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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 07-01-2012 , 2012, and ending 06-30-2013

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

C Name of organization
BUTLER HEALTHCARE PROVIDERS

Doing Business As
Butler Memorial Hospital

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

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

D Employer identification number
25-0965274

E Telephone number
(724) 284-4429

G Gross receipts $ 227,811,415

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

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

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

H(c) Group exemption number ▶

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

J Website: ▶ www butlerhealthsystem org

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

L Year of formation 1898

M State of legal domicile PA

Part I Summary

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

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	12
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	9
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	2,016
6	Total number of volunteers (estimate if necessary)	**6**	286
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	4,778,433
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	828,089

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	2,307,488	1,679,857
	9 Program service revenue (Part VIII, line 2g)	209,233,549	216,023,303
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,112,075	959,657
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	8,944,168	9,148,598
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	221,597,280	227,811,415
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	50,350	55,342
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	99,980,607	103,129,470
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	112,251,580	114,180,939
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	212,282,537	217,365,751
	19 Revenue less expenses Subtract line 18 from line 12	9,314,743	10,445,664

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	311,663,633	306,653,836
	21 Total liabilities (Part X, line 26)	188,837,518	170,545,363
	22 Net assets or fund balances Subtract line 21 from line 20	122,826,115	136,108,473

Part II Signature Block

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

Sign Here

****** | 2014-05-15
Signature of officer | Date

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

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no	

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

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

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

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

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

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses $ 177,627,443 including grants of $ 55,342) (Revenue $ 220,395,065)

Butler Memorial Hospital (BMH) is an independent, community-based hospital that has served Butler County, PA, and the surrounding area for over 100 years BMH employs over 2,000 people, making it the largest employer in Butler County The hospital has grown into a regional referral center for the areas It is the largest hospital facility between Pittsburgh and Erie It is comprised of 296 acute care beds and a 33 bed skilled nursing facility BMH serves approximately 12,100 acute care patients (admissions) and over 466,000 outpatients each year The Hospital maintains a deep commitment to its community, as is demonstrated through its broad services offering It provides all levels of general medical and surgical care, emergency services, a robust psychiatric service, drug & alcohol treatment, family services, preventative & wellness programs and tertiary cardiovascular care It also has a network of 32 convenient, low cost outpatient site that are located in communities through Butler County and the surrounding area

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

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

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

4e **Total program service expenses** ▶ 177,627,443

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21 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		No
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, 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? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25*	**24a**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**	Yes	
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**	Yes	
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**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)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 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 . .	1a	124		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	2,016		
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)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a		Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b		Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** 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	**1a** 12		
	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	**1b** 9		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**		No
6	Did the organization have members or stockholders?	**6**	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	**8a**	Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**		No

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

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	**10a**		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	**10b**		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	**11a**	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review 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**	Yes	
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	**16b**	Yes	

Section C. Disclosure

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

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

☑ Own website ☐ Another's website ☑ Upon request ☐ 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 ▶ Finance Department One Hospital Way Butler, PA (724) 284-4429

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

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

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

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation 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) Fiore C Londino Chairman	2 00 1 00	X		X				0	0	0
(2) Kenneth P DeFurio President & CEO	40 00 20 00	X		X				646,340	0	194,822
(3) Marcia Segraves Corporate Secretary	80 1 00	X		X				0	0	0
(4) Margaret Irvine Chairperson	2 00 2 00	X		X				0	0	0
(5) Patrick Hampson Trustee	80 20	X						0	0	0
(6) Mario Kinsella MD Trustee	80 20	X						0	0	0
(7) T T Channapati MD Trustee	80 20	X						17,500	0	0
(8) David E Foreman Trustee	80 20	X						0	0	0
(9) Kathryn S Helfer Trustee	80 20	X						0	0	0
(10) Patti-Ann Kanterman Trustee	80 20	X						0	0	0
(11) Douglas K McClaine Trustee	80 20	X						0	0	0
(12) Robert M Smith PhD Trustee	80 20	X						0	0	0
(13) Tony Maalouf MD Trustee	80 20	X						0	0	0
(14) Dennis Demby MD Trustee	80 20	X						0	0	0
(15) D Kelly Agnew MD Trustee	80 20	X						0	0	0
(16) Anne B Krebs Chief Financial Officer	40 00 10 00			X				323,509	0	75,685
(17) Stephanie Roskovski Chief Operating Officer	40 00 20 00				X			301,258	0	62,871

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) Karen Allen VP Patient Svc,CNO,Chief Experience Officer	50 00				X			244,048	0	58,550
(19) A Thomas McGill MD VP Quality & Safety/CIO	45 00 10 00					X		389,531	0	79,518
(20) John C Reefer MD VP Prof Affairs & CMO	40 00 10 00					X		384,650	0	90,831
(21) Paula L Hooper VP General Counsel	30 00 26 00					X		284,867	0	56,453
(22) Kevin M Stansbury VP Business Development	45 00 5 00					X		229,966	0	57,000
(23) Maureen A Gray Chief Experience Officer	50 00					X		262,906	0	55,688

1b	**Sub-Total**			
c	**Total from continuation sheets to Part VII, Section A**			
d	**Total (add lines 1b and 1c)**	3,084,575	0	731,418

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 ▶ 48

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Metz Environmental Services Two Woodland Drive Dallas PA 18612	Environmental/Dietary	1,847,840
Quest Diagnostics 875 Greentree Road Pittsburgh PA 152203610	Laboratory Services	1,841,435
Advanced Imaging PO Box 62395 Pittsburgh PA 15241	Imaging Services	1,194,958
Butler Anesthesia Associates PO Box 737 East Butler PA 16029	Anesthesiology	1,085,979
Point Security Company 201 Smith Drive Cranberry Twp PA 16066	Security Services	1,043,586

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 ▶ 18

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 5,024				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations . . .	1d 455,339				
	e	Government grants (contributions)	1e 1,150,599				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f 68,895				
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f . . . . . ▶		1,679,857			
Program Service Revenue			Business Code				
	2a	Net Patient Revenue	621500	216,023,303	212,920,028	3,103,275	
	b						
	c						
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f . . . . . ▶		216,023,303			
	3	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶		959,657		1,597	958,060
	4	Income from investment of tax-exempt bond proceeds . . ▶					
	5	Royalties . . . . . ▶					
			(i) Real / (ii) Personal				
	6a	Gross rents					
	b	Less rental expenses					
	c	Rental income or (loss)					
	d	Net rental income or (loss) . . . . . ▶					
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory					
	b	Less cost or other basis and sales expenses					
	c	Gain or (loss)					
	d	Net gain or (loss) . . . . . ▶					
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from fundraising events . . ▶					
	9a	Gross income from gaming activities See Part IV, line 19 . . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from gaming activities . . . ▶					
	10a	Gross sales of inventory, less returns and allowances . a					
	b	Less cost of goods sold . . b					
	c	Net income or (loss) from sales of inventory . . ▶					
		Miscellaneous Revenue	Business Code				
	11a	Other Income	900099	4,030,157	3,920,579	109,578	
	b	Meaningful Use	900099	1,379,469	1,379,469		
	c	Dietary	722210	1,319,164	1,319,164		
	d	All other revenue		2,419,808	855,825	1,563,983	
	e	**Total.** Add lines 11a–11d . . . . . ▶		9,148,598			
	12	**Total revenue.** See Instructions . . . . . ▶		227,811,415	220,395,065	4,778,433	958,060

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	55,342	55,342		
2 Grants and other assistance to individuals in the United States See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	1,958,731		1,958,731	
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	78,790,042	68,264,565	10,525,477	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	8,572,565	6,515,149	2,057,416	
9 Other employee benefits	8,237,419	6,260,438	1,976,981	
10 Payroll taxes	5,570,713	4,900,463	670,250	
11 Fees for services (non-employees)				
a Management				
b Legal	383,926		383,926	
c Accounting	54,500		54,500	
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees				
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)				
12 Advertising and promotion	682,605	197,061	485,544	
13 Office expenses	54,951,069	53,823,495	1,127,574	
14 Information technology	576,555	568,830	7,725	
15 Royalties . .				
16 Occupancy	5,284,665	4,965,475	319,190	
17 Travel	513,268	219,029	294,239	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	144,321	106,149	38,172	
20 Interest	6,435,268	6,435,268		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	13,227,476	10,052,882	3,174,594	
23 Insurance	1,431,520	8,054	1,423,466	
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 Purchased Services	13,001,600	10,036,332	2,965,268	
b Bad Debt	9,076,549	90,191	8,986,358	
c Physician Fees	6,007,902	4,299,185	1,708,717	
d Miscellaneous	2,409,715	829,535	1,580,180	
e All other expenses				
25 **Total functional expenses.** Add lines 1 through 24e	217,365,751	177,627,443	39,738,308	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) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		2,850	1	3,374
	2	Savings and temporary cash investments		44,447,448	2	57,600,287
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		29,756,714	4	28,085,164
	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		1,220,393	7	789,285
	8	Inventories for sale or use		2,940,699	8	2,940,869
	9	Prepaid expenses and deferred charges		3,127,347	9	2,895,047
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 304,401,423			
	b	Less accumulated depreciation	10b 164,417,630	149,319,649	10c	139,983,793
	11	Investments—publicly traded securities		71,970,788	11	62,028,612
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		3,737,922	13	7,072,341
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		5,139,823	15	5,255,064
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		311,663,633	16	306,653,836
Liabilities	17	Accounts payable and accrued expenses		23,009,461	17	22,131,328
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		133,449,557	20	131,524,926
	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			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		32,378,500	25	16,889,109
	26	**Total liabilities.** Add lines 17 through 25		188,837,518	26	170,545,363
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		121,680,563	27	134,870,362
	28	Temporarily restricted net assets		1,145,552	28	1,238,111
	29	Permanently restricted net assets			29	
		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		122,826,115	33	136,108,473
	34	Total liabilities and net assets/fund balances		311,663,633	34	306,653,836

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	227,811,415
2	Total expenses (must equal Part IX, column (A), line 25)	2	217,365,751
3	Revenue less expenses Subtract line 2 from line 1	3	10,445,664
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	122,826,115
5	Net unrealized gains (losses) on investments	5	-130,867
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	2,967,561
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	136,108,473

Part XII Financial Statements and Reporting

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

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		No
	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			
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
	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			
c	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?	2c	Yes	
	If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b		

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
BUTLER HEALTHCARE PROVIDERS

Employer identification number
25-0965274

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

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

1 ☐ A church, convention of churches, or association of churches 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 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

10 ☐ An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**

11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - 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?

