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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: SOMERSET COMMUNITY HOSPITAL
 Doing Business As:
 Number and street (or P.O. box if mail is not delivered to street address) Room/suite: 225 SOUTH CENTER AVENUE
 City or town, state or country, and ZIP + 4: SOMERSET, PA 15501

D Employer identification number: 25-0965570

E Telephone number: (814) 443-5221

F Name and address of principal officer: CRAIG SAYLOR, 225 SOUTH CENTER AVENUE, SOMERSET, PA 15501

G Gross receipts \$ 70,191,950

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.SOMERSETHOSPITAL.COM

K Form of organization: Corporation Trust Association Other ▶

L Year of formation: 1921 **M** State of legal domicile: PA

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities SOMERSET HOSPITAL IS A NOT-FOR-PROFIT COMMUNITY ASSET COMMITTED TO PROVIDING CARE TO THE SICK AND INJURED, PRESERVING AND SUSTAINING LIFE, AND PROMOTING HEALTH AND WELL BEING, TO THE PROMOTION AND DEVELOPMENT OF COMPLEMENTARY PROGRAMS AND SERVICES, MANPOWER AND FACILITIES, TO THE CONTINUOUS IMPROVEMENT OF QUALITY, ACCESSIBILITY AND CONTINUITY OF PATIENT CARE, TO THE WELFARE AND LIVELIHOOD OF ITS EMPLOYEES, TO ENSURING THE HOSPITAL'S FINANCIAL VIABILITY NECESSARY TO MEET THE HEALTHCARE NEEDS OF THE COMMUNITY AND REGION TODAY AND IN THE FUTURE		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	18
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	12
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	1,034
	6 Total number of volunteers (estimate if necessary)	6	105
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	61,281
b Net unrelated business taxable income from Form 990-T, line 34	7b	34,856	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	19,645	173,720
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	66,829,225	65,334,299
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	638,966	791,119
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	927,814	804,072
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	68,415,650	67,103,210
	14 Benefits paid to or for members (Part IX, column (A), line 4)	2,500	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	0	0
	16a Professional fundraising fees (Part IX, column (A), line 11e)	32,624,465	31,916,851
	b Total fundraising expenses (Part IX, column (D), line 25) ▶ ⁰	0	0
	17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	33,740,480	32,692,167
18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	66,367,445	64,609,018	
19 Revenue less expenses Subtract line 18 from line 12	2,048,205	2,494,192	
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	Beginning of Current Year	End of Year
	21 Total liabilities (Part X, line 26)	72,670,647	74,465,728
	22 Net assets or fund balances Subtract line 21 from line 20	44,201,598	41,631,064

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

Signature of officer: ***** Date: 2014-05-06
 CRAIG SAYLOR CEO Type or print name and title

Paid Preparer Use Only

Preparer's name: JEFFREY J PETRELL CPA Date: 2014-05-06
 Firm's name: CARBIS WALKER LLP Firm's EIN: 25-0988255
 Firm's address: 5700 CORPORATE DRIVE STE 650 PITTSBURGH, PA 15237 Phone no: (412) 635-6270

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission
OUR MISSION AS AN ORGANIZATION IS TO PRESERVE AND IMPROVE LIFE BY PROVIDING ACCESS TO QUALITY, CUSTOMER-FRIENDLY HEALTHCARE SERVICES

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?
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?
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 \$ 54,414,793 including grants of \$) (Revenue \$ 65,318,018)
SOMERSET HOSPITAL IS A NOT-FOR-PROFIT COMMUNITY ASSET COMMITTED TO PROVIDING CARE TO THE SICK AND INJURED, PRESERVING AND SUSTAINING LIFE, AND PROMOTING HEALTH AND WELL BEING, TO THE PROMOTION AND DEVELOPMENT OF COMPLEMENTARY PROGRAMS AND SERVICES, MANPOWER AND FACILITIES, TO THE CONTINUOUS IMPROVEMENT OF QUALITY, ACCESSIBILITY AND CONTINUITY OF PATIENT CARE, TO THE WELFARE AND LIVELIHOOD OF ITS EMPLOYEES, TO ENSURING THE HOSPITAL'S FINANCIAL VIABILITY NECESSARY TO MEET THE HEALTHCARE NEEDS OF THE COMMUNITY AND REGION TODAY AND IN THE FUTURE SOMERSET HOSPITAL IS A 150-BED, NOT-FOR-PROFIT COMMUNITY HOSPITAL SERVING THE SOMERSET AREA THE HOSPITAL ALSO PROVIDES CARE FOR MANY PATIENTS NORTH OF SOMERSET TO ROUTE 30 AND SOUTH OF SOMERSET TO THE MARYLAND STATE LINE SOMERSET HOSPITAL, ONE OF THE TOP FIVE EMPLOYERS IN SOMERSET COUNTY, PROVIDES QUALITY HEALTH CARE IN A COMPASSIONATE MANNER REGARDLESS OF RACE, CREED, SEX, NATIONAL ORIGIN, HANDICAP, AGE OR THE PATIENT'S ABILITY TO PAY ALTHOUGH REIMBURSEMENT FOR SERVICES RENDERED IS CRITICAL TO THE OPERATION AND STABILITY OF SOMERSET HOSPITAL, THE HOSPITAL, UNDER ITS WRITTEN CHARITY CARE POLICY, IS COMMITTED TO PROVIDING NECESSARY HEALTH CARE SERVICES AT NO CHARGE OR AT A REDUCED CHARGE TO PATIENTS CHARITY CARE FY 2013 FREE CARE \$1,755,053 PUBLIC POLICIES THROUGH SIGNAGE POSTED IN THE HOSPITAL'S INFORMATION CENTER, ADMISSIONS DEPARTMENT, EMERGENCY ROOM AND CREDIT OFFICE, THE PUBLIC IS PROVIDED WITH THE ORGANIZATION'S POLICY OF PROVIDING CARE REGARDLESS OF ABILITY TO PAY ADDITIONALLY, PUBLIC NOTICES ADVERTISED IN THE DAILY AMERICAN, TRIBUNE DEMOCRAT AND MEYERSDALE REPUBLIC CALL ATTENTION TO THE HOSPITAL'S OPEN ADMISSIONS POLICY SOMERSET HOSPITAL GENERALLY DESIGNATES SERVICES AS "CHARITY CARE" AFTER BILLING BASED ON AN INDIVIDUAL'S ABILITY TO PAY, SOMERSET HOSPITAL OFFERS PAYMENT PLANS AND ASSISTS INDIVIDUALS IN APPLYING FOR THE STATE'S MEDICAL ASSISTANCE PROGRAM SELF-PAY PATIENTS ARE REQUESTED TO PROVIDE PARTIAL PRE-PAYMENT FOR SERVICES RENDERED BY THE HOSPITAL HOWEVER, SERVICES BY SOMERSET HOSPITAL ARE PROVIDED WITHOUT REGARD TO AN INDIVIDUAL'S ABILITY TO PAY COMMUNITY SERVICE AND CONTRIBUTIONS DURING THE PAST YEAR, SOMERSET HOSPITAL HAS PROVIDED THE FOLLOWING SERVICES AND CONTRIBUTIONS TO THE COMMUNITY THE SERVICES ARE PROVIDED FREE OF CHARGE OR AT A NOMINAL FEE AS INDICATED COMMUNITY HEALTH EDUCATION (FREE OR MINIMAL FEES CHARGED TO COVER DIRECT COSTS) PRE-NATAL EDUCATION 44/YEAR 95 HOURS BREASTFEEDING CLASS 10/YEAR 12 HOURS CPR 58/YEAR 16 HOURS BABYSITTING CLASS 13/YEAR 12 HOURS FIRST AID 20/YEAR 20 HOURS TOTAL 145/YEAR 155 HOURS SUPPORT GROUPS (NO CHARGE) HOSPICE BEREAVEMENT 109/YEAR 10 HOURS ARTHRITIS 99/YEAR 8 HOURS ALZHEIMER'S 33/YEAR 18 HOURS SLEEP APNEA 139/YEAR 18 HOURS COMPASSIONATE FRIENDS 94/YEAR 12 HOURS PARKINSON'S 35/YEAR 12 HOURS HEALTHWALK 24/YEAR 12 HOURS SCAMP KIDD BEREAVEMENT 2/YEAR 6 HOURS TRANSPLANT SUPPORT 42/YEAR 8 HOURS MENTAL HEALTH SUPPORT 80/YEAR 20 HOURS SMS SUPPORT 2/YEAR 3 HOURS TOTAL 659/YEAR 127 HOURS COMMUNITY EDUCATION INFORMATION REQUESTS (NO CHARGE) PHONE/MAIL REQUESTS 597/YEAR 125 HOURS SCHOOL PROGRAMS (NO CHARGE) SECOND GRADE TOURS 264/YEAR 32 HOURS POISON PREVENTION PROGRAMS 418/YEAR 36 HOURS SHADOW STUDENTS 84/YEAR 676 HOURS TEACHER TOURS 36/YEAR 6 HOURS TOTAL 802/YEAR 750 HOURS HEALTH FAIRS OR COMMUNITY EDUCATION PROGRAMS (NO CHARGE TO THE COMMUNITY) SMOKING CESSATION 100/YEAR 19 HOURS DIABETIC EDUCATION PROGRAMS 149/YEAR 32 HOURS HEALTH FAIRS 1335/YEAR 36 HOURS HIGHMARK PROGRAMS 663/YEAR 327 HOURS VARIOUS COMM EDUCATION 324/YEAR 34 HOURS WOMEN'S HEALTH PROGRAMS 74/YEAR 16 HOURS SEMINARS OFF CAMPUS 78/YEAR 8 HOURS PROGRAMS ON CAMPUS 60/YEAR 8 HOURS SILVER SNEAKERS 231/YEAR 24,042 HOURS HEALTHWAYS 37/YEAR 3224/HOURS KIDSHAPE 26/YEAR 414 HOURS SENIOR CENTER PROGRAMS 36/YEAR 2 HOURS TOTAL 3,113/YEAR 28,144 HOURS HOSPITAL STAFF CONTRIBUTIONS TO COMMUNITY ORGANIZATIONS SOMERSET ROTARY 104 HOURS/YEAR SOMERSET COUNTY CHAMBER OF COMMERCE 24 HOURS/YEAR HEALTH & WELFARE COUNCIL 12 HOURS/YEAR REDEVELOPMENT AUTHORITY 24 HOURS/YEAR OTHER CONTRIBUTIONS "IN TOUCH" HOSPICE THROUGH THE HOSPITAL'S HOME HEALTH AND HOSPICE CARE DEPARTMENT, TERMINALLY ILL PATIENTS AND THEIR FAMILIES ARE PROVIDED CLINICAL AND EMOTIONAL SUPPORT THIS SERVICE IS SUPPORTED THROUGH COMMUNITY CONTRIBUTIONS ANNUAL OPERATING BUDGET \$2,960,624 IN FISCAL YEAR 2013 SOCIAL WORK SERVICES SOMERSET HOSPITAL'S SOCIAL WORK SERVICES DEPARTMENT, WITH AN OPERATING BUDGET IN EXCESS OF \$125,721 IN FY 2013, IS RESPONSIBLE FOR MEETING BOTH INPATIENT AND OUTPATIENT SOCIAL NEEDS INCLUDING THE PLACEMENT OF PATIENTS IN AN APPROPRIATE COMMUNITY SETTING UPON DISCHARGE THE STAFF PROVIDES EXPERTISE TO MANY COMMUNITY ORGANIZATIONS

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

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

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

4e Total program service expenses 54,414,793

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)? <i>If "Yes," complete Schedule A</i>	Yes	
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>		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? <i>If "Yes," complete Schedule C, Part II</i>	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III</i>		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? <i>If "Yes," complete Schedule D, Part I</i>		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? <i>If "Yes," complete Schedule D, Part II</i>		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>		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? <i>If "Yes," complete Schedule D, Part IV</i>		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i>	Yes	
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i>	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? <i>If "Yes," complete Schedule D, Part VII</i>	Yes	
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? <i>If "Yes," complete Schedule D, Part VIII</i>		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? <i>If "Yes," complete Schedule D, Part IX</i>		No
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	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)? <i>If "Yes," complete Schedule D, Part X</i>		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?		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? <i>If "Yes," complete Schedule F, Parts I and IV</i>		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? <i>If "Yes," complete Schedule F, Parts II and IV</i>		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? <i>If "Yes," complete Schedule F, Parts III and IV</i>		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? <i>If "Yes," complete Schedule G, Part I (see instructions)</i>		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? <i>If "Yes," complete Schedule G, Part II</i>	Yes	
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>		No
20a	Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	Yes	
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	Yes	

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable 1a 102		
1b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable 1b 0		
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? 1c Yes	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 1,034		
2b	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	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year? 3a Yes	Yes	
3b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O 3b Yes	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 Yes	Yes	
b	If "Yes," enter the name of the foreign country CJ 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
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? 5b		No
5c	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
6b	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).		
7a	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 Yes	Yes	
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided? 7b Yes	Yes	
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? 7c		No
7d	If "Yes," indicate the number of Forms 8282 filed during the year 7d		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? 7e		No
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? 7f		No
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? 7g		
7h	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		No
9	Sponsoring organizations maintaining donor advised funds.		
9a	Did the organization make any taxable distributions under section 4966? 9a		No
9b	Did the organization make a distribution to a donor, donor advisor, or related person? 9b		No
10	Section 501(c)(7) organizations. Enter		
10a	Initiation fees and capital contributions included on Part VIII, line 12 10a		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities 10b		
11	Section 501(c)(12) organizations. Enter		
11a	Gross income from members or shareholders 11a		
11b	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		
12b	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.		
13a	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		
13b	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		
13c	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
14b	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 [X]

Section A. Governing Body and Management

Table with columns for question number, description, and Yes/No responses. Includes questions 1a, 1b, 2, 3, 4, 5, 6, 7a, 7b, 8a, 8b, and 9.

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

Table with columns for question number, description, and Yes/No responses. Includes questions 10a, 10b, 11a, 11b, 12a, 12b, 12c, 13, 14, 15a, 15b, 16a, and 16b.

