>	<u>\$ 10,036,776</u>	<u>\$ 320,958,389</u>

Charity Care

The Medical Center, the Surgical Center, and Physician Group provide care to patients who meet certain criteria without charge or at amounts less than their established rates. Because the Medical Center, the Surgical Center, and the Physician Group do not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenues. The Medical Center, the Surgical Center, and the Physician Group maintain records to identify and monitor the level of charity care they provide. The cost associated with the charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for patients receiving charity care. The level of charity care provided by the Corporation amounted to approximately \$1,553,000 in 2013 and \$1,182,000 in 2012.

Donor-Restricted Gifts

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

Revenues in Excess of Expenses

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

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

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

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Income Taxes

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

The Corporation accounts for uncertainty in income taxes using a recognition threshold of more-likely-than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2013 and 2012.

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

All required Federal Exempt Organization Business Income Tax Returns for the Corporation have been filed up to, and including, the tax year ended June 30, 2012. The Corporation's federal income tax returns are no longer subject to examination by the Internal Revenue Service ("IRS") for years ended before June 30, 2010.

Advertising Costs

Advertising costs are expensed as incurred.

Reclassifications

Certain reclassifications were made to the 2012 consolidated financial statements to conform with the 2013 presentation.

New Accounting Standards

Provision for Bad Debts

The Corporation adopted new authoritative guidance on patient service revenue, provision for bad debts, and the allowance for doubtful accounts for the year ended June 30, 2013. The objective of the new guidance is to provide financial statement users with greater transparency about a health care entity's net patient service revenues and related allowance for doubtful accounts.

The new authoritative guidance requires health care entities to make the following changes to its existing accounting practices:

- Reclassification of the consolidated statement of operations to present the provision for bad debts from an operating expense to a deduction from patient service revenues, net of contractual allowances and discounts,

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Notes to Consolidated Financial Statements

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- Enhanced disclosure about policies for recognizing revenue and the provision for bad debts by major payor source of revenue, and qualitative and quantitative information about significant changes in the allowance for doubtful accounts related to patient accounts receivable, including significant estimates and underlying assumptions, self-pay write-offs, third-party write-offs, and uninsured transactions, and
- Disclosure of patient service revenues, net of contractual allowances and discounts, by major payor source.

The new authoritative guidance requires retrospective application related to presentation in the statement of operations, and prospective application to the disclosure requirements

As a result of adopting the new authoritative guidance, the Corporation reclassified its provision for bad debts in the consolidated statement of operations for the year ended June 30, 2012, decreasing total unrestricted revenues, gains, and other support and total expenses by \$8,766,203. No other reclassifications or modifications have been made to the Corporation's 2012 consolidated financial statements as a result of adoption

Goodwill

The Corporation adopted new authoritative guidance on testing goodwill for impairment, which allows entities to assess qualitative factors to determine if it is more-likely-than-not that goodwill might be impaired and whether it is necessary to perform the two-step goodwill impairment test required under the current accounting standards. The adoption did not have a material effect on the Corporation's consolidated financial statements.

Fair Value Measurements

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, *"Fair Value Measurements and Disclosures (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs"*. ASU No. 2011-04 includes new and clarified guidance on fair value measurements (highest and best use, equity instruments, managed net portfolio positions, and application of premiums and discounts) and requires additional disclosures (quantitative information, valuation processes and sensitivity of unobservable inputs, assets not in highest and best use, and assets not measured at fair value). The adoption of the amended guidance required certain additional disclosures in the notes to the Corporation's consolidated financial statements on a prospective basis.

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2. Investments

The composition of short-term and long-term investments at June 30, 2013 and 2012 is set forth in the following table

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 11,348,411	\$ 5,877,263
Certificates of deposit	2,152,430	2,567,030
Mutual funds, equity funds	68,164,483	40,512,765
Mutual funds, fixed income funds	46,376,748	37,393,606
Mutual funds, balanced funds	1,402,967	2,020,740
United States government obligations	118,465	45,323
Alternative investments	6,422,685	3,782,453
Total	135,986,189	92,199,180
Less short-term investments	13,451,856	8,444,293
Long-term investments	<u>\$ 122,534,333</u>	<u>\$ 83,754,887</u>

The composition of assets whose use is limited at June 30, 2013 and 2012, is set forth in the following table

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 8,273,180	\$ 9,451,186
Certificates of deposit	1,209,976	6,608,918
United States government obligations	-	2,790,585
Corporate bonds	21,943,436	11,290,770
Total	<u>\$ 31,426,592</u>	<u>\$ 30,141,459</u>

Unrestricted investment income, gains and losses for cash and cash equivalents, assets whose use is limited, and investments are comprised of the following in 2013 and 2012

	<u>2013</u>	<u>2012</u>
Investment income		
Interest and dividend income	\$ 4,290,402	\$ 2,977,378
Net realized gain (loss) on sales of securities	250,063	(408,848)
Net unrealized gain (loss) on trading securities	6,137,698	(1,596,831)
Fees	(28,314)	(7,274)
Investment income	<u>\$ 10,649,849</u>	<u>\$ 964,425</u>

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3. Fair Value Measurements and Financial Instruments

The Corporation measures its short-term investments, assets whose use is limited, long-term investments, beneficial interest in perpetual trust, and derivative financial instruments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows.

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

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

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

The financial assets recorded at fair value and financial instruments disclosed at fair value were measured using the following inputs at June 30, 2013 and 2012:

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	2013				
	Carrying Value	Fair Value	Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets - recurring fair value measurements:					
Investments and assets whose use is limited					
Cash and cash equivalents	\$ 19,621,591	\$ 19,621,591	\$ 19,621,591	\$ -	\$ -
Certificates of deposit	3,362,406	3,362,406	-	3,362,406	-
United States government obligations	118,465	118,465	-	118,465	-
Mutual funds, equity funds					
Energy	3,223,891	3,223,891	3,223,891	-	-
International funds	23,349,437	23,349,437	23,349,437	-	-
Large cap growth funds	4,068,404	4,068,404	4,068,404	-	-
Large cap value funds	16,425,582	16,425,582	16,425,582	-	-
Large cap blend funds	10,033,643	10,033,643	10,033,643	-	-
Other	11,063,526	11,063,526	11,063,526	-	-
Mutual funds, fixed income funds					
Short-term bond funds	11,558,363	11,558,363	11,558,363	-	-
Intermediate-term bond funds	21,940,737	21,940,737	21,940,737	-	-
Financial institution funds	12,851,094	12,851,094	12,851,094	-	-
Other	26,554	26,554	26,554	-	-
Mutual funds, balanced funds,					
Large value funds	1,402,967	1,402,967	1,402,967	-	-
Corporate bonds	21,943,436	21,943,436	-	21,943,436	-
Alternative Investments	6,422,685	6,422,685	-	-	6,422,685
Investment and assets whose use is limited total	167,412,781	167,412,781	135,565,789	25,424,307	6,422,685
Beneficial interest in perpetual trust	49,563	49,563	-	-	49,563
Derivative financial instruments	937,801	937,801	-	937,801	-
Total	<u>\$ 168,400,145</u>	<u>\$ 168,400,145</u>	<u>\$ 135,565,789</u>	<u>\$ 26,362,108</u>	<u>\$ 6,472,248</u>
Assets disclosed at fair value:					
Cash and cash equivalents	\$ 15,846,424	15,846,424	\$ 15,846,424	\$ -	\$ -
Pledges receivable	1,468,970	1,468,970	-	-	1,468,970
Total	<u>\$ 17,315,394</u>	<u>\$ 17,315,394</u>	<u>\$ 15,846,424</u>	<u>\$ -</u>	<u>\$ 1,468,970</u>
Liabilities disclosed at fair value:					
Revenue bonds and notes payable	<u>\$ 183,678,884</u>	<u>\$ 180,839,233</u>	<u>\$ -</u>	<u>\$ 180,839,233</u>	<u>\$ -</u>