		Yes	No
(i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?	**11g(i)**		
(ii) A family member of a person described in (i) above?	**11g(ii)**		
(iii) A 35% controlled entity of a person described in (i) or (ii) above?	**11g(iii)**		

h Provide the following information about the supported organization(s)

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1 - 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(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 III **Support 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

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
BUTLER HEALTHCARE PROVIDERS

Employer identification number
25-0965274

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

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

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

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds 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	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

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 ▶ $ _____

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

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

b If "Yes," explain the arrangement in Part 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	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

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

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

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

4 Describe in Part 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		2,577,581		2,577,581
b Buildings		85,092,586	32,201,442	52,891,144
c Leasehold improvements		7,174,664	3,099,838	4,074,826
d Equipment		199,419,014	124,861,389	74,557,625
e Other		10,137,578	4,254,961	5,882,617
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				139,983,793

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) must equal Form 990, Part X, col (B) line 13)* ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	

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

1 (a) Description of liability	(b) Book value
Federal income taxes	
Pension	14,249,448
Third Party Settlements	2,639,661
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	16,889,109

2. Fin 48 (ASC 740) Footnote In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740) Check here if the text of the footnote has been provided in Part XIII ☑

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	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII)	4b			
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	

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

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

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 Uncertain Tax Positions Under FIN 48	Part X, Line 2	The System follows the guidance for accounting for uncertainty in income taxes recognized in a company's financial statements that prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority Measurement of the tax uncertainty occurs if the recognition threshold is not met The guidance also addresses derecognition, classification, interest and penalties, accounting in interim periods, and disclosure Management has determined that this guidance had no material effect on the consolidated financial statements The System's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in professional fees and miscellaneous expenses There were no interest or penalties recognized on the consolidated statements of operation and changes in net assets as a result of this guidance Generally, tax returns for year ended June 30, 2010, and thereafter remain subject to examination by federal and state tax authorities

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
BUTLER HEALTHCARE PROVIDERS

Employer identification number
25-0965274

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 *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care ☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %	3a	Yes	
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☑ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b	Yes	
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"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 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)			3,050,509	0	3,050,509	1 460 %
b Medicaid (from Worksheet 3, column a)			24,301,801	16,217,521	8,084,280	3 880 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			186,086	177,169	8,917	0 %
d **Total** Financial Assistance and Means-Tested Government Programs			27,538,396	16,394,690	11,143,706	5 340 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			208,130	14,605	193,525	0 090 %
f Health professions education (from Worksheet 5)			423,496	0	423,496	0 200 %
g Subsidized health services (from Worksheet 6)			17,277,109	13,302,586	3,974,523	1 910 %
h Research (from Worksheet 7)			0	0		
i Cash and in-kind contributions for community benefit (from Worksheet 8)			135,518	0	135,518	0 070 %
j **Total.** Other Benefits			18,044,253	13,317,191	4,727,062	2 270 %
k **Total.** Add lines 7d and 7j			45,582,649	29,711,881	15,870,768	7 610 %

Part II **Community Building Activities** Complete this 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
1	Physical improvements and housing						
2	Economic development						
3	Community support			4,752		4,752	0 %
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development						
9	Other						
10	**Total**			4,752		4,752	

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

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	9,076,549		
3	Enter 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	4,853,000		
4	Provide 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

5	Enter total revenue received from Medicare (including DSH and IME)	5	37,736,872		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	41,143,949		
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-3,407,077		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

Part IV **Management Companies and Joint Ventures** (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 %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—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	Butler Memorial Hospital One Hospital Way Butler, PA 160014670	X	X					X			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group Butler Memorial Hospital

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	**1**	Yes	
	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)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 12			
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?	**5**	Yes	
	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)			
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**		No
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 *free* care?	**10**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	**12**	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
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?	**14**	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
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?	**17**		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Part VI)			

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?	**19**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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?	**21**		No
If "Yes," explain in Part VI			
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?	**22**		No
If "Yes," explain in Part VI			

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?
2

	Name and address	Type of Facility (describe)
1	Butler Healthcare Providers SNF One Hospital Way Butler, PA 16001	Skilled Nursing Facility
2	Butler Healthcare Providers Psych One Hospital Way Butler, PA 16001	Psychiatric and Chemical Dependency
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, 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 7 The costing methodology is based on the ratio of cost to charges from our hospital's accounting system
		Part I, L7 Col(f) The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A), was subtracted for purposes of calculating the percentage in this column is $9,076,549

Identifier	ReturnReference	Explanation
		Part III, Line 4 Patient accounts receivable are reported at estimated net realizable value after deduction of allowances for doubtful accounts The allowance for doubtful accounts is based on historical losses and an analysis of currently outstanding amounts for its major payor sources Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid) For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and payment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant portion 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 standard rates (or discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts The costing methodology is based on the ratio of cost to charges from our hospital's accounting system
		Part III, Line 8 The cost used to determine the Medicare payment shortfall comes from the CMS required filing of the Medicare cost report The methodology uses a ratio of cost to charges to determine the cost assigned to the Medicare services Butler Memorial Hospital is committed to serving the healthcare needs of all members of our Community We consider the revenue shortfall from the Medicare program payments to be part of our community contribution

Identifier	ReturnReference	Explanation
		Part III, Line 9b Patients who have previously applied and been approved for our charity care program are automatically qualified for any additional services provided over the next six months after application approval We also will presumptively qualify patients for charity care if they meet criteria such as being food stamp eligible and qualifying for section 8 housing
		Schedule H, Part V, question 2, - The CHNA was completed during the current fiscal year 2013 (July 1, 2012 through June 30, 2013)

Identifier	ReturnReference	Explanation
Butler Memorial Hospital		Part V, Section B, Line 3 Health statistics and qualitative data, as well as a BHS sponsored survey of the health status and health issues of 673 households have been reviewed within the framework of Pennsylvania State Health Improvement Plan, Healthy People 2010, and Healthy People 2020 goals to identify and prioritize community health needs Input from Community and Data Sources 2011 BHS sponsored survey of 673 householdsBehavioral Risk Factor Surveillance Study, Butler Beaver regionPennsylvania Department of Health Health StatisticsInterviews with Butler County school nursesHealthy People 2010 and 2020 goals and statistics The Butler County State Health Improvement Plan (SHIP) district is undergoing reorganization Butler Memorial Hospital Cancer Registry and Cancer Committee (includes representation from American Cancer Society)Advisors with public health expertise Tripp Umbaugh, IncPrometheus, LLC
Butler Memorial Hospital		Part V, Section B, Line 7 Butler County obesity rates are below 2020 goals However, effective community based obesity interventions are not well understood Therefore adult obesity will not be addressed in our plan and the hospital has limited resources to address all issues

Identifier	ReturnReference	Explanation
Butler Memorial Hospital		Part V, Section B, Line 20d The Hospital used the average payment to charge ratio of all the commercial insurance plans The ratio is updated annually based on the prior year's payment ratio
	Part V,Section B,Line 3	BMH periodically surveys Butler County Residents about their healthcare needs Included in the survey are questions from the Centers for Disease Control Behavioral Risk Factor Surveillance System The goal is to assess health status, disease burden and diagnosis, disease prevention, exercise and nutrition status, access to care and overall health literacy Responses to the survey are carefully evaluated by a specialist in Public Health and results are shared with BMH's clinical staff The findings are then integrated into operations that meet the community's health needs

Identifier	ReturnReference	Explanation
		Part VI, Line 5 To Our Community "Butler Memorial Hospital is privileged to be a healing presence in the communities we serve We exist to make a positive difference in the lives of people by providing compassionate, high quality care and comfort and inspiring health and well-being " This is the mission statement of Butler Memorial Hospital, and it guides the doctors and staff of BMH every day The people of BMH are passionate about providing high quality care with a high level of service It extends to a commitment to being an excellent corporate citizen, demonstrated by BMH remaining an independent community hospital - locally controlled - working diligently to meet your healthcare needs BMH is proud of the high value care that it provides It offers convenient facilities and technology that rival any in the region BMH physicians and employees are exceptionally well-trained, committed to providing patients and families the best care possible In 2013 BMH provided over $15 8 million in charity care and other uncompensated care Critical support is provided to education endeavors through our partnerships with Slippery Rock University, Butler County Community College, local school districts, and various other educational institutions throughout the region BMH makes its facilities and staff available to support training programs BMH leaders are active members of the local business community, supporting Leadership Butler County, local Chambers of Commerce, Butler County Development Corporation, and a variety of civic and social groups These include the American Heart Association, American Cancer Society, March of Dimes and Butler Road Race, providing college scholarships to student-athletes from Butler County These are only a few ways BMH works to serve and live up to its mission of caring for neighbors In total, BMH provides over $19 2 million in community support each year This report outlines some of the ways BMH supports the health and lives of people throughout the region It is a testimony to the commitment and leadership of the BMH medical staff, Board of Trustees, employees, volunteers, and community partners, whose dedication to service touches many lives and makes the community a better place Respectfully Submitted Kenneth P DeFurio President & CEO Margaret Irvine Chairperson, Board of TrusteesFiscal Year 2013 Community Benefit Report 2012 IRS Form 990 Schedule HExecutive SummaryButler Memorial Hospital (BMH) is proud to serve our community In furtherance of our charitable mission, BMH provided over $19 2 million in support in the form of charity care, unreimbursed care, community health improvement, health education, subsidized services and contributions to community organizations This support accounts for over 9 3% of total expenses BMH demonstrates its commitment by improving the overall health of our community through the operation of an efficient and effective health care system and by actively supporting appropriate community services Summary of Services and Community SupportHelping People to Live Better, Every DayAt Butler Memorial Hospital, a key goal is to strengthen the health and well-being of the community BMH understands that as a sole community hospital it plays an important role in the health of Butler County residents This role is taken very seriously Last year BMH provided over $19 2 million in total community benefit support This accounts for over 9 3% of our total expenses The services BMH provides are essential to not only the community's overall health, but also to the quality of life of every resident Community Health AssessmentButler Memorial Hospital periodically surveys up to 1000 Butler County residents The analytic tool used is the Centers for Disease Control Behavioral Risk Factor Surveillance System The community health assessment measures health status, disease burden and diagnosis, disease prevention, exercise and activity levels, nutrition status, access to care and overall health literacy Responses to the survey are carefully evaluated by a specialist in Public Health and results are shared with clinical staff The findings are then put into action by improving service and addressing the health needs of community residents Butler Health SystemButler Health System is an integrated health organization serving a multi-county area in western Pennsylvania It employs more than 100 physicians with another 200 on active medical staff Its scope includes acute hospital care, ambulatory care, urgent care, and a network of laboratory services to more than 130 clients Butler Memorial Hospital has 339 licensed beds (237 medical/surgical, 59 behavioral, 25 skilled nursing and 18 nursery) Services include Critical Care, Surgical Services, Medical Care, Psychiatric Treatment, Drug & Alcohol Rehabilitation, Obstetrics and Skilled Nursing Inpatient and acute observation patients account for approximately 15,000 admissions each year The Emergency Department treated nearly 48,000 patients last year This range and complexity of service is not offered by any other entity in Butler County Butler Health System has a broad ambulatory care system, comprised of 32 locations throughout the region Outpatient care services include diagnostic and treatment services imaging, cardiac diagnostics, laboratory services, family resources, physical therapy, urgent care and physician care Services have been expanded in Lawrence, Venango and Armstrong Counties BMH recognizes the need to establish medical care available in the evenings and weekends To that end, BMH has partnered with local physicians to establish urgent care services, called BHS FastERcare This service is offered in Butler Township, Saxonburg, Slippery Rock and Kittanning, and offers high quality walk-in medical care throughout the day and into the evening BHS added new services in the past year, all aimed at improving value, service, and access BHS partnered with and established a joint venture in oncology care with UPMC Cancer Care This service includes medical and radiation oncology BHS also partnered with Highmark with a clinical affiliation in neurosurgery, The Pennsylvania Brain and Spine Institute BHS partnered with the Jewish Healthcare Foundation to create the Primary Care Resource Center (PCRC) The focus of PCRC is to implement preventive and support measures that result in better outcomes, lower costs, and fewer hospital admissions and readmissions for patients diagnosed with congestive heart failure, chronic obstructive pulmonary disease (emphysema and bronchitis), and acute myocardial infarction (heart attack) The care team focusing on this value improvement process includes physicians, nurses, and pharmacists Supporting those in need Our Charity Care and Community Benefit BMH provides free care to those patients who have an obligation after insurance payments, if any The amount of free care is determined based on the patient's income and family size Free care is provided to those with incomes up to 300% of the Federal Poverty Guideline To inform patients of this program, signs are posted in all the registration areas notifying the public of the availability of our free care program More information is available through a Patient Handbook and on the BHS website www butlerhealthsystem org on the "About BHS" page At the time of registration, any patient who is uninsured is given a "Patient Notice of Financial Aid " The notice instructs the patient to call or visit the Patient Financial Assistance Department to seek more information about how BMH may be able to help pay for part or all of their care The monthly collection statements that are mailed to patients inform them that they may contact the Patient Financial Assistance Department to discuss their eligibility for free care Financial Representatives receive and make many calls to the patients During the calls financial representatives will discuss with the patients the availability of free care programs and will mail out applications to patients wanting to apply BMH also contracts with representatives to assist patients in applying for Medical Assistance coverage These representatives will also discuss with patients the availability of free care, especially for those who may not be eligible for the government healthcare plan Government Program SubsidiesIn addition to providing free and discounted care to uninsured patients or patients that need financial help, BMH makes up the difference between the costs of care and the amount paid by government-sponsored programs such as Medicare and Medicaid Last year, that amounted to more than $11 4 million As provisions of the Patient Protection and Affordable Care Act are implemented,
		Part VI, Line 5 BMH expects this burden on our patients and the health system to increase To that end and to remain a viable healthcare provider to our community, BMH continually evaluates ways to keep costs low and maintain high quality Billing and CollectionsBMH is diligent in providing bills that are accurate and easy to understand Every bill and statement includes information about how to contact financial representatives and arrange payment plans BMH is committed to finding ways to help every patient pay the portion of their bill they are responsible for without experiencing an overwhelming financial burden In addition to making the billing process easy to understand and ensuring ready access to charity care and financial assistance, upon request BMH will provide to patients cost information, in advance of services or treatment Providing Needed Care and Services Plays a Critical Role in Meeting Patient Needs Butler Memorial Hospital subsidizes many of the critical services it offers, such as the Transitional Care Facility, Family Services, obstetrical services, psychiatric services, and prevention and wellness services and primary care services offered through our Physician Clinics Last year, BMH provided $3,974,523 in subsidized care and services BMH actively supports the Community Health Clinic It provides financial support as well as operational and technical support for many of the diagnostic services provided at the Clinic Many BMH physicians and employees, volunteer time to treat patients at the Clinic Building Our Community Strengthening the community is a responsibility for all local businesses and something BMH takes very seriously For example BMH offers space for meetings and community education, it helps local residents escape violent situations, employees volunteer to help those in need, BMH provides education to new and expectant parents, and BMH provides community health outreach and patient advocacy Opening Our Facilities for Local MeetingsThe Knowledge Center at Butler Memorial Hospital offers modern meeting and education space for local and regional conferences Last year, BMH hosted the fourth annual Carol Dietrich Memorial Health Symposium to physicians, nurses and other providers, entitled "Oncology Screening and Update " The day-long program provided a variety of high quality programs at no cost to participants Through its accredited Continuing Medical Education Department, Butler Memorial Hospital also offers a series of programs which are made available to health care professionals throughout the region In cooperation with local institutions such as Slippery Rock University and Butler County Community College, as well as others throughout Butler County and the region, BMH is fully committed to maintaining high quality professional health education for students and practitioners alike Classroom space is provided for programs within the Knowledge Center, and students are given real life clinical experience as they work with staff in the care and treatment of patients BMH works closely with local school districts in supporting high school health occupation programs The Simulation Laboratory is available for seminars that give students hands on experience, exposing them to the highly complex world of health care delivery Employees in the CommunityEvery year, BMH and its employees support a variety of community support programs These include the Caring Angel Program, the United Way and organizations like the American Heart Association, the American Cancer Society, the Butler YMCA and the March of Dimes This year, employees, physicians, nurses, and board members volunteered to give back to the community In addition to these activities, employees participate in a variety of community service initiatives, from Habitat for Humanity, to Doctors without Borders, to local student mentoring programs SummaryBMH physicians, nurses, employees, volunteers and volunteer leadership maintain deep connections to the communities they serve They live and work in the multi-county area that Butler Health System serves, and they are acutely aware of the needs of residents As a tax-exempt charitable organization, BMH is careful to manage its resources to meet the current and future healthcare needs of residents BMH is proud of its independence and pledges to always strive to provide high quality, low cost care in a comfortable and supporting environment