Section C. Disclosure

- 17 List the States with which a copy of this Form 990 is required to be filed PA
18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
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. MATTHEW KOCIOLA 225 SOUTH CENTER AVENUE SOMERSET, PA (814) 443-5221

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

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

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

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

• List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation 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) BRUCE SHIPLEY CHAIRMAN	2 00 1 00	X		X			0	0	0	
(2) BOB BASTIAN 1ST VICE CHAIRMAN	2 00 1 00	X		X			0	0	0	
(3) VINCENT J JACOB 2ND VICE CHAIRMAN	2 00 1 00	X		X			0	0	0	
(4) CATHERINE POORBAUGH SECRETARY	2 00 2 00	X		X			0	0	0	
(5) BRAD COBER TREASURER	1 00 2 00	X		X			0	0	0	
(6) WILBUR A THOMAS ASST SECRETARY/TREASURER	2 00 2 00	X		X			0	0	0	
(7) NATHANIEL A BARBERA DIRECTOR	1 00 1 00	X					0	0	0	
(8) AJAY P SINGH MD DIRECTOR	1 00 1 00	X					0	244,002	14,290	
(9) MICHELLE MOON DIRECTOR	1 00 1 00	X					0	0	0	
(10) SHARON CLAPPER DIRECTOR	1 00 1 00	X					0	0	0	
(11) JOHN HARTMAN DIRECTOR	1 00 1 00	X					0	0	0	
(12) V KRISHNAN NAIR MD DIRECTOR	1 00 41 00	X					0	420,000	14,517	
(13) FREDERIC ROSEMAYER DIRECTOR	1 00 1 00	X					0	0	0	
(14) LINDA FETTEROLF DIRECTOR	1 00 1 00	X					0	0	0	
(15) MARK BOWER DIRECTOR	1 00 1 00	X					0	0	0	
(16) KRISTA MATHIAS DIRECTOR	1 00 1 00	X					0	0	0	
(17) RON ALDOM DIRECTOR	1 00 1 00	X					0	0	0	

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

(A) Name and Title	(B) Average hours per week (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) MICHAEL FARRELL CEO/PRESIDENT	29 00 11 00	X		X				303,456	0	14,238
(19) RONALD PARK CEO/PRESIDENT/CFO	29 00 11 00			X				217,818	0	21,146
(20) GEORGE GROF-TISZA MD PHYSICIAN	40 00					X		276,716	0	15,687
(21) JEFFERY LAVANIER MD PHYSICIAN	40 00					X		284,403	0	15,207
(22) ANIL PAREKH MD PHYSICIAN	40 00					X		311,450	0	16,321
(23) GEORGE THOMAS MD PHYSICIAN	40 00					X		279,056	0	17,715
(24) SHOMENDRA MOITRA MD PHYSICIAN	40 00					X		378,452	0	3,255
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								2,051,351	664,002	132,376

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 **25**

	Yes	No
3 Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		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? <i>If "Yes," complete Schedule J for such individual</i>	Yes	
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		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
HOSPITALIST MEDICINE PHYSICIANS OF PA PO BOX 645037 CINCINNATI OH 45264	HOSPITALIST GROUP	1,011,212
NCA CORPORATION 816 GRAMAC LANE PITTSBURGH PA 15235	ANESTHESIOLOGY SERVICES	681,255
WESTERN HEALTHCARE LLC PO BOX 203152 DALLAS TX 75320	PHYSICIAN STAFFING SERVICES	390,960
NURSEPRO PLUS LLC 44 HILLTOP LANE MORGANTOWN WV 26508	NURSING STAFFING	157,525
B&B CONTRACTORS 409 STOYTOWN ROAD SOMERSET PA 15501	CONTRACTOR	151,717

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 **11**

Part VIII Statement of Revenue

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

		(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, Gifts, Grants and Other Similar Amounts	1a Federated campaigns 1a _____					
	b Membership dues 1b _____					
	c Fundraising events 1c _____ 18,720					
	d Related organizations 1d _____ 105,000					
	e Government grants (contributions) 1e _____					
	f All other contributions, gifts, grants, and similar amounts not included above 1f _____ 50,000					
	g Noncash contributions included in lines 1a-1f \$ _____					
	h Total. Add lines 1a-1f ▶		173,720			
Program Service Revenue	2a NET PATIENT REVENUE		Business Code			
		900099	64,582,512	64,582,512		
	b MISC PATIENT REVENUE	900099	457,598	441,317	16,281	
	c PHARMACY SALES	900099	256,487	256,487		
	d MEDICAL RECORDS	900099	37,702	37,702		
	e _____					
	f All other program service revenue					
g Total. Add lines 2a-2f ▶		65,334,299				
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts) ▶		385,501		385,501	
	4 Income from investment of tax-exempt bond proceeds ▶					
	5 Royalties ▶					
	6a Gross rents	(i) Real	422,211			
		b Less rental expenses	380,439			
		c Rental income or (loss)	41,772			
		d Net rental income or (loss) ▶		41,772		41,772
	7a Gross amount from sales of assets other than inventory	(i) Securities	3,065,595	17,990		
		b Less cost or other basis and sales expenses	2,677,967	0		
		c Gain or (loss)	387,628	17,990		
		d Net gain or (loss) ▶		405,618		405,618
	8a Gross income from fundraising events (not including \$ 18,720 of contributions reported on line 1c) See Part IV, line 18 a					
		b Less direct expenses b		58,960		
		c Net income or (loss) from fundraising events ▶		28,626		28,626
	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 ASSETS RELEASED FROM RESTRICTION	900099	252,711			252,711	
b GAIN ON INVESTMENTS IN EQUITY INV	900099	192,115			192,115	
c OTHER OPERATING REVENUE	900099	134,990			134,990	
d All other revenue		153,858		45,000	108,858	
e Total. Add lines 11a-11d ▶		733,674				
12 Total revenue. See Instructions ▶		67,103,210	65,318,018	61,281	1,550,191	

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.				
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.				
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	25,699,529	20,276,928	5,422,601	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).				
9	Other employee benefits.	4,318,418	3,407,232	911,186	
10	Payroll taxes.	1,898,904	1,498,235	400,669	
11	Fees for services (non-employees)				
a	Management.				
b	Legal.	178,748		178,748	
c	Accounting.	71,151		71,151	
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).	5,009,476	3,952,477	1,056,999	
12	Advertising and promotion.	299,553	236,347	63,206	
13	Office expenses.	644,351	508,393	135,958	
14	Information technology.				
15	Royalties.				
16	Occupancy.	1,196,455	944,003	252,452	
17	Travel.	138,774	109,493	29,281	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	12,456	9,828	2,628	
20	Interest.	491,601	387,873	103,728	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	4,121,014	3,251,480	869,534	
23	Insurance.	479,262	378,138	101,124	
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	MEDICAL SUPPLIES	11,082,968	11,082,968		
b	PHYSICIAN FEES	3,299,700	3,299,700		
c	BAD DEBT	2,846,941	2,846,941		
d	EQUIPMENT RENTAL & MAIN	1,281,237	1,010,896	270,341	
e	All other expenses	1,538,480	1,213,861	324,619	
25	Total functional expenses. Add lines 1 through 24e.	64,609,018	54,414,793	10,194,225	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 <input type="checkbox"/> 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		1		
	2 Savings and temporary cash investments	11,060,995	2	9,577,788	
	3 Pledges and grants receivable, net		3		
	4 Accounts receivable, net	5,167,311	4	6,532,459	
	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	146,000	7	146,000	
	8 Inventories for sale or use	943,230	8	938,867	
	9 Prepaid expenses and deferred charges	313,239	9	330,608	
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	95,276,118			
	b Less accumulated depreciation	60,489,293	34,723,689	10c	34,786,825
	11 Investments—publicly traded securities		11		
	12 Investments—other securities See Part IV, line 11	19,770,270	12	21,619,872	
	13 Investments—program-related See Part IV, line 11		13		
	14 Intangible assets		14		
	15 Other assets See Part IV, line 11	545,913	15	533,309	
16 Total assets. Add lines 1 through 15 (must equal line 34)	72,670,647	16	74,465,728		
Liabilities	17 Accounts payable and accrued expenses	8,700,272	17	10,924,737	
	18 Grants payable		18		
	19 Deferred revenue		19		
	20 Tax-exempt bond liabilities	15,803,000	20	15,110,000	
	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	3,675,383	23	3,477,720	
	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	16,022,943	25	12,118,607	
	26 Total liabilities. Add lines 17 through 25	44,201,598	26	41,631,064	
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.				
	27 Unrestricted net assets	28,225,518	27	32,691,684	
	28 Temporarily restricted net assets	223,531	28	122,980	
	29 Permanently restricted net assets	20,000	29	20,000	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> 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	28,469,049	33	32,834,664		
34 Total liabilities and net assets/fund balances	72,670,647	34	74,465,728		

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	67,103,210
2	Total expenses (must equal Part IX, column (A), line 25)	2	64,609,018
3	Revenue less expenses Subtract line 2 from line 1	3	2,494,192
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	28,469,049
5	Net unrealized gains (losses) on investments	5	966,435
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	904,988
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	32,834,664

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 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		No
2b Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	Yes	
2c If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
3a As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	Yes	
3b If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	Yes	

SCHEDULE A
(Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2012

Open to Public Inspection

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

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

Name of the organization
SOMERSET COMMUNITY HOSPITAL

Employer identification number

25-0965570

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

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

- 1 A church, convention of churches, or association of churches 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?
 (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?
 (ii) A family member of a person described in (i) above?
 (iii) A 35% controlled entity of a person described in (i) or (ii) above?
- h Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of monetary support
			Yes	No	Yes	No	Yes	No	
Total									

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

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

Section B. Total Support

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

Section C. Computation of Public Support Percentage

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

Part 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 <input type="checkbox"/>						

Section C. Computation of Public Support Percentage

15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	

- 19a 33 1/3% support tests—2012.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization
- b 33 1/3% support tests—2011.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization
- 20 Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions

Part IV **Supplemental Information.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE C (Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury Internal Revenue Service

For Organizations Exempt From Income Tax Under section 501(c) and section 527
Complete if the organization is described below. Attach to Form 990 or Form 990-EZ.
See separate instructions.

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

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

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

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

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

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

Table with 2 columns: Name of the organization (SOMERSET COMMUNITY HOSPITAL) and Employer identification number (25-0965570)

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

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

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

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

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

- 1 Enter the amount directly expended by the filing organization for section 527 exempt function activities \$
2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities \$
3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b \$
4 Did the filing organization file Form 1120-POL for this year? Yes No
5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments

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

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)														
b Total lobbying expenditures to influence a legislative body (direct lobbying)														
c Total lobbying expenditures (add lines 1a and 1b)														
d Other exempt purpose expenditures														
e Total exempt purpose expenditures (add lines 1c and 1d)														
f Lobbying nontaxable amount Enter the amount from the following table in both columns														
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;">If the amount on line 1e, column (a) or (b) is:</th> <th style="width: 65%;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000</td> </tr> </tbody> </table>	If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:													
Not over \$500,000	20% of the amount on line 1e													
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000													
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000													
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000													
Over \$17,000,000	\$1,000,000													
g Grassroots nontaxable amount (enter 25% of line 1f)														
h Subtract line 1g from line 1a If zero or less, enter -0-														
i Subtract line 1f from line 1c If zero or less, enter -0-														
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No												

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

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

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

	(a)		(b)
	Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a Volunteers?		No	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c Media advertisements?		No	
d Mailings to members, legislators, or the public?		No	
e Publications, or published or broadcast statements?		No	
f Grants to other organizations for lobbying purposes?		No	
g Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		78,752
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i Other activities?	Yes		15,347
j Total Add lines 1c through 1i			94,099
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

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

SCHEDULE D (Form 990)

OMB No 1545-0047

Supplemental Financial Statements

2012

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization SOMERSET COMMUNITY HOSPITAL

Employer identification number

25-0965570

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

Table with 3 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows include: 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...?, 6 Did the organization inform all grantees...?

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

Form with multiple sections: 1 Purpose(s) of conservation easements, 2 Complete lines 2a through 2d if the organization held a qualified conservation contribution..., 3 Number of conservation easements modified..., 4 Number of states where property subject to conservation easement is located..., 5 Does the organization have a written policy..., 6 Staff and volunteer hours..., 7 Amount of expenses..., 8 Does each conservation easement..., 9 In Part XIII, describe how the organization reports...

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

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.

Form with multiple sections: 1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report..., 1b If the organization elected, as permitted under SFAS 116 (ASC 958), to report..., 2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain...

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

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

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

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

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

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

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

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

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

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

b If "Yes," explain the arrangement in Part 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	17,944,843				
b Contributions					
c Net investment earnings, gains, and losses	1,838,563				
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	19,783,406				

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

- a** Board designated or quasi-endowment 100.000 %
 - 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) Yes	
(ii) related organizations	3a(ii)	No
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		3,234,956		3,234,956
b Buildings		50,309,263	27,415,195	22,894,068
c Leasehold improvements				
d Equipment		41,551,815	33,074,098	8,477,717
e Other		180,084		180,084
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				34,786,825

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 INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	THE BOARD DESIGNATED ENDOWMENT ARE ASSETS SET ASIDE BY THE BOARD OF DIRECTORS FOR DESIGNATED PURPOSES OVER WHICH THE BOARD RETAINS CONTROL AND MAY AT ITS DISCRETION SUBSEQUENTLY USE FOR OTHER PURPOSE

SCHEDULE G (Form 990 or 990-EZ)

Supplemental Information Regarding Fundraising or Gaming Activities

OMB No 1545-0047

2012

Open to Public Inspection

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than \$15,000 on Form 990-EZ, line 6a. Form 990-EZ filers are not required to complete this part.

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

Department of the Treasury Internal Revenue Service

Name of the organization SOMERSET COMMUNITY HOSPITAL

Employer identification number 25-0965570

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

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

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

2a Did the organization have a written or oral agreement with any individual... Yes No

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization

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

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

Part II Fundraising Events. Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than \$5,000.

