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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 private foundations)

▶ Do not enter Social Security numbers on this form as it may be made public By law, the IRS generally cannot redact the information on the form
▶ Information about Form 990 and its instructions is at www.IRS.gov/form990

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 07-01-2013 , 2013, and ending 06-30-2014

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

C Name of organization
MOUNT NITTANY MEDICAL CENTER

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
1800 EAST PARK AVENUE

City or town, state or province, country, and ZIP or foreign postal code
STATE COLLEGE, PA 16803

D Employer identification number
24-0795682

E Telephone number
(814) 231-7000

G Gross receipts $ 483,219,703

F Name and address of principal officer
STEVEN E BROWN
1800 EAST PARK AVENUE
STATE COLLEGE, PA 16803

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

H(b) Are all subordinates 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 MOUNTNITTANY ORG

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

L Year of formation 1905

M State of legal domicile PA

Part I Summary

1 Briefly describe the organization's mission or most significant activities
PROVIDE INPATIENT, OUTPATIENT & EMERGENCY CARE SERVICES TO RESIDENTS OF THE CENTRE COUNTY REGION

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

Activities & Governance	**3** Number of voting members of the governing body (Part VI, line 1a)	**3**	14
	4 Number of independent voting members of the governing body (Part VI, line 1b)	**4**	8
	5 Total number of individuals employed in calendar year 2013 (Part V, line 2a)	**5**	2,007
	6 Total number of volunteers (estimate if necessary)	**6**	770
	7a Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	2,789,231
	b Net unrelated business taxable income from Form 990-T, line 34	**7b**	1,259,496

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	3,188,138	3,144,328
	9 Program service revenue (Part VIII, line 2g)	278,528,821	306,678,986
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	4,073,823	12,202,212
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	3,585,815	3,967,236
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	289,376,597	325,992,762
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	13,850,795	23,515,422
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	124,390,204	133,704,132
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	149,235,483	148,020,719
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	287,476,482	305,240,273
	19 Revenue less expenses Subtract line 18 from line 12	1,900,115	20,752,489

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	414,344,237	447,908,909
	21 Total liabilities (Part X, line 26)	276,212,432	291,576,696
	22 Net assets or fund balances Subtract line 21 from line 20	138,131,805	156,332,213

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

****** | 2015-05-06
Signature of officer | Date

RICHARD J WISNIEWSKI SENIOR VP FINANCE/CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
JULIUS C GREEN CPA JD		2015-05-06		P00350393

Firm's name ▶ BAKER TILLY VIRCHOW KRAUSE LLP | Firm's EIN ▶ 39-0859910

Firm's address ▶ 1650 MARKET STREET SUITE 4500
PHILADELPHIA, PA 19103 | Phone no (215) 972-0701

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 or note to any line in this Part III . . . . . ☑

1 Briefly describe the organization's mission

MOUNT NITTANY HEALTH'S MISSION WE ARE HERE TO MAKE PEOPLE HEALTHIER MOUNT NITTANY MEDICAL CENTER WILL PROVIDE EVERY PATIENT WITH THE FINEST, PATIENT-CENTERED CARE IN A SAFE AND COMFORTABLE ENVIROMENT, CONTINUALLY IMPROVING ACCESS TO CARE, AND STRIVING TO ENHANCE THE QUAILITY OF HUMAN LIFE FOR EVERYONE WE SERVE MOUNT NITTANY MEDICAL CENTER WILL ENHANCE ITS POSITION AS THE PREFERRED REGIONAL HEALTHCARE DESTINATION FOR BOTH PATEINTS AND MEDICAL PROFESSIONALS - PROVIDING VITAL CLINICAL CENTERS OF EXCELLENCE AND SUPERIOR ACCESS TO CARE - SUPPORTED BY A COMMITMENT TO MEDICAL EDUCATION AND BACKED BY A CULTURE OF ADVANCEMENT AND ACCOUNTABILITY - MOVING LIFE FORWARD

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

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

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

If "Yes," describe these changes on Schedule O

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

4a (Code) (Expenses $ 269,266,497 including grants of $ 23,515,422) (Revenue $ 307,157,819)

MOUNT NITTANY MEDICAL CENTER IS COMMITTED TO PROVIDING QUALITY MEDICAL CARE IN AN ATMOSPHERE THAT REFLECTS HIGH STANDARDS OF SOCIAL, ETHICAL, AND FINANCIAL RESPONSIBILITY AND WILL ASSURE THAT THOSE SAME STANDARDS ARE MET IN ALL CONTRACTUAL RELATIONSHIPS THE BOARD OF TRUSTEES HAS ESTABLISHED THIS STATEMENT OF ORGANIZATIONAL VALUES TO ASSURE THAT MEMBERS OF THE BOARD, THE MEDICAL CENTER STAFF, AND THE MEDICAL STAFF HONOR THE FOLLOWING PRINCIPLES THROUGH OUR BEHAVIORS ALLIANCES WITH PATIENTS - WE WILL TREAT ALL PATIENTS WITH DIGNITY AND RESPECT, AND WILL ACCOMMODATE INDIVIDUAL RESPONSES TO THE STRESS OF ILLNESS - WE FULLY SUPPORT THE PRINCIPLES OUTLINED IN THE STATEMENT OF PATIENT'S RIGHTS AND RESPONSIBILITIES DOCUMENT - WE COMMIT TO A SERVICE EXCELLENCE PHILOSOPHY THAT STRIVES TO MEET OR EXCEED PATIENT EXPECTATIONS - ALL PATIENTS RECEIVE A UNIFORM STANDARD OF CARE THROUGHOUT THE FACILITY, REGARDLESS OF SOCIAL, CULTURAL, FINANCIAL, RELIGIOUS, RACIAL, GENDER, OR SEXUAL ORIENTATION FACTORS - THE MEDICAL CENTER AND MEDICAL STAFF WORK JOINTLY TO ASSURE THAT ONLY APPROPRIATE AND EFFECTIVE TESTS, PROCEDURES, AND TREATMENTS ARE PROVIDED TO PATIENTS COMMUNITY RELATIONS- WE WILL FAIRLY AND ACCURATELY REPRESENT OURSELVES AND OUR CAPABILITIES TO THE PUBLIC - WE ARE COMMITTED TO CONSTANT PREPARATION FOR THE LONG-TERM FINANCIAL VIABILITY OF THE MEDICAL CENTER THROUGH RESPONSIBLE UTILIZATION OF RESOURCES AND IN SUPPORT OF OUR COMMITMENT TO MEET THE HEALTHCARE NEEDS OF THE COMMUNITY - MEDICAL CENTER LEADERSHIP (EXECUTIVES, BOARD OF TRUSTEES, MEDICAL STAFF) WILL DISCLOSE AND AVOID POTENTIAL CONFLICTS OF INTEREST ALL OTHER HOSPITAL STAFF WILL AVOID SIMILAR CONFLICTS OF INTEREST - WE WILL MAINTAIN AN OPEN ADMISSIONS POLICY NO PATIENT WILL BE REFUSED EVALUATION AND SERVICE BASED UPON SEX, AGE, RACE, CREED, NATIONAL ORIGIN, SEXUAL ORIENTATION, INFECTION STATUS, OR THE ABILITY TO PAY TRANSFERS TO OTHER FACILITIES WILL OCCUR ONLY WHEN WE ARE UNABLE TO PROVIDE NEEDED SERVICES AND ONLY TO FACILITIES THAT PROVIDE AN APPROPRIATE LEVEL OF CARE, BASED ON OUR ASSESSMENT OF THE PATIENTS' NEEDS PATIENTS MAY ALSO REQUEST ELECTIVE TRANSFER AND AN INFORMED CONSENT PROCESS WILL BE FOLLOWED GENERAL PROGRAM SERVICE INFORMATIONOPERATIONS & PATIENTSMOUNT NITTANY MEDICAL CENTER, LOCATED IN STATE COLLEGE, PENNSYLVANIA, IS A 260-BED ACUTE-CARE, NOT-FOR-PROFIT FACILITY OFFERING GENERAL MEDICAL AND SURGICAL SERVICES THAT ARE FOCUSED ON HELPING PATIENTS REACH THEIR HEALTH POTENTIAL FOR THE FISCAL YEAR ENDED JUNE 30, 2014, MOUNT NITTANY MEDICAL CENTER PROVIDED CARE TO THE FOLLOWING NUMBER OF PATIENTS TOTAL NUMBER OF INPATIENTS 13,181, OUTPATIENTS 269,579 AND ER VISITS 50,918 TOTAL MEDICARE AND MEDICARE ADVANTAGE INPATIENTS 6,193, OUTPATIENTS 70,428 AND ER VISITS 7,998 TOTAL MEDICAID AND MEDICAID HMO INPATIENTS 1,094, OUTPATIENTS 15,313 AND ER VISITS 6,794TOTAL SELF PAY INPATIENTS 382, OUTPATIENTS 7,837 AND ER VISITS 5,807MOUNT NITTANY MEDICAL CENTER DID NOT DENY MEDICAL SERVICES TO ANY INDIVIDUALS INCLUDING THOSE THAT HAD PRIVATE INSURANCE, MEDICARE, MEDICAID, PUBLIC HEALTH INSURANCE, OR NO INSURANCE EMERGENCY DEPARTMENTMOUNT NITTANY MEDICAL CENTER OPERATES AN EMERGENCY ROOM 24 HOURS A DAY, 365 DAYS A YEAR PROVIDING SERVICES TO ALL MEMBERS OF THE COMMUNITY REGARDLESS OF THEIR ABILITY TO PAY AND DENIED ZERO PATIENTS REQUESTING SUCH SERVICES THE EMERGENCY ROOM DOES NOT HAVE A TRAUMA CENTER CERTIFICATION MEDICAL STAFF PRIVILEGESALL QUALIFIED PHYSICIANS IN THE COMMUNITY ARE ELIGIBLE FOR MEDICAL STAFF PRIVILEGES AT MOUNT NITTANY MEDICAL CENTER AND ALL QUALIFIED PHYSICIAN APPLICATIONS HAVE BEEN ACCEPTED FOR MEDICAL STAFF PRIVILEGES MORE THAN 300 PHYSICIANS IN 42 SPECIALTIES AND SUBSPECIALTIES ARE CREDENTIALED AT MOUNT NITTANY MEDICAL CENTER PROFESSIONAL MEDICAL EDUCATION AND TRAININGMOUNT NITTANY MEDICAL CENTER CONDUCTS PROFESSIONAL MEDICAL EDUCATION AND TRAINING PROGRAMS FOR THE BENEFIT OF THE COMMUNITY WITH A RESULTING FINANCIAL LOSS TO THE MEDICAL CENTER