Identifier	ReturnReference	Explanation
		Part VI, Line 3 There are signs posted in all registration areas indicating that free care is provided to those people in need Information is provided to all self pay patients at time of registration indicating that help is available if the patient meets the criteria A notice is also posted on the hospital's web site Each patient statement that is mailed out has a notice of the availability of free care and how to apply The Hospital provides assistance to patients to determine if they are eligible for the Pennsylvania Medical Assistance program The Patient Financial Assistance staff notifies patients of the availability of free care during phone conversations about the collection of balances due
		Part VI,Line 5 A majority of the Governing Body of Butler Memorial Hospital reside in our primary service area Per the Corporate Bylaws 60% of the Trustees must work or reside in the service area Medical Staff Privileges are offered to all qualified physicians subject to the recommendation of the Hospital Medical Staff and in compliance with the policies of the Board of Trustees Currently 284 physicians, podiatrists and dentists hold privileges on the Butler Memorial Hospital Medical Staff Privileges are offered based on qualifications and community need without regard to other factors such as race, sex, color, creed, or national origin Annually, Butler Memorial Hospital establishes operating and capital budgets designed to efficiently allocate funds for its ongoing operation and for the additional investment in new and replacement patient care equipment, plant and infrastructure, and technology Upon preparation by management staff the final budget is presented for approval by the Board of Trustees

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
BUTLER HEALTHCARE PROVIDERS

Employer identification number
25-0965274

Part I General Information on Grants and Assistance

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

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

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

Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) Community Health Clinic of Butler County 103 Bonnie Drive Butler, PA 16002	20-4852135	501 (c) (3)	55,342				General Support to provide medical care of indigent patients

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

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

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. 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 The organization's bylaws control the contributions that can be made and the process related to such

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
BUTLER HEALTHCARE PROVIDERS

Employer identification number
25-0965274

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax idemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e g , maid, chauffeur, chef)		
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement 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	☑ Written employment contract		
	☑ Independent compensation consultant	☑ Compensation survey or study		
	☑ Form 990 of other organizations	☑ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**	Yes	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**	Yes	
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in 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				
(1)Kenneth P DeFurio President & CEO	(i) (ii)	485,319 0	130,712 0	30,309 0	155,458 0	39,364 0	841,162 0	0 0
(2)Anne B Krebs Chief Financial Officer	(i) (ii)	266,576 0	40,229 0	16,704 0	48,275 0	27,410 0	399,194 0	0 0
(3)Stephanie Roskovski Chief Operating Officer	(i) (ii)	239,600 0	48,002 0	13,656 0	41,489 0	21,382 0	364,129 0	0 0
(4)Karen Allen VP Patient Svc,CNO,Chief Experience	(i) (ii)	192,471 0	39,141 0	12,436 0	25,441 0	33,109 0	302,598 0	0 0
(5)A Thomas McGill MD VP Quality & Safety/CIO	(i) (ii)	306,796 0	60,786 0	21,949 0	51,885 0	27,633 0	469,049 0	0 0
(6)John C Reefer MD VP Prof Affairs & CMO	(i) (ii)	303,574 0	60,786 0	20,290 0	53,472 0	37,359 0	475,481 0	0 0
(7)Paula L Hooper VP General Counsel	(i) (ii)	234,448 0	35,849 0	14,570 0	19,976 0	36,477 0	341,320 0	0 0
(8)Kevin M Stansbury VP Business Development	(i) (ii)	197,411 0	20,084 0	12,471 0	26,110 0	30,890 0	286,966 0	0 0
(9)Maureen A Gray Chief Experience Officer	(i) (ii)	118,999 0	33,297 0	110,610 0	29,001 0	26,687 0	318,594 0	0 0

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	4 (b) Maureen Gray received payment of 3,275 as part of a Senior Executive Benefit Plan for a tax-deferred Capital Accumulation Account The amount represents the amount paid out after a two year vesting period The program was discontinued in January, 2009 However, in some cases payments have been deferred into future years 4 (b) As part of the Senior Executive Benefit Plan, the organization contributes to a SERP plan The SERP plan is a benefit used to retain executives Executives do not receive any payment from the plan until they reach a vesting milestone at 5 years, 10 years and then finally at 65 years of age Benefits paid to the participant are taxable The organization contributed the following amounts to the SERP plan for the following individuals 4 (b) Kenneth P DeFurio 138,458, Anne B Krebs 32,183, Maureen A Gray 26,637, Stephanie J Roskovski 26,687, A Thomas McGill MD 36,472, John C Reefer MD 36,472, Paula L Hooper 16,729, Karen A Allen 13,699, Kevin M Stansbury 14,059 4 (a) The following individuals received a severence for the organization Maureen Gray received a severance of 102,451 for duties associated with the position of Chief Experience Officer
	Part I, Line 7	Officers and employees are eligible and received bonus compensation Bonuses are not guaranteed and are awarded based on Board approved metrics which include quality, services and financial performances
Supplemental Information	Part III	Butler Health System Executive Compensation Philosophy and Process Although compensated through Butler Healthcare Providers, this philosophy and process applies to the following related nonprofit organizations, Butler Health System, Butler Health System Foundation, Butler Medical Providers and Nixsar The Board of Trustees recognizes the great challenges and difficulties that healthcare executives face, particularly in the current era of national and state healthcare reform In addition, the Pittsburgh regional market is highly competitive and changing rapidly The Board competes for and seeks executive talent on a national basis It engages expert compensation consultants, utilizing national comparative data to guide the determination of competitive, appropriate levels of compensation The total compensation program for executives consists of cash compensation and benefits Factors taken into consideration in determining compensation for executives include market demand and competition for similar positions, experience and tenure, and actual performance and effectiveness Based on these and other pertinent criteria, BHS targets total compensation to fall within a range of the 25th to 75th percentile of the market BHS executive compensation generally will not exceed the 75th percentile of the market Exceptions to this may be subject to review and recommendation by the Compensation Committee, which in turn is subject to review and approval by the Board of Trustees Exception must be supported by organizational and /or individual performance, or a retention/recruitment circumstance that warrants such compensation The Compensation Committee consists exclusively of independent individuals with no real or perceived conflicts of interest in recommending executive compensation guidelines and levels While benefits are accounted for in Schedule J, actual "take home" pay to the executive consists only of base salary and incentive award earned, if any Applicable taxes and other withholding are deducted Annual increases in base pay, if any, are based on competitive market trends from the comparison group Supplemental retirement benefits are used as a vehicle for executive recruitment and retention with appropriate vesting periods The Board of Trustees reviews and approves executive compensation in its entirety, including the use of "tally sheets", which disclose 100% executive compensation The Board of Trustees engages external compensation and legal expertise to assure reasonableness of executive compensation levels

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 25-0965274
Name: BUTLER HEALTHCARE PROVIDERS

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				
Kenneth P DeFurio	(I)	485,319	130,712	30,309	155,458	39,364	841,162	0
	(II)	0	0	0	0	0	0	0
Anne B Krebs	(I)	266,576	40,229	16,704	48,275	27,410	399,194	0
	(II)	0	0	0	0	0	0	0
Stephanie Roskovski	(I)	239,600	48,002	13,656	41,489	21,382	364,129	0
	(II)	0	0	0	0	0	0	0
Karen Allen	(I)	192,471	39,141	12,436	25,441	33,109	302,598	0
	(II)	0	0	0	0	0	0	0
A Thomas McGill MD	(I)	306,796	60,786	21,949	51,885	27,633	469,049	0
	(II)	0	0	0	0	0	0	0
John C Reefer MD	(I)	303,574	60,786	20,290	53,472	37,359	475,481	0
	(II)	0	0	0	0	0	0	0
Paula L Hooper	(I)	234,448	35,849	14,570	19,976	36,477	341,320	0
	(II)	0	0	0	0	0	0	0
Kevin M Stansbury	(I)	197,411	20,084	12,471	26,110	30,890	286,966	0
	(II)	0	0	0	0	0	0	0
Maureen A Gray	(I)	118,999	33,297	110,610	29,001	26,687	318,594	0
	(II)	0	0	0	0	0	0	0

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
BUTLER HEALTHCARE PROVIDERS

Employer identification number
25-0965274

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	Butler County Hospital Authority	25-1458912	1235926QB	04-29-2009	50,000,000	Construction of addition to hospital		X	X			X
B	Butler County Hospital Authority	25-1458912	123592CPO	04-29-2009	74,728,451	Construction of addition to hospital		X	X			X
C	Butler County Hospital Authority	25-1458912	000000000	06-29-2010	12,165,000	Construction of addition to hospital		X	X			X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	5,610,000			
2	Amount of bonds legally defeased				
3	Total proceeds of issue	50,000,000	74,728,451	12,165,000	
4	Gross proceeds in reserve funds	6,853,385	6,853,385		
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows				
7	Issuance costs from proceeds	833,495	1,419,179	217,226	
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	49,166,505	66,455,887		
11	Other spent proceeds				
12	Other unspent proceeds				
13	Year of substantial completion	2010	2010		

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use 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 ▶	%		%		%		%	
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	%		%		%		%	
6	Total of lines 4 and 5	%		%		%		%	
7	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?								