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	2012				
	Carrying Value	Fair Value	Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets – recurring fair value measurements:					
Investments and assets whose use is limited					
Cash and cash equivalents	\$ 15,328,449	\$ 15,328,449	\$ 15,328,449	\$ -	\$ -
Certificates of deposit	9,175,948	9,175,948	-	9,175,948	-
United States government obligations	2,835,908	2,835,908	-	2,835,908	-
Mutual funds, equity funds					
International funds	13,812,936	13,812,936	13,812,936	-	-
Large cap growth funds	4,158,155	4,158,155	4,158,155	-	-
Large cap value funds	4,262,335	4,262,335	4,262,335	-	-
Large cap blend funds	6,897,256	6,897,256	6,897,256	-	-
Other	11,382,083	11,382,083	11,382,083	-	-
Mutual funds, fixed income funds					
Short-term bond funds	13,673,313	13,673,313	13,673,313	-	-
Intermediate-term bond funds	15,395,190	15,395,190	15,395,190	-	-
Financial institution funds	8,282,536	8,282,536	8,282,536	-	-
Other	42,567	42,567	42,567	-	-
Mutual funds, balanced funds,					
Large value funds	2,020,740	2,020,740	2,020,740	-	-
Corporate bonds	11,290,770	11,290,770	-	11,290,770	-
Alternative Investments	3,782,453	3,782,453	-	-	3,782,453
Investment and assets whose use is limited total	122,340,639	122,340,639	95,255,560	23,302,626	3,782,453
Beneficial interest in perpetual trust	49,008	49,008	-		49,008
Derivative financial instruments	1,516,908	1,516,908	-	1,516,908	-
Total	<u>\$ 123,906,555</u>	<u>\$ 123,906,555</u>	<u>\$ 95,255,560</u>	<u>\$ 24,819,534</u>	<u>\$ 3,831,461</u>
Assets disclosed at fair value:					
Cash and cash equivalents	\$ 29,736,987	\$ 29,736,987	\$ 29,736,987	\$ -	\$ -
Pledges receivable	1,223,012	1,223,012	-	-	1,223,012
Total	<u>\$ 30,959,999</u>	<u>\$ 30,959,999</u>	<u>\$ 29,736,987</u>	<u>\$ -</u>	<u>\$ 1,223,012</u>
Liabilities disclosed at fair value:					
Revenue bonds and notes payable	<u>\$ 140,395,342</u>	<u>\$ 152,999,562</u>	<u>\$ -</u>	<u>\$ 152,999,562</u>	<u>\$ -</u>

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The Corporation's investments and assets whose use is limited are reflected in the accompanying consolidated statement of financial position as follows at June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Short-term investments	\$ 13,451,856	\$ 8,444,293
Assets whose use is limited	31,426,592	30,141,459
Long-term investments	<u>122,534,333</u>	<u>83,754,887</u>
Total	<u>\$ 167,412,781</u>	<u>\$ 122,340,639</u>

The following information related to the alternative investments discusses the nature and risk of the investments and whether they have redemption restrictions as of June 30, 2013

	<u>Fair Value</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
The Weatherlow Offshore Fund I L.P	\$ 6,422,685	Quarterly	65 days

The Weatherlow Offshore Fund I L.P. is a Delaware limited liability company. The investment objective is to invest predominantly in limited partnerships and pooled investment vehicles, including long-short growth, value, technology, energy, financial, and healthcare hedge funds. The Corporation has no unfunded commitments.

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

	<u>Alternate Investment</u>	<u>Beneficial Interest in Perpetual Trust</u>
Balances at June 30, 2011	\$ 2,637,895	\$ 50,731
Income	-	1,751
Purchases	1,260,000	-
Distributions	-	(1,751)
Valuation gain (loss)	<u>(115,442)</u>	<u>(1,723)</u>
Balances at June 30, 2012	3,782,453	49,008
Income	-	3,339
Purchases	2,000,000	-
Distributions	-	(3,339)
Valuation gain (loss)	<u>640,232</u>	<u>555</u>
Balances at June 30, 2013	<u>\$ 6,422,685</u>	<u>\$ 49,563</u>

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The following is a description of the valuation methodologies used for assets measured at fair value and for financial instruments disclosed at fair value. There have been no changes in methodologies used at June 30, 2013 and 2012.

Cash and cash equivalents. The carrying amounts approximate fair value because of the short maturity of these financial instruments.

Certificates of deposit. Valued at cost, which approximates the fair value based on similar instruments.

U.S. government obligations. Valued at fair value based upon quoted prices for similar securities.

Mutual funds. Valued at fair value based upon quoted market prices in active markets for those securities.

Corporate bonds. Valued at fair value based upon quoted prices for similar securities.

Alternative investments. The Corporation's alternative investment represents an investment in The Weatherlow Offshore Fund I Ltd ("WOF"), a limited partnership, and is valued at net asset value based primarily on unobservable inputs, which are considered Level 3 inputs. WOF operates as a feeder fund in a master-feeder structure. WOF seeks to achieve its objectives by investing all or substantially all of its assets in The Weatherlow Fund I L.P. (the "Master Fund"), which is a limited partnership. The Master Fund is a multi-manager, multi-strategy "fund of funds" formed to invest predominantly in limited partnerships and similar pooled investment vehicles referred to as portfolio funds.

The fair value of WOF is generally determined using the reported net asset value per share as a practical expedient for fair value. If the investment manager determines, based on its own due diligence and investment monitoring procedures, that the reported net asset value per share or its equivalent does not represent fair value, the investment manager shall estimate the fair value of this investment in good faith and in a manner that it reasonably chooses. The fair value of this investment is reported net of management fees and incentive allocations/fees. Due to the inherent uncertainty of these estimates, these values may differ from the values that would have been used had a market for these investments existed and the differences could be material. This investment may involve varying degrees of interest rate risk, credit risk, foreign exchange risk, and market, industry or geographic concentration risk. While the investment manager monitors and attempts to manage these risks, the varying degrees of transparency into and potential illiquidity of the financial instruments held by this fund may hinder the investment manager's ability to effectively manage and mitigate these risks.

Beneficial interest in perpetual trust. Valued based on the fair value of the trust's underlying assets, which represents a proxy for discounted present value of future cash flows.

Pledges receivable. Valued based on the original pledge amount, adjusted by a discount rate that a market participant would demand and an evaluation for uncollectible pledges.

Revenue bonds and notes payable. Valued at fair value of the Corporation's fixed rate long-term debt was estimated using quoted market prices or discounted cash flows analyses.

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based on the Corporation's incremental borrowing rate for debt instruments with comparable maturities.