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 ▶** 269,266,497

Part IV Checklist of Required Schedules

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

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a*	**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? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? *If so, complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	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? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V . . . . . ☐

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	73		
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	2,007		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)		2b	Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?		3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No" to line 3b, provide an explanation in Schedule O*		3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b		No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b		
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?		7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8		
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?		9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		9b		
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?		12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O		13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?		14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*		14b		

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

Check if Schedule O contains a response or note to any line in this Part VI . . . . . ☑

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	**1a**	14		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O				
b	Enter the number of voting members included in line 1a, above, who are independent	**1b**	8		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**			No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**			No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**			No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**			No
6	Did the organization have members or stockholders?	**6**			No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**			No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**			No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	**8a**		Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**			No

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

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

Section C. Disclosure

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

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

☐ Own website ☐ Another's website ☑ Upon request ☐ Other (explain in Schedule O)

19 Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization

▶ RICHARD J WISNIEWSKI SR VP FINANCECFO 1800 EAST PARK AVENUE
STATE COLLEGE, PA 168036797 (814) 234-6148

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

Check if Schedule O contains a response or note to any line in this Part VII . . . . . ☐

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

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) RICHARD D ALLATT MD DIRECTOR	2 00	X						16,856	0	0
(2) CARL A ANDERSON CHAIR (UNTIL FEB 2014)	2 00 4 00	X		X				0	0	0
(3) PATRICIA BEST DED VICE CHAIR	2 00 2 00	X						0	0	0
(4) S DIANE BRANNON PHD DIRECTOR (UNTIL SEPT 2013)	2 00	X						0	0	0
(5) STEVEN E BROWN FACHE DIRECTOR/PRESIDENT & CEO	32 00 8 00	X		X				995,270	0	64,548
(6) JONATHON DRANOV MD DIRECTOR	2 00 4 00	X						0	450,815	30,684
(7) THOMAS J HARRIS SECRETARY	2 00 4 00	X		X				0	0	0
(8) EUGENE KEPHART DED DIRECTOR	2 00	X						0	0	0
(9) PHILIP I PARK DIRECTOR	2 00	X						0	0	0
(10) WAYNE SEBASTIANELLI MD DIRECTOR	2 00 2 00	X						29,242	0	0
(11) KAREN P SHUTE DIRECTOR	2 00	X						0	0	0
(12) JAMES B THOMAS PHD CHAIR	2 00 4 00	X		X				0	0	0
(13) CHARLES WITMER DIRECTOR	2 00	X						0	0	0
(14) PAULA MILONE NUZZO RN PHD DIRECTOR (BEGINNING OCT 2013)	2 00	X						0	0	0
(15) THEODORE ZIFF MD DIRECTOR	2 00	X						0	0	0
(16) THOMAS F BROWN TREASURER	2 00 8 00	X		X				0	0	0
(17) RICHARD WISNIEWSKI SR VP OF FINANCE & CFO	36 00 4 00			X				357,772	0	53,819

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) JEFFREY RATNER MD SR VP OF MEDICAL AFFAIRS	40 00				X			353,069	0	59,755
(19) WAYNE THOMPSON EXECUTIVE VP, CORPORATE SERVICES & CIO	40 00				X			288,533	0	54,401
(20) JANET SCHACHTNER SR VP OF PATIENT CARE SERV	38 00 2 00				X			281,928	0	51,876
(21) DEBRA LINNES CHIEF OPERATING OFFICER	40 00				X			333,812	0	31,551
(22) THOMAS CHARLES EXECUTIVE VP SYSTEM DEVELOPMENT & CSO	40 00				X			241,148	0	26,508
(23) HAROLD BRUNGARD III VP, FACILITIES & PLANT OPS	40 00					X		176,610	0	27,622
(24) GERALD DITTMANN VP OF HUMAN RESOURCES	40 00					X		183,411	0	51,148
(25) GAIL MILLER VP OF QUALITY/PATIENT SAFE	40 00					X		168,147	0	42,647
(26) PATRICIA WATSON VP NURSING/CNO	40 00					X		151,359	0	41,643
(27) MAUREEN KARSTETTER VP MKTG, COMMUNICATIONS, COMMUNITY OUTREACH	40 00					X		154,535	0	47,363
(28) LANCE ROSE FORMER PRESIDENT & CEO	0 00						X	14,721	0	1,126