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 I, Bond Issues (a) Issuer Name Butler County Hospital Authority (f) Description of Purpose Construction of addition to hospital (a) Issuer Name Butler County Hospital Authority (f) Description of Purpose Construction of addition to hospital (a) Issuer Name Butler County Hospital Authority (f) Description of Purpose Construction of addition to hospital

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, 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
BUTLER HEALTHCARE PROVIDERS

Employer identification number
25-0965274

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

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

1 (a) Name of disqualified person	(b) 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? To	From	(e) Original principal amount	(f) Balance due	(g) In default? Yes	No	(h) Approved by board or committee? Yes	No	(i) Written agreement? 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)		181,450			No
(2) Mario Kinsella MD	Member of the Board of Trustees of Org,Officer of AIRMED with 14% ownership	641,946	Assoc in Respiratory Mediciane, AIRMED,provides respiratory services for the organization		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
BUTLER HEALTHCARE PROVIDERS

Employer identification number
25-0965274

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

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

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

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

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

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

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

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 9	Transfers (to) from affiliates -6,800,000 Accumulated liability for pension benefits 9,675,002 Increase in interest in investment of BHS assets 92,559

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

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
BUTLER HEALTHCARE PROVIDERS

Employer identification number
25-0965274

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" 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	(g) No
(1) Butler Health System One Hospital Way Butler, PA 16001 25-1441855	Healthcare Delivery System	PA	501(c)(3)	Line 3			No
(2) Butler Medical Providers One Hospital Way Butler, PA 16001 25-1441855	Physician Practices	PA	501(c)(3)	Line 3	Butler Health System		No
(3) Butler Health System Foundation One Hospital Way Butler, PA 16001 26-1543883	Fundraising on behalf of Butler Health System	PA	501(c)(3)	Line 11a, I	Butler Health System		No
(4) Nixsar Corporation One Hospital Way Butler, PA 16001 25-1441960	Own and Operate real estate	PA	501(c)(3)	Line 3	Butler Health System		No
(5) BHS Nallathambi Medical Associates One Hospital Way Butler, PA 16001 26-4746949	Physician Practice	PA	501(c)(3)	Line 3	Butler Medical Providers		No
(6) Butler Imaging and Interventional Associates One Hospital Way Butler, PA 16001 26-4263364	Physician Practice	PA	501(c)(3)	Line 3	Butler Medical Providers		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) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) Butler Ambulatory Surgery Center 102 Technology Drive Butler, PA 16001 06-1728190	Surgery	PA	N/A									
(2) BHS FastERcare One Hospital Way Butler, PA 16001 27-1961562	Urgent Care	PA	Butler Healthcare Providers	Related	-308,374	-419,645		No		Yes		51 000 %

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
(1) PCA of Butler Pc 480 East Jefferson Street Butler, PA 16001 25-1351445	Physician Office Practice	PA		C					No

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

		Yes	No
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 orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Dividends from related organization(s)	1f		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j	Yes	
k Lease of facilities, equipment, or other assets from related organization(s)	1k	Yes	
l Performance of services or membership or fundraising solicitations for related organization(s)	1l		No
m Performance of services or membership or fundraising solicitations by related organization(s)	1m	Yes	
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n	Yes	
o Sharing of paid employees with related organization(s)	1o	Yes	
p Reimbursement paid to related organization(s) for expenses	1p	Yes	
q Reimbursement paid by related organization(s) for expenses	1q	Yes	
r Other transfer of cash or property to related organization(s)	1r		No
s Other transfer of cash or property from related organization(s)	1s	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) BHS FastERcare	J	229,754	
(2) BHS FastERcare	Q	2,110,407	

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

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

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

Software ID:
Software Version:
EIN: 25-0965274
Name: BUTLER HEALTHCARE PROVIDERS

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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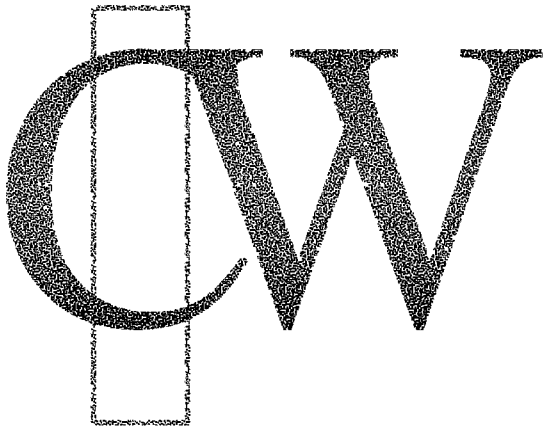
Butler Health System and Subsidiaries

Consolidated Financial Report
June 30, 2013



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Butler Health System and Subsidiaries
Butler, Pennsylvania

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Butler Health System and Subsidiaries (System) which comprise the consolidated balance sheets 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 consolidated financial statements

Management's Responsibility for the Consolidated 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 about whether the consolidated financial statements are free from 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 auditors' 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 auditors consider internal control relevant to the entities' 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 entities' 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 Butler Health System and Subsidiaries 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 accordance with accounting principles generally accepted in the United States of America

Carbis Walker LLP
Certified Public Accountants

New Castle, Pennsylvania
October 4, 2013

"We Help You"

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
June 30, 2013 and 2012

ASSETS	**2013**	2012
CURRENT ASSETS		
Cash and cash equivalents	**$ 35,544,850**	$ 21,685,156
Patient accounts receivable, less allowance for doubtful accounts 2013 $ 5,421,506, 2012 $ 5,310,970	**26,042,394**	25,191,590
Other receivables	**6,956,315**	8,452,616
Inventories	**3,283,005**	3,216,957
Prepaid expenses and other current assets	**2,994,036**	2,968,996
Total current assets	**74,820,600**	61,515,315
ASSETS WHOSE USE IS LIMITED		
Board-designated for future capital improvements	**53,374,615**	60,973,528
Under trust indenture, held by trustee	**7,348,006**	7,227,475
Foundation investments	**1,360,108**	1,590,271
Under agreement for self-insured workers' compensation	**1,305,991**	1,300,000
Funds held in escrow	**-**	2,469,785
Total assets whose use is limited	**63,388,720**	73,561,059
INVESTMENTS	**27,337,968**	26,996,030
PROPERTY AND EQUIPMENT, net of accumulated depreciation	**154,391,527**	164,867,141
INVESTMENTS IN AND LOANS TO AFFILIATES	**7,788,398**	4,494,418
DEBT ISSUANCE COSTS, net	**2,119,099**	2,263,969
OTHER ASSETS	**3,578,099**	3,001,001
Total assets	**$ 333,424,411**	$ 336,698,933

See Notes to Consolidated Financial Statements

LIABILITIES AND NET ASSETS	2013	2012
CURRENT LIABILITIES		
Current maturities of long-term debt	**$ 2,452,886**	$ 2,470,302
Accounts payable	**2,522,556**	3,904,932
Accrued expenses	**19,969,809**	18,889,983
Accrued interest payable	**2,757,168**	2,762,654
Estimated third-party payor settlements	**2,639,661**	4,885,034
Total current liabilities	**30,342,080**	32,912,905
LONG-TERM DEBT, net of current maturities	**129,693,655**	131,695,269
ACCRUED PENSION LIABILITY	**14,249,448**	27,493,466
Total liabilities	**174,285,183**	192,101,640
NET ASSETS		
Unrestricted	**155,981,685**	141,828,743
Noncontrolling interest in consolidated subsidiaries	**1,480,746**	1,182,625
Temporarily restricted	**1,238,111**	1,145,552
Permanently restricted	**438,686**	440,373
Total net assets	**159,139,228**	144,597,293
Total liabilities and net assets	**$ 333,424,411**	$ 336,698,933

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended June 30, 2013 and 2012

	2013	2012
Changes in unrestricted net assets		
Net patient service revenue	**$ 251,302,248**	$ 242,675,484
Provision for doubtful collections	**(10,201,355)**	(9,276,846)
Net patient service revenue less provision for doubtful collections	**241,100,893**	233,398,638
Other operating revenue	**11,421,667**	11,524,964
Contributions	**246,251**	141,671
Net assets released from restrictions used for operations	**124,330**	88,566
Total unrestricted revenue	**252,893,141**	245,153,839
Expenses		
Salaries and wages	**84,171,823**	80,222,473
Medical and surgical supplies	**42,533,119**	41,300,850
General supplies and purchased services	**32,382,306**	31,790,727
Employee benefits	**28,076,211**	27,442,790
Physicians' fees	**26,070,898**	23,379,118
Depreciation and amortization	**14,740,492**	15,732,954
Interest	**6,460,036**	6,515,793
Utilities and insurance	**5,987,019**	6,380,492
Professional fees and miscellaneous	**4,777,281**	4,486,084
Outside medical services	**3,603,544**	4,105,647
Total expenses	**248,802,729**	241,356,928
Operating income	**4,090,412**	3,796,911
Other non-operating income		
Investment income	**675,289**	705,748
Equity in earnings of affiliates	**312,054**	235,381
Other income	**93,943**	32,922
Total non-operating income	**1,081,286**	974,051
Excess of revenue over expenses before noncontrolling interest	**5,171,698**	4,770,962
Noncontrolling interest in net (income) of consolidated subsidiaries	**(893,900)**	(1,242,665)
Excess of revenue over expenses	**4,277,798**	3,528,297
Other changes in unrestricted net assets		
Unrealized (loss) on investments	**(130,867)**	(382,005)
Net assets released from restrictions used for capital expenditures	**331,009**	790,603
Accumulated liability for pension benefits	**9,675,002**	(14,234,136)
Increase (decrease) in unrestricted net assets	**$ 14,152,942**	$ (10,297,241)

See Notes to Consolidated Financial Statements

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years Ended June 30, 2013 and 2012