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

4. Property and Equipment

Property and equipment and accumulated depreciation and amortization as of June 30, 2013 and 2012 are as follows

	2013	2012
Land and land improvements	\$ 6,079,923	\$ 4,740,661
Buildings	189,996,473	153,310,435
Equipment	119,626,742	110,887,504
Leasehold improvements	5,826,822	5,580,375
Equipment held under capital lease	2,206,338	2,004,362
Total	323,736,298	276,523,337
Less accumulated depreciation and amortization	157,784,426	143,714,741
Total	165,951,872	132,808,596
Construction in progress	27,909,819	31,444,777
Property and equipment, net	\$ 193,861,691	\$ 164,253,373

Amortization of equipment held under capital lease was \$239,255 in 2013 and \$283,832 in 2012 Accumulated amortization was \$1,463,180 at June 30, 2013 and \$1,223,925 at June 30, 2012

Depreciation expense was \$14,885,405 in 2013 and \$13,435,220 in 2012

Commitments for construction contracts for various projects existing at June 30, 2013 totaled approximately \$18,521,000

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5. Pledges Receivable

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

Pledges receivable are recorded as follows as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Campaign pledges before unamortized discount and allowance for uncollectible pledges	\$ 1,927,686	\$ 1,716,488
Less unamortized discount	<u>112,809</u>	<u>80,816</u>
Subtotal	1,814,877	1,635,672
Less allowance for uncollectible pledges	<u>345,907</u>	<u>412,660</u>
Net unconditional promises to give	<u>\$ 1,468,970</u>	<u>\$ 1,223,012</u>
Amounts due in:		
Less than one year	\$ 820,045	\$ 556,492
One to five years	<u>1,107,641</u>	<u>1,159,996</u>
Total	<u>\$ 1,927,686</u>	<u>\$ 1,716,488</u>

The discount rate used was approximately 3.3% at June 30, 2013 and 2012.

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6. Revenue Bonds and Note Payable

The Medical Center's revenue bonds at June 30, 2013 and 2012 are as follows

	<u>2013</u>	<u>2012</u>
Centre County Hospital Authority Revenue Bonds, Series 2012A	\$ 43,675,000	\$ -
Centre County Hospital Authority Revenue Bonds, Series 2012B	65,125,000	-
Centre County Hospital Authority Revenue Bonds, Series 2011	69,535,000	70,230,000
Debt repaid and refinanced during 2013	<u>-</u>	<u>70,075,172</u>
Total	178,335,000	140,305,172
Net unamortized bond premium	5,343,884	90,170
Less current maturities	<u>2,050,000</u>	<u>1,545,172</u>
Long-term	<u>\$ 181,628,884</u>	<u>\$ 138,850,170</u>

Scheduled principal repayments on revenue bonds as of June 30, 2013 are as follows

Years ending June 30	
2014	\$ 2,050,000
2015	2,375,000
2016	2,450,000
2017	2,535,000
2018	2,630,000
Thereafter	<u>166,295,000</u>
Total	<u>\$ 178,335,000</u>

Centre County Hospital Authority Revenue Bonds, Series 2012A and 2012B

In October 2012, the Centre County Hospital Authority (the "Authority") issued \$108,800,000 of tax exempt Hospital Revenue Bonds (the "2012 Bonds") on behalf of the Medical Center. The proceeds of the 2012A Bonds were issued for the purpose of financing and/or reimbursing the cost of the acquisition, construction, installation and equipping of certain capital projects, funding capitalized interest on the Series 2012A Bonds, and paying for the costs of issuance of the Series 2012A Bonds. The Series 2012B Bonds were issued for the purpose of providing funds to advance refund the Authority's outstanding Hospital Revenue Bonds, Series 2009 and to pay the costs of issuance of the Series 2012B Bonds. The 2012A and 2012B Bonds are due in varying annual installments starting November 2014 through November 2048 with interest rates ranging from 2.5% to 3.5%.

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Payments of principal and interest on the Series 2012 Bonds are secured by the gross revenues of the Obligated Group together with a lien on, and security interest in all property and equipment of the Obligated Group. At present, the Medical Center and the Physician Group are the only members of the Obligated Group. The Series 2012 Bonds also require the Obligated Group to meet certain financial ratios. The Obligated Group was in compliance with the ratios at June 30, 2013.

Centre County Hospital Authority Revenue Bonds, Series 2011

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

Payments of principal and interest on the Series 2011 Bonds are secured by the gross revenues of the Obligated Group together with a lien on, and security interest in all property and equipment of the Obligated Group. At present, the Medical Center and the Physician Group are the only members of the Obligated Group. The Series 2011 Bonds also require the Obligated Group to meet certain financial ratios. The Obligated Group was in compliance with the ratios at June 30, 2013.

Centre County Hospital Authority Revenue Bonds, Series 2009

In March 2009, the Authority issued \$70,000,000 of tax exempt Hospital Revenue Bonds (the "2009 Bonds") on behalf of the Medical Center. The proceeds of the 2009 Bonds were used to finance certain capital projects of the Medical Center. The 2009 Bonds were refinanced during 2012 with proceeds from the 2012 Bonds. In conjunction with this, a loss on refinancing was recognized in the accompanying consolidated statement of operations, which is comprised of the following:

Write-off deferred financing costs	\$ 3,179,760
Write-off unamortized bond discount	215,334
Additional funds required to fund escrow	<u>8,120,118</u>
Loss on refinancing	<u>\$ 11,515,212</u>

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

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Notes to Consolidated Financial Statements
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7. Obligations Under Capital Leases

The Corporation's obligations under the terms of capital lease arrangements at June 30, 2013 and 2012 are summarized as follows

	<u>2013</u>	<u>2012</u>
Capital lease obligation, interest at 2.3%, collateralized by equipment, monthly payments of \$993 with the final payment July 2013	\$ 972	\$ -
Capital lease obligation, interest at 2.1%, collateralized by equipment, monthly payments of \$5,352 with the final payment April 2015	115,800	177,153
Capital lease obligation, interest at 1.3%, collateralized by equipment, monthly payments of \$329 with the final payment due July 2015	4,241	8,093
Capital lease obligation, interest at 1.91%, collateralized by equipment, monthly payments of \$10,239 with the final Payment January 2016	308,113	422,676
Capital lease obligation, interest at 2.3%, collateralized by equipment, monthly payments of \$5,527 with the final payment January 2016	160,859	-
Repaid during 2013	-	20,823
Total	589,985	628,745
Less current maturities	247,645	200,747
Long-term	<u>\$ 342,340</u>	<u>\$ 427,998</u>

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

Years ending June 30	
2014	\$ 258,905
2015	243,587
2016	<u>105,109</u>
Total minimum lease payments	607,601
Less amounts representing interest	<u>17,616</u>
Present value of net minimum lease payments	<u>\$ 589,985</u>

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Notes to Consolidated Financial Statements
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8. Derivative Financial Instruments

The Medical Center entered into three interest rate swap agreements (the "2009 Agreement") in connection with the 2009 Bonds (which were advanced refunded by the 2012B Bonds). The interest rate swap agreements were entered into in June 2009 (2009 Agreement), in July 2009 (2010 Agreement), and July 2010 (2011 Agreement). The fair value of agreements, which is the amount the Medical Center would receive to terminate the agreements, was \$937,801 at June 30, 2013 and \$1,516,908 at June 30, 2012 and was based upon information supplied by an independent third party valuation of the agreements. No termination payments would be required if the agreements are held to maturity. Because hedge accounting was not elected, gains or losses resulting from the change in fair value of the swap agreements is recognized in revenues in excess of expenses.