		(a) Event #1	(b) Event #2	(c) Other events	(d) Total events
		<u>GOLF OUTING</u>			(add col (a) through col (c))
		(event type)	(event type)	(total number)	
Revenue	1 Gross receipts	77,680			77,680
	2 Less Contributions	18,720			18,720
	3 Gross income (line 1 minus line 2)	58,960			58,960
Direct Expenses	4 Cash prizes	13,730			13,730
	5 Noncash prizes				
	6 Rent/facility costs	9,711			9,711
	7 Food and beverages	6,159			6,159
	8 Entertainment				
	9 Other direct expenses	734			734
	10 Direct expense summary Add lines 4 through 9 in column (d) ▶				(30,334)
11 Net income summary Combine line 3, column (d), and line 10 ▶				28,626	

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

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

9 Enter the state(s) in which the organization operates gaming activities _____

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

b If "No," explain _____

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

b If "Yes," explain _____

Does the organization operate gaming activities with nonmembers? Yes No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? Yes No

13 Indicate the percentage of gaming activity operated in

a The organization's facility	13a	
b An outside facility	13b	

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

Name ▶

Address ▶

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

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

c If "Yes," enter name and address of the third party

Name ▶

Address ▶

16 Gaming manager information

Name ▶

Gaming manager compensation ▶ \$

Description of services provided ▶

Director/officer Employee Independent contractor

17 Mandatory distributions

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? Yes No

b Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ \$ _____

Part IV Supplemental Information. Complete this part to provide the explanations required by Part I, line 2b, columns (iii) and (v), and Part III, lines 9, 9b, 10b, 15b, 15c, 16, and 17b, as applicable. Also complete this part to provide any additional information (see instructions).

Identifier	Return Reference	Explanation
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SCHEDULE H (Form 990)

Hospitals

OMB No 1545-0047

2012

Open to Public Inspection

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

Department of the Treasury Internal Revenue Service

Name of the organization SOMERSET COMMUNITY HOSPITAL

Employer identification number 25-0965570

Part I Financial Assistance and Certain Other Community Benefits at Cost

1a Did the organization have a financial assistance policy during the tax year? 1b If "Yes," was it a written policy? 2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy... 3a Did the organization use Federal Poverty Guidelines (FPG) as a factor... 3b Did the organization use FPG as a factor... 4 Did the organization's financial assistance policy... 5a Did the organization budget amounts... 5b If "Yes," did the organization's financial assistance expenses exceed... 5c If "Yes" to line 5b... 6a Did the organization prepare a community benefit report... 6b If "Yes," did the organization make it available to the public?

7 Financial Assistance and Certain Other Community Benefits at Cost

Table with 7 columns: (a) Number of activities or programs (optional), (b) Persons served (optional), (c) Total community benefit expense, (d) Direct offsetting revenue, (e) Net community benefit expense, (f) Percent of total expense. Rows include Financial Assistance and Means-Tested Government Programs, and Other Benefits.

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
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						

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 Healthcare Financial Management Association Statement No 15?	1		No
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		
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 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	12,721,605
6 Enter Medicare allowable costs of care relating to payments on line 5	6	13,570,258
7 Subtract line 6 from line 5. This is the surplus (or shortfall)	7	-848,653
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: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

9a Did the organization have a written debt collection policy during the tax year?	9a	Yes
9b 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				
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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	SOMERSET COMMUNITY HOSPITAL 225 SOUTH CENTER AVENUE SOMERSET, PA 15501	X	X					X			

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

SOMERSET COMMUNITY HOSPITAL

Name of hospital facility or facility reporting group _____

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	Yes	
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input checked="" type="checkbox"/> How data was obtained		
e	<input checked="" type="checkbox"/> The health needs of the community		
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA <u>2012</u>		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted.	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		No
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	Yes	
a	<input checked="" type="checkbox"/> Hospital facility's website		
b	<input checked="" type="checkbox"/> Available upon request from the hospital facility		
c	<input type="checkbox"/> 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	<input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input checked="" type="checkbox"/> Execution of the implementation strategy		
c	<input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d	<input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input checked="" type="checkbox"/> Prioritization of health needs in its community		
h	<input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input checked="" type="checkbox"/> 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.		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)?		No
8b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V Facility Information (continued)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9 Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	10 Yes	
11	Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	11 Yes	
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12 Yes	
a	<input type="checkbox"/> Income level		
b	<input type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input checked="" type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input type="checkbox"/> Medicaid/Medicare		
g	<input type="checkbox"/> State regulation		
h	<input type="checkbox"/> Other (describe in Part VI)		
13	Explained the method for applying for financial assistance?	13 Yes	
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14 Yes	
a	<input type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to billing invoices		
c	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available upon request		
g	<input type="checkbox"/> 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	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	17	No
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> 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

19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?

If "No," indicate why

- a** The hospital facility did not provide care for any emergency medical conditions
- b** The hospital facility's policy was not in writing
- c** The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d** Other (describe in Part VI)

	Yes	No
19	Yes	

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

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care

- a** The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b** The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c** The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d** Other (describe in Part VI)

21 During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?

If "Yes," explain in Part VI

22 During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual?

If "Yes," explain in Part VI

21		No
22		No

Part V Facility Information *(continued)***Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility**

(list in order of size, from largest to smallest)

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

1

Name and address	Type of Facility (describe)
1 THE WHEELER CENTER 126 EAST CHURCH STREET SOMERSET, PA 15501	OUTPATIENT REHABILITATION
2	
3	
4	
5	
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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 A COST-TO-CHARGE RATIO CALCULATED FROM WORKSHEET 2, RATIO OF PATIENT CARE COSTS-TO-CHARGES IS THE COSTING METHODOLOGY USED TO DETERMINE THE AMOUNTS REPORTED ON PART I, LINE 7
		PART I, LINE 7G SUBSIDIZED HEALTH SERVICES INCLUDED IN FISCAL YEAR 2013 WERE BEHAVIORAL HEALTH AND COUMADIN CLINIC

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) THE BAD DEBT EXPENSE OF 2,846,941 INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN A WAS SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE OF TOTAL EXPENSES
		PART III, LINE 4 THE PROVISION FOR BAD DEBTS IS BASED UPON MANAGEMENT'S ASSESSMENT OF HISTORICAL AND EXPECTED NET COLLECTIONS CONSIDERING BUSINESS AND ECONOMIC CONDITIONS, TRENDS IN HEALTH CARE COVERAGE, AND OTHER COLLECTION INDICATORS PERIODICALLY THROUGHOUT THE YEAR, MANAGEMENT ASSESSES THE ADEQUACY OF THE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS BASED UPON HISTORICAL WRITE-OFF EXPERIENCE BY PAYOR THE RESULTS OF THIS REVIEW ARE THEN USED TO MAKE MODIFICATIONS TO THE PROVISION FOR BAD DEBTS TO ESTABLISH AN APPROPRIATE ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Identifier	ReturnReference	Explanation
		PART III, LINE 9B SOMERSET HOSPITAL GENERALLY DESIGNATES SERVICES AS "CHARITY CARE" BASED ON AN INDIVIDUAL'S ABILITY TO PAY SOMERSET HOSPITAL OFFERS PAYMENT PLANS AND ASSISTS INDIVIDUALS IN APPLYING FOR THE STATE'S MEDICAL ASSISTANCE PROGRAM
SOMERSET COMMUNITY HOSPITAL		PART V, SECTION B, LINE 3 TO SUPPORT THE CHNA PROCESS, THE HOSPITAL ASSEMBLED A STEERING COMMITTEE THAT INCLUDED A DIVERSE GROUP OF COMMUNITY LEADERS REPRESENTING VARIOUS FACETS OF THE COMMUNITY THE STEERING GROUP AND CONSULTING TEAM MADE SIGNIFICANT EFFORTS TO ENSURE THAT THE ENTIRE PRIMARY SERVICE TERRITORY, ALL SOCIO-DEMOGRAPHIC GROUPS AND ALL UNDERREPRESENTED POPULATIONS WERE INCLUDED IN THE STUDY TO THE EXTENT POSSIBLE GIVEN THE RESOURCE CONSTRAINTS OF THE PROJECT THIS WAS ACCOMPLISHED BY IDENTIFYING FOCUS GROUPS AND KEY STAKEHOLDERS THAT REPRESENTED VARIOUS SUBGROUPS IN THE COMMUNITY IN ADDITION, THE PROCESS INCLUDED PUBLIC HEALTH PARTICIPATION AND INPUT, THROUGH EXTENSIVE USE OF PA HEALTH DEPARTMENT AND CENTERS FOR DISEASE CONTROL DATA

Identifier	ReturnReference	Explanation
SOMERSET COMMUNITY HOSPITAL		PART V, SECTION B, LINE 6I THE ORGANIZATION HAS DEVELOPED AND ADOPTED AN IMPLEMENTATION STRATEGY TO ADDRESS THE NEEDS IDENTIFIED WITHIN THE CHNA THIS DOCUMENT IS AVAILABLE ON THE ORGANIZATION'S WEBSITE USING THIS SPECIFIC LINK HTTP //WWW SOMERSETHOSPITAL COM/HEALTH_INFORMATION/COMMUNITY_HEALTH_NEEDS_ASSESSMENT ASPX
SOMERSET COMMUNITY HOSPITAL		PART V, SECTION B, LINE 7 THE FOLLOWING NEEDS HAVE BEEN IDENTIFIED, BUT ARE NOT CURRENTLY BEING ADDRESSED THROUGH THE CHNA FLU/PNEUMONIA, CANCER, EARLY SCREENING, TOBACCO USE DURING PREGNANCY, ACCESS TO MENTAL HEALTH SERVICES, ASTHMA, DENTAL CARE, DEPRESSION, FALLS, INSURANCE/AFFORDABILITY OF HEALTH CARE/COPAYS, MOTOR VEHICLE CRASH DEATHS/SEATBELT USE, SENIOR SERVICES, AIR/WATER QUALITY, TRANSPORTATION TO/FROM MEDICAL SERVICES, DELINQUENCY/CRIME/VIOLENCE, AND POVERTY/LACK OF JOBS/UNEMPLOYMENT THE PROCESS OF SELECTING THE NEEDS THAT WERE GOING TO BE ADDRESSED INVOLVED A STEERING COMMITTEE, MADE UP OF COMMUNITY LEADERS FROM VARIOUS SECTORS, VOTING ON ALL OF THE ISSUES BASED ON THE MAGNITUDE OF THE PROBLEM, THE DEGREE TO WHICH THE HOSPITAL SHOULD BE HELD ACCOUNTABLE FOR THE PROBLEM AND THE HOSPITAL'S CAPACITY TO SOLVE THE PROBLEM THE FOLLOWING ISSUES WERE IDENTIFIED AS LARGE PROBLEMS IN THE COMMUNITY, BUT WERE BEYOND THE HOSPITAL'S CAPACITY TO SOLVE OR THE STEERING COMMITTEE FELT THAT THE HOSPITAL COULD NOT BE HELD ACCOUNTABLE FOR THE NEEDS POVERTY/LACK OF JOBS/UNEMPLOYMENT, TRANSPORTATION TO/FROM MEDICAL SERVICES, SENIOR SERVICES, INSURANCE/AFFORDABILITY OF HEALTH CARE/COPAYS, DELINQUENCY/CRIME/VIOLENCE AND MOTOR VEHICLE CRASH DEATHS/SEATBELT USE MANY OF THESE NEEDS MAY BE ADDRESSED THROUGH OTHER AGENCIES IN THE COMMUNITY THE ISSUES THAT ARE IDENTIFIED AS A NEED, BUT DETERMINED TO NOT BE THE LARGEST PROBLEMS IN THE COMMUNITY ARE FLU/PNEUMONIA, CANCER, EARLY SCREENING, TOBACCO USE DURING PREGNANCY, ACCESS TO MENTAL HEALTH SERVICES, ASTHMA, DENTAL CARE, DEPRESSION, FALLS AND AIR/WATER QUALITY

Identifier	ReturnReference	Explanation
SOMERSET COMMUNITY HOSPITAL		<p>PART V, SECTION B, LINE 20D IN DETERMINING A REASONABLE AND FAIR LEVEL OF ASSISTANCE, SOMERSET HOSPITAL WILL APPLY A SLIDING SCALE IF A PATIENT'S INCOME FALLS AT OR BELOW 400% OF THE FEDERAL POVERTY GUIDELINES, THE PATIENT IS ELIGIBLE TO RECEIVE SOME FORM OF FINANCIAL ASSISTANCE -IF A PATIENT'S INCOME FALLS AT OR BELOW 200% OF THE FEDERAL POVERTY GUIDELINES, THE PATIENT WILL HAVE NO FINANCIAL RESPONSIBILITY FOR CARE PROVIDED, THE FEES FOR SOMERSET HOSPITAL ARE COMPLETELY WAIVED -IF A PATIENT'S INCOME FALLS BETWEEN 201% AND 300% OF THE FEDERAL POVERTY GUIDELINES, THE PATIENT IS ELIGIBLE FOR FINANCIAL ASSISTANCE IN THE FORM OF 80% REDUCTION IN CHARGES THIS MEANS THAT THE FEES FOR SOMERSET HOSPITAL SERVICES ARE LIMITED TO A MAXIMUM OF 20% OF THE CHARGES -IF A PATIENT'S INCOME FALLS BETWEEN 301% AND 400% OF FEDERAL POVERTY GUIDELINES, THE PATIENT IS ELIGIBLE FOR FINANCIAL ASSISTANCE IN THE FORM OF A 70% REDUCTION IN CHARGES THIS MEANS THAT THE FEES FOR SOMERSET HOSPITAL SERVICES ARE LIMITED TO A MAXIMUM OF 30% OF THE CHARGES -IF A PATIENT'S INCOME FALLS ABOVE 401% OF THE FEDERAL POVERTY GUIDELINES AND IS UNINSURED, THE PATIENT IS ELIGIBLE FOR SELF PAY DISCOUNT SUBJECT TO CURRENT POLICY IN PLACE AT SOMERSET HOSPITAL OR AFFILIATE ENTITY</p>
		<p>PART V, SECTION B, LINE 2 THE CHNA WAS LAST CONDUCTED DURING THE ORGANIZATION'S 2012 TAX YEAR, WHICH IS EQUIVALENT TO ITS FISCAL YEAR ENDED JUNE 30, 2013 THE IMPLEMENTATION STRATEGY WAS ALSO ADOPTED DURING THAT SAME FISCAL YEAR</p>