	2013	2012
Unrestricted net assets		
Excess of revenue over expenses	**$ 4,277,798**	$ 3,528,297
Unrealized (loss) on investments	**(130,867)**	(382,005)
Net assets released from restrictions used for capital expenditures	**331,009**	790,603
Accumulated liability for pension benefits	**9,675,002**	(14,234,136)
Increase (decrease) in unrestricted net assets	**14,152,942**	(10,297,241)
Temporarily restricted net assets		
Contributions	**547,347**	615,773
Net realized gain on investments	**551**	548
Net assets released from restrictions	**(455,339)**	(879,169)
Increase (decrease) in temporarily restricted net assets	**92,559**	(262,848)
Permanently restricted net assets		
Net realized gain (loss) on investments	**(1,687)**	1,735
Increase (decrease) in net assets	**14,243,814**	(10,558,354)
Net assets, beginning, before noncontrolling interest	**143,414,668**	153,973,022
Net assets, ending, before noncontrolling interest	**$ 157,658,482**	$ 143,414,668

See Notes to Consolidated Financial Statements

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	**$ 14,243,814**	$ (10,558,354)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	**14,740,492**	15,732,954
Amortization of debt issuance costs	**144,870**	149,405
Amortization of original bond discount	**60,369**	60,369
Provision for doubtful collections	**10,201,355**	9,276,846
Equity in earnings of affiliates	**(312,054)**	(235,381)
Loss on disposal of property and equipment	**-**	9,881
Noncontrolling interest in net income of consolidated subsidiaries	**893,900**	1,242,665
Change in accumulated liability for pension benefits	**(9,675,002)**	14,234,136
Change in net unrealized loss on investments other than trading securities	**130,867**	382,005
Restricted contributions and realized gains	**(547,898)**	(616,321)
(Increase) decrease in assets		
Patient accounts receivable	**(11,052,159)**	(10,355,827)
Other receivables	**1,496,301**	(1,379,823)
Inventories	**(66,048)**	134,431
Prepaid expenses and other current assets	**(25,040)**	(492,772)
Other assets	**(577,098)**	(165,242)
Increase (decrease) in liabilities		
Accounts payable	**(1,382,376)**	614,863
Accrued expenses	**1,079,826**	2,595,570
Accrued interest payable	**(5,486)**	(2,705)
Estimated third-party payor settlements	**(2,245,373)**	(16,418)
Accrued pension liability	**(3,569,016)**	(866,054)
Net cash provided by operating activities	**13,534,244**	19,744,228
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in assets whose use is limited	**10,172,339**	6,735,638
Increase in investments	**(472,805)**	(19,759,094)
Purchase of property and equipment	**(4,097,770)**	(5,278,038)
(Increase) decrease in investments in and loans to affiliates	**(2,981,926)**	152,275
Net cash provided by (used in) investing activities	**2,619,838**	(18,149,219)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	**(2,246,507)**	(2,279,978)
Noncontrolling interest in equity distributions of consolidated subsidiaries	**(595,779)**	(736,148)
Proceeds from restricted contributions and realized gains	**547,898**	616,321
Proceeds from long-term debt	**-**	455,000
Net cash (used in) financing activities	**(2,294,388)**	(1,944,805)

See Notes to Consolidated Financial Statements

	2013	2012
Increase (decrease) in cash and cash equivalents	**$ 13,859,694**	$ (349,796)
Cash and cash equivalents		
Beginning	**21,685,156**	22,034,952
Ending	**$ 35,544,850**	$ 21,685,156
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	**$ 6,261,241**	$ 6,310,000
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Capital expenditures funded by capital lease borrowings	**$ 167,108**	$ -

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

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

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

During the year ended June 30, 2013, the Hospital entered into an agreement with Highmark, Inc to provide additional physicians to support expanded neurology services to the Butler service area The Hospital also entered into a joint venture with the UPMC Cancer Center to provide extensive oncology services to the Butler service area (Note 12)

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

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

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents and deposit risk Cash and cash equivalents include cash on hand, demand deposits, and investments in highly liquid debt instruments with an original maturity of three months or less As of June 30, 2013 and 2012, the System had cash balances with financial institutions that exceeded the Federal Deposit Insurance Corporation (FDIC) limits The System has not experienced any losses in such accounts

Patient accounts receivable Patient accounts receivable are reported at estimated net realizable value after deduction of allowances for doubtful accounts The allowance for doubtful accounts is based on historical losses and an analysis of currently outstanding amounts for its major payor sources Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectable deductibles and copayments on accounts for which the third-party payor has not yet paid) For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and payment balances due for which third-party coverage exists for part of the bill), the Hospital 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 standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts

The Hospital's allowance for doubtful accounts for self-pay patients was 45% and 44% percent of self-pay accounts receivable as of June 30, 2013 and 2012, respectively The Hospital's bad debt write-offs were $ 10,201,355 and $ 9,276,846 for the years ended June 30, 2013 and 2012, respectively The Hospital did not change its charity care or uninsured discount policies during the years ended June 30, 2013 or 2012

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

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

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

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

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

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

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

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

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

Debt issuance costs Costs incurred in connection with the issuance of long-term debt have been deferred and are being amortized over the term of the debt using the effective interest method Amortization of debt issuance costs amounted to $ 144,870 and $ 149,405 for the years ended June 30, 2013 and 2012, respectively

Medical malpractice The provision and related liability for estimated general and professional liability claims include estimates of the ultimate cost for both reported claims and claims incurred but not reported and, in management's opinion, provide an adequate reserve for loss contingencies The System has accrued $ 2,506,760 and $ 2,141,372 associated with open asserted claims as of June 30, 2013 and 2012 This accrual is included in accrued expenses on the consolidated balance sheets As the System expects these claims to be covered by their insurance policies, a corresponding receivable has been included in other receivables on the consolidated balance sheets

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

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

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

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

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

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

Advertising costs Advertising costs are expensed as incurred

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

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

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

The System follows the guidance for accounting for uncertainty in income taxes recognized in a company's financial statements that prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority Measurement of the tax uncertainty occurs if the recognition threshold has been met The guidance also addresses derecognition, classification, interest and penalties, accounting in interim periods, and disclosure

Management has determined that this guidance had no material effect on the consolidated financial statements The System's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in professional fees and miscellaneous expenses There were no interest or penalties recognized on the consolidated statements of operations and changes in net assets as a result of this guidance Generally, tax returns for year ended June 30, 2010, and thereafter remain subject to examination by federal and state tax authorities

Subsequent events In preparing these consolidated financial statements, management evaluated events that occurred through October 4, 2013, the date the consolidated financial statements were issued, for potential recognition or disclosure

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

Recent accounting pronouncements In May 2011, the Financial Accounting Standards Board (FASB) issued revised guidance related to fair value measurement and the related disclosures This guidance changes the wording used to describe many of the requirements in accounting principles generally accepted in the United States for measuring fair value and for disclosing information about fair value measurements The new guidance also establishes additional disclosures for assets and liabilities reported at fair value For many requirements, the FASB does not intend for the amendments in this update to result in a change in the application of the requirements in Topic 820 of the Codification This guidance is effective for all entities with fiscal years beginning after December 15, 2011 The System adopted this guidance during the year ended June 30, 2013 Adoption of this guidance did not have a material impact on the System's consolidated financial statements

In July 2011, the FASB issued guidance related to the presentation and disclosure of patient service revenue, provision for bad debts, the allowance for doubtful accounts, and the related disclosures for certain health care entities This guidance requires health care entities that recognize significant amounts of patient service revenue at the time the services are rendered, even though they do not assess the patient's ability to pay, to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their statement of operations The new guidance also establishes enhanced disclosures surrounding the bad debts, net patient revenue, as well as the allowance for doubtful accounts This guidance is effective for public entities with fiscal years beginning after December 15, 2011, with early adoption permitted The System adopted this guidance during the year ended June 30, 2013 Adoption of this guidance did not have a material impact on the System's consolidated financial statements

In September 2011, the FASB issued guidance related to goodwill impairment testing This guidance permits an entity to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount If, after assessing the totality of events or circumstances, an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary However, if an entity concludes otherwise, then it is required to proceed with the two-step impairment test in accordance with accounting principles generally accepted in the United States of America This guidance is effective for all entities with fiscal years beginning after December 15, 2011 Early adoption was permitted The System adopted this guidance during the year ended June 30, 2013 Adoption of this guidance did not have a material impact on the System's consolidated financial statements

Note 2. Charity Care and Community Service Benefits

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

The costs incurred for charity care are determined by management by taking the charges attributed to charity care and multiplying by a cost to charge ratio Net charity care for the years ended June 30, 2013 and 2012, amounted to approximately $ 3,061,000 and $ 3,675,000, respectively Net charity care represents the cost incurred related to charity care of approximately $ 3,061,000 and $ 3,837,000 with direct offsetting revenue of approximately $ 0 and $ 162,000 for the years ended June 30, 2013 and 2012, respectively

In addition to the charity care provided for direct patient care, the Hospital provides services at a loss for the Pennsylvania Medicaid Program The Hospital also provides subsidized health services for programs that respond to identified community needs, including Behavioral Health, Substance Abuse, Skilled Nursing, Maternal Services, and Family Services The cost of these community benefits, including charity care, amounted to approximately $ 17,761,000 and $ 17,686,000 for the years ended June 30, 2013 and 2012, respectively These types of costs include community health improvement services, health professions education, research, in-kind contributions to other community groups, and community building activities

Note 3. Net Patient Service Revenue

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

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

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

A summary of gross and net patient service revenue for the years ended June 30 is as follows

	2013	2012
Gross patient service revenue	**$ 917,376,106**	$ 848,983,355
Contractual adjustments under third-party reimbursement programs and other deductions	**(666,073,858)**	(606,307,871)
Net patient service revenue	**$ 251,302,248**	$ 242,675,484

The System recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered For uninsured patients who do not qualify for charity care, the System recognizes revenue on the basis of undiscounted rates as provided by its policy On the basis of historical experience, a significant portion of the System's uninsured patients will be unable or unwilling to pay for the services provided Thus, the System records a significant provision for bad debts related to uninsured patients in the period the services are provided Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows

	June 30, 2013		
	Third-Party Payors	**Self-pay**	**Total All Payors**
Patient service revenue (net of contractual allowances and discounts)	**$ 232,421,514**	**$ 18,880,734**	**$ 251,302,248**

Note 3. Net Patient Service Revenue (Continued)

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

	2013	2012
Medicare	**41 %**	41 %
Other	**21**	21
Self-Pay	**15**	16
Blue Cross	**14**	15
Medical Assistance	**9**	7
	100 %	100 %

Revenue from the Medicare program accounted for approximately 47% of the System's net patient revenue for each of the years ended June 30, 2013 and 2012, while the Medicaid program accounted for approximately 7% and 8% of the System's net patient revenue for the years ended June 30, 2013 and 2012, respectively Laws and regulations governing the Medicare and Medical Assistance programs are extremely complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term

Note 4. Investment Income

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

	2013	2012
Other non-operating income		
Interest and dividend income	**$ 675,289**	$ 705,748
Other changes in unrestricted net assets		
Change in net unrealized (loss) on investments other than trading securities	**(130,867)**	(382,005)
Total investment income	**$ 544,422**	$ 323,743

Note 5. Fair Value of Financial Instruments

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

Note 5. Fair Value of Financial Instruments (Continued)