At June 30, 2013, the summary of the agreements and the fair value as determined by an independent third party valuation, which is the amount the Medical Center would receive to terminate the agreements are as follows:

	<u>2009 Agreement</u>	<u>2010 Agreement</u>	<u>2011 Agreement</u>
Effective notional amount	\$24,535,000	\$25,000,000	\$20,000,000
Strike rate - spread between the USD-SIFMA Municipal Swap Index and 67% of the 3 month LIBOR plus	0.5925%	0.69%	0.75%
Terminate date	June 15, 2029	June 15, 2029	July 23, 2030

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

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Notes to Consolidated Financial Statements

June 30, 2013 and 2012

9. Pension Plan

The Corporation maintains a noncontributory defined benefit pension plan covering substantially all employees

The following table sets forth the change in projected benefit obligation, the fair value of plan assets, and the amounts recognized in the consolidated statement of financial position at June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Change in projected benefit obligation.		
Projected benefit obligation, beginning of year	\$ 138,586,336	\$ 113,547,162
Service cost	5,518,998	4,755,424
Interest cost	6,158,140	6,443,542
Actuarial (gain) loss	(8,281,748)	17,164,092
Benefits paid	<u>(3,602,942)</u>	<u>(3,323,884)</u>
Projected benefit obligation, end of year	<u>138,378,784</u>	<u>138,586,336</u>
Change in plan assets		
Fair value of plan assets, beginning of year	\$ 107,520,754	\$ 102,365,159
Actual return on plan assets (net of expense)	14,193,990	633,325
Employer contributions	8,038,110	7,846,154
Benefits paid	(3,602,942)	(3,323,884)
Administrative expenses	<u>-</u>	<u>-</u>
Fair value of plan assets, end of year	<u>126,149,912</u>	<u>107,520,754</u>
Funded status at end of year	<u>\$ (12,228,872)</u>	<u>\$ (31,065,582)</u>
Accumulated benefit obligation	<u>\$ 123,671,577</u>	<u>\$ 122,486,415</u>
Reconciliation of amounts recognized in the consolidated statement of financial position,		
Accrued pension cost	<u>\$ 12,228,872</u>	<u>\$ 31,065,582</u>

The following table sets forth the components of net periodic cost in 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Service cost	\$ 5,518,998	\$ 4,755,424
Interest cost	6,158,140	6,443,542
Expected return on plan assets	(8,271,326)	(7,599,786)
Amortization of unrecognized prior service cost	-	-
Amortization of actuarial loss	<u>2,708,941</u>	<u>1,579,043</u>
Net periodic pension cost	<u>\$ 6,114,753</u>	<u>\$ 5,178,223</u>

A net loss of \$34,597,947 represents the unrecognized component of net periodic pension cost included in unrestricted net assets at June 30, 2013. A net loss of \$51,511,300 represents the

Mount Nittany Health System and Affiliates

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unrecognized components of net periodic pension cost included in unrestricted net assets at June 30, 2012

Estimated amortization of net loss of \$1,936,541 is expected to be recognized in net periodic pension cost in the next fiscal year

The weighted-average assumptions used in the measurement of the Medical Center's benefit obligation at June 30, 2013 and 2012 are as follows

	<u>2013</u>	<u>2012</u>
Discount rate	5.00 %	4.50 %
Rate of compensation increase	2.00 %	2.00 %

The weighted-average assumptions used in the measurement of the Medical Center's net periodic benefit cost for the years ended June 30, 2013 and 2012 are as follows

	<u>2013</u>	<u>2012</u>
Discount rate	4.50 %	5.75 %
Rate of compensation increase	2.00 %	4.00 %
Expected long-term return on plan assets	7.50 %	7.50 %

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

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

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Notes to Consolidated Financial Statements

June 30, 2013 and 2012

The composition of plan assets at June 30, 2013 is set forth in the following table

	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 3,230,699	\$ 3,230,699	\$ -	\$ -
Mutual funds, fixed income				
Bond fund	22,623,119	22,623,119	-	-
Mutual funds, equity				
International funds	19,011,953	19,011,953	-	-
Small cap value funds	8,547,702	8,547,702	-	-
Mid cap growth funds	6,704,309	6,704,309	-	-
Emerging markets	5,588,525	5,588,525	-	-
Real estate	2,699,254	2,699,254	-	-
Corporate	7,062,397	7,062,397	-	-
Exchange traded funds	11,188,519	11,188,519	-	-
Guaranteed investment contract	2,009,243	-	-	2,009,243
Separate account – equity index fund	32,929,595	32,929,595	-	-
Hedge fund	4,554,597	-	-	4,554,597
	<u>\$ 126,149,912</u>	<u>\$ 119,586,072</u>	<u>\$ -</u>	<u>\$ 6,563,840</u>

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

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

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The following information is related to the hedge fund discusses the nature and risk of the investments and whether they have redemption restrictions as of June 30, 2013

	<u>Fair Value</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
The Weatherlow Offshore Fund I L.P	\$ 4,554,547	Quarterly	65 days

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

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

The following is a reconciliation of the beginning and ending balances of the fair value measurements of the guaranteed investment contract and hedge fund.

	<u>Guaranteed Investment Contract</u>	<u>Hedge Fund</u>	<u>Total</u>
Balances at June 30, 2011	\$ 3,389,870	\$ 4,149,346	\$ 7,539,216
Actual return on plan assets	202,476	(87,283)	115,193
Sales	(3,323,884)	-	(3,323,884)
Transfers in/out	1,800,000		1,800,000
Balances at June 30, 2012	2,068,462	4,062,063	6,130,525
Actual return on plan assets	(56,277)	492,534	436,257
Sales	(3,602,942)	-	(3,602,942)
Transfers in/out	3,600,000	-	3,600,000
Balances at June 30, 2013	<u>\$ 2,009,243</u>	<u>\$ 4,554,597</u>	<u>\$ 6,563,840</u>

The following is a description of the valuation methodologies used for assets measured at fair value and for financial instruments disclosed at fair value. There have been no changes in methodologies used at June 30, 2013 and 2012.

Cash and cash equivalents. The carrying amounts approximate fair value because of the short maturity of these financial instruments.

Mutual funds. Valued at fair value based upon quoted market prices in active markets for those securities.

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Guaranteed investment contract Valued based on unobservable inputs using valuation methodologies to determine fair value to include discounted cash flows based on current yields of similar instruments with comparable durations with consideration of the credit-worthiness of the issuer

Separate account Valued based upon the fair value of their underlying assets derived principally from or corroborated by observable market data by correlation or other means

Hedge fund Valued at fair value, for which no quoted market prices are readily available, are determined based upon information provided by the fund managers Such information is generally based on the pro rata interest in the net assets of the underlying investments which approximates fair value.

There have been no changes in the methodologies used at June 30, 2013 and 2012

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

The Medical Center expects to contribute \$8,000,000 to its pension plan in 2014

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

Years ending June 30.

2014	\$ 3,958,248
2015	4,293,360
2016	4,661,632
2017	5,132,592
2018	5,686,328
2019 - 2023	36,454,946

The Corporation maintains a defined contribution pension plans covering substantially all employees The Physician Group's contributions to the plans were \$1,660,405 in 2013 and \$1,219,382 in 2012

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Notes to Consolidated Financial Statements
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10. Medical Malpractice Claims Coverage

The medical malpractice insurance coverages for the Medical Center, the Surgical Center, and Physician Group are provided under the provisions of various insurance arrangements, as follows

Primary coverage - Primary coverage is provided under the terms of an insurance contract which covers losses, if any, which are reported during the period the contract is in force, "claims-made coverage," subject to the per occurrence and aggregate limits of such contract with an initial effective date of July 1, 1976 for the Medical Center and Surgical Center. The initial effective date for the Physicians Group was January 1, 2011.