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 2 DURING FISCAL YEAR 2013, SOMERSET COMMUNITY HOSPITAL CONDUCTED A COUNTY-WIDE COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) THE STUDY WAS CONDUCTED TO IDENTIFY THE MOST IMPORTANT HEALTH ISSUES WHICH NEED TO BE ADDRESSED THE CHNA LOOKS AT HEALTH STATUS, BARRIERS TO CARE, AND OTHER DEMOGRAPHIC AND SOCIAL ISSUES AFFECTING PEOPLE AND ORGANIZATIONS THROUGHOUT SOMERSET COUNTY THE REPORT IS AIMED AT ASSISTING SOMERSET HOSPITAL IN MAKING DECISIONS ABOUT THE FUTURE OF HEALTHCARE AND PREVENTION THREE ISSUES OF CONCERN THAT WERE IDENTIFIED WERE CHILDHOOD OBESITY, CHILDHOOD SELF-ESTEEM AND DIABETES OVER THE NEXT SEVERAL MONTHS, SOMERSET HOSPITAL WILL BE WORKING ON IDEAS TO IMPROVE HEALTH CHALLENGES ASSOCIATED WITH THESE HEALTH CONCERNS</p>
		<p>PART VI, LINE 3 THROUGH SIGNAGE POSTED IN THE HOSPITAL'S INFORMATION CENTER, ADMISSIONS DEPARTMENT, EMERGENCY ROOM AND CREDIT OFFICE, THE PUBLIC IS PROVIDED WITH THE ORGANIZATION'S POLICY OF PROVIDING CARE REGARDLESS OF ABILITY TO PAY ADDITIONALLY, PUBLIC NOTICES ADVERTISED IN THE DAILY AMERICAN, TRIBUNE DEMOCRAT AND MEYERSDALE REPUBLIC CALL ATTENTION TO THE HOSPITAL'S OPEN ADMISSIONS POLICY SOMERSET HOSPITAL GENERALLY DESIGNATES SERVICES AS "CHARITY CARE" AFTER BILLING BASED ON AN INDIVIDUAL'S ABILITY TO PAY, SOMERSET HOSPITAL OFFERS PAYMENT PLANS AND ASSISTS INDIVIDUALS IN APPLYING FOR THE STATE'S MEDICAL ASSISTANCE PROGRAM SELF-PAY PATIENTS ARE REQUESTED TO PROVIDE PARTIAL PRE-PAYMENT FOR SERVICES RENDERED BY THE HOSPITAL HOWEVER, SERVICES BY SOMERSET HOSPITAL ARE PROVIDED WITHOUT REGARD TO AN INDIVIDUAL'S ABILITY TO PAY</p>

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 4 SOMERSET HOSPITAL SERVES RESIDENTS IN SOMERSET COUNTY, PENNSYLVANIA SOMERSET COUNTY IS A RURAL AREA WITH A POPULATION OF APPROXIMATELY 77,000 AND LAND AREA OF 1075 SQUARE MILES THE COST OF LIVING IS BELOW THE NATIONAL AVERAGE AND THE ESTIMATED MEDIAN HOUSEHOLD INCOME IS \$39,362 WHICH IS ALSO BELOW THE PENNSYLVANIA AVERAGE APPROXIMATELY 13% OF SOMERSET RESIDENTS LIVE IN POVERTY</p>
		<p>PART VI, LINE 5 SOMERSET HOSPITAL IS A NOT-FOR-PROFIT COMMUNITY ASSET COMMITTED TO PROVIDING CARE TO THE SICK AND INJURED, PRESERVING AND SUSTAINING LIFE, AND PROMOTING HEALTH AND WELL BEING, TO THE PROMOTION AND DEVELOPMENT OF COMPLEMENTARY PROGRAMS AND SERVICES, MANPOWER AND FACILITIES, TO THE CONTINUOUS IMPROVEMENT OF QUALITY, ACCESSIBILITY AND CONTINUITY OF PATIENT CARE, TO THE WELFARE AND LIVELIHOOD OF ITS EMPLOYEES, TO ENSURING THE HOSPITAL'S FINANCIAL VIABILITY NECESSARY TO MEET THE HEALTHCARE NEEDS OF THE COMMUNITY AND REGION TODAY AND IN THE FUTURE SOMERSET HOSPITAL PROVIDES QUALITY HEALTH CARE IN A COMPASSIONATE MANNER REGARDLESS OF RACE, CREED, SEX, NATIONAL ORIGIN, HANDICAP, AGE OR THE PATIENT'S ABILITY TO PAY ALTHOUGH REIMBURSEMENT FOR SERVICES RENDERED IS CRITICAL TO THE OPERATION AND STABILITY OF SOMERSET HOSPITAL, THE HOSPITAL, UNDER ITS WRITTEN CHARITY CARE POLICY, IS COMMITTED TO PROVIDING NECESSARY HEALTH CARE SERVICES AT NO CHARGE OR AT A REDUCED CHARGE TO PATIENTS THE HOSPITAL USES ANY EXCESS IN REVENUES OVER EXPENSES TO FUND IMPROVEMENTS IN PATIENT CARE IN ORDER TO PROVIDE THE COMMUNITY WITH STATE OF THE ART EQUIPMENT AND FACILITIES THE HOSPITAL RECRUITS THE BEST AND THE BRIGHTEST TO PROVIDE SERVICES TO THE COMMUNITY WHERE THERE IS A NEED AND A SHORTAGE OF PHYSICIANS THE HOSPITAL EXTENDS MEDICAL PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY THE GOVERNING BODY IS COMPRISED OF LOCAL RESIDENTS WHO HAVE THE BEST INTEREST OF THE COMMUNITY A MAJORITY OF THE GOVERNING BODY CONSISTS OF INDIVIDUALS WHO ARE NEITHER EMPLOYEES OF THE ORGANIZATION NOR CONTRACTORS OF THE ORGANIZATION</p>

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2012

Open to Public Inspection

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

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

▶ Attach to Form 990. ▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

Name of the organization
SOMERSET COMMUNITY HOSPITAL

Employer identification number

25-0965570

Part I Questions Regarding Compensation

- 1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items
- | | |
|--|--|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (e g , maid, chauffeur, chef) |

b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

3 Indicate which, if any, of the following the 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

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

4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization

- a** Receive a severance payment or change-of-control payment?
- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?
- c** Participate in, or receive payment from, an equity-based compensation arrangement?
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.

5 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of

- a** The organization?
- b** Any related organization?

If "Yes," to line 5a or 5b, describe in Part III

6 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of

- a** The organization?
- b** Any related organization?

If "Yes," to line 6a or 6b, describe in Part III

7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III

8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1b		
2		
4a		No
4b		No
4c		No
5a		No
5b		No
6a		No
6b		No
7		No
8		No
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) AJAY P SINGH MD DIRECTOR	(i)	0	0	0	0	0	0	0
	(ii)	230,000	14,002	0	0	14,290	258,292	0
(2) V KRISHNAN NAIR MD DIRECTOR	(i)	0	0	0	0	0	0	0
	(ii)	420,000	0	0	0	14,517	434,517	0
(3) MICHAEL FARRELL CEO/PRESIDENT	(i)	303,456	0	0	5,000	9,238	317,694	0
	(ii)	0	0	0	0	0	0	0
(4) RONALD PARK CEO/PRESIDENT/CFO	(i)	217,818	0	0	4,531	16,615	238,964	0
	(ii)	0	0	0	0	0	0	0
(5) GEORGE GROF- TISZA MD PHYSICIAN	(i)	276,716	0	0	0	15,687	292,403	0
	(ii)	0	0	0	0	0	0	0
(6) JEFFERY LAVANIER MD PHYSICIAN	(i)	284,403	0	0	0	15,207	299,610	0
	(ii)	0	0	0	0	0	0	0
(7) ANIL PAREKH MD PHYSICIAN	(i)	311,450	0	0	0	16,321	327,771	0
	(ii)	0	0	0	0	0	0	0
(8) GEORGE THOMAS MD PHYSICIAN	(i)	279,056	0	0	0	17,715	296,771	0
	(ii)	0	0	0	0	0	0	0
(9) SHOMENDRA MOITRA MD PHYSICIAN	(i)	378,452	0	0	0	3,255	381,707	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 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
------------	------------------	-------------

Software ID:
Software Version:
EIN: 25-0965570
Name: SOMERSET COMMUNITY HOSPITAL

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				
AJAY P SINGH MD	(i) 0 (ii) 230,000	0 14,002	0 0	0 0	0 14,290	0 258,292	0 0
V KRISHNAN NAIR MD	(i) 0 (ii) 420,000	0 0	0 0	0 0	0 14,517	0 434,517	0 0
MICHAEL FARRELL	(i) 303,456 (ii) 0	0 0	0 0	5,000 0	9,238 0	317,694 0	0 0
RONALD PARK	(i) 217,818 (ii) 0	0 0	0 0	4,531 0	16,615 0	238,964 0	0 0
GEORGE GROF-TISZA MD	(i) 276,716 (ii) 0	0 0	0 0	0 0	15,687 0	292,403 0	0 0
JEFFERY LAVANIER MD	(i) 284,403 (ii) 0	0 0	0 0	0 0	15,207 0	299,610 0	0 0
ANIL PAREKH MD	(i) 311,450 (ii) 0	0 0	0 0	0 0	16,321 0	327,771 0	0 0
GEORGE THOMAS MD	(i) 279,056 (ii) 0	0 0	0 0	0 0	17,715 0	296,771 0	0 0
SHOMENDRA MOITRA MD	(i) 378,452 (ii) 0	0 0	0 0	0 0	3,255 0	381,707 0	0 0

**Schedule K
(Form 990)**

OMB No 1545-0047

Supplemental Information on Tax Exempt Bonds

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

▶ Attach to Form 990. ▶ See separate instructions.

2012

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Name of the organization
SOMERSET COMMUNITY HOSPITAL

Employer identification number
25-0965570

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	SOMERSET COUNTY HOSPITAL AUTHORITY	25-6001040		04-27-2009	3,590,000	REPAYMENT OF NOTE		X		X		X
B	SOMERSET COUNTY HOSPITAL AUTHORITY	25-6001040		12-23-2010	17,471,000	REFUND SERIES 1997A, SERIES 2002A, SERIES 2007A, AND SERIES 2007B BONDS		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired	805,280		1,668,000					
2	Amount of bonds legally defeased								
3	Total proceeds of issue	3,590,000		17,471,000					
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	66,780		86,232					
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds								
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion								
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?		X		X				
15	Were the bonds issued as part of an advance refunding issue?	X		X					
16	Has the final allocation of proceeds been made?	X		X					
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X					

Part III Private Business Use

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

Part III Private Business Use (Continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use of bond-financed property?		X		X				
b If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c Are there any research agreements that may result in private business use of bond-financed property?		X		X				
d If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 00000%							
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 00000%							
6 Total of lines 4 and 5	0 00000%							
7 Does the bond issue meet the private security or payment test?		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				
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				

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					
2 If "No" to line 1, did the following apply?								
a Rebate not due yet?								
b Exception to rebate?								
c No rebate due?								
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					
4a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X	X					
b Name of provider	PNC BANK		PNC BANK					
c Term of hedge	7 000000000000		7 000000000000					
d Was the hedge superintegrated?		X		X				
e Was a hedge terminated?		X		X				

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				
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				
7 Has the organization established written procedures to monitor the requirements of section 148?		X		X				

Part V Procedures To Undertake Corrective Action

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?		X		X				

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

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

Transactions with Interested Persons

OMB No 1545-0047

2012

Open to Public Inspection

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

Department of the Treasury Internal Revenue Service

Name of the organization SOMERSET COMMUNITY HOSPITAL

Employer identification number 25-0965570

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

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

Table with 4 main columns: (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

Table with 9 main columns: (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)

Part III Grants or Assistance Benefitting Interested Persons.