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

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

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

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

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

	2013			
	Total	**Level I**	**Level II**	**Level III**
Assets whose use is limited				
Board-designated for future capital improvements				
Cash and cash equivalents	**$ 53,174,615**	**$ 53,174,615**	**$ -**	**$ -**
Certificates of deposit	**200,000**	**200,000**	**-**	**-**
Board designated for future capital improvements	**53,374,615**	**53,374,615**	**-**	**-**
Under trust indenture, held by trustee				
Certificates of deposit	**7,348,006**	**7,348,006**	**-**	**-**
Foundation investments				
Cash and cash equivalents	**1,360,108**	**1,360,108**	**-**	**-**
Under agreement for self-insured workers' compensation				
Certificates of deposit	**1,305,991**	**1,305,991**	**-**	**-**
Investments				
Cash and cash equivalents	**552,025**	**552,025**	**-**	**-**
Fixed income mutual funds	**516,260**	**516,260**	**-**	**-**
Government bonds	**75,164**	**75,164**	**-**	**-**
Municipal bonds	**7,448,689**	**7,448,689**	**-**	**-**
Corporate bonds	**18,745,830**	**18,745,830**	**-**	**-**
Investments	**27,337,968**	**27,337,968**	**-**	**-**
Total	**$ 90,726,688**	**$ 90,726,688**	**$ -**	**$ -**

Note 5. Fair Value of Financial Instruments (Continued)

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

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

The following methods were used by the System in estimating the fair value of its financial instruments There have been no changes in the methodologies used as of June 30, 2013 or 2012

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

Certificates of deposit Amortized cost plus accrued interest approximates fair value

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

Government, municipal, and corporate bonds Fair values, which are amounts reported on the consolidated balance sheets, are based on quoted market prices

Note 5. Fair Value of Financial Instruments (Continued)

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

	2013		2012	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**$ 35,544,850**	**$ 35,544,850**	$ 21,685,156	$ 21,685,156
Assets whose use is limited	**63,388,720**	**63,388,720**	73,561,059	73,561,059
Investments	**27,337,968**	**27,337,968**	26,996,030	26,996,030
Debt obligations	**132,146,541**	**113,195,704**	134,165,571	114,082,660

Note 6. Property and Equipment

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

	2013	2012
Land	**$ 4,415,182**	$ 4,415,182
Land improvements	**9,423,477**	9,415,617
Buildings	**100,367,756**	99,881,505
Equipment (including equipment under capital lease)	**206,948,430**	203,465,286
Leasehold improvements	**9,024,839**	8,776,349
Construction-in-progress	**1,080,527**	1,420,181
Total	**331,260,211**	327,374,120
Less accumulated depreciation	**176,868,684**	162,506,979
Property and equipment, net	**$ 154,391,527**	$ 164,867,141

Depreciation expense amounted to $ 14,740,492 and $ 15,732,954 for the years ended June 30, 2013 and 2012, respectively

Note 7. Long-Term Debt

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

	2013	2012
Variable Rate Hospital Revenue Bonds, Series 2009A	**$ 50,000,000**	$ 50,000,000
Hospital Revenue Bonds, Series 2009B	**75,990,000**	75,990,000
Variable Rate Hospital Revenue Bonds, Series 2010A	**6,555,000**	8,540,000
Equipment loan, NexTier Bank, due in equal monthly installments, including interest equal to the Five Year Federal Home Loan Bank Rate plus 2 0%, through December 2014	**225,633**	336,746
Loan payable, PNC Bank, due in one payment plus interest equal to the Daily LIBOR Rate in December 2013	**244,526**	340,616
Capital lease obligations	**151,456**	38,652
Total long-term debt	**133,166,615**	135,246,014
Less unamortized bond discount	**1,020,074**	1,080,443
Total long-term debt, net of unamortized bond discount	**132,146,541**	134,165,571
Less current maturities	**2,452,886**	2,470,302
Long-term debt, net	**$ 129,693,655**	$ 131,695,269

The scheduled principal repayments for long-term debt as of June 30, 2013, are as follows

Years Ending June 30:	
2014	$ 2,452,886
2015	2,273,852
2016	2,238,977
2017	210,900
2018	3,015,000
Thereafter	122,975,000
	$ 133,166,615

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

The 2009A Bonds initially bore interest at a weekly rate, not to exceed 12%, determined by a remarketing agent to be the lowest interest rate necessary which would allow for the sale of the bonds at par, taking into consideration prevailing financial market conditions The trust indenture also provided for the option to convert the bonds to a term rate, as calculated at specified conversion dates throughout the term of the bonds, not to exceed 8% On June 29, 2010, the trust indenture was amended to allow for conversion of the interest calculation to a Bank-Bought Interest Rate, as defined in the amended Master Trust Indenture The interest rate was 1 37% as of June 30, 2013 Scheduled principal payments commence July 1, 2017, and are due each year through 2039 The bonds are secured by pledged revenues

Note 7. Long-Term Debt (Continued)

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

The interest rate on the 2009B Bonds was 5 38% as of June 30, 2013 Scheduled principal payments commence July 1, 2017, and are due each year through 2039

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

The 2010A Bonds bear interest at a Bank-Bought Interest Rate, as defined in the amended Master Trust Indenture The interest rate was 1 37% as of June 30, 2013 Scheduled principal payments commenced August 1, 2010, and are due each year through 2017

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

The Master Trust Indentures contain various financial and other covenants The Obligated Group is required to maintain certain financial ratios including minimum days cash on hand, a minimum debt service coverage ratio, and a minimum debt-to-capitalization ratio As of June 30, 2013, the Obligated Group was in compliance with the required covenants under the terms of the Master Trust Indentures

Note 8. Operating Leases

The System has various non-cancelable operating lease agreements expiring through fiscal 2017 Expense associated with these operating lease agreements amounted to $ 1,710,462 and $ 1,592,830 for the years ended June 30, 2013 and 2012, respectively 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	$ 1,433,624
2015	923,823
2016	798,663
2017	193,221
	$ 3,349,331

Note 9. Pension Plans

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

Note 9. Pension Plans (Continued)

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

	2013	2012
Change in projected benefit obligation		
Projected benefit obligation, beginning	**$ 93,945,446**	$ 78,648,752
Service cost	**3,355,447**	2,845,391
Interest cost	**4,179,016**	4,307,793
Actuarial gain (loss)	**(3,899,425)**	11,561,095
Benefits paid	**(5,531,482)**	(3,417,585)
Projected benefit obligation, ending	**92,049,002**	93,945,446
Change in Plan assets		
Fair value of Plan assets, beginning	**66,451,980**	64,523,368
Actual return on Plan assets	**8,490,478**	594,867
Employer contributions	**8,388,578**	4,751,330
Benefits paid	**(5,531,482)**	(3,417,585)
Fair value of Plan assets, ending	**77,799,554**	66,451,980
Funded status and amounts recognized on the consolidated balance sheets	**$ (14,249,448)**	$ (27,493,466)
Accumulated benefit obligation	**$ 89,644,249**	$ 91,244,101

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

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

	Target Allocation	2013	2012
Equity securities	48% - 68%	**60%**	56%
Debt securities	27% - 47%	**34%**	35%
Other	0% - 10%	**6%**	9%

Note 9. Pension Plans (Continued)

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

	2013			
	Total	**Level I**	**Level II**	**Level III**
Equity securities	**$ 46,679,733**	**$ 46,679,733**	**$ -**	**$ -**
Debt securities	**26,451,848**	**26,451,848**	**-**	**-**
Other	**4,667,973**	**-**	**4,667,973**	**-**
Total	**$ 77,799,554**	**$ 73,131,581**	**$ 4,667,973**	**$ -**

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

Other Plan investments include the SEI Opportunities Collective Fund (Fund), a non-readily marketable collective trust fund held by the Plan The significant investment strategy of the Fund is investing in private investments The Plan's investment in the Fund is subject to a one-year lockup upon initial investment and is generally redeemable on a quarterly basis given a 65-day notice, at which time quarterly distributions may be taken, subject to a 10% holdback At this time, there is no intention of the Fund to liquidate There are no unfunded commitments relating to the Fund as of June 30, 2013 or 2012

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

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

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

	2013	2012
Service cost	**$ 3,355,447**	$ 2,845,391
Interest cost	**4,179,016**	4,307,793
Expected return on Plan assets	**(5,922,200)**	(5,400,250)
Amortization of prior service cost	**(56,212)**	(54,786)
Recognized net actuarial loss	**3,263,511**	2,187,128
Net periodic pension cost	**$ 4,819,562**	$ 3,885,276

The Hospital expects to make contributions of approximately $ 4,500,000 to the Plan in 2014

Note 9. Pension Plans (Continued)

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

	2013	2012
Discount rate	**4.87%**	4 53%
Rates of compensation increase	**3.00%**	3 25%

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

	2013	2012
Discount rate	**4.53%**	5 59%
Rates of compensation increase	**3.25%**	3 50%
Expected return on assets	**8.25%**	8 25%

The benefit payments which reflect expected future services as of June 30, 2013, as appropriate, are expected to be paid as follows

Years Ending June 30:	
2014	$ 3,516,405
2015	3,554,817
2016	4,363,713
2017	5,256,292
2018	5,913,144
2019 - 2023	37,086,803

During the years ended June 30, 2013 and 2012, the System recognized $ 9,675,002 and $ (14,234,136), respectively, related to the accumulated liability for pension benefits on the consolidated statements of operations These amounts represent the change in funded status, adjusted for employer contributions and net periodic pension costs

Note 10. Self-Insurance Plans

The System provides for workers' compensation costs through a program of self-insurance supplemented by purchased excess liability coverage Estimated self-insurance costs are accrued based upon data provided by the third-party administrator of the program and historical claims experience The liability for workers' compensation was approximately $ 1,067,000 and $ 1,037,000 as of June 30, 2013 and 2012, respectively, and is included in accrued expenses on the accompanying consolidated balance sheets The discount rate used in determining these liabilities was 3 25% and 4 00% as of June 30, 2013 and 2012, respectively

The System also self-insures its employee health insurance coverage and supplements it with excess liability coverage The Hospital accrues the estimated costs of incurred and reported and incurred and unreported claims, after consideration of its stop-loss insurance coverages, based upon data provided by the third-party administrator of the program and its historical claims experience The liability for employee health insurance was approximately $ 732,000 and $ 889,000 as of June 30, 2013 and 2012, respectively, and is included in accrued expenses on the accompanying consolidated balance sheets

Note 11. Medical Malpractice Claims Coverage

As of June 30, 2013, the Hospital's medical malpractice insurance coverage is provided under the provisions of the following insurance arrangements

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

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

Excess coverage – The Hospital has excess liability insurance contracts which insures against losses in excess of the above coverages reported during the period of policy coverage

The primary and excess coverages are provided by Community Hospital Alternative for Risk Transfer (CHART), a reciprocal risk retention group, which is a form of a captive insurance company CHART was formed in April 2002 to provide liability insurance, reinsurance, and risk management services for its subscribers

A portion of the annual primary coverage premium through the 2009 policy year is retrospectively determined based on the actual costs incurred by CHART on behalf of the Hospital Premiums totaling $ 0 and $ 114,134 are subject to retrospective determination as of June 30, 2013 and 2012, respectively The Hospital can be assessed additional premiums up to these amounts The obligation to pay additional premiums is secured by letters of credit totaling these amounts Unused premiums are refundable to the Hospital Beginning with the 2010 policy, this practice has been eliminated and a $ 10,000 deductible per claim has been instituted

The Hospital's estimated medical malpractice claims liability for incurred but not reported claims was approximately $ 812,000 and $ 1,147,000 as of June 30, 2013 and 2012, respectively, and is included in accrued expenses on the accompanying consolidated balance sheets It is reasonably possible that the estimates could change materially in the near term