MCARE Fund coverage - The Pennsylvania Medical Care Availability and Reduction of Error Fund ("MCARE Fund") provides coverage in accordance with the Pennsylvania law governing the MCARE Fund. Pursuant to the per occurrence and aggregate limits set forth in the controlling Pennsylvania statutes, the MCARE Fund provides coverage for losses in excess of the primary coverage that was in effect on the date of the incident. The cost of MCARE Fund coverage is recognized as expense in the period incurred. Increases in annual surcharges and concerns over the MCARE Fund's ability to manage and pay claims continue to result in proposals to reform or restructure the MCARE Fund. MCARE Fund coverage is currently scheduled to be compressed in 2014, unless the State Insurance Commissioner determines that additional primary insurance capacity is not available at that time, and to be eliminated three years after such reduction. The Medical Center, Surgical Center, and Physician Group will be required to purchase higher primary insurance limits to take the place of the MCARE Fund coverage if it is compressed. Depending upon the ultimate resolution of this matter, the Medical Center, Surgical Center, and Physician Group may incur additional insurance costs.

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

The primary and excess coverages are provided by Community Hospital Alternative For Risk Transfer ("CHART"). CHART was formed as a reciprocal risk retention group to provide liability insurance, reinsurance, and risk management services for its subscribers. The Medical Center is a subscriber in CHART and retains a 3% interest. This investment totaling \$2,153,662 at June 30, 2013 and \$1,290,643 at June 30, 2012 is included in other assets in the accompanying consolidated statement of financial position.

A portion of the annual primary coverage premium through the 2009 policy year is retrospectively determined based on the actual costs incurred by CHART on behalf of the Medical Center, Surgical Center, and Physician Group. As of June 30, 2013, premiums totaling \$234,417 are subject to retrospective determination. The Medical Center, Surgical Center, and Physician Group can be assessed additional premiums up to this amount. The obligation to pay additional premiums is secured by a letter of credit in this amount. Beginning with the 2010 policy, this practice has been eliminated and a \$10,000 deductible per claim has been instituted.

The Corporation's estimated future payments of its unasserted medical malpractice liability claims was \$4,091,814 at June 30, 2013 and \$3,788,667 at June 30, 2012. The insurance recoveries receivable on these claims is \$2,569,192 at June 30, 2013 and \$2,229,485 at June 30, 2012, which are included in other assets, in the accompanying consolidated statement of financial position. These liabilities are determined at an undiscounted rate.

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The Medical Center, Surgical Center, and Physician Group cannot determine the amount of any additional premiums it may be assessed nor any premium refunds it may ultimately be entitled to and has, therefore, expensed the billed premiums ratably over the term of the 2012 policy

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

11. Temporarily and Permanently Restricted Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Use in operations	\$ 2,524,529	\$ 1,694,781
Purchase of property and equipment	<u>1,262,430</u>	<u>3,163,174</u>
Total	<u>\$ 3,786,959</u>	<u>\$ 4,857,955</u>

Permanently Restricted Net Assets

Permanently restricted net assets are available for the following purposes as of June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Investments to be held in perpetuity, the income from which is expendable		
For the purchase of equipment	\$ 202,329	\$ 151,405
To support health care services	<u>518,420</u>	<u>464,104</u>
Total	<u>\$ 720,749</u>	<u>\$ 615,509</u>

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Notes to Consolidated Financial Statements
June 30, 2013 and 2012

12. Net Patient Service Revenues

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

- Medicare – Inpatient acute care and nonacute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Medical Center and Surgical Center. The Medical Center's Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2007. Revenue from Medicare was 29% and 27% of total net patient service revenues (net of contractual allowances and discounts) for year ended June 30, 2013 and 2012, respectively.
- Medical Assistance – Inpatient acute care services and nonacute services rendered to Medical Assistance program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are paid based on a published fee schedule. Revenue from Medical Assistance was 1% and 4% of total net patient service revenues (net of contractual allowances and discounts) for year ended June 30, 2013 and 2012, respectively.
- Blue Cross – Inpatient and outpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates. Revenue from Blue Cross was 44% and 46% of total net patient service revenues (net of contractual allowances and discounts) for year ended June 30, 2013 and 2012, respectively.

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

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Notes to Consolidated Financial Statements
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13. Rental Commitments

The Medical Center, Surgical Center, and Physician Group lease equipment and facilities under operating leases expiring at various dates through 2051. Total rental expense for all operating leases was \$5,512,761 in 2013 and \$4,760,972 in 2012 (see Note 15 for related party portions).

The following is a schedule, by year, of future minimum lease payments under operating leases as of June 30, 2013, that have initial or remaining lease terms in excess of one year:

Years ending June 30	
2014	\$ 4,444,876
2015	4,379,832
2016	3,683,125
2017	3,012,099
2018	2,813,988
Thereafter	<u>15,835,058</u>
Total	<u>\$ 34,168,978</u>

14. Functional Expenses

The Corporation provides general acute care and related services to individuals within its geographic region. Expenses related to providing these services for the years ended June 30, 2013 and 2012 are approximately as follows:

	<u>2013</u>	<u>2012</u>
	<u>(In Thousands)</u>	
Health care and other related services	\$ 261,408	\$ 239,376
General and administrative	47,956	41,617
Fundraising	<u>400</u>	<u>455</u>
Total expenses	<u>\$ 309,764</u>	<u>\$ 281,448</u>

15. Related Party Transactions

The MNPG holds an approximate 39% ownership in Bellefonte Medical Investors ("BMI"). Approximately 61% is owned by certain active and former employees of MNPG. The investment in the BMI, included in other assets, was \$818,685 at June 30, 2013 and \$842,684 at June 30, 2012. The Corporation paid rent of \$415,493 in 2013 and \$406,434 in 2012.

The Medical Center holds an approximate 24% ownership in a limited partnership at June 30, 2013 and 2012. The Medical Center recognizes its proportionate share of the limited partnership's operating results as a component of other operating revenue. The investment in the partnership, included in other assets, was \$855,196 at June 30, 2013 and \$750,288 at June 30, 2012. The Corporation leases office and medical space from the partnership for a rental amount based on the operating expenses of the partnership. This lease expires in 2021 and is renewable for seven five-year periods. Rental expense was \$599,822 in 2013 and \$578,441 in 2012.

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Summary financial information for the limited partnership is as follows for the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current assets	\$ 790,890	\$ 795,185
Property and equipment, net	9,373,289	9,811,216
Deferred financing costs	<u>109,358</u>	<u>127,585</u>
Total assets	<u>\$ 10,273,537</u>	<u>\$ 10,733,986</u>
Liabilities and Partners' Equity.		
Current liabilities	\$ 1,342,725	\$ 1,342,650
Long-term debt	<u>5,404,958</u>	<u>6,298,001</u>
Total liabilities	6,747,683	7,640,651
Partners' equity	<u>3,525,854</u>	<u>3,093,335</u>
Total liabilities and partners' equity	<u>\$ 10,273,537</u>	<u>\$ 10,733,986</u>
Gross Rental Income	<u>\$ 1,472,000</u>	<u>\$ 1,472,000</u>
Net Income	<u>\$ 564,519</u>	<u>\$ 509,177</u>

16. Significant Concentrations of Credit Risk

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

At June 30, 2013 and 2012, concentrations of receivables from third-party payors and others are as follows.