1b	**Sub-Total** . . . . . ▶			
c	**Total from continuation sheets to Part VII, Section A** . . . . ▶			
d	**Total (add lines 1b and 1c)** . . . . . ▶	3,746,413	450,815	584,691

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 ▶ 77

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
ALEXANDER BUILDING CONSTRUCTION LLC 315 VAUGHN STREET HARRISBURG PA 17110	CONSTRUCTION	18,142,928
PENN STATE MILTON S HERSHEY MEDICAL CEN 500 UNIVERSITY DRIVE HERSHEY PA 17033	CONTRACTED PHYSICIAN SERVICES	6,758,521
STICKLER CONSTRUCTION 211 W HAMILTON AVE 294 STATE COLLEGE PA 16801	CONSTRUCTION	2,681,740
STAFF CARE INC PO BOX 281923 ATLANTA GA 303841923	STAFFING AGENCY	2,516,873
PRICEWATERHOUSECOOPERS LLP 125 HIGH STREET BOSTON MA 02110	CONSULTING	1,972,000

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 ▶ 85

Part VIII Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII . . . . . ☐

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . .	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations . . .	1d	1,991,827			
	e	Government grants (contributions)	1e	275,446			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	877,055			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f . . . . . ▶		3,144,328			
Program Service Revenue			Business Code				
	2a	NET PATIENT SERVICE REV	621110	301,227,839	301,227,839		
	b	OTHER OPERATING REV	900099	5,451,147	5,451,147		
	c						
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f . . . . . ▶		306,678,986			
	3	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶		937,928		-6,572	944,500
	4	Income from investment of tax-exempt bond proceeds . . ▶					
	5	Royalties . . . . . ▶					
			(i) Real / (ii) Personal				
	6a	Gross rents	470,068				
	b	Less rental expenses	621,165				
	c	Rental income or (loss)	-151,097				
	d	Net rental income or (loss) . . . . . ▶		-151,097			-151,097
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	167,870,060				
	b	Less cost or other basis and sales expenses	156,586,069	19,707			
	c	Gain or (loss)	11,283,991	-19,707			
	d	Net gain or (loss) . . . . . ▶		11,264,284			11,264,284
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from fundraising events . . ▶					
	9a	Gross income from gaming activities See Part IV, line 19 . . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from gaming activities . . ▶					
	10a	Gross sales of inventory, less returns and allowances . a					
	b	Less cost of goods sold . . b					
	c	Net income or (loss) from sales of inventory . . ▶					
		Miscellaneous Revenue	Business Code				
	11a	OUTPATIENT LAB SERVICES	621500	2,775,495		2,775,495	
	b	CAFETERIA SALES	722210	841,199			841,199
	c	SNACK BAR REVENUE	722210	288,172			288,172
	d	All other revenue		213,467		20,308	193,159
	e	**Total.** Add lines 11a–11d . . . . . ▶		4,118,333			
	12	**Total revenue.** See Instructions . . . . . ▶		325,992,762	306,678,986	2,789,231	13,380,217

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 or note to any line 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	23,515,422	23,515,422		
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	170,224	170,224		
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	105,643,250	93,268,782	12,374,468	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	5,136,056	4,534,447	601,609	
9 Other employee benefits	15,874,290	13,910,602	1,963,688	
10 Payroll taxes	6,880,312	6,078,651	801,661	
11 Fees for services (non-employees)				
a Management				
b Legal	765,167		765,167	
c Accounting	78,974		78,974	
d Lobbying	15,278	15,278		
e Professional fundraising services See Part IV, line 17				
f Investment management fees	33,736		33,736	
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	17,860,458	11,314,448	6,546,010	
12 Advertising and promotion	393,132	13,347	379,785	
13 Office expenses	3,689,848	267,856	3,421,992	
14 Information technology	783,596	8,250	775,346	
15 Royalties . .				
16 Occupancy	3,874,694	1,221,220	2,653,474	
17 Travel	48,094	36,119	11,975	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	167,259	128,096	39,163	
20 Interest	7,740,381	7,740,381		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	15,694,585	15,694,585		
23 Insurance	1,652,560	1,652,560		
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a UBIT TAXES	411,131	411,131		
b MEDICAL SUPPLIES	68,892,295	68,892,295		
c BAD DEBT EXPENSE	10,651,807	10,651,807		
d MA ASSESSMENT	4,087,995	4,087,995		
e All other expenses	11,179,729	5,653,001	5,526,728	
25 **Total functional expenses.** Add lines 1 through 24e	305,240,273	269,266,497	35,973,776	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X . . . . . ☐

				(A) Beginning of year		(B) End of year
Assets	1	Cash–non-interest-bearing		3,847	1	3,848
	2	Savings and temporary cash investments		12,482,677	2	14,771,688
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		28,403,753	4	31,374,401
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		6,460,349	8	6,469,724
	9	Prepaid expenses and deferred charges		2,114,281	9	2,695,962
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 362,631,839			
	b	Less accumulated depreciation	10b 166,921,765	186,386,185	10c	195,710,074
	11	Investments—publicly traded securities		163,086,729	11	180,563,642
	12	Investments—other securities See Part IV, line 11		855,196	12	974,528
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		14,551,220	15	15,345,042
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		414,344,237	16	447,908,909
Liabilities	17	Accounts payable and accrued expenses		85,120,354	17	102,361,229
	18	Grants payable			18	
	19	Deferred revenue		476,134	19	609,543
	20	Tax-exempt bond liabilities		183,678,884	20	181,347,906
	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		589,985	23	352,464
	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		6,347,075	25	6,905,554
	26	**Total liabilities.** Add lines 17 through 25		276,212,432	26	291,576,696
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		137,917,694	27	156,042,551
	28	Temporarily restricted net assets		35,617	28	35,617
	29	Permanently restricted net assets		178,494	29	254,045
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		138,131,805	33	156,332,213
	34	Total liabilities and net assets/fund balances		414,344,237	34	447,908,909

Part XI Reconcilliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI . . . . . ☑

1	Total revenue (must equal Part VIII, column (A), line 12)	1	325,992,762
2	Total expenses (must equal Part IX, column (A), line 25)	2	305,240,273
3	Revenue less expenses Subtract line 2 from line 1	3	20,752,489
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	138,131,805
5	Net unrealized gains (losses) on investments	5	4,201,482
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	-6,753,563
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	156,332,213

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII . . . . . ☐

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		No
	If 'Yes,' check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
	If 'Yes,' check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separate basis			
c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?	2c	Yes	
	If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b		

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**
▶ **Information about Schedule A (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

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

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

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

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

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

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

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

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

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

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

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

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

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

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

e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box ☐

g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

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

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

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 6, column (f) divided by line 11, column (f)) **14**

15 Public support percentage for 2012 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2013.** 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—2012.** 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—2013.** 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—2012.** 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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support.** (Add lines 9, 10c, 11, and 12)						

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15	Public support percentage for 2013 (line 8, column (f) divided by line 13, column (f))	15	
16	Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2013** (line 10c, column (f) divided by line 13, column (f))	17	
18	Investment income percentage from **2012** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2013.** 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—2012.** 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.** 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		
Return Reference	Explanation	

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ **Complete if the organization is described below.** ▶ **Attach to Form 990 or Form 990-EZ.**
▶ **See separate instructions.** ▶ **Information about Schedule C (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