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

Note 12. Investments in and Loans to Affiliates

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

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

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

	2013	2012
Butler Cancer Associates, Inc	**$ 3,314,931**	$ -
CHART	**2,063,540**	2,063,540
Benbrook Medical Holdings, LLC	**977,717**	1,024,507
MedCare Equipment Company, LLC	**832,341**	808,666
Benbrook 107, LLC	**236,131**	225,799
South Butler Medical Holdings Management Company, LLC	**144,075**	159,500
VieCare - Butler, LLC	**128,110**	128,110
Butler Physicians Realty, LLC	**91,553**	84,296
Total	**$ 7,788,398**	$ 4,494,418

The Hospital has a 50% ownership in Butler Cancer Associates, Inc a joint venture with the UPMC Cancer Center to provide oncology services to the Butler service area This investment is recorded under the equity method of accounting

The Hospital has a 4% ownership in CHART and participates with other subscribers in the operations of CHART This ownership is accounted for in accordance with the cost method of accounting The Hospital received a dividend distribution of $ 174,921 and $ 153,314 for the years ended June 30, 2013 and 2012, respectively

The Hospital has a 15% ownership in Benbrook Medical Holdings, LLC, a joint venture with several physicians for the purpose of acquiring real property and constructing a 55,000 square foot building to be leased to BHS and to operate an ambulatory surgery center The Hospital received a member's distribution from this joint venture of $ 78,351 and $ 36,143 for the years ended June 30, 2013 and 2012, respectively This investment is recorded under the equity method of accounting

In 2006, the Hospital entered into a loan agreement with Benbrook Medical Holdings, LLC for $ 915,741 The balance of the loan receivable was $ 716,057 and $ 756,496 as of June 30, 2013 and 2012, respectively The loan bears interest at 6 25% per annum and is due in equal monthly installments through 2026

The Hospital has a 2 6% ownership in MedCare Equipment Company, LLC, an entity that provides durable medical equipment and related services The Hospital received a member's distribution from MedCare Equipment Company, LLC of $ 87,500 and $ 117,500 for the years ended June 30, 2013 and 2012, respectively This investment is recorded under the equity method of accounting

The Hospital has a 45% ownership in Benbrook 107, LLC, a joint venture with several physicians for the purpose of acquiring real property and leasing the same to BMP The Hospital received a member's distribution from this joint venture of $ 26,148 and $ 22,201 for the years ended June 30, 2013 and 2012, respectively This investment is recorded under the equity method of accounting

The Hospital has a 19 9% ownership in South Butler Medical Holdings Management Company, LLC, a joint venture with several partners for the purpose of acquiring real property and leasing the same to BMP The Hospital received a member's distribution from this joint venture of $ 18,057 and $ 0 for the years ended June 30, 2013 and 2012, respectively This investment is recorded under the equity method of accounting

The Hospital has a 15% ownership in VieCare - Butler, LLC, a joint venture with VieCare, Inc to provide independent living services and other activities to the residents of Butler County This investment is recorded under the equity method of accounting

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

The Hospital has a 15% ownership in Butler Physicians Realty, LLC, a joint venture with several physicians to construct a medical office building in Butler County The Hospital received a member's distribution from this joint venture of $ 18,701 and $ 18,219 for the years ended June 30, 2013 and 2012, respectively This investment is recorded under the equity method of accounting

Note 13. Functional Expenses

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

	2013	2012
Health care services	**$ 202,649,823**	$ 195,861,147
General and administrative	**45,953,864**	45,326,831
Fundraising activities	**199,042**	168,950
Total	**$ 248,802,729**	$ 241,356,928

Note 14. Commitments and Contingencies

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

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

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

INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY INFORMATION

Board of Trustees
Butler Health System and Subsidiaries
Butler, Pennsylvania

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements The information has been subjected to the auditing procedures applied in the audits 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

Carbis Walker LLP
Certified Public Accountants

New Castle, Pennsylvania
October 4, 2013

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
June 30, 2013 (With Comparative Totals for 2012)
See Independent Auditors' Report on the Supplementary Information

ASSETS	Obligated Group (Combined)	Butler Health System Foundation
CURRENT ASSETS		
Cash and cash equivalents	$ 34,011,796	$ 820,018
Patient accounts receivable, less allowance for doubtful accounts $ 5,421,506	25,428,652	-
Other receivables	6,523,866	442,413
Inventories	2,940,869	-
Prepaid expenses and other current assets	2,900,975	-
Total current assets	71,806,158	1,262,431
ASSETS WHOSE USE IS LIMITED		
Board-designated for future capital improvements	53,374,615	-
Under trust indenture, held by trustee	7,348,006	-
Foundation investments	-	1,360,108
Under agreement for self-insured workers' compensation	1,305,991	-
Funds held in escrow	-	-
Total assets whose use is limited	62,028,612	1,360,108
INVESTMENTS	27,337,968	-
PROPERTY AND EQUIPMENT, net of accumulated depreciation	152,742,620	11,052
INVESTMENTS IN AND LOANS TO AFFILIATES	7,861,626	-
INTEREST IN NET ASSETS OF BUTLER HEALTH SYSTEM FOUNDATION	1,227,982	-
DEBT ISSUANCE COSTS, net	2,119,099	-
OTHER ASSETS	2,950,098	-
Total assets	$ 328,074,163	$ 2,633,591

Primary Care Associates, PC	Butler Ambulatory Surgery Center, LLC	Consolidation Eliminations	Consolidation Consolidated	2012 Consolidated
$ 257,240	$ 455,796	$ -	$ 35,544,850	$ 21,685,156
133,191	480,551	-	26,042,394	25,191,590
-	692	(10,656)	6,956,315	8,452,616
40,652	301,484	-	3,283,005	3,216,957
27,749	65,312	-	2,994,036	2,968,996
458,832	1,303,835	(10,656)	74,820,600	61,515,315
-	-	-	53,374,615	60,973,528
-	-	-	7,348,006	7,227,475
-	-	-	1,360,108	1,590,271
-	-	-	1,305,991	1,300,000
-	-	-	-	2,469,785
-	-	-	63,388,720	73,561,059
-	-	-	27,337,968	26,996,030
15,779	1,622,076	-	154,391,527	164,867,141
-	-	(73,228)	7,788,398	4,494,418
-	-	(1,227,982)	-	-
-	-	-	2,119,099	2,263,969
-	628,001	-	3,578,099	3,001,001
$ 474,611	$ 3,553,912	$ (1,311,866)	$ 333,424,411	$ 336,698,933

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET (CONTINUED)
June 30, 2013 (With Comparative Totals for 2012)
See Independent Auditors' Report on the Supplementary Information

LIABILITIES AND NET ASSETS	Obligated Group (Combined)	Butler Health System Foundation
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 2,055,000	$ -
Accounts payable	2,392,314	-
Accrued expenses	19,362,007	10,655
Accrued interest payable	2,756,108	-
Estimated third-party payor settlements	2,639,661	-
Total current liabilities	29,205,090	10,655
LONG-TERM DEBT, net of current maturities	129,469,926	-
ACCRUED PENSION LIABILITY	14,249,448	-
Total liabilities	172,924,464	10,655
NET ASSETS		
Unrestricted	153,912,085	956,268
Noncontrolling interest in consolidated subsidiaries	(497)	-
Temporarily restricted	1,238,111	1,227,982
Permanently restricted	-	438,686
Total net assets	155,149,699	2,622,936
Total liabilities and net assets	$ 328,074,163	$ 2,633,591

Primary Care Associates, PC	Butler Ambulatory Surgery Center, LLC	Consolidation Eliminations	Consolidation Consolidated	2012 Consolidated
$ -	$ 471,114	$ (73,228)	$ 2,452,886	$ 2,470,302
-	130,242	-	2,522,556	3,904,932
424,250	183,553	(10,656)	19,969,809	18,889,983
-	1,060	-	2,757,168	2,762,654
-	-	-	2,639,661	4,885,034
424,250	785,969	(83,884)	30,342,080	32,912,905
-	223,729	-	129,693,655	131,695,269
-	-	-	14,249,448	27,493,466
424,250	1,009,698	(83,884)	174,285,183	192,101,640
50,361	1,062,971	-	155,981,685	141,828,743
-	1,481,243	-	1,480,746	1,182,625
-	-	(1,227,982)	1,238,111	1,145,552
-	-	-	438,686	440,373
50,361	2,544,214	(1,227,982)	159,139,228	144,597,293
$ 474,611	$ 3,553,912	$ (1,311,866)	$ 333,424,411	$ 336,698,933

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended June 30, 2013 (With Comparative Totals for 2012)
See Independent Auditors' Report on the Supplementary Information

	Obligated Group (Combined)	Butler Health System Foundation
Changes in unrestricted net assets		
Net patient service revenue	$ 240,211,376	$ -
Provision for doubtful collections	(10,059,298)	-
Net patient service revenue less provision for doubtful collections	230,152,078	-
Other operating revenue	11,582,195	-
Contributions	54,081	194,670
Net assets released from restrictions used for operations	124,330	-
Total unrestricted revenue	241,912,684	194,670
Expenses		
Salaries and wages	82,170,898	84,305
Medical and surgical supplies	41,038,175	-
General supplies and purchased services	30,404,737	90,670
Employee benefits	27,428,189	18,456
Physicians' fees	23,857,480	-
Depreciation and amortization	14,553,905	3,681
Interest	6,435,268	-
Utilities and insurance	5,807,172	521
Professional fees and miscellaneous	4,608,401	12,697
Outside medical services	3,603,544	-
Total expenses	239,907,769	210,330
Operating income (loss)	2,004,915	(15,660)
Other non-operating income		
Investment income	687,211	579
Equity in earnings of affiliates	312,054	-
Other income	93,943	-
Total non-operating income	1,093,208	579
Excess (deficiency) of revenue over expenses before noncontrolling interest	3,098,123	(15,081)
Noncontrolling interest in net (income) loss of consolidated subsidiaries	158,861	-
Excess (deficiency) of revenue over expenses	3,256,984	(15,081)
Other changes in unrestricted net assets		
Unrealized (loss) on investments	(130,867)	-
Net assets released from restrictions used for capital expenditures	331,009	-
Transfers (to) from affiliates	717,999	-
Accumulated liability for pension benefits	9,675,002	-
Increase (decrease) in unrestricted net assets	$ 13,850,127	$ (15,081)

Primary Care Associates, PC	Butler Ambulatory Surgery Center, LLC	Consolidation Eliminations	Consolidation Consolidated	2012 Consolidated
$ 4,154,839	$ 6,936,033	$ -	$ 251,302,248	$ 242,675,484
(79,891)	(62,166)	-	(10,201,355)	(9,276,846)
4,074,948	6,873,867	-	241,100,893	233,398,638
97,967	18,474	(276,969)	11,421,667	11,524,964
-	-	(2,500)	246,251	141,671
-	-	-	124,330	88,566
4,172,915	6,892,341	(279,469)	252,893,141	245,153,839
686,511	1,230,109	-	84,171,823	80,222,473
203,167	1,291,777	-	42,533,119	41,300,850
495,627	1,668,241	(276,969)	32,382,306	31,790,727
439,630	189,936	-	28,076,211	27,442,790
2,213,418	-	-	26,070,898	23,379,118
15,071	167,835	-	14,740,492	15,732,954
3,773	34,153	(13,158)	6,460,036	6,515,793
115,795	63,531	-	5,987,019	6,380,492
59,759	98,924	(2,500)	4,777,281	4,486,084
-	-	-	3,603,544	4,105,647
4,232,751	4,744,506	(292,627)	248,802,729	241,356,928
(59,836)	2,147,835	13,158	4,090,412	3,796,911
-	657	(13,158)	675,289	705,748
-	-	-	312,054	235,381
-	-	-	93,943	32,922
-	657	(13,158)	1,081,286	974,051
(59,836)	2,148,492	-	5,171,698	4,770,962
-	(1,052,761)	-	(893,900)	(1,242,665)
(59,836)	1,095,731	-	4,277,798	3,528,297
-	-	-	(130,867)	(382,005)
-	-	-	331,009	790,603
200,000	(917,999)	-	-	-
-	-	-	9,675,002	(14,234,136)
$ 140,164	$ 177,732	$ -	$ 14,152,942	$ (10,297,241)