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

Table with 5 main columns: (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) ANN COBER	BRAD COBER, DIRECTOR - FAMILY MEMBER	98,261	EMPLOYEE OF SOMERSET COMMUNITY HOSPITAL		No
(2) JILLIAN THOMAS	WILBUR A THOMAS, DIRECTOR - FAMILY MEMBER	19,732	EMPLOYEE OF SOMERSET COMMUNITY HOSPITAL		No
(3) JOYCE FARRELL	MICHAEL FARRELL, CEO/PRESIDENT - FAMILY MEMBER	67,127	EMPLOYEE OF SOMERSET COMMUNITY HOSPITAL		No
(4) MIKE PETROSKY	MICHELLE MOON, ASST SECRETARY/TREASURER - FAMILY MEMBER	57,138	EMPLOYEE OF SOMERSET COMMUNITY HOSPITAL		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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
SOMERSET COMMUNITY HOSPITAL

Employer identification number

25-0965570

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	
	FORM 990, PART VI, SECTION A, LINE 7A	THE BOARD MEMBERS OF SOMERSET COMMUNITY HOSPITAL MUST BE APPROVED BY SOMERSET COMMUNITY HOSPITAL FOUNDATION
	FORM 990, PART VI, SECTION B, LINE 11	SOMERSET COMMUNITY HOSPITAL HAS A CPA FIRM PREPARE ITS FORM 990 THE RETURN IS COMPLETED I N DRAFT FORM AND REVIEWED BY MANAGEMENT OF THE ORGANIZATION THE RETURN IS THEN FINALIZED AND THE BOARD IS PROVIDED A COPY OF THE FORM 990 BEFORE IT IS FILED
	FORM 990, PART VI, SECTION B, LINE 12C	SOMERSET COMMUNITY HOSPITAL ANNUALLY REQUIRES ITS BOARD MEMBERS, OFFICERS AND KEY EMPLOYEES TO FILL OUT A CONFLICTS OF INTEREST FORM DURING BOARD MEETINGS, IF AN INTERESTED PARTY HAS A CONFLICT, HE OR SHE RECUSES THEMSELVES FROM VOTING
	FORM 990, PART VI, SECTION B, LINE 15	THE LEADERSHIP COMMITTEE, WHICH IS A SUBCOMMITTEE OF THE BOARD OF DIRECTORS, ANNUALLY REVIEWS AND APPROVES THE COMPENSATION OF THEIR ORGANIZATION'S TOP MANAGEMENT
	FORM 990, PART VI, SECTION C, LINE 18	SOMERSET COMMUNITY HOSPITAL MAKES ITS FORM 990, CONSOLIDATED FINANCIAL STATEMENTS, AND FORM 1023 AVAILABLE TO THE PUBLIC
	FORM 990, PART VI, SECTION C, LINE 19	AT THIS TIME, SOMERSET COMMUNITY HOSPITAL DOES NOT MAKE ITS GOVERNING DOCUMENTS AND CONFLICTS OF INTEREST POLICY AVAILABLE TO THE GENERAL PUBLIC
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	NET ASSETS RELEASED FROM RESTRICTIONS -252,711 CHANGE IN FAIR VALUE OF INTEREST RATE SWAP 179,981 CHANGE IN DEFINED BENEFIT PENSION COSTS 3,608,857 TRANSFERS TO AFFILIATES -3,901,511 TEMPORARILY RESTRICTED INVESTMENT INCOME 2,172 TEMPORARILY RESTRICTED CONTRIBUTIONS 163,288 GRANTS RECEIVED FOR ACQUISITION OF PROPERTY AND EQUIPMENT 1,104,912
	FORM 990, PART XII, LINE 2C	SOMERSET COMMUNITY HOSPITAL HAS A FINANCE COMMITTEE THAT IS RESPONSIBLE FOR THE OVERSIGHT OF THE AUDIT AND SELECTION OF THE INDEPENDENT AUDITORS THE PROCESS IS CONSISTENT WITH PRIOR YEARS AND HAS NOT CHANGED
	FORM 990, PAGE 1	CRAIG SAYLOR WAS NAMED CEO EFFECTIVE MARCH 17, 2014 AND IS THE CURRENT PRINCIPAL OFFICER

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2012

**Open to Public
Inspection**

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

Department of the Treasury
Internal Revenue Service

Name of the organization
SOMERSET COMMUNITY HOSPITAL

Employer identification number

25-0965570

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) TWIN LAKES CENTER INC 225 SOUTH CENTER AVENUE SOMERSET, PA 15501 23-2910318	HEALTH CARE	PA	501(C)(3)	509(A)(1)	SOMERSET COMMUNITY HOSPITAL	Yes	
(2) SOMERSET COMMUNITY HOSPITAL FOUNDATION 225 SOUTH CENTER AVENUE SOMERSET, PA 15501 25-1441863	HEALTH CARE	PA	501(C)(3)	509(A)(3)			No
(3) SOMERSET HEALTH SERVICESINC 225 SOUTH CENTER AVENUE SOMERSET, PA 15501 25-1441920	HEALTH CARE	PA	501(C)(3)	509(A)(1)	SOMERSET COMMUNITY HOSPITAL	Yes	

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) SOMERSET MANAGEMENT SERVICES INC 225 SOUTH CENTER AVENUE SOMERSET, PA 15501 25-1512960	REAL ESTATE HOLDING	PA	SOMERSET HEALTH SERVICES INC	C					No
(2) SOMERSET ORTHOPEDICS INC 225 SOUTH CENTER AVENUE SOMERSET, PA 15501 11-3725138	ORTHOPEDIC PHYSICIANS	PA	SOMERSET COMMUN HOSP FOUNDATION	C					No
(3) SOMERSET ANESTHESIA INC 225 SOUTH CENTER AVENUE SOMERSET, PA 15501 45-5135437	ANESTHESIA SERVICES	PA	SOMERSET COMMUNITY HOSPITAL	C	-1,540,739	232,050	100 000 %		No

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

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

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

- a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)

- f** Dividends from related organization(s)
- g** Sale of assets to related organization(s)
- h** Purchase of assets from related organization(s)
- i** Exchange of assets with related organization(s)
- j** Lease of facilities, equipment, or other assets to related organization(s)

- k** Lease of facilities, equipment, or other assets from related organization(s)
- l** Performance of services or membership or fundraising solicitations for related organization(s)
- m** Performance of services or membership or fundraising solicitations by related organization(s)
- n** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- o** Sharing of paid employees with related organization(s)

- p** Reimbursement paid to related organization(s) for expenses
- q** Reimbursement paid by related organization(s) for expenses

- r** Other transfer of cash or property to related organization(s)
- s** Other transfer of cash or property from related organization(s)

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

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) SOMERSET HEALTH SERVICESINC	R	220,000	
(2) SOMERSET HEALTH SERVICESINC	O	1,342,012	
(3) SOMERSET ANESTHESIA INC	R	1,540,739	

Software ID:
Software Version:
EIN: 25-0965570
Name: SOMERSET COMMUNITY HOSPITAL

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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Somerset Hospital and Subsidiaries

**Independent Auditor's Report and Consolidated Financial
Statements**

June 30, 2013 and 2012

Somerset Hospital and Subsidiaries

June 30, 2013 and 2012

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Independent Auditor's Report

Board of Directors
Somerset Hospital and Subsidiaries
Somerset, Pennsylvania

We have audited the accompanying consolidated financial statements of Somerset Hospital and Subsidiaries (the "Hospital"), 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 financial statements.

Management's Responsibility for the Financial Statements

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Somerset Hospital and Subsidiaries as of June 30, 2013 and 2012, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Supplementary Information

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

BKD, LLP

Springfield, Missouri
September 24, 2013

Somerset Hospital and Subsidiaries
Consolidated Balance Sheets
June 30, 2013 and 2012

Assets

	2013	2012
Current Assets		
Cash and cash equivalents	\$ 10,556,627	\$ 12,097,362
Assets limited as to use - current	428,254	149,572
Patient accounts receivable, net of allowance, 2013 – \$1,450,000, 2012 – \$1,250,000	6,513,982	5,073,449
Estimated amounts due from third-party payers	-	79,755
Supply inventories	938,867	943,230
Prepaid expenses and other	591,641	584,559
	<hr/>	<hr/>
Total current assets	19,029,371	18,927,927
Assets Limited As To Use		
Internally designated	19,783,406	17,944,843
Externally restricted by donors	165,460	253,063
Medical malpractice deductible fund	837,629	962,923
Voluntary deferred compensation agreements	844,633	586,791
	<hr/>	<hr/>
	21,631,128	19,747,620
Less amount required to meet current obligations	428,254	149,572
	<hr/>	<hr/>
	21,202,874	19,598,048
Investments in and Advances to Equity Investee	429,644	425,478
	<hr/>	<hr/>
Property and Equipment, At Cost	97,017,209	92,974,780
Less accumulated depreciation	61,491,783	57,493,414
	<hr/>	<hr/>
	35,525,426	35,481,366
Other Assets		
Deferred financing costs	103,665	120,437
Other	146,000	157,225
	<hr/>	<hr/>
	249,665	277,662
	<hr/>	<hr/>
Total assets	<u>\$ 76,436,980</u>	<u>\$ 74,710,481</u>

Liabilities and Net Assets

	<u>2013</u>	<u>2012</u>
Current Liabilities		
Current maturities of long-term debt	\$ 907,762	\$ 890,663
Accounts payable	5,143,602	3,922,579
Accrued payroll and vacation pay	4,011,262	3,369,303
Estimated insurance liabilities - current	878,254	599,572
Accrued interest payable	22,334	24,928
Estimated amounts due to third-party payers	62,287	-
Deferred revenue and other	570,127	354,980
	<u>11,595,628</u>	<u>9,162,025</u>
Estimated Insurance Liabilities and Other	3,842,998	4,109,509
Interest Rate Swap Agreement	404,384	584,365
Long-Term Debt	17,679,958	18,587,720
Accrued Pension Obligation	<u>8,275,608</u>	<u>11,913,434</u>
Total liabilities	<u>41,798,576</u>	<u>44,357,053</u>
Net Assets		
Unrestricted	34,495,424	30,109,897
Temporarily restricted	122,980	223,531
Permanently restricted	20,000	20,000
	<u>34,638,404</u>	<u>30,353,428</u>
Total net assets	<u>34,638,404</u>	<u>30,353,428</u>
Total liabilities and net assets	<u>\$ 76,436,980</u>	<u>\$ 74,710,481</u>

Somerset Hospital and Subsidiaries
Consolidated Statements of Operations
Years Ended June 30, 2013 and 2012

	2013	2012
Unrestricted Revenues, Gains and Other Support		
Patient service revenue (net of contractual discounts and allowances)	\$ 68,855,514	\$ 66,839,211
Provision for uncollectible accounts	(2,911,969)	(2,983,840)
Net patient service revenue less provision for uncollectible accounts	65,943,545	63,855,371
Federal, state and county grants	771,200	730,202
Other	1,488,481	2,824,862
Net assets released from restrictions used for operations	252,711	524,361
Total unrestricted revenues, gains and other support	68,455,937	67,934,796
Expenses		
Salaries and wages	28,320,826	27,351,516
Employee benefits	6,915,474	6,979,573
Physician fees	5,078,031	5,143,168
Supplies and other	23,455,105	22,484,320
Depreciation and amortization	4,204,587	3,841,252
Interest	491,601	516,686
Total expenses	68,465,624	66,316,515
Operating Income (Loss)	(9,687)	1,618,281
Other Income (Expense)		
Contributions	155,000	146,550
Investment return	763,269	601,633
Investment return - change in fair value of investments accounted for under the fair value option of Topic 825	108,858	(143,284)
Gain on investments in equity investee	192,115	129,952
Other	13,259	21,978
Total other income (expense)	1,232,501	756,829
Excess of Revenues Over Expenses	1,222,814	2,375,110
Investment return - change in unrealized gains and losses on other than trading securities	966,435	(768,141)
Grants received for acquisition of property and equipment	1,104,912	45,000
Net assets released from restriction used for purchase of property and equipment	13,300	1,030,000
Change in fair value of interest rate swap agreement	179,981	(334,451)
Defined benefit pension costs		
Recognition of net loss	410,804	532,045
Net gain (loss) arising during the year	3,198,053	(8,099,395)
Transfers to affiliates	(2,710,772)	(2,208,975)
Total	(2,710,772)	(2,208,975)
Increase (Decrease) in Unrestricted Net Assets	\$ 4,385,527	\$ (7,428,807)

Somerset Hospital and Subsidiaries
Consolidated Statements of Change in Net Assets
Years Ended June 30, 2013 and 2012

	2013	2012
Unrestricted Net Assets		
Excess of revenues over expenses	\$ 1,222,814	\$ 2,375,110
Investment return - change in unrealized gains and losses on other than trading securities	966,435	(768,141)
Grants received for acquisition of property and equipment	1,104,912	45,000
Net assets released from restriction used for purchase of property and equipment	13,300	1,030,000
Change in fair value of interest rate swap agreements	179,981	(334,451)
Defined benefit pension costs		
Recognition of net loss	410,804	532,045
Net gain (loss) arising during the year	3,198,053	(8,099,395)
Transfers to affiliates	(2,710,772)	(2,208,975)
	<u>4,385,527</u>	<u>(7,428,807)</u>
Temporarily Restricted Net Assets		
Contributions received	163,288	1,518,925
Investment return	2,172	858
Net assets released from restriction	(266,011)	(1,554,361)
	<u>(100,551)</u>	<u>(34,578)</u>
Change in Net Assets	4,284,976	(7,463,385)
Net Assets, Beginning of Year	<u>30,353,428</u>	<u>37,816,813</u>
Net Assets, End of Year	<u>\$ 34,638,404</u>	<u>\$ 30,353,428</u>

Somerset Hospital and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Operating Activities		
Change in net assets	\$ 4,284,976	\$ (7,463,385)
Items not requiring (providing) cash		
Gain on sale of property and equipment	(17,990)	(26,091)
Depreciation and amortization	4,204,587	3,841,252
Gain on investment in equity investee	(192,115)	(129,952)
Net (gain) loss on investments	(1,517,982)	678,987
Change in fair value of interest rate swap agreements	(179,981)	334,451
Transfers to affiliates	2,710,772	2,208,975
Restricted contributions, investment return and grants for acquisition of property and equipment	(1,270,372)	(1,564,783)
Change in accrued self-insurance costs	(253,067)	(600,187)
Change in defined benefit pension plans	(3,608,857)	7,567,350
Changes in		
Patient accounts receivable, net	(1,440,533)	180,620
Estimated amounts due from third-party payers	142,042	1,091,594
Accounts payable and accrued expenses	1,490,486	532,777
Other current assets and liabilities	(17,743)	240,414
Other, net	(2,719)	(142,811)
	<u>4,331,504</u>	<u>6,749,211</u>
Investing Activities		
Proceeds from sales of assets limited as to use	4,752,919	4,607,348
Purchase of assets limited as to use	(5,118,445)	(4,032,298)
Dividends and return of equity from equity investee	175,000	162,500
Purchase of property and equipment	(3,369,000)	(5,955,254)
Proceeds from sale of property and equipment	18,350	31,600
	<u>(3,541,176)</u>	<u>(5,186,104)</u>
Financing Activities		
Cash transfers to affiliates	(2,710,772)	(2,208,975)
Proceeds from restricted contributions, investment return and grants for acquisition of property and equipment	1,270,372	1,564,783
Principal payments on long-term debt	(890,663)	(860,523)
	<u>(2,331,063)</u>	<u>(1,504,715)</u>
Increase (Decrease) in Cash and Cash Equivalents	(1,540,735)	58,392
Cash and Cash Equivalents, Beginning of Year	<u>12,097,362</u>	<u>12,038,970</u>
Cash and Cash Equivalents, End of Year	<u>\$ 10,556,627</u>	<u>\$ 12,097,362</u>
Supplemental Cash Flows Information		
Interest paid	\$ 491,409	\$ 515,866
Purchase of property and equipment in accounts payable	\$ 1,079,094	\$ 223,254

Somerset Hospital and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

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

Nature of Operations

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

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

Somerset Anesthesia, Inc. (SAI) is a taxable corporation, wholly owned by the Hospital, providing professional anesthesiology services on both an inpatient and outpatient basis. SAI was established, but had no activity during the year ended June 30, 2012. SAI had activity that is included in the consolidated financial statements of the Hospital for the year ended June 30, 2013. Effective July 1, 2013, SOI, a wholly owned subsidiary of the Foundation, was dissolved and all assets were transferred to SHS.