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2013

Open to Public Inspection

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

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

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

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

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

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

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

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

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $ _____

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $ _____

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $ _____

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ▶ $ _____

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $ _____

4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

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

A Check ▶ ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)

B Check ▶ ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
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-		

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

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ Yes ☐ No

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

Lobbying Expenditures During 4-Year Averaging Period — Calendar year (or fiscal year beginning in)	(a) 2010	(b) 2011	(c) 2012	(d) 2013	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		15,278
j	Total Add lines 1c through 1i			15,278
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

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

Return Reference	Explanation
PART II-B, LINE 1	A PORTION OF THE DUES PAID TO THE HOSPITAL & HEALTHSYSTEM ASSOCIATION OF PENNSYLVANIA ($8,301) AND THE AMERICAN HOSPITAL ASSOCIATION ($6,977) WAS DETERMINED TO BE FOR LOBBYING PURPOSES - TOTAL COST $15,278

Part IV Supplemental Information *(continued)*

Return Reference	Explanation

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions. ▶ Information about Schedule D (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

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

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

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

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

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

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

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

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

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

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

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

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

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

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

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

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

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

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

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

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a	Beginning of year balance	720,750	615,509	305,935	279,801	275,745
b	Contributions	51,261	97,914	306,824	3,991	
c	Net investment earnings, gains, and losses	1,813	7,328	2,750	22,143	4,056
d	Grants or scholarships					
e	Other expenditures for facilities and programs					
f	Administrative expenses					
g	End of year balance	773,824	720,750	615,509	305,935	279,801

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶ 100 000 %
- c Temporarily restricted endowment ▶

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

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

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

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

Part VI Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		9		9
b Buildings		218,367,365	71,341,279	147,026,086
c Leasehold improvements		5,209,266	831,526	4,377,740
d Equipment		126,779,974	91,668,908	35,111,066
e Other		12,275,225	3,080,052	9,195,173
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				195,710,074

Part VII **Investments—Other Securities.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

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

Part VIII **Investments—Program Related.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

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

Part IX **Other Assets.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11d See Form 990, Part X, line 15

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

Part X **Other Liabilities.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1 (a) Description of liability	(b) Book value
Federal income taxes	
DEFERRED COMPENSATION	287,398
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	5,123,733
ACCRUED INTEREST	1,494,423
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	6,905,554

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

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements			1	322,047,582
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	4,201,482		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d	-6,753,563		
e	Add lines **2a** through **2d**			2e	-2,552,081
3	Subtract line **2e** from line **1**			3	324,599,663
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	33,736		
b	Other (Describe in Part XIII)	4b	1,359,363		
c	Add lines **4a** and **4b**			4c	1,393,099
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	325,992,762

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return. Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total expenses and losses per audited financial statements			1	303,847,174
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	-1,359,363		
e	Add lines **2a** through **2d**			2e	-1,359,363
3	Subtract line **2e** from line **1**			3	305,206,537
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	33,736		
b	Other (Describe in Part XIII)	4b			
c	Add lines **4a** and **4b**			4c	33,736
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	305,240,273

Part XIII Supplemental Information

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

Return Reference	Explanation
PART V, LINE 4	PERMANENT ENDOWMENT FUNDS ARE HELD BY THE FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER, INC AND EARNINGS ARE DESIGNATED TO FUND FUTURE EXPENDITURES AND CAPITAL ACQUISITONS FOR MOUNT NITTANY MEDICAL CENTER
PART X, LINE 2	THE CORPORATION ACCOUNTS FOR UNCERTAINTY IN INCOME TAXES USING A RECOGNITION THRESHOLD OF MORE-LIKELY-THAN NOT TO BE SUSTAINED UPON EXAMINATION BY THE APPROPRIATE TAXING AUTHORITY MEASUREMENT OF THE TAX UNCERTAINTY OCCURS IF THE RECOGNITION THRESHOLD IS MET MANAGEMENT DETERMINED THERE WERE NO TAX UNCERTAINTIES THAT MET THE RECOGNITION THRESHOLD IN 2014 AND 2013 ALL REQUIRED FEDERAL EXEMPT ORGANIZATION BUSINESS INCOME TAX RETURNS FOR THE CORPORATION HAVE BEEN FILED UP TO, AND INCLUDING, THE TAX YEAR ENDED JUNE 30, 2013 THE CORPORATION'S FEDERAL INCOME TAX RETURNS FOR YEARS ENDED BEFORE JUNE 30, 2011 ARE NO LONGER SUBJECT TO EXAMINATION BY THE INTERNAL REVENUE SERVICE ("IRS")
PART XI, LINE 2D - OTHER ADJUSTMENTS	CHANGE IN INTEREST IN THE FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER, INC 1,112,693 PENSION LIABILITY ADJUSTMENT -7,889,076 CHANGE IN FAIR VALUE OF DERVATIVE INSTRUMENTS 22,820
PART XI, LINE 4B - OTHER ADJUSTMENTS	TRANSFERS FROM RELATED ORGANIZATIONS (NETTED ON FINANCIAL STATEMENTS) 1,379,070 LOSS ON SALE OF EQUIPMENT -19,707
PART XII, LINE 2D - OTHER ADJUSTMENTS	TRANSFERS FROM RELATED ORGANIZATIONS (NETTED ON FINANCIAL STATEMENTS) - 1,379,070 LOSS ON SALE OF EQUIPMENT 19,707

Part XIII Supplemental Information *(continued)*

Return Reference	Explanation

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990.*

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

Part I Financial Assistance and Certain Other Community Benefits at Cost

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			1,496,183		1,496,183	0 510 %
b Medicaid (from Worksheet 3, column a)			16,545,562	11,256,259	5,289,303	1 800 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			18,041,745	11,256,259	6,785,486	2 310 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			240,876	2,195	238,681	0 080 %
f Health professions education (from Worksheet 5)			182,399	57,310	125,089	0 040 %
g Subsidized health services (from Worksheet 6)			4,830,000	2,921,915	1,908,085	0 650 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			284,415		284,415	0 100 %
j **Total.** Other Benefits			5,537,690	2,981,420	2,556,270	0 870 %
k **Total.** Add lines 7d and 7j			23,579,435	14,237,679	9,341,756	3 180 %

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support			2,735		2,735	0 %
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building			684		684	0 %
7 Community health improvement advocacy						
8 Workforce development			10,709		10,709	0 %
9 Other						
10 **Total**			14,128		14,128	

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

			Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1	Yes	
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount 2 3,242,189			
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	47,556,521
6	Enter Medicare allowable costs of care relating to payments on line 5	6	63,688,173
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-16,131,652
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☑ Cost to charge ratio ☐ Other

Section C. Collection Practices

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

Part IV Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1	1 ADG HOSPITAL DRIVE ASSOCIATES	LEASING REAL PROPERTY FOR MEDICAL OFFICE AND SURGICAL CENTER	24 260 %		
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

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

	Name, address, primary website address, and state license number	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
	See Additional Data Table										

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group MOUNT NITTANY MEDICAL CENTER