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
Year Ended June 30, 2013 (With Comparative Totals for 2012)
See Independent Auditors' Report on the Supplementary Information

	Obligated Group (Combined)	Butler Health System Foundation
Unrestricted net assets		
Excess (deficiency) of revenue over expenses	$ 3,256,984	$ (15,081)
Unrealized (loss) on investments	(130,867)	-
Net assets released from restrictions used for capital expenditures	331,009	-
Transfers (to) from affiliates	717,999	-
Accumulated liability for pension benefits	9,675,002	-
Increase (decrease) in unrestricted net assets	13,850,127	(15,081)
Temporarily restricted net assets		
Contributions	-	547,347
Net realized gain on investments	-	551
Net assets transferred (to) from affiliates	455,339	(455,339)
Increase in interest in net assets of Butler Health System Foundation	92,559	-
Net assets released from restrictions	(455,339)	-
Increase in temporarily restricted net assets	92,559	92,559
Permanently restricted net assets		
Net realized (loss) on investments	-	(1,687)
Increase in net assets	13,942,686	75,791
Net assets, beginning, before noncontrolling interest	141,207,510	2,547,145
Net assets, ending, before noncontrolling interest	$ 155,150,196	$ 2,622,936

Primary Care Associates, PC	Butler Ambulatory Surgery Center, LLC	Consolidation		2012 Consolidated
		Eliminations	Consolidated	
$ (59,836)	$ 1,095,731	$ -	$ 4,277,798	$ 3,528,297
-	-	-	(130,867)	(382,005)
-	-	-	331,009	790,603
200,000	(917,999)	-	-	-
-	-	-	9,675,002	(14,234,136)
140,164	177,732	-	14,152,942	(10,297,241)
-	-	-	547,347	615,773
-	-	-	551	548
-	-	-	-	-
-	-	(92,559)	-	-
-	-	-	(455,339)	(879,169)
-	-	(92,559)	92,559	(262,848)
-	-	-	(1,687)	1,735
140,164	177,732	(92,559)	14,243,814	(10,558,354)
(89,803)	885,239	(1,135,423)	143,414,668	153,973,022
$ 50,361	$ 1,062,971	$ (1,227,982)	$ 157,658,482	$ 143,414,668

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

COMBINING BALANCE SHEET
June 30, 2013
See Independent Auditors' Report on the Supplementary Information

ASSETS	Butler Health System	Butler Memorial Hospital
CURRENT ASSETS		
Cash and cash equivalents	$ 880,971	$ 30,265,865
Patient accounts receivable, less allowance for doubtful accounts $ 5,193,471	-	23,161,777
Other receivables	-	4,923,385
Inventories	-	2,940,869
Prepaid expenses and other current assets	-	2,227,442
Total current assets	880,971	63,519,338
ASSETS WHOSE USE IS LIMITED		
Board-designated for future capital improvements	-	53,374,615
Under trust indenture, held by trustee	-	7,348,006
Foundation investments	-	-
Under agreement for self-insured workers' compensation	-	1,305,991
Total assets whose use is limited	-	62,028,612
INVESTMENTS	-	27,337,796
PROPERTY AND EQUIPMENT, net of accumulated depreciation	1,682,759	139,983,794
INVESTMENTS IN AND LOANS TO AFFILIATES	-	7,861,626
INTEREST IN NET ASSETS OF BUTLER HEALTH SYSTEM FOUNDATION	-	1,227,982
DEBT ISSUANCE COSTS, net	-	2,119,099
OTHER ASSETS	-	2,575,589
Total assets	$ 2,563,730	$ 306,653,836

Butler Medical Providers	Nixsar Corporation	Combination Eliminations	Combination Combined
$ 2,223,015	$ 641,945	$ -	$ 34,011,796
2,213,614	53,261	-	25,428,652
2,839,334	10,000	(1,248,853)	6,523,866
-	-	-	2,940,869
673,533	-	-	2,900,975
7,949,496	705,206	(1,248,853)	71,806,158
-	-	-	53,374,615
-	-	-	7,348,006
-	-	-	-
-	-	-	1,305,991
-	-	-	62,028,612
172	-	-	27,337,968
919,269	10,156,798	-	152,742,620
-	-	-	7,861,626
-	-	-	1,227,982
-	-	-	2,119,099
374,509	-	-	2,950,098
$ 9,243,446	$ 10,862,004	$ (1,248,853)	$ 328,074,163

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

COMBINING BALANCE SHEET (CONTINUED)
June 30, 2013
See Independent Auditors' Report on the Supplementary Information

LIABILITIES AND NET ASSETS	Butler Health System	Butler Memorial Hospital
CURRENT LIABILITIES		
Current maturities of long-term debt	$ -	$ 2,055,000
Accounts payable	-	2,376,532
Accrued expenses	6,251	16,998,688
Accrued interest payable	-	2,756,108
Estimated third-party payor settlements	-	2,639,661
Total current liabilities	6,251	26,825,989
LONG-TERM DEBT, net of current maturities	-	129,469,926
ACCRUED PENSION LIABILITY	-	14,249,448
Total liabilities	6,251	170,545,363
NET ASSETS		
Unrestricted	2,557,479	134,870,859
Noncontrolling interest in consolidated subsidiary	-	(497)
Temporarily restricted	-	1,238,111
Total net assets	2,557,479	136,108,473
Total liabilities and net assets	$ 2,563,730	$ 306,653,836

Butler Medical Providers	Nixsar Corporation	Combination Eliminations	Combination Combined
$ -	$ -	$ -	$ 2,055,000
7,472	8,310	-	2,392,314
3,605,921	-	(1,248,853)	19,362,007
-	-	-	2,756,108
-	-	-	2,639,661
3,613,393	8,310	(1,248,853)	29,205,090
-	-	-	129,469,926
-	-	-	14,249,448
3,613,393	8,310	(1,248,853)	172,924,464
5,630,053	10,853,694	-	153,912,085
-	-	-	(497)
-	-	-	1,238,111
5,630,053	10,853,694	-	155,149,699
$ 9,243,446	$ 10,862,004	$ (1,248,853)	$ 328,074,163

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

COMBINING STATEMENT OF OPERATIONS
Year Ended June 30, 2013
See Independent Auditors' Report on the Supplementary Information

	Butler Health System	Butler Memorial Hospital
Changes in unrestricted net assets		
Net patient service revenue	$ -	$ 216,023,303
Provision for doubtful collections	-	(9,076,550)
Net patient service revenue less provision for doubtful collections	-	206,946,753
Other operating revenue	368,784	10,171,334
Contributions	-	54,081
Net assets released from restrictions used for operations	-	124,330
Total unrestricted revenue	368,784	217,296,498
Expenses		
Salaries and wages	-	78,789,867
Medical and surgical supplies	-	40,668,965
General supplies and purchased services	112,161	26,648,937
Employee benefits	-	24,339,799
Physicians' fees	-	6,007,893
Depreciation and amortization	415,285	13,227,476
Interest	-	6,435,268
Utilities and insurance	31,615	4,678,240
Professional fees and miscellaneous	41,579	3,955,327
Outside medical services	-	3,537,441
Total expenses	600,640	208,289,213
Operating income (loss)	(231,856)	9,007,285
Other non-operating income		
Investment income	68	687,061
Equity in earnings of affiliates	-	312,054
Other income	-	111,943
Total non-operating income	68	1,111,058
Excess (deficiency) of revenue over expenses before noncontrolling interest	(231,788)	10,118,343
Noncontrolling interest in net loss of consolidated subsidiaries	-	158,861
Excess (deficiency) of revenue over expenses	(231,788)	10,277,204
Other changes in unrestricted net assets		
Unrealized (loss) on investments	-	(130,867)
Net assets released from restrictions used for capital expenditures	-	331,009
Transfers (to) from affiliates	(432,001)	(6,800,000)
Accumulated liability for pension benefits	-	9,675,002
Increase (decrease) in unrestricted net assets	$ (663,789)	$ 13,352,348

Butler Medical Providers	Nixsar Corporation	Combination Eliminations	Combination Combined
$ 24,192,448	$ -	$ (4,375)	$ 240,211,376
(982,748)	-	-	(10,059,298)
23,209,700	-	(4,375)	230,152,078
4,812,920	564,628	(4,335,471)	11,582,195
-	-	-	54,081
-	-	-	124,330
28,022,620	564,628	(4,339,846)	241,912,684
3,381,031	-	-	82,170,898
375,570	-	(6,360)	41,038,175
4,825,437	189,936	(1,371,734)	30,404,737
3,088,390	-	-	27,428,189
20,759,964	-	(2,910,377)	23,857,480
315,615	595,529	-	14,553,905
-	-	-	6,435,268
950,590	146,727	-	5,807,172
629,635	51,235	(69,375)	4,608,401
66,103	-	-	3,603,544
34,392,335	983,427	(4,357,846)	239,907,769
(6,369,715)	(418,799)	18,000	2,004,915
-	82	-	687,211
-	-	-	312,054
-	-	(18,000)	93,943
-	82	(18,000)	1,093,208
(6,369,715)	(418,717)	-	3,098,123
-	-	-	158,861
(6,369,715)	(418,717)	-	3,256,984
-	-	-	(130,867)
-	-	-	331,009
8,200,000	(250,000)	-	717,999
-	-	-	9,675,002
$ 1,830,285	$ (668,717)	$ -	$ 13,850,127

BUTLER HEALTH SYSTEM AND SUBSIDIARIES

COMBINING STATEMENT OF CHANGES IN NET ASSETS
Year Ended June 30, 2013
See Independent Auditors' Report on the Supplementary Information

	Butler Health System	Butler Memorial Hospital
Unrestricted net assets		
Excess (deficiency) of revenue over expenses	$ (231,788)	$ 10,277,204
Unrealized (loss) on investments	-	(130,867)
Net assets released from restrictions used for capital expenditures	-	331,009
Transfers (to) from affiliates	(432,001)	(6,800,000)
Accumulated liability for pension benefits	-	9,675,002
Increase (decrease) in unrestricted net assets	(663,789)	13,352,348
Temporarily restricted net assets		
Net assets transferred from affiliates	-	455,339
Increase in interest in net assets of Butler Health System Foundation	-	92,559
Net assets released from restrictions	-	(455,339)
Increase in temporarily restricted net assets	-	92,559
Increase (decrease) in net assets	(663,789)	13,444,907
Net assets, beginning, before noncontrolling interest	3,221,268	122,664,063
Net assets, ending, before noncontrolling interest	$ 2,557,479	$ 136,108,970

Butler Medical Providers	Nixsar Corporation	Combination Eliminations	Combination Combined
$ (6,369,715)	$ (418,717)	$ -	$ 3,256,984
-	-	-	(130,867)
-	-	-	331,009
8,200,000	(250,000)	-	717,999
-	-	-	9,675,002
1,830,285	(668,717)	-	13,850,127
-	-	-	455,339
-	-	-	92,559
-	-	-	(455,339)
-	-	-	92,559
1,830,285	(668,717)	-	13,942,686
3,799,768	11,522,411	-	141,207,510
$ 5,630,053	$ 10,853,694	$ -	$ 155,150,196