Principles of Consolidation

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

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At June 30, 2013 and 2012, cash equivalents consisted primarily of deposits in weekly maturing municipal securities, money market funds and certificates of deposit.

At June 30, 2013 and 2012, the Hospital's cash accounts exceeded federally insured limits by approximately \$2,095,000 and \$2,090,000, respectively.

Somerset Hospital and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

The Hospital and TLC maintained approximately \$7,095,000 and \$8,585,000 of its cash equivalents in one money market fund at June 30, 2013 and 2012, respectively. This money market fund invests in certificates of deposit, commercial paper, variable rate obligations, agency obligations, time deposits, repurchase agreements, master notes and promissory notes and is not subject to FDIC coverage.

Investments and Investment Return

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

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

Investments in hedge funds and investment partnerships are carried at fair value pursuant to the fair value option provision of Topic 825 (*Note 17*).

Assets Limited As To Use

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

Patient Accounts Receivable

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

Somerset Hospital and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

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

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

The Hospital, TLC and SAI's allowance for doubtful accounts for self-pay patients was 72% and 71% of self-pay accounts receivable at June 30, 2013 and 2012, respectively. In addition, the Hospital and TLC's write-offs decreased approximately \$275,000 from approximately \$2,905,000 for the year ended June 30, 2012, to approximately \$2,630,000 for the year ended June 30, 2013, due to positive trends in collections during 2013.

Supply Inventories

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

Property and Equipment

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

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

Long-Lived Asset Impairment

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

No asset impairment was recognized during the years ended June 30, 2013 and 2012.

Somerset Hospital and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Deferred Financing Costs

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

Deferred Revenue

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

Temporarily and Permanently Restricted Net Assets

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

Net Patient Service Revenue

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

Federal, State and County Grants

TLC contracts with Somerset County, Bedford County, Butler County, Cambria County, Centre County, Clearfield-Jefferson Counties, Greene County, Armstrong County, Indiana County, Washington County, Fayette County, Lawrence County and Westmoreland County, Single County Authorities (SCAS) of the state of Pennsylvania as well as with various Act 152 HUBS to provide services for the control, treatment, prevention, rehabilitation, research, education and training aspects of drug and alcohol abuse and dependency problems, pursuant to the provisions of the Pennsylvania Drug and Alcohol Act of April 14, 1972, P.L. 221, No. 63, 71 P.S. 1690-101. Each contract provides that costs incurred by TLC in the delivery of drug and alcohol program services are to serve as the basis for reimbursement of federal, state and county funds made available under the contracts. Revenue for the reimbursed costs is recorded at the time the expense is incurred. The Act 152 HUBS are charged with developing and implementing a multicounty service system for the case management, treatment and rehabilitation of drug and alcohol abuse and dependency problems for eligible Act 152 clients pursuant to the Pennsylvania Drug and Alcohol Act. TLC received approximately 83% of its grant revenue from Somerset, Cambria, Westmoreland, Bedford, Fayette, Armstrong and Indiana counties in 2013 and 2012.

Somerset Hospital and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Charity Care

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

Contributions

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

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

Professional Liability Claims

The Hospital recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 7*.

Estimated Self-Insurance Costs

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

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized in the period ended date, June 30, 2013.

Income Taxes

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

Somerset Hospital and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

The Hospital and TLC file tax returns in the U S federal jurisdiction. With a few exceptions, these entities are no longer subject to U S federal examinations by tax authorities for years before 2009.

SAI is a for-profit entity and is subject to federal and state income tax.

Excess of Revenues Over Expenses

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

Electronic Health Records Incentive Program

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

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

For the years ended June 30, 2013 and 2012, the Hospital has recorded revenue of approximately \$160,000 and \$1,700,000, respectively, which is included in other revenue within operating revenues in the statement of operations.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were available to be issued.

Somerset Hospital and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Note 2: Net Patient Service Revenue

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

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

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

Medical Assistance Inpatient services rendered to Medical Assistance program beneficiaries, including inpatient care for prison inmates, are reimbursed based on a prospectively established rate. Outpatient services are reimbursed under a fee schedule methodology. Effective March 1, 2013, a significant portion of Medical Assistance program beneficiaries are now covered under a managed care contract rather than traditional Medical Assistance.

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

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

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

Somerset Hospital and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

On March 1, 2013, certain provisions of the Federal Government's *Budget Control Act of 2011* went into effect. Among these provisions are mandatory payment reductions under the Medicare program, known as sequestration. Under these provisions, Medicare reimbursement was reduced by two percent on all claims with dates-of-service or dates-of-discharge on or after April 1, 2013. The continuation of these payment cuts for an extended period of time will have an adverse effect on operating results of the Hospital.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended June 30, 2013 and 2012, respectively, was approximately:

	<u>2013</u>	<u>2012</u>
Medicare	\$ 29,907,000	\$ 27,547,000
Medical Assistance	4,666,000	4,552,000
Highmark Blue Cross	16,126,000	16,266,000
Other third-party payers	13,615,000	14,176,000
Self-pay	<u>4,541,000</u>	<u>4,298,000</u>
Total	<u>\$ 68,855,000</u>	<u>\$ 66,839,000</u>

Note 3: Concentration of Credit Risk

The Hospital, TLC and SAI grant credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers at June 30, 2013 and 2012, is:

	<u>2013</u>	<u>2012</u>
Medicare	40%	39%
Medical Assistance	9%	9%
Highmark Blue Cross	13%	16%
Other third-party payers	29%	26%
Patients	<u>9%</u>	<u>10%</u>
	<u>100%</u>	<u>100%</u>

Somerset Hospital and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Note 4: Investments and Investment Return

Assets Limited As To Use

Assets limited as to use include

	2013	2012
Internally designated		
Cash and cash equivalents	\$ 323,771	\$ 223,061
Mutual funds - equities	11,882,244	7,576,643
Mutual funds - fixed income	6,504,518	7,406,719
Hedge funds and limited liability partnerships	1,072,873	2,738,420
	<u>19,783,406</u>	<u>17,944,843</u>
Externally restricted by donors		
Cash and cash equivalents	45,317	142,087
Trust held by others	20,000	20,000
Other assets	100,143	90,976
	<u>165,460</u>	<u>253,063</u>
Medical malpractice deductible fund		
Deposit held by malpractice insurer	837,629	962,923
	<u>837,629</u>	<u>962,923</u>
Voluntary deferred compensation agreements		
Other	844,633	586,791
	<u>844,633</u>	<u>586,791</u>
Total assets limited as to use	21,631,128	19,747,620
Less amounts required to meet current obligations	428,254	149,572
	<u>428,254</u>	<u>149,572</u>
Assets limited as to use, net of current portion	<u>\$ 21,202,874</u>	<u>\$ 19,598,048</u>

Somerset Hospital and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Total investment return is comprised of the following

	2013	2012
Interest and dividend income	\$ 330.510	\$ 381.666
Realized gains on sales of securities	440.517	231.580
Change in fair value of investments accounted for under the fair value option of Topic 825	108.858	(143.284)
Net unrealized gains and losses on other than trading securities	968.607	(767.283)
	<u>\$ 1,848.492</u>	<u>\$ (297.321)</u>

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

	2013	2012
Unrestricted net assets		
Other operating revenue	\$ 7.758	\$ 11.613
Other nonoperating income	763.269	601.633
Investment return- change in fair value of investments accounted for under the fair value option of Topic 825	108.858	(143.284)
Change in unrealized gains and losses on other than trading securities	966.435	(768.141)
Temporarily restricted net assets	2.172	858
	<u>\$ 1,848.492</u>	<u>\$ (297.321)</u>

Unrealized Losses on Investments

Certain investments in debt and marketable equity securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at June 30, 2013 and 2012, was \$6,605,424 and \$4,252,576, respectively, which is approximately 31% and 21%, respectively, of the Hospital's assets limited as to use. These declines primarily resulted from the performance of the underlying securities in mutual funds and changes in market interest rates.

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

Somerset Hospital and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

The following table shows the Hospital's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2013 and 2012

Description of Securities	June 30, 2013					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mutual funds - fixed income	\$ 1,450,228	\$ (28,393)	\$ 3,646,709	\$ (242,028)	\$ 5,096,937	\$ (270,421)
Mutual funds - equities	911,937	(84,572)	596,550	(55,323)	1,508,487	(139,895)
Total temporarily impaired securities	<u>\$ 2,362,165</u>	<u>\$ (112,965)</u>	<u>\$ 4,243,259</u>	<u>\$ (297,351)</u>	<u>\$ 6,605,424</u>	<u>\$ (410,316)</u>

Description of Securities	June 30, 2012					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mutual funds - fixed income	\$ 675,343	\$ (50,797)	\$ 3,009,582	\$ (153,015)	\$ 3,684,925	\$ (203,812)
Mutual funds - equities	380,818	(50,777)	186,833	(33,444)	567,651	(84,221)
Total temporarily impaired securities	<u>\$ 1,056,161</u>	<u>\$ (101,574)</u>	<u>\$ 3,196,415</u>	<u>\$ (186,459)</u>	<u>\$ 4,252,576</u>	<u>\$ (288,033)</u>

Hedge Funds and Limited Liability Partnerships

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

	June 30, 2013			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge fund of funds (A)	\$ 1,072,873	\$ -	Quarterly	90-day written notice

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

- (A) This fund seeks to achieve long-term growth of capital with reduced volatility by allocating its capital amount various money managers that, as a group, employ a variety of investment techniques and strategies. The money managers invest in diversified portfolios of U.S. and international equities as well as in distressed and arbitrage securities and some private, less liquid investments.
- (B) This fund seeks to generate total return in excess of the yields of short-term U.S. Treasury securities, irrespective of the performance of any particular sector of the global capital markets. The fund seeks to achieve its objective by capitalizing on inefficiencies in the global capital markets through an allocation of the fund's capital to various alternative investment strategies. The fund invests in hedge funds which hold various government and corporate debt obligations, corporate common stocks and warrants, closed-end funds, restricted preferred stock and derivative financial instruments, among other investments. The Hospital liquidated these funds during the year ended June 30, 2013 and at June 30, 2013, there was a residual payment of \$42,527 due to the Hospital which will be paid upon completion and restatement of the 2012 NAVs.
- (C) This fund seeks to earn an attractive return while minimizing risk over the long-term by investing in securities and other financial instruments that the general partner believes to be under-valued and that are issued by or related to special situation companies. This account invests in securities and other financial instruments of United States and foreign entities, including, without limitation, capital stock, partnership interests, interests in real estate and real estate related assets, bonds, notes and debentures, currencies, commodities, interest rate, currency, commodity, equity and other derivative products, loans participations, mutual funds, money market funds, obligations of the United States or any state therefore, foreign governments commercial paper, certificates of deposit, letters of credit, trade claims, and any other obligations and instruments or evidences of indebtedness of whatever kind or nature, and to sell securities short and cover such sales. The Hospital liquidated these funds during the year ended June 30, 2013.

Other-Than-Temporary Impairment

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

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

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

Financial position and results of operations of Somerset Med Services, Inc as of June 30, 2013 and 2012, are summarized below

	2013	2012
Current assets	\$ 1,175,239	\$ 1,168,282
Property and other long-term assets, net	137,100	128,372
Total assets	<u>1,312,339</u>	<u>1,296,654</u>
Total liabilities	<u>453,057</u>	<u>445,704</u>
Equity	<u>\$ 859,282</u>	<u>\$ 850,950</u>
Revenues	\$ 4,167,469	\$ 4,037,471
Net income	\$ 358,332	\$ 307,196

During 2013 and 2012, the Hospital received \$175,000 and \$162,500, respectively, in cash dividends from Somerset Med Services, Inc

Note 6: Property and Equipment

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

	2013	2012
Land	\$ 2,425,638	\$ 2,425,638
Land improvements	624,391	624,391
Buildings	51,629,945	50,903,571
Equipment	42,135,675	38,841,096
Construction in progress	201,560	180,084
	<u>97,017,209</u>	<u>92,974,780</u>
Less accumulated depreciation	<u>61,491,783</u>	<u>57,493,414</u>
	<u>\$ 35,525,426</u>	<u>\$ 35,481,366</u>

Somerset Hospital and Subsidiaries

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Included in construction in progress are capital costs associated with various projects all of which are expected to be completed during 2014 without incurring significant additional costs to complete. These projects are expected to be paid from operating funds of the Hospital.

Note 7: Contingent Liabilities

Professional Liability Claims

Beginning January 1, 2003, the Hospital became a member of the Community Health Alliance (CHA), a Reciprocal Risk Retention Group approved to provide malpractice coverage in Pennsylvania. The group was formed in order to stabilize the cost and availability of malpractice insurance for Pennsylvania community hospitals by taking advantage of the self-funding capabilities of a larger group and leveraging the group's purchasing power. The group members are provided with primary and excess liability malpractice insurance under claims-made policies. Adjustments of estimated to actual expense, if any, after the policy terms, will be included in the period such adjustments are determined. Under such policies, only claims made and reported to the insurer during the policy term, regardless of when the incidents giving rise to the claims occurred are covered. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. It is reasonably possible that this estimate could change materially in the near term.

The Hospital has an approximate 2% ownership in the group. The Hospital has contributed \$146,000 to CHA as a surplus note, and has recorded a related receivable at June 30, 2013 and 2012, respectively. Subsequent to June 30, 2013, the Hospital provided CHA with its notice of intent to withdraw from the group effective January 1, 2014. For the coverage period beginning January 1, 2014, the Hospital intends to purchase primary and excess malpractice insurance under a claims-made policy from a commercial insurance carrier.