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A) 1

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

Part V Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	10	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 250 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11 Used FPG to determine eligibility for providing *discounted* care?	11		No
If "Yes," indicate the FPG family income limit for eligibility for discounted care __% If "No," explain in Part VI the criteria the hospital facility used			
12 Explained the basis for calculating amounts charged to patients?	12	Yes	
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☑ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Residency			
i ☐ Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?	13	Yes	
14 Included measures to publicize the policy within the community served by the hospital facility?	14	Yes	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☑ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☑ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☑ The policy was posted in the hospital facility's admissions offices			
e ☑ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☑ The policy was available upon request			
g ☐ Other (describe in Part VI)			
Billing and Collections			
15 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP			
a ☑ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			
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 individual's eligibility under the facility's FAP?	17		No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			

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 individuals regarding the individuals' bills
- **d** ☑ Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- **e** ☐ Other (describe in Section C)

Policy Relating to Emergency Medical Care

		Yes	No
19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**19**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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

20 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care			
a ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☑ Other (describe in Part VI)			
21 During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care?	**21**		No
If "Yes," explain in Part VI			
22 During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual?	**22**		No
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

Form and Line Reference	Explanation
See Additional Data Table	

Part V Facility Information *(continued)*

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

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

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

Part VI Supplemental Information

Provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs 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

Form and Line Reference	Explanation
PART I, LINE 3C	A DISCOUNT OF 50% OFF OF CHARGES IS OFFERED TO UNINSURED PATIENTS ON HOSPITAL ACCOUNT BALANCES THE FOLLOWING ARE EXAMPLES THAT QUALIFY PATIENTS AS UNINSURED TERMINATED COVERAGE EITHER DUE TO JOB TERMINATION OR UNINSURED PERIODS DURING INSURANCE TRANSITION, EMPLOYED PATIENTS WHO MAY BE IN A "WAITING/GRACE" PERIOD FOR INSURANCE, OR INSURED PATIENTS WHERE COVERAGE HAS EXHAUSTED

Form and Line Reference	Explanation
PART I, LINE 7	COST TO CHARGE RATIO WAS COMPUTED USING WORKSHEET 2 AS DESCRIBED IN THE IRS INSTRUCTIONS TO FORM 990 FOR LINES 7A, 7B, AND 7G COST ACCOUNTING SYSTEM WAS USED FOR SUBSIDIZED HEALTH SERVICES FOR ALL OTHERS, COSTS INCLUDED THE VALUE OF STAFF DONATED HOURS (WITH ESTIMATED BENEFITS), MONETARY CONTRIBUTIONS, ESTIMATED VALUE OF MATERIALS USED IN DELIVERING PROGRAMS, AND ESTIMATED SPACE COSTS THE INDIRECT COST ALLOCATION APPLIES THE INDIRECT-TO-DIRECT COST RATIO FROM THE MEDICAL CENTER'S MOST RECENT MEDICARE COST REPORT (AS OF 6/30/2014 APPROX 30%)

Form and Line Reference	Explanation
PART I, LINE 7, COLUMN (F)	THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS $ 10,651,807

Form and Line Reference	Explanation
PART II, COMMUNITY BUILDING ACTIVITIES	OUR ENTRIES FOR COALITION BUILDING INCLUDE STAFF TIME FOR PARTICIPATION ON LOCAL COMMUNITY BOARDS OR STEERING COMMITTEES THAT FOCUS ON COMMUNITY HEALTH, FOR EXAMPLE, THE ADMINISTRATIVE DIRECTOR OF THE CANCER PROGRAM SERVES ON THE PA PATIENT NAVIGATOR INTERWORK STEERING COMMITTEE, MNMC'S DIRECTOR OF EDUCATION SERVED ON THE BOARD FOR CENTRE COUNTY PARTNERSHIP FOR COMMUNITY HEALTH, OUR INFECTION CONTROL NURSE SERVES ON THE INFECTION CONTROL COMMITTEE AT HEALTHSOUTH, AND OUR CFO SERVES ON THE BOARD FOR CENTRE VOLUNTEERS IN MEDICINE THESE ARE JUST A FEW EXAMPLES

Form and Line Reference	Explanation
PART III, LINE 2	BAD DEBT (AT COST) IS CALCULATED BY APPLYING THE PATIENT CARE COST-TO-CHARGE RATIO FROM WORKSHEET 2 TO THE MEDICAL CENTER'S PROVISION FOR DOUBTFUL COLLECTIONS AS OF JUNE 30, 2014 THE MEDICAL CENTER'S ACCOUNTING DEPARTMENT RECORDS PAYMENTS, WHILE PATIENT ACCOUNTING STAFF MAKES APPROPRIATE ADJUSTMENTS TO PATIENT ACCOUNTS FOR BAD DEBT, DISCOUNTS, OR FREE CARE WRITE-OFFS

Form and Line Reference	Explanation
PART III, LINE 3	THE MEDICAL CENTER IS UNABLE TO ESTIMATE THE AMOUNT OF BAD DEBT THAT COULD BE ATTRIBUTABLE TO PATIENTS WHO LIKELY WOULD QUALIFY FOR FINANCIAL ASSISTANCE UNDER THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY PATIENTS DO NOT PROVIDE INCOME INFORMATION PRIOR TO RECEIVING CARE THE REGISTRATION DEPARTMENT GIVES EVERY PATIENT A COPY OF OUR FINANCIAL ASSISTANCE PROGRAM TO ENSURE EVERY PATIENT HAS THE OPPORTUNITY AS APPROPRIATE TO QUALIFY FOR OUR ASSISTANCE PROGRAM THE MEDICAL CENTER OFFERS DETAILED INFORMATION ABOUT THE CHARITY CARE PROGRAM WHEN PATIENTS OFFER INFORMATION THAT IS NEEDED TO DETERMINE ELIGIBILITY SEE RESPONSE TO PART VI, LINE 3 HEREIN MOUNT NITTANY MEDICAL CENTER PROVIDES SERVICES TO ALL PATIENTS REGARDLESS OF ABILITY TO PAY AS PART OF THE HOSPITAL'S MISSION A PORTION OF THE MOUNT NITTANY MEDICAL CENTER'S BAD DEBT WOULD RELATE TO PATIENTS THAT COULD QUALIFY FOR CHARITY CARE BUT WERE UNWILLING OR UNABLE TO PROVIDE THE APPROPRIATE DOCUMENTATION TO ALLOW THAT CLASSIFICATION AS SUCH A PORTION OF THE HOSPITAL'S BAD DEBT SHOULD BE CONSIDERED COMMUNITY BENEFIT

Form and Line Reference	Explanation
PART III, LINE 4	ACCOUNTS RECEIVABLE, PATIENTS, ARE REPORTED AT NET REALIZABLE VALUE ACCOUNTS ARE WRITTEN OFF WHEN THEY ARE DETERMINED TO BE UNCOLLECTIBLE BASED UPON MANAGEMENT'S ASSESSMENT OF INDIVIDUAL ACCOUNTS THE ALLOWANCE FOR DOUBTFUL ACCOUNTS IS ESTIMATED BASED ON A PERIODIC REVIEW OF THE ACCOUNTS RECEIVABLE AGING, PAYOR CLASSIFICATIONS, AND APPLICATION OF HISTORICAL WRITE-OFF PERCENTAGES FOR RECEIVABLES ASSOCIATED WITH SERVICES PROVIDED TO PATIENTS WHO HAVE THIRD-PARTY COVERAGE, THE CORPORATION ANALYZES CONTRACTUAL AMOUNTS DUE AND PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS AND A PROVISION FOR BAD DEBTS, IF NECESSARY FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PATIENTS WHICH INCLUDES BOTH PATIENTS WITHOUT INSURANCE AND INSURED PATIENTS WITH DEDUCTIBLE AND COPAYMENT BALANCES, THE CORPORATION RECORDS A SIGNIFICANT PROVISION FOR BAD DEBTS IN THE PERIOD OF SERVICE ON THE BASIS OF ITS PAST EXPERIENCE, WHICH INDICATES THAT MANY PATIENTS ARE UNABLE OR UNWILLING TO PAY THE PORTION OF THEIR BILL FOR WHICH THEY ARE FINANCIALLY RESPONSIBLE THE DIFFERENCE BETWEEN THE BILLED RATES AND THE AMOUNTS ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS BAD DEBT IS PUBLISHED IN THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS ON THE STATEMENT OF OPERATIONS ON THE LINE ENTITLED, "PROVISION FOR BAD DEBTS "