	<u>2013</u>	<u>2012</u>
Medicare	22 %	22 %
Other third party payers	18	17
Self-pay and others	18	15
Blue Cross	17	20
Medicare HMO	14	17
Medical Assistance	<u>11</u>	<u>9</u>
	<u>100 %</u>	<u>100 %</u>

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

Approximately 50% of the Medical Center's employees are covered by a collective bargaining agreement, which expires on June 30, 2016.

17. Contingencies

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

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

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

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Consolidating Schedule, Statement of Financial Position
June 30, 2013

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc.	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidation	
						Eliminations	Consolidated
Assets							
Current Assets							
Cash and cash equivalents	\$ -	\$ 12,486,524	\$ 225	\$ 1,175,359	\$ 2,184,316	\$ -	\$ 15,846,424
Short-term investments	-	10,768,740	-	2,683,116	-	-	13,451,856
Accounts receivable							
Patients (net of estimated allowance for doubtful accounts of \$21,581,000)	-	26,047,276	1,709,395	-	2,428,494	-	30,185,165
Other	-	2,356,477	-	-	102,864	-	2,459,341
Inventories of drugs and supplies	-	6,460,349	379,675	-	49,283	-	6,889,307
Prepaid expenses and other current assets	-	3,051,376	6,870	258	835,116	-	3,893,620
Total current assets	-	61,170,742	2,096,165	3,858,733	5,600,073	-	72,725,713
Assets Whose Use is Limited							
Under trust indenture, held by trustee	-	29,673,234	-	-	-	-	29,673,234
Board designated, debt service	-	403,090	-	-	-	-	403,090
Worker's compensation self-insurance, held by trustee	-	1,350,268	-	-	-	-	1,350,268
Total assets whose use is limited	-	31,426,592	-	-	-	-	31,426,592
Long-Term Investments	-	120,891,397	-	1,642,936	-	-	122,534,333
Pledges Receivable	-	-	-	1,468,970	-	-	1,468,970
Property and Equipment, Net	-	186,386,185	3,403,056	4,271	4,068,179	-	193,861,691
Beneficial Interest in Perpetual Trust	-	-	-	49,563	-	-	49,563
Deferred Financing Costs, Net	-	2,251,325	-	-	-	-	2,251,325
Goodwill	-	-	-	-	1,209,867	-	1,209,867
Derivative Financial Instrument	-	937,801	-	-	-	-	937,801
Other Assets, Net	-	5,156,404	-	-	6,044,150	-	11,200,554
Interest in Net Assets of Foundation for Mount Nittany Medical Center	-	6,942,407	-	-	-	(6,942,407)	-
Due from Affiliates	-	-	45,394,295	-	-	(45,394,295)	-
Total assets	\$ -	\$ 415,162,853	\$ 50,893,516	\$ 7,024,473	\$ 16,922,269	\$ (52,336,702)	\$ 437,666,409

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Financial Position
June 30, 2013

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidated	
						Eliminations	Consolidated
Liabilities and Net Assets							
Current Liabilities							
Current maturities of long-term debt							
Long-term debt	\$ -	\$ 2,050,000	\$ -	\$ -	\$ -	\$ -	\$ 2,050,000
Obligations under capital leases	-	247,645	-	-	-	-	247,645
Accounts payable	-	7,658,111	87,936	2,132	1,285,395	-	9,033,574
Blue Cross current financing advance	-	475,663	-	-	-	-	475,663
Estimated third-party payor settlements	-	4,234,756	3,570,545	-	-	-	7,805,301
Accrued expenses							
Employee paid time off	-	6,122,414	195,501	25,077	3,293,590	-	9,636,582
Payroll and withholdings	-	2,555,763	14,790	1,613	1,416,031	-	3,988,197
Interest	-	1,503,552	-	-	-	-	1,503,552
Construction in progress payable	-	3,683,291	-	-	-	-	3,683,291
Other	-	3,234,418	-	-	271,727	-	3,506,145
Deferred compensation, current	-	32,336	-	-	-	-	32,336
Current portion of charitable gift annuity liability	-	-	-	11,925	-	-	11,925
Refundable advance from Mount Nittany Medical Center	-	-	-	178,049	-	(178,049)	-
Total current liabilities	-	31,797,949	3,868,772	218,796	6,266,743	(178,049)	41,974,211
Long-Term Debt							
Long-term debt	-	181,628,884	-	-	-	-	181,628,884
Obligations under capital leases	-	342,340	-	-	-	-	342,340
Deferred Revenue	-	476,134	-	-	-	-	476,134
Charitable Gift Annuity Liability	-	-	-	41,319	-	-	41,319
Accrued Pension Costs	-	12,228,872	-	-	-	-	12,228,872
Accrued Medical Malpractice and Workers' Compensation Costs	-	4,243,191	-	-	702,633	-	4,945,824
Deferred Compensation	-	100,767	-	-	-	-	100,767
Due to Affiliates	-	45,394,295	-	-	-	(45,394,295)	-
Total liabilities	-	276,212,432	3,868,772	260,115	6,969,376	(45,572,344)	241,738,351
Net Assets							
Unrestricted	-	134,442,713	47,024,744	2,483,348	9,952,893	(2,483,348)	191,420,350
Temporarily restricted	-	3,786,959	-	3,560,261	-	(3,560,261)	3,786,959
Permanently restricted	-	720,749	-	720,749	-	(720,749)	720,749
Total net assets	-	138,950,421	47,024,744	6,764,358	9,952,893	(6,764,358)	195,928,058
Total liabilities and net assets	\$ -	\$ 415,162,853	\$ 50,893,516	\$ 7,024,473	\$ 16,922,269	\$ (52,336,702)	\$ 437,666,409