The Hospital also participates in the Medical Care Availability and Reduction of Error Fund (MCARE) of the Commonwealth of Pennsylvania. Any unfunded liabilities within the MCARE may be funded through surcharge assessments in future years. Recent increases in the annual surcharge and concerns over MCARE's ability to manage and pay claims resulted in proposals to reform, restructure or terminate MCARE. Depending upon the ultimate resolution of this matter, the Hospital may incur additional costs in future years. No amounts for such unfunded liabilities, if any, are currently estimable and none are recorded on the consolidated balance sheets at June 30, 2013 and 2012.

Self-Insurance

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

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A summary of estimated insurance claim liabilities recorded by the Hospital as of June 30, 2013 and 2012, follows

	Current	2013 Long-Term	Total
Health insurance	\$ 325,000	\$ -	\$ 325,000
Medical malpractice	418,254	838,449	1,256,703
Workers' compensation	135,000	257,000	392,000
	<u>\$ 878,254</u>	<u>\$ 1,095,449</u>	<u>\$ 1,973,703</u>
	Current	2012 Long-Term	Total
Health insurance	\$ 325,000	\$ -	\$ 325,000
Medical malpractice	139,572	1,370,198	1,509,770
Workers' compensation	135,000	257,000	392,000
	<u>\$ 599,572</u>	<u>\$ 1,627,198</u>	<u>\$ 2,226,770</u>

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

Note 8: Long-Term Debt

	2013	2012
Hospital Revenue Note, Series 2009 (A)	\$ 2,784,720	\$ 2,992,383
Hospital Revenue Note, Series 2010 (B)	15,803,000	16,486,000
	<u>18,587,720</u>	<u>19,478,383</u>
Less current maturities	907,762	890,663
	<u>\$ 17,679,958</u>	<u>\$ 18,587,720</u>

(A) Hospital Revenue Note, Series 2009 dated April 1, 2009, in the original amount of \$3,590,000, bearing an interest rate of 3.32% when the prime rate is equal to or less than 4.75%, and 70% of the prime rate when it is higher than 4.75%, with a maximum variable rate of 6.00%. At June 30, 2013 and 2012, the interest rate was 3.32%. The note is payable in monthly installments through May 1, 2024.

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(B) Hospital Revenue Note, Series 2010 dated December 23, 2010, in the original amount of \$17,471,000, bearing an interest rate equal to the bank qualified tax-exempt rate of 65% of the sum of one-month LIBOR in effect for each reset day plus 2 percent. At June 30, 2013 and 2012, the interest rate was 1.42% and 1.46%, respectively. Principal and interest on this variable rate note are payable in monthly installments in accordance with an established twenty-year amortization schedule up to the maturity date on the note of December 15, 2017. The outstanding principal of \$12,554,000 along with any accrued interest will be due and payable on this maturity date.

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

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

The notes contain certain restrictive covenants which, among other provisions, require that the Hospital maintain certain financial covenants which include maximum annual debt service, debt service coverage, leverage and liquidity ratios. As of June 30, 2013 and 2012, and for the years then ended, the Hospital was in compliance with these covenants.

Aggregate annual maturities and sinking fund requirements of long-term debt at June 30, 2013, are as follows:

2014	\$ 907,762
2015	946,104
2016	972,492
2017	1,005,542
2018	13,120,662
Thereafter	<u>1,635,158</u>
	<u><u>\$ 18,587,720</u></u>

Note 9: Interest Rate Swap Agreement

2010 Interest Rate Swap

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Hospital entered into an interest rate swap agreement for a portion of its floating rate debt relating to the Hospital Revenue Note, Series 2010, on December 23, 2010. The agreement provides for the Hospital to receive interest from the

Somerset Hospital and Subsidiaries
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counterparty equivalent to the sum of 65% of one-month LIBOR plus a 2.00% spread and to pay interest to the counterparty at a fixed rate of 3.315% on a notional amount of \$8,143,493 and \$8,494,209 at June 30, 2013 and 2012, respectively. Under the agreement, the Hospital pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The swap expires on December 15, 2017.

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

	<u>2013</u>	<u>2012</u>
Other Liabilities		
Fair value of interest rate swap agreement	\$ (404,384)	\$ (584,365)
Changes in Unrestricted Net Assets		
Change in interest rate swap agreement	179,981	(334,451)
Interest Expense		
Loss reclassified from unrestricted net assets into excess of revenues over expenses	162,252	164,000

Note 10: Line of Credit

The Hospital has been extended a revolving line of credit of \$1,500,000 for one year which will expire on January 30, 2014. Interest is at a fixed rate of 4.75%, and is payable monthly. At June 30, 2013 and 2012, there was \$0 borrowed against this line.

Note 11: Temporarily and Permanently Restricted Net Assets

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

	<u>2013</u>	<u>2012</u>
Operating room needs	\$ 75,754	\$ 70,783
Equipment purchases	31,571	17,986
Inpatient hospice program	-	44,690
Medical student program	6,481	16,315
Campus development	9,174	19,174
Breast cancer	-	20,845
Diabetic education	-	33,738
	<u>\$ 122,980</u>	<u>\$ 223,531</u>

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During 2013 and 2012, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes in the amounts of \$252,711 and \$524,361, respectively. During 2013 and 2012, net assets of \$13,300 and \$1,030,000, respectively, were released to purchase property and equipment.

Permanently restricted net assets are restricted to

	2013	2012
Trusts held by others	\$ 20,000	\$ 20,000

Note 12: Charity Care

The costs of charity care provided under the Hospital's charity care policy were \$520,033 and \$511,117 for 2013 and 2012, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 13: Functional Expenses

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

	2013	2012
Health care services	\$ 54,032,608	\$ 52,680,143
General and administrative	14,433,016	13,636,372
	\$ 68,465,624	\$ 66,316,515

Note 14: Pension Plan

Defined Benefit Plan

The Hospital has a noncontributory defined benefit pension plan covering all employees who meet the eligibility requirements. The Hospital's funding policy is to contribute such amounts as are necessary on an actuarial basis to provide the plan with assets sufficient to meet the benefits to be paid to retirees or their beneficiaries. The Hospital expects to contribute \$740,000 to the plan in 2014.

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

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

	<u>2013</u>	<u>2012</u>
Benefit obligation	\$(30,615,985)	\$(32,265,163)
Fair value of plan assets	<u>22,340,377</u>	<u>20,351,729</u>
Funded status	<u>\$ (8,275,608)</u>	<u>\$(11,913,434)</u>
Liabilities recognized in the balance sheets		
Noncurrent liabilities - accrued pension obligation	<u>\$ 8,275,608</u>	<u>\$ 11,913,434</u>

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

	<u>2013</u>	<u>2012</u>
Net loss	\$ 11,300,938	\$ 14,909,795

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

The estimated net loss for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is \$247,716

The accumulated benefit obligation for the defined benefit pension plan was \$30,615,985 and \$32,265,163 at June 30, 2013 and 2012, respectively

	<u>2013</u>	<u>2012</u>
Other significant balances and costs are		
Benefit costs	\$ 411,635	\$ 570,196
Employer contributions	\$ 440,604	\$ 350,732
Benefits paid	\$ 843,501	\$ 985,732

Somerset Hospital and Subsidiaries
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The following amounts have been recognized in the statements of operations for the years ended June 30, 2013 and 2012

	2013	2012
Amounts arising during the period		
Net gain (loss)	\$ 3,198,053	\$ (8,099,395)
Amounts reclassified as components of net periodic pension cost		
Net loss	\$ 410,804	\$ 532,045
Amounts reflected as components of net periodic benefit cost for the period		
Interest cost	\$ 1,415,219	\$ 1,503,849
Expected return on plan assets	(1,414,388)	(1,465,698)
Recognition of net loss	410,804	532,045
Total	\$ 411,635	\$ 570,196

Significant assumptions include

	2013	2012
Weighted average assumptions used to determine benefit obligations		
Discount rate	5.00%	4.45%
Rate of compensation increase	N/A	N/A
Weighted average assumptions used to determine benefit costs		
Discount rate	4.45%	6.00%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A

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

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Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through a limited investment in equity securities. The target asset allocation percentages for 2013 and 2012 are as follows:

	2013	2012
Equity securities	55% - 75%	55% - 75%
Fixed income	15% - 25%	15% - 25%
Hedge funds and distressed securities	10% - 20%	10% - 20%

Plan assets are rebalanced quarterly. At June 30, 2013 and 2012, plan assets by category are as follows:

	2013	2012
Equity securities	73%	57%
Fixed income	21%	33%
Hedge funds and distressed securities	5%	10%
Other	1%	0%
	<u>100%</u>	<u>100%</u>

Pension Plan Assets

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

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

Somerset Hospital and Subsidiaries
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The fair values of the Hospital's pension plan assets at June 30, 2013 and 2012, by asset class are as follows

2013				
Fair Value Measurements Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 239,339	\$ 239,339	\$ -	\$ -
Mutual funds - equities	16,358,752	16,358,752	-	-
Mutual funds - fixed income	4,674,657	4,674,657	-	-
Hedge funds and limited liability partnerships	1,067,629	-	1,067,629	-

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

Somerset Hospital and Subsidiaries
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	Investments in Hedge Funds and Limited Liability Partnerships
Balance, July 1, 2011	\$ 1,971,119
Actual return on plan assets Relating to assets still held at June 30, 2012	<u>(85,508)</u>
Balance, July 1, 2012	1,885,611
Sales of investments	(944,973)
Actual return on plan assets Relating to assets still held at June 30, 2013	126,991
Transfers out of Level 3	<u>(1,067,629)</u>
Balance, June 30, 2013	<u><u>\$ -</u></u>

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

The following benefit payments, which reflect expected future service, are expected to be paid as of June 30, 2013:

2014	\$ 1,016,784
2015	1,068,105
2016	1,150,146
2017	1,234,066
2018	1,415,464
2019 – 2023	8,663,338

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Defined Contribution Plans

The Hospital has also established a 403(b) plan to which employees may elect to contribute, from their compensation each pay period, a percentage up to the maximum dollar limit allowed by the Internal Revenue Service and upon which the employer matching contribution is determined. The salary deferral contributions and related investments of the 403(b) plan are held separately within each employee's account along with the employer's match. Employer discretionary contributions to the 403(b) plan for the years ended June 30, 2013 and 2012, were approximately \$500,000 and \$570,000, respectively.

TLC has established a 403(b) plan to which employees may elect to contribute, from their compensation each pay period, a percentage up to the maximum dollar limit allowed by the Internal Revenue Service and upon which the employer matching contribution is determined. The salary deferral contributions and related investments of the 403(b) plan are held separately within each employee's account along with the employer's match. Employer discretionary contributions to the 403(b) plan for the years ended June 30, 2013 and 2012, were approximately \$16,500 and \$13,500, respectively.

SAI has established a 403(b) plan to which employees may elect to contribute, from their compensation each pay period, a percentage up to the maximum dollar limit allowed by the Internal Revenue Service and upon which the employer matching contribution is determined. The salary deferral contributions and related investments of the 403(b) plan are held separately within each employee's account along with the employer's match. Employer discretionary contributions to the 403(b) plan for the years ended June 30, 2013 and 2012, were approximately \$24,000 and \$0, respectively.

Voluntary Deferred Compensation Plan

The Hospital has a voluntary deferred compensation 457(b) plan for the benefit of certain employees. No Hospital assets are being used to fund the plan, as amounts are withheld from employee compensation. The trust account assets are classified as assets limited as to use and a corresponding deferred compensation obligation has been recorded by the Hospital in the amount of \$844,633 and \$586,791 at June 30, 2013 and 2012, respectively.

Note 15: Related Party Transactions

The Hospital leases office space from Somerset Management Services (SMS), a wholly owned subsidiary of SHS, under leases that are renewable annually. Total lease expense for 2013 and 2012 totaled approximately \$89,100. The Hospital has advanced operating capital to SMS, and a receivable of \$71,344 and \$22,785 is recorded in prepaid expenses and other on the balance sheet at June 30, 2013 and 2012, respectively.

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Net transfers from the Hospital to SHS in 2013 and 2012 were approximately \$1,562,000 and \$1,395,000, respectively. Transfers are used to fund operations and cash needs for affiliates of the Hospital. SHS paid the Hospital \$183,000 and \$158,000 for office rental space for the years ended June 30, 2013 and 2012, respectively. The Hospital and TLC have advanced operating capital to SHS, and a receivable of approximately \$118,000 and \$188,000 is recorded in prepaid expenses and other on the balance sheet at June 30, 2013 and 2012, respectively.

Net transfers from the Hospital to the Foundation in 2013 and 2012 were approximately \$322,000 and \$0, respectively. The Hospital received contributions of approximately \$105,000 and \$146,550 from the Foundation during 2013 and 2012, respectively, for certain operations of the Hospital, the purchase of property and equipment, campus development and educational assistance programs.

Net transfers from the Hospital to SOI in 2013 and 2012 were approximately \$827,000 and \$814,000, respectively. SOI paid the Hospital \$83,000 and \$64,000 for office rental space for the years ended June 30, 2013 and 2012, respectively. The Hospital has advanced operating capital to SOI, and a receivable of \$55,780 is recorded in prepaid expenses and other on the balance sheet at June 30, 2013 and 2012.

The Hospital received temporarily restricted contributions of \$95,000 and \$60,000 from the Somerset Hospital Auxiliary during 2013 and 2012, respectively, to be used in certain operations of the Hospital.