Form and Line Reference	Explanation
PART III, LINE 8	THE MEDICAL CENTER CONTINUES TO PROVIDE CARE TO ALL PRESENTING AND ADMITTED PATIENTS, REGARDLESS OF ABILITY TO PAY THROUGH DILIGENT COST CONTROL PROCESSES, THE MEDICAL CENTER SEEKS WAYS TO KEEP COSTS OF PROVIDING CARE TO A MINIMUM, WHILE STILL PROVIDING THE SAFETY MEASURES, TECHNOLOGICAL CAPABILITIES, AND APPROPRIATE STAFFING LEVELS TO ENSURE THE BEST POSSIBLE OUTCOMES NOTWITHSTANDING THE COSTS TO PROVIDE CARE, RECEIVING "LESS" THAN WHAT IT COSTS TO PROVIDE ADEQUATE CARE TO MEDICARE COVERED LIVES DOES THE MEDICAL CENTER A DISSERVICE THIS SHORTFALL SHOULD COUNT AS A COMMUNITY BENEFIT AS THE MEDICAL CENTER STRIVES TO PROVIDE THE BEST CARE POSSIBLE TO ALL PATIENTS REGARDLESS OF THEIR ABILITY TO PAY THE MEDICAL CENTER USES A STEP-DOWN COST ALLOCATION METHOD AND THEN APPLIES A COST-TO-CHARGE RATIO

Form and Line Reference	Explanation
PART III, LINE 9B	IF PATIENTS ARE FOUND TO QUALIFY FOR FINANCIAL ASSISTANCE, THE MEDICAL CENTER IMMEDIATELY CEASES COLLECTIONS AND ADJUSTS CHARGES OFF AS CHARITY CARE

Form and Line Reference	Explanation
PART VI, LINE 2	MOUNT NITTANY HEALTH SYSTEM ("MNHS") HAS HISTORICALLY USED INFORMAL COMMUNITY FEEDBACK MECHANISMS SUCH AS PATIENT AND STAFF INTERACTIONS, AS WELL AS MORE FORMAL MEANS SUCH AS CONSULTANT-LED MARKET RESEARCH AND SOLICITING FEEDBACK FROM DONORS, NON-EMPLOYED PHYSICIANS, AND COMMUNITY LEADERS TO UNDERSTAND THE NEEDS OF REGIONAL POPULATIONS IN ADDITION, MNHS CONTINUES TO HOLD ONGOING AND MEANINGFUL DISCUSSIONS WITH MAJOR COMMUNITY STAKEHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE PENNSYLVANIA STATE UNIVERSITY AND MILTON S HERSHEY MEDICAL CENTER, TO DEVELOP RESPONSIVE PROGRAMS AND SOLUTIONS TO THE HEALTH CARE NEEDS OF PROMINENT SEGMENTS OF THE LOCAL POPULATION IN CENTRE COUNTY DURING FISCAL YEAR 2013, MOUNT NITTANY MEDICAL CENTER CONDUCTED A COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) THE CHNA EFFORT CONSISTED OF THE COLLECTION, ANALYSIS, AND SYNTHESIS OF DATA FROM A WIDE VARIETY OF PRIMARY AND SECONDARY SOURCES IN ORDER TO CHARACTERIZE THE POPULATION AND PRIORITY HEALTH NEEDS OF CENTRE COUNTY AND THE SURROUNDING REGION MNMC BEGAN ITS COMPREHENSIVE CHNA IN THE SUMMER OF 2012 PRELIMINARY MEETINGS WERE HELD WITH COMMUNITY LEADERS TO EXPLORE THE COMMUNITY'S PERCEPTION OF THE SCOPE OF MOUNT NITTANY MEDICAL CENTER'S EFFORTS, RESOURCES AVAILABLE FOR COLLABORATION, AND LEVEL OF INTEREST IN COMMUNITY-BASED AND COMMUNITY-OWNED SOLUTIONS THESE DISCUSSIONS LED TO A FIVE PART APPROACH WHEREBY WE CONDUCTED 1 KEY STAKEHOLDER INTERVIEWS - A TOTAL OF 36 INDIVIDUAL INTERVIEWS WERE CONDUCTED DURING THE FALL AND WINTER OF 2012/13 INTERVIEWEES INCLUDED THE DIRECTORS OF A VARIETY OF MAJOR HEALTH AND HUMAN SERVICE ORGANIZATIONS IN AND AROUND CENTRE COUNTY, HEALTH-RELATED FACULTY AND LEADERS FROM THE PENNSYLVANIA STATE UNIVERSITY, STUDENT HEALTH SERVICES STAFF, PUBLIC SAFETY OFFICIALS, SCHOOL DISTRICT ADMINISTRATORS, PHYSICIANS, AND TRANSPORTATION MANAGERS 2 HEALTH NEEDS SURVEY - AN ONLINE AND PAPER-BASED SURVEY WAS WIDELY DISTRIBUTED TO THE COMMUNITY AND WITHIN MOUNT NITTANY MEDICAL CENTER'S FACILITIES BY THE END OF MARCH 2013, 1,133 COMPLETED SURVEYS WERE RECEIVED RESULTS ARE INCLUDED IN THE CHNA 3 INTERNAL ADVISORY TEAM - BEGINNING IN LATE FALL 2012, AN INTERNAL TEAM OF EXPERIENCED MOUNT NITTANY MEDICAL CENTER CLINICAL AND CASE MANAGEMENT STAFF MET FOR A SERIES OF DISCUSSIONS TO DOCUMENT HEALTH NEEDS AS UNDERSTOOD BY THE PROVIDER COMMUNITY 4 SECONDARY DATA - MOUNT NITTANY MEDICAL CENTER PARTNERED WITH THE PENNSYLVANIA STATE UNIVERSITY FACULTY AND STUDENTS IN THE DEPARTMENT OF HEALTH POLICY AND ADMINISTRATION TO IDENTIFY, REVIEW, AND SYNTHESIZE SECONDARY DATA ABOUT THE HEALTH OF CENTRAL PENNSYLVANIANS 5 HEALTH NEEDS SUMMIT - MOUNT NITTANY MEDICAL CENTER IDENTIFIED CENTRE COUNTY'S SOLE STATE HEALTH IMPROVEMENT PLAN (SHIP) PARTNERSHIP AS A LOGICAL COLLABORATOR TO HELP BRING COMMUNITY LEADERS TOGETHER TO ENSURE COMPREHENSIVE INPUT INTO LOCAL AND REGIONAL POCKETS OF NEED THE SHIP PARTNERSHIP, CENTRE COUNTY PARTNERSHIP FOR COMMUNITY HEALTH (CCPCH), HOSTED THIS EVENT ON FEBRUARY 25, 2013 THIS SUMMIT WAS THE FIRST IN A SERIES OF ONGOING MEETINGS ORGANIZED AND HOSTED BY CCPCH WITH SUPPORT FROM MOUNT NITTANY MEDICAL CENTER THESE ONGOING EVENTS PROVIDE INCLUSIVE FORUMS TO MONITOR NEEDS, ADJUST IMPLEMENTATION TACTICS, AND CONDUCT ONGOING NEEDS ASSESSMENTS MORE EFFICIENTLY OVER TIME SEE ALSO SCHEDULE H PART V