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Operations

Year Ended June 30, 2013

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidation	
						Eliminations	Consolidated
Unrestricted Revenues, Gains, and Other Support							
Patient service revenues (net of contractual allowances and discounts)	\$ -	\$ 266,879,593	\$ 18,763,890	\$ -	\$ 35,314,906	\$ -	\$ 320,958,389
Provision for bad debts	-	(9,347,595)	(340,230)	-	599,400	-	(9,088,425)
Net patient service revenues less provision for bad debts	-	257,531,998	18,423,660	-	35,914,306	-	311,869,964
Other operating revenues	11,322,798	16,067,979	-	-	6,904,835	(27,735,445)	6,560,167
Loss on sale of equipment	-	(207,350)	(3,185)	-	-	-	(210,535)
Net assets released from restrictions used in operations	-	47,329	-	48,289	960	(48,289)	48,289
Total unrestricted revenues, gains and other support	11,322,798	273,439,956	18,420,475	48,289	42,820,101	(27,783,734)	318,267,885
Expenses							
Salaries and wages	-	97,115,028	-	-	29,680,500	-	126,795,528
Supplies and other	11,292,787	105,076,385	10,939,483	713,324	22,385,901	(27,735,445)	122,672,435
Employee benefits	-	29,158,870	-	-	5,958,963	-	35,117,833
Depreciation and amortization	-	13,740,213	389,182	935	2,535,145	-	16,665,475
Interest	-	7,726,545	-	-	-	-	7,726,545
Insurance	-	755,019	31,011	-	-	-	786,030
Total expenses	11,292,787	253,572,060	11,359,676	714,259	60,560,509	(27,735,445)	309,763,846
Operating income (loss)	30,011	19,867,896	7,060,799	(665,970)	(17,740,408)	(48,289)	8,504,039
Other (Loss) Income							
Change in fair value of derivative financial instruments	-	(579,107)	-	-	-	-	(579,107)
Investment income	-	10,494,984	-	154,865	-	-	10,649,849
Non-operating grant revenue	-	305,259	-	-	-	-	305,259
Contributions	-	-	-	30,648	-	-	30,648
Loss on refinancing	-	(11,515,213)	-	-	-	-	(11,515,213)
Change in interest in The Foundation for Mount Nittany Medical Center, Inc	-	(3,302,911)	-	-	(21,214)	3,324,125	-
Other (loss) income, net	-	(4,596,988)	-	185,513	(21,214)	3,324,125	(1,108,564)
Revenues in excess of (less than) expenses	30,011	15,270,908	7,060,799	(480,457)	(17,761,622)	3,275,836	7,395,475
Pension Liability Adjustment	-	16,913,353	-	-	-	-	16,913,353
Net Assets Released from Restrictions to Purchase Property and Equipment	-	3,429,633	-	3,450,847	21,214	(3,450,847)	3,450,847
Transfer of Unrestricted Net Assets	(87,500)	(10,967,916)	-	(2,795,379)	13,850,795	-	-
Increase (decrease) in unrestricted net assets	\$ (57,489)	\$ 24,645,978	\$ 7,060,799	\$ 175,011	\$ (3,889,613)	\$ (175,011)	\$ 27,759,675

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Cash Flows

Year Ended June 30, 2013

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidation	
						Eliminations	Consolidated
Cash Flows from Operating Activities							
Increase (decrease) in net assets	\$ (57,489)	\$ 23,680,222	\$ 7,060,799	\$ (790,745)	\$ (3,889,613)	\$ 790,745	\$ 26,793,919
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities							
Depreciation and amortization	-	13,898,180	389,182	935	2,535,145	-	16,823,442
Net amortization of premium on long-term debt	-	(157,967)	-	-	-	-	(157,967)
Provision for bad debts	-	9,347,595	340,230	-	(599,400)	-	9,088,425
Change in fair value of derivative financial instruments	-	579,107	-	-	-	-	579,107
Loss on refinancing, including write-off of deferred financing costs and original issue discount of \$3,395,094 and decrease in investments of \$8,120,119	-	11,515,213	-	-	-	-	11,515,213
Restricted contributions, investment income, and valuation loss/gain	-	(2,533,380)	-	(2,533,380)	-	2,533,380	(2,533,380)
Unrestricted net realized and unrealized (gains) loss on investments	-	(6,303,939)	-	(83,822)	-	-	(6,387,761)
Pension liability adjustment	-	(16,913,353)	-	-	-	-	(16,913,353)
Loss on sale of equipment	-	207,350	3,185	-	-	-	210,535
Transfers to affiliates	-	10,967,916	-	2,795,379	-	(13,763,295)	-
Changes in assets and liabilities							
Accounts receivable	-	(9,858,300)	(504,473)	-	2,334,053	-	(8,028,720)
Inventories of drugs and supplies	-	(326,381)	(12,034)	-	13,999	-	(324,416)
Prepaid expenses and other current assets	-	(1,217,812)	(2,811)	2,489	(229,106)	-	(1,447,240)
Accounts payable, accrued expenses, and other liabilities	-	9,418,128	151,742	4,274	353,281	(6,360,300)	3,567,125
Net cash provided by (used in) operating activities	(57,489)	42,302,579	7,425,820	(604,870)	518,359	(16,799,470)	32,784,929
Cash Flows from Investing Activities							
Decrease (increase) in investments	-	(38,956,352)	-	271,971	-	-	(38,684,381)
Purchases of property and equipment	-	(42,717,142)	(1,075,589)	-	(843,845)	-	(44,636,576)
Proceeds from sale of equipment	-	1,659,012	10,369	-	-	-	1,669,381
Increase in other assets	-	(995,904)	-	-	168,406	-	(827,498)
Change in interest of net assets Foundation for Mount Nittany Medical Center	-	791,045	-	-	-	(791,045)	-
Net cash (used in) provided by investing activities	-	(80,219,341)	(1,065,220)	271,971	(675,439)	(791,045)	(82,479,074)

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Cash Flows

Year Ended June 30, 2013

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidation	
						Eliminations	Consolidated
Cash Flows from Financing Activities							
Proceeds from issuance of long-term debt, net of premium of \$5,196,347 in 2013	\$ -	\$ 43,996,341	\$ -	\$ -	\$ -	\$ -	\$ 43,996,341
Payment to fund escrow account	-	(8,120,119)	-	-	-	-	(8,120,119)
Repayment of long-term debt	-	(1,010,902)	-	-	-	-	(1,010,902)
Restricted contributions and investment income	-	2,533,380	-	2,286,867	-	(2,533,380)	2,286,867
Payment of financing costs	-	(1,346,055)	-	-	-	-	(1,346,055)
Change in charitable gift annuity liability	-	-	-	(2,550)	-	-	(2,550)
Transfer to affiliates	-	(10,967,916)	-	(2,795,379)	-	13,763,295	-
Change in due to/due from accounts	-	57,572	(6,360,600)	(57,572)	-	6,360,600	-
Net cash provided by (used in) financing activities	-	25,142,301	(6,360,600)	(568,634)	-	17,590,515	35,803,582
Net (decrease) increase in cash and cash equivalents	(57,489)	(12,774,461)	-	(901,533)	(157,080)	-	(13,890,563)
Cash and Cash Equivalents, Beginning	57,489	25,260,985	225	2,076,892	2,341,396	-	29,736,987
Cash and Cash Equivalents, Ending	\$ -	\$ 12,486,524	\$ 225	\$ 1,175,359	\$ 2,184,316	\$ -	\$ 15,846,424

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Financial Position

June 30, 2012

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

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Financial Position
June 30, 2012