Note 16: Disclosures About Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

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Recurring Measurements

The following tables present estimated fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2013 and 2012

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2013				
Cash equivalents				
Weekly maturing variable rate demand bonds	\$ 100,015	\$ -	\$ 100,015	\$ -
Money market funds	7,093,620	7,093,620	-	-
Investments				
Money market funds	291,860	291,860	-	-
Mutual funds - equities	12,726,877	12,726,877	-	-
Mutual funds - fixed income	6,504,518	6,504,518	-	-
Hedge funds and limited liability partnerships	1,072,873	-	1,072,873	-
Interest in common trust funds	77,208	-	77,208	-
Interest rate swap agreement	(404,384)	-	(404,384)	-
June 30, 2012				
Cash equivalents				
Weekly maturing variable rate demand bonds	\$ 100,000	\$ -	\$ 100,000	\$ -
Money market funds	8,586,557	8,586,557	-	-
Investments				
Money market funds	240,099	240,099	-	-
Mutual funds - equities	8,163,433	8,163,433	-	-
Mutual funds - fixed income	7,406,719	7,406,719	-	-
Hedge funds and limited liability partnerships	2,738,420	-	-	2,738,420
Interest in common trust funds	73,716	-	73,716	-
Interest rate swap agreement	(584,365)	-	(584,365)	-

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

Cash Equivalents and Investments

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

The value of certain investments, classified as hedge funds, is determined using net asset value (or its equivalent) as a practical expedient. Investments for which the Hospital expects to have the ability to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 2. Investments for which the Hospital does not expect to be able to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 3.

Fair value determinations for Level 3 measurements of securities are the responsibility of the Hospital's management. The Hospital's management contracts with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. The Hospital's management challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Interest in Common Trust Funds

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

Interest Rate Swap Agreement

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

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Level 3 Reconciliation

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

	Investments in Hedge Funds and Limited Liability Partnerships
Balance, July 1, 2011	\$ 2,881,704
Total realized and unrealized losses (expense)	<u>(143,284)</u>
Balance, June 30, 2012	2,738,420
Sale of investments	(1,774,405)
Total realized and unrealized losses (expense)	108,858
Transfers out of Level 3	<u>(1,072,873)</u>
Balance, June 30, 2013	<u><u>\$ -</u></u>

Realized and unrealized gains and losses are included in excess of revenues over expenses for the period from July 1, 2011, through June 30, 2013

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

Somerset Hospital and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Nonrecurring Measurements

The following table presents estimated fair values of the Hospital's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2013 and 2012

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	\$ 8,302,114	\$ 8,302,114	\$ 9,849,379	\$ 9,849,379
Financial liabilities				
Long-term debt (including current portion)	18,587,720	18,587,720	19,478,383	19,478,383

Cash and Cash Equivalents

The carrying amount approximates fair value

Long-Term Debt

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

Note 17: The Fair Value Option

As permitted by Topic 825, *The Fair Value Option for Financial Assets and Financial Liabilities*, the Hospital elected to measure its hedge funds and investment partnerships at fair value. Management has elected the fair value option for its hedge funds and investment partnerships because it more accurately reflects the portfolio returns and financial position of the Hospital. Total investment partnerships at June 30, 2013 and 2012, are \$1,072,873 and \$2,738,420 respectively.

See *Note 16* for additional disclosures regarding fair value of each of the balance sheet line items listed in the preceding paragraph.

Somerset Hospital and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Changes in Fair Value

Changes in fair value for items for which the fair value option has been elected are reported as investment return in other income (expense) in the financial statements. The change for 2013 was an increase of \$108,858, and the change in 2012 was a decrease of \$143,284, which reflects all investment return amounts from the hedge funds and investment partnerships.

Note 18: Significant Estimates and Concentrations

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

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

Admitting Physicians

The Hospital is served by a group of admitting physicians whose patients comprise a substantial portion of the Hospital's net patient service revenue.

Collective Bargaining Agreement

Approximately 23% of the Hospital employees are covered by two collective bargaining agreements, dietary and nursing services. The dietary collective bargaining agreement covering the dietary employees is scheduled to expire on February 29, 2016. The nursing collective bargaining agreement covering approximately 21% of employees is scheduled to expire on March 23, 2014.

Litigation

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

Somerset Hospital and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

Asset Retirement Obligations

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

Investments

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

Pension Benefit Obligations

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

Current Economic Conditions

The current protracted economic decline presents health systems with difficult circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, constraints on liquidity and difficulty obtaining financing. The consolidated financial statements have been prepared using values and information currently available to the Hospital.

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

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

Somerset Hospital and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Note 19: Asset Retirement Obligation

Accounting principles generally accepted in the United States of America, require that an asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event. The Hospital's conditional asset retirement obligations primarily relate to asbestos contained in buildings that the Hospital owns. Environmental regulations exist that require the Hospital to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished. A liability of \$126,694 and \$119,298 has been recognized in the accompanying 2013 and 2012 financial statements, respectively, for the portion of the liability that can be reasonably estimated. However, there remains a liability that has not been recognized in the accompanying financial statements because the range of time over which the Hospital may settle is unknown and cannot be reasonably determined. The Hospital will recognize a liability when sufficient information is available to reasonably estimate fair value.

Note 20: Patient Protection and Affordable Care Act

The *Patient Protection and Affordable Care Act* (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer-provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

The state of Pennsylvania has currently indicated it will not expand the Medicaid program, which may result in revenues from newly covered individuals not offsetting the Hospital's reduced revenue from other Medicare/Medicaid programs.

Supplementary Information

Somerset Hospital and Subsidiaries
Consolidating Schedule – Balance Sheet Information
June 30, 2013

Assets

	Somerset Hospital	Twin Lakes Center	Somerset Anesthesia, Inc.	Eliminations	Consolidated
Current Assets					
Cash and cash equivalents	\$ 9,577,788	\$ 946,535	\$ 32,304	\$ -	\$ 10,556,627
Assets limited as to use - current	428,254	-	-	-	428,254
Patient accounts receivable, net net of allowance, 2013 - \$1,450,000	6,041,652	272,584	199,746	-	6,513,982
Supply inventories	938,867	-	-	-	938,867
Prepaid expenses and other	810,159	2,484	-	(221,002)	591,641
Total current assets	<u>17,796,720</u>	<u>1,221,603</u>	<u>232,050</u>	<u>(221,002)</u>	<u>19,029,371</u>
Assets Limited As To Use					
Internally designated	19,783,406	-	-	-	19,783,406
Externally restricted by donors	165,460	-	-	-	165,460
Medical malpractice deductible fund	837,629	-	-	-	837,629
Voluntary deferred compensation agreements	844,633	-	-	-	844,633
	<u>21,631,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,631,128</u>
Less amount required to meet obligations	428,254	-	-	-	428,254
	<u>21,202,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,202,874</u>
Investments in and Advances to Investee					
	<u>429,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>429,644</u>
Property and Equipment, At Cost Cost					
	95,276,119	1,741,090	-	-	97,017,209
Less accumulated depreciation	60,489,294	1,002,489	-	-	61,491,783
	<u>34,786,825</u>	<u>738,601</u>	<u>-</u>	<u>-</u>	<u>35,525,426</u>
Other Assets					
Deferred financing costs	103,665	-	-	-	103,665
Other	146,000	-	-	-	146,000
	<u>249,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>249,665</u>
Total assets	<u>\$ 74,465,728</u>	<u>\$ 1,960,204</u>	<u>\$ 232,050</u>	<u>\$ (221,002)</u>	<u>\$ 76,436,980</u>

Liabilities and Net Assets

	Somerset Hospital	Twin Lakes Center	Somerset Anesthesia, Inc.	Eliminations	Consolidated
Current Liabilities					
Current maturities of long-term debt	\$ 907.762	\$ -	\$ -	\$ -	\$ 907.762
Accounts payable	5,112.670	19.884	232.050	(221.002)	5,143.602
Accrued payroll and vacation pay	3,874.682	136.580	-	-	4,011.262
Estimated insurance liabilities - current	878.254	-	-	-	878.254
Accrued interest payable	22.334	-	-	-	22.334
Estimated amounts due to third-party payers	62.287	-	-	-	62.287
Deferred revenue and other	570.127	-	-	-	570.127
Total current liabilities	11,428.116	156.464	232.050	(221.002)	11,595.628
Estimated Insurance Liabilities and Other	3,842.998	-	-	-	3,842.998
Interest Rate Swap Agreement	404.384	-	-	-	404.384
Long-Term Debt	17,679.958	-	-	-	17,679.958
Accrued Pension Obligation	8,275.608	-	-	-	8,275.608
Total liabilities	41,631.064	156.464	232.050	(221.002)	41,798.576
Net Assets					
Unrestricted	32,691.684	1,803.740	-	-	34,495.424
Temporarily restricted	122.980	-	-	-	122.980
Permanently restricted	20.000	-	-	-	20.000
Total net assets	32,834.664	1,803.740	-	-	34,638.404
Total liabilities and net assets	\$ 74,465.728	\$ 1,960.204	\$ 232.050	\$ (221.002)	\$ 76,436.980

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

Assets

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

Liabilities and Net Assets

	Somerset Hospital	Twin Lakes Center	Consolidated
Current Liabilities			
Current maturities of long-term debt	\$ 890,663	\$ -	\$ 890,663
Accounts payable	3,901,506	21,073	3,922,579
Accrued payroll and vacation pay	3,234,921	134,382	3,369,303
Estimated insurance liabilities – current	599,572	-	599,572
Accrued interest payable	24,928	-	24,928
Deferred revenue and other	354,980	-	354,980
	<hr/>	<hr/>	<hr/>
Total current liabilities	9,006,570	155,455	9,162,025
Estimated Insurance Liabilities and Other	4,109,509	-	4,109,509
Interest Rate Swap Agreement	584,365	-	584,365
Long-Term Debt	18,587,720	-	18,587,720
Accrued Pension Obligation	11,913,434	-	11,913,434
	<hr/>	<hr/>	<hr/>
Total liabilities	44,201,598	155,455	44,357,053
	<hr/>	<hr/>	<hr/>
Net Assets			
Unrestricted	28,225,518	1,884,379	30,109,897
Temporarily restricted	223,531	-	223,531
Permanently restricted	20,000	-	20,000
	<hr/>	<hr/>	<hr/>
Total net assets	28,469,049	1,884,379	30,353,428
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	\$ 72,670,647	\$ 2,039,834	\$ 74,710,481
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Somerset Hospital and Subsidiaries
Consolidating Schedule – Statement of Operations Information
Year Ended June 30, 2013

	Somerset Hospital	Twin Lakes Center	Somerset Anesthesia, Inc.	Consolidated
Unrestricted Revenues, Gains and Other Support				
Patient service revenue (net of contractual discounts and allowances)	\$ 64,582,512	\$ 2,166,799	\$ 2,106,203	\$ 68,855,514
Provision for uncollectible accounts	(2,846,941)	(21,302)	(43,726)	(2,911,969)
Net patient service revenue less provision for uncollectible accounts	61,735,571	2,145,497	2,062,477	65,943,545
Federal, state and county grants	-	771,200	-	771,200
Other	1,446,259	42,222	-	1,488,481
Net assets released from restrictions used for operations	252,711	-	-	252,711
Total unrestricted revenues, gains and other support	63,434,541	2,958,919	2,062,477	68,455,937
Expenses				
Salaries and wages	25,685,529	1,368,935	1,266,362	28,320,826
Employee benefits	5,983,242	453,975	478,257	6,915,474
Physician fees	3,313,700	70,253	1,694,078	5,078,031
Supplies and other	22,577,764	712,822	164,519	23,455,105
Depreciation and amortization	4,121,014	83,573	-	4,204,587
Interest	491,601	-	-	491,601
Total expenses	62,172,850	2,689,558	3,603,216	68,465,624
Operating Income (Loss)	1,261,691	269,361	(1,540,739)	(9,687)
Other Income				
Contributions	155,000	-	-	155,000
Investment return	763,269	-	-	763,269
Investment return - change in fair value of investments accounted for under the fair value option of Topic 825	108,858	-	-	108,858
Gain on investments in equity investee	192,115	-	-	192,115
Other	13,259	-	-	13,259
Total other income	1,232,501	-	-	1,232,501
Excess (Deficiency) of Revenues Over Expenses	2,494,192	269,361	(1,540,739)	1,222,814
Investment return – change in unrealized gains and losses on other than trading securities	966,435	-	-	966,435
Grants received for acquisition of property and equipment	1,104,912	-	-	1,104,912
Net assets released from restriction used for purchase of property and equipment	13,300	-	-	13,300
Change in fair value of interest rate swap agreement	179,981	-	-	179,981
Defined benefit pension costs				
Recognition of net loss	410,804	-	-	410,804
Net loss arising during the year	3,198,053	-	-	3,198,053
Transfers to affiliates	(3,901,511)	(350,000)	1,540,739	(2,710,772)
Increase (Decrease) in Unrestricted Net Assets	\$ 4,466,166	\$ (80,639)	\$ -	\$ 4,385,527

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

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

Somerset Hospital and Subsidiaries
Consolidating Schedule – Statement of Changes in Net Assets Information
Year Ended June 30, 2013

	Somerset Hospital	Twin Lakes Center	Somerset Anesthesia, Inc.	Consolidated
Unrestricted Net Assets				
Excess (deficiency) of revenues over expenses	\$ 2,494,192	\$ 269,361	\$ (1,540,739)	\$ 1,222,814
Investment return – change in unrealized gains and losses on other than trading securities	966,435	-	-	966,435
Grants received for acquisition of property and equipment	1,104,912	-	-	1,104,912
Net assets released from restriction used for purchase of property and equipment	13,300	-	-	13,300
Change in fair value of interest rate swap agreement	179,981	-	-	179,981
Defined benefit pension costs				
Recognition of net loss	410,804	-	-	410,804
Net loss arising during the year	3,198,053	-	-	3,198,053
Transfers to affiliates	(3,901,511)	(350,000)	1,540,739	(2,710,772)
	<u>4,466,166</u>	<u>(80,639)</u>	<u>-</u>	<u>4,385,527</u>
Temporarily Restricted Net Assets				
Contributions received	163,288	-	-	163,288
Investment return	2,172	-	-	2,172
Net assets released from restriction	(266,011)	-	-	(266,011)
	<u>(100,551)</u>	<u>-</u>	<u>-</u>	<u>(100,551)</u>
	4,365,615	(80,639)	-	4,284,976
Change in Net Assets				
Net Assets, Beginning of Year	<u>28,469,049</u>	<u>1,884,379</u>	<u>-</u>	<u>30,353,428</u>
Net Assets, End of Year	<u>\$ 32,834,664</u>	<u>\$ 1,803,740</u>	<u>\$ -</u>	<u>\$ 34,638,404</u>

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

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