Form and Line Reference	Explanation
PART VI, LINE 3	MOUNT NITTANY MEDICAL CENTER IS DEDICATED TO IMPROVING THE HEALTH AND WELL-BEING OF ALL ITS CONSTITUENTS AS MENTIONED PREVIOUSLY, MNMC CONDUCTED A COMMUNITY HEALTH NEEDS ASSESSMENT DURING FISCAL YEAR 2013 THIS ASSESSMENT RESULTED IN SIX MAJOR COMMUNITY HEALTH NEEDS AND GAPS WHICH INCLUDE ACCESS TO CARE, HEALTHY AGING, MENTAL HEALTH, OBESITY/DIABETES, ORAL HEALTH AND SUBSTANCE ABUSE REFER TO THE CHNA FOR ANALYSIS AND RESPONSE TO THESE AREAS THROUGH THE FINANCIAL ASSISTANCE PROGRAM, MOUNT NITTANY MEDICAL CENTER PROVIDES MEDICAL CARE REGARDLESS OF A PATIENT'S ABILITY TO PAY, INSUFFICIENT HEALTH INSURANCE OR WHETHER A GOVERNMENT-SPONSORED PROGRAM COVERS THE FULL COST OF SERVICES AND AS THE COUNTRY'S ECONOMIC FUTURE REMAINS UNCERTAIN, MOUNT NITTANY MEDICAL CENTER WILL CONTINUE TO PROVIDE CARE FOR THOSE WHO NEED IT MOUNT NITTANY MEDICAL CENTER WILL PROVIDE SERVICES AT NO CHARGE OR REDUCED CHARGES TO THOSE WHO ARE FINANCIALLY UNABLE TO PAY FOR THOSE SERVICES MOUNT NITTANY MEDICAL CENTER WILL NOT ARBITRARILY RESTRICT THE PROVISIONS OF HEALTH SERVICES TO CERTAIN INDIVIDUALS OR GROUPS MOUNT NITTANY MEDICAL CENTER'S REGISTRATION DEPARTMENT REPRESENTATIVES WILL GIVE A COPY OF OUR FINANCIAL ASSISTANCE PROGRAM TO EVERY PATIENT ALONG WITH OTHER IMPORTANT BILLING INFORMATION OUR FINANCIAL COUNSELOR WILL DISCUSS THE AVAILABILITY OF VARIOUS GOVERNMENT BENEFITS SUCH AS MEDICAID OR STATE PROGRAMS TO ASSIST THE PATIENT WITH QUALIFICATIONS FOR THESE PROGRAMS THE FINANCIAL COUNSELOR WILL ALSO ASSIST THE PATIENT IN COMPLETING THE PROPER PAPERWORK FOR ASSISTANCE IN ADDITION, OUR VENDOR DEBIASE & LEVINE, REPRESENTATIVE, WHO IS WORKING ON BEHALF OF MOUNT NITTANY MEDICAL CENTER, WILL ALSO ASSIST PATIENTS WITH THE MEDICAL ASSISTANCE PROCESS OUR VENDOR WORKS ON BEHALF OF THE ORGANIZATION TO FOLLOW THE HOSPITAL'S POLICIES REGARDING PATIENT NOTIFICATION AND THE AVAILABILITY OF FINANCIAL ASSISTANCE MOUNT NITTANY MEDICAL CENTER'S FINANCIAL ASSISTANCE POLICY IS POSTED ON OUR WEBSITE ALONG WITH AN APPLICATION FOR PATIENTS TO COMPLETE FOR FINANCIAL ASSISTANCE THE FINANCIAL COUNSELORS AND CASE MANAGEMENT STAFF WILL ALSO WORK CLOSELY TO IDENTIFY AND ASSIST ELIGIBLE PATIENTS MOUNT NITTANY MEDICAL CENTER WILL MAKE AVAILABLE A WRITTEN NOTICE TO EACH PATIENT OR THEIR REPRESENTATIVE OF THE EXISTENCE, CRITERIA AND MECHANISM FOR RECEIVING FINANCIAL ASSISTANCE THE HOSPITAL WILL CREATE AND MAINTAIN RECORDS AND DOCUMENT THAT AN APPLICATION WAS SENT TO THE PATIENT DEMONSTRATING THAT THE REQUIRED CRITERIA AND MECHANISM ARE ESTABLISHED (MOUNT NITTANY MEDICAL CENTER WILL RECORD ANY AND ALL REQUESTS FOR FINANCIAL ASSISTANCE, THE DISPOSITION AND THE DOLLAR AMOUNT OF MOUNT NITTANY MEDICAL CENTER'S FINANCIAL ASSISTANCE PROGRAM PROVIDED) THE COMPLETED APPLICATIONS ARE GIVEN TO THE PATIENT ACCOUNTS DEPARTMENT SHOWING WHETHER THE APPLICATION WAS APPROVED OR DENIED IN ALL INSTANCES, PATIENT CONFIDENTIALITY WILL BE PROTECTED ELIGIBILITY WILL BE DETERMINED BY COMPARING HOUSEHOLD FAMILY INCOME TO THE INCOME POVERTY GUIDELINES INCOME IS DEFINED AS THE TOTAL ANNUAL CASH RECEIPTS BEFORE TAXES FROM ALL SOURCES A NOTICE OF AVAILABILITY OF MOUNT NITTANY MEDICAL CENTER'S FINANCIAL ASSISTANCE PROGRAM WILL BE GIVEN TO EACH PATIENT OR THEIR REPRESENTATIVE PRIOR TO SERVICES BEING RENDERED, WITH THE EXCEPTION OF EMERGENCY SERVICES WHEREBY THE PATIENT IS TRIAGED PRIOR TO COMPLETING THE REGISTRATION PROCESS THESE PATIENTS WOULD RECEIVE THE NOTICE REGARDING THE FINANCIAL ASSISTANCE PROGRAM AT SOME POINT DURING THAT VISIT THESE NOTICES ARE DISPLAYED AND MADE AVAILABLE IN ALL REGISTRATION AREAS OF THE HOSPITAL AND INCLUDES THE MOST CURRENT AVAILABLE "HOUSEHOLD INCOME GUIDELINES" AS PUBLISHED IN THE FEDERAL REGISTER MOUNT NITTANY MEDICAL CENTER'S CURRENT FINANCIAL ASSISTANCE PROGRAM ELIGIBILITY IS BASED ON 2 5 TIMES THE "HOUSEHOLD INCOME GUIDELINES" THE PATIENT ACCOUNTS DIRECTOR OR HIS/HER DESIGNEE SHALL REVIEW ALL APPLICATIONS FOR THE MOUNT NITTANY MEDICAL CENTER FINANCIAL ASSISTANCE PROGRAM IT IS THE APPLICANT'S RESPONSIBILITY TO PROVIDE PROOF OF INCOME