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidation	
						Eliminations	Consolidated
Liabilities and Net Assets							
Current Liabilities							
Current maturities of long-term debt							
Long-term debt	\$ -	\$ 1,545,172	\$ -	\$ -	\$ -	\$ -	\$ 1,545,172
Obligations under capital leases	-	200,747	-	-	-	-	200,747
Accounts payable	-	5,638,079	184,916	-	1,537,254	-	7,360,249
Blue Cross current financing advance	-	475,663	-	-	-	-	475,663
Estimated third-party payor settlements	-	2,791,388	3,350,526	-	-	-	6,141,914
Accrued expenses							
Employee paid time off	-	5,670,902	163,429	22,650	2,939,653	-	8,796,634
Payroll and withholdings	-	2,002,194	18,159	1,598	1,225,031	-	3,246,982
Interest	-	1,076,585	-	-	-	-	1,076,585
Construction in progress payable	-	1,908,949	-	-	-	-	1,908,949
Other	-	3,457,999	-	-	425,000	-	3,882,999
Deferred compensation, current	-	76,973	-	-	-	-	76,973
Current portion of charitable gift annuity liability	-	-	-	11,925	-	-	11,925
Refundable advance from Mount Nittany Medical Center	-	-	-	178,349	-	(178,349)	-
Total current liabilities	-	24,844,651	3,717,030	214,522	6,126,938	(178,349)	34,724,792
Long-Term Debt							
Long-term debt	-	138,850,170	-	-	-	-	138,850,170
Obligations under capital leases	-	427,998	-	-	-	-	427,998
Deferred Revenue	-	470,147	-	-	-	-	470,147
Charitable Gift Annuity Liability	-	-	-	43,869	-	-	43,869
Accrued Pension Costs	-	31,065,582	-	-	-	-	31,065,582
Accrued Medical Malpractice and Workers' Compensation Costs	-	3,883,751	-	-	489,157	-	4,372,908
Deferred Compensation	-	112,539	-	-	-	-	112,539
Due to Affiliates	-	39,033,695	-	57,572	-	(39,091,267)	-
Total liabilities	-	238,688,533	3,717,030	315,963	6,616,095	(39,269,616)	210,068,005
Net Assets							
Unrestricted	57,489	109,796,735	39,963,945	2,308,337	13,842,506	(2,308,337)	163,660,675
Temporarily restricted	-	4,857,955	-	4,631,257	-	(4,631,257)	4,857,955
Permanently restricted	-	615,509	-	615,509	-	(615,509)	615,509
Total net assets	57,489	115,270,199	39,963,945	7,555,103	13,842,506	(7,555,103)	169,134,139
Total liabilities and net assets	\$ 57,489	\$ 353,958,732	\$ 43,680,975	\$ 7,871,066	\$ 20,458,601	\$ (46,824,719)	\$ 379,202,144

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Operations

Year Ended June 30, 2012

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidation	
						Eliminations	Consolidated
Unrestricted Revenues, Gains, and Other Support							
Patient service revenues (net of contractual allowances and discounts)	\$ -	\$ 243,219,553	\$ 16,634,974	\$ -	\$ 38,896,373	\$ -	\$ 298,750,900
Provision for bad debts	-	(8,155,138)	(295,886)	-	(315,179)	-	(8,766,203)
Net patient service revenues less provision for bad debts	-	235,064,415	16,339,088	-	38,581,194	-	289,984,697
Other operating revenues	11,875,609	17,456,557	403		6,311,443	(29,340,259)	6,303,753
Gain on disposal of property and equipment	-	70,553	39,888	-	-	-	110,441
Net assets released from restrictions used in operations	-	47,378		47,378	-	(47,378)	47,378
Total unrestricted revenues, gains, and other support	11,875,609	252,638,903	16,379,379	47,378	44,892,637	(29,387,637)	296,446,269
Expenses							
Salaries and wages	-	84,424,831	-	-	31,271,882	-	115,696,713
Supplies and expenses	12,007,962	95,779,097	7,941,002	559,605	25,305,223	(29,340,259)	112,252,630
Employee benefits	-	25,936,741	-	-	5,548,140	-	31,484,881
Depreciation and amortization	-	12,732,436	377,436	672	2,368,908	-	15,479,452
Interest	-	5,821,603	-	-	1,803	-	5,823,406
Insurance	-	684,445	26,574	-	-	-	711,019
Total expenses	12,007,962	225,379,153	8,345,012	560,277	64,495,956	(29,340,259)	281,448,101
Operating income (loss)	(132,353)	27,259,750	8,034,367	(512,899)	(19,603,319)	(47,378)	14,998,168
Other Income (Loss)							
Change in fair value of derivative financial instruments	-	995,680	-	-	-	-	995,680
Investment loss	-	782,629	-	181,796	-	-	964,425
Non-operating grant revenue	-	45,200	-	-	-	-	45,200
Contributions	-	-	-	78,523	-	-	78,523
Change in interest in The Foundation for Mount Nittany Medical Center, Inc	-	(2,107,418)	-	-	-	2,107,418	-
Other income (loss), net	-	(283,909)	-	260,319	-	2,107,418	2,083,828
Revenues in excess of (less than) expenses	(132,353)	26,975,841	8,034,367	(252,580)	(19,603,319)	2,060,040	17,081,996
Pension Liability Adjustment	-	(22,705,356)	-	-	-	-	(22,705,356)
Net Assets Released from Restrictions to Purchase Property and Equipment	-	2,026,294	-	2,026,294	-	(2,026,294)	2,026,294
Transfer of Unrestricted Net Assets	132,363	(14,025,930)	-	(1,807,460)	15,701,027	-	-
(Decrease) increase in unrestricted net assets	\$ 10	\$ (7,729,151)	\$ 8,034,367	\$ (33,746)	\$ (3,902,292)	\$ 33,746	\$ (3,597,066)

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Cash Flows

Year Ended June 30, 2012

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidation	
						Eliminations	Consolidated
Cash Flows from Operating Activities							
(Decrease) increase in net assets	\$ 10	\$ (8,696,927)	\$ 8,034,367	\$ (1,001,522)	\$ (3,902,292)	\$ 1,001,522	\$ (4,564,842)
Adjustments to reconcile (decrease) increase in net assets to net cash provided by (used in) operating activities							
Depreciation and amortization	-	12,734,947	377,436	672	2,368,908	-	15,481,963
Net accretion of discount on long-term debt	-	(2,511)	-	-	-	-	(2,511)
Provision for bad debts	-	8,155,138	295,886	-	315,179	-	8,766,203
Change in fair value of derivative financial instruments	-	(995,680)	-	-	-	-	(995,680)
Restricted contributions, investment income, and valuation loss/gain	-	2,111,226	-	(105,547)	-	-	2,005,679
Unrestricted net realized and unrealized loss (gains) on investments	-	(1,105,896)	-	(1,105,896)	-	1,105,896	(1,105,896)
Pension liability adjustment	-	22,705,356	-	-	-	-	22,705,356
Gain on sale of equipment	-	(70,553)	(39,888)	-	-	-	(110,441)
Transfers to affiliates	-	14,025,930	-	1,807,460	-	(15,833,390)	-
Changes in assets and liabilities							
Accounts receivable	-	(8,338,872)	(668,413)	-	956,746	-	(8,050,539)
Inventories of drugs and supplies	-	(452,306)	20,436	-	(19,587)	-	(451,457)
Prepaid expenses and other current assets	-	1,449,628	19,146	(2,747)	261,183	-	1,727,210
Accounts payable, accrued expenses, and other liabilities	-	6,357,819	1,790,513	1,043	735,175	(13,126,213)	(4,241,663)
Net cash (used in) provided by operating activities	10	47,877,299	9,829,483	(406,537)	715,312	(26,852,185)	31,163,382
Cash Flows from Investing Activities							
Purchases of property and equipment	-	(48,866,553)	(672,535)	(1,574)	(1,137,124)	-	(50,677,786)
Increase in investments	-	25,519,594	-	3,361,283	-	-	28,880,877
Increase in other assets	-	(2,936,282)	-	-	(373,586)	-	(3,309,868)
Proceeds from sale of equipment	-	60,811	29,396	-	-	-	90,207
Change in interest of net assets Foundation for Mount Nittany Medical Center	-	1,005,853	-	-	-	(1,005,853)	-
Net cash (used in) provided by investing activities	-	(25,216,577)	(643,139)	3,359,709	(1,510,710)	(1,005,853)	(25,016,570)

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Cash Flows

Year Ended June 30, 2012

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