Form and Line Reference	Explanation
PART VI, LINE 4	THE MEDICAL CENTER'S PRIMARY SERVICE AREA INCLUDES CENTRE COUNTY AND PARTS OF THE SURROUNDING COUNTIES CENTRE COUNTY'S POPULATION IS APPROXIMATELY 155,000 APPROXIMATELY 16% OF THE POPULATION IS AGED 0-14, 72% AGED 15-64, AND 12% IS 65 OR OLDER THE ESTIMATE FOR THE POPULATION LIVING BELOW THE POVERTY LINE IS 19% THE MEDIAN AGE IN CENTRE COUNTY IS 26 6 (39 9 FOR ALL OF PA) 40% OF THOSE AGED 25 OR OLDER HAVE AT LEAST A BACHELOR'S DEGREE VS 26 4% FOR ALL OF PA THE MEDIAN HOUSEHOLD INCOME IS $48,262, WHILE THE PA MEDIAN IS $51,651 40,000+ COLLEGE STUDENTS LIVE IN STATE COLLEGE MOUNT NITTANY MEDICAL CENTER IS THE SOLE GENERAL ACUTE CARE HOSPITAL IN CENTRE COUNTY THE NEAREST LEVEL II TRAUMA CENTER IS APPROX 43 MILES AWAY PART OF CENTRE COUNTY IS A DESIGNATED MEDICALLY UNDERSERVED AREA

Form and Line Reference	Explanation
PART VI, LINE 5	THE MEDICAL CENTER'S BOARD OF TRUSTEES AND ITS VARIOUS COMMITTEES INCLUDE COMMUNITY MEMBERS AS WELL AS MEDICAL STAFF THE COMMUNITY MEMBERS ARE NOT DIRECTLY INVOLVED IN THE MEDICAL CENTER'S OPERATIONS THE MEDICAL CENTER'S MEDICAL STAFF EXCEEDS 300 PHYSICIANS THE MEDICAL CENTER CONTINUES TO INVEST IN STRONG AND BENEFICIAL RELATIONSHIPS WITH ALL PHYSICIANS WHO HAVE AN INTEREST IN WORKING WITH THE MEDICAL CENTER ALL REVENUES IN EXCESS OF EXPENSES ARE RE-INVESTED IN THE COMMUNITY, INCLUDING SIGNIFICANT DONATIONS TO THE COUNTY'S ONLY FREE MEDICAL AND DENTAL CLINIC, AS WELL AS INTERNAL IMPROVEMENTS TO TECHNOLOGY SO THAT THE PEOPLE AND COMMUNITIES WE SERVE HAVE IMMEDIATE ACCESS TO THE BEST AND MOST APPROPRIATE DIAGNOSTIC AND TREATMENT OPTIONS AVAILABLE

Form and Line Reference	Explanation
PART VI, LINE 6	AS OF JUNE 30, 2014, MOUNT NITTANY HEALTH SYSTEMS HAS TWO CONTROLLED CORPORATIONS, WHICH ARE THE MOUNT NITTANY MEDICAL CENTER (INPATIENT AND OUTPATIENT SERVICES) AND MOUNT NITTANY MEDICAL CENTER HEALTH SERVICES, INC (A PHYSICIAN PRACTICE D/B/A MOUNT NITTANY PHYSICAN GROUP) THE FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER, INC (FUNDRAISING) AND THE MOUNT NITTANY SURGICAL CENTER, INC (OUTPATIENT SURGICAL CENTER) ARE CONTROLLED BY MOUNT NITTANY MEDICAL CENTER COMMUNITY BENEFIT SERVICES OFFERED BY MOUNT NITTANY MEDICAL CENTER ARE AFFORDED TO THE BROAD COMMUNITY WITH THE INTENT OF IMPROVING COMMUNITY HEALTH PROGRAMS AND SERVICES ARE DESIGNED TO RESPOND TO IDENTIFIED COMMUNITY NEEDS COMMUNITY BENEFIT ACTIVITIES FALL INTO THESE MAJOR CATEGORIES COMMUNITY HEALTH IMPROVEMENT SERVICES - INCLUDES ACTIVITIES THAT ARE CARRIED OUT TO IMPROVE COMMUNITY HEALTH MOUNT NITTANY MEDICAL CENTER PROVIDES COMMUNITY HEALTH EDUCATION, HEALTH SCREENINGS, SUPPORT GROUPS, AND TRANSPORTATION ASSISTANCE THIS PAST YEAR OFFERED NUMEROUS SCREENINGS AND EDUCATION EVENTS FOR MEMBERS OF OUR COMMUNITY HEALTH PROFESSIONS EDUCATION - MOUNT NITTANY MEDICAL CENTER IS ADVANCING HEALTHCARE BY ADVANCING ACCESS TO EDUCATION AND TRAINING IN 2013, MOUNT NITTANY AWARDED CONTINUING EDUCATION CREDITS FOR NURSES AND PHYSICIANS, AS WELL AS TRAININGS IN THE AMERICAN HEART ASSOCIATION TRAINING CENTER CASH AND IN-KIND DONATIONS - MOUNT NITTANY MEDICAL CENTER REPORTED ITS SUPPORT OF MORE THAN FORTY LOCAL ORGANIZATIONS THROUGH IN-KIND AND CASH DONATIONS THE LEAD BENEFICIARY OF MOUNT NITTANY'S SUPPORT IS CENTRE VOLUNTEERS IN MEDICINE OTHER NON-PROFIT GROUPS INCLUDE AMERICAN HEART ASSOCIATION, PEOPLE CENTRE'D ON DIABETES, YMCA OF CENTRE COUNTY, AND MORE COMMUNITY-BUILDING ACTIVITIES - MOUNT NITTANY IS A LEAD FACILITATOR IN LOCAL AND REGIONAL PREPAREDNESS ACTIVITIES, ENSURING THAT CENTRE COUNTY IS PREPARED SHOULD A DISASTER STRIKE IN ADDITION, MOUNT NITTANY PROVIDES ACCESS TO CARE IN RURAL AREAS TO ENSURE THAT EVERY COMMUNITY HAS ACCESS TO CARE, SUCH AS PROVIDING DIABETES EDUCATION AT RURAL DOCTORS' OFFICES SUBSIDIZED HEALTH SERVICES - MOUNT NITTANY MEDICAL CENTER PROVIDES THE COMMUNITY MENTAL HEALTH SERVICES AT ITS INPATIENT UNIT, ONCOLOGY PATIENT NAVIGATOR PROGRAM, TRANSPORTATION SERVICES FOR PATIENTS WITH CANCER, PEDIATRIC MEDICAL HOME PROGRAM FOR AT-RISK CHILDREN AND SEVERAL FREE SUPPORT GROUPS THE MOUNT NITTANY PHYSICIAN GROUP OFFERS A COMMUNITY BENEFIT BY SEEING CENTRE VOLUNTEERS IN MEDICINE (CVIM) PATIENTS FOR SPECIALTY SERVICES AT NO COST TO THE PATIENT OR TO CVIM THIS GROUP ALSO PROVIDES VARIOUS INTERNSHIPS, PRESENTATIONS AND NEWSLETTERS TO THE COMMUNITY INCLUDING TOPICS LIKE HEART HEALTH AND PEDIATRICS

Form and Line Reference	Explanation
PART VI, LINE 7, REPORTS FILED WITH STATES	PA

Additional Data

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

990 Schedule H, Supplemental Information

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

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

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ **Attach to Form 990**

▶ **Information about Schedule I (Form 990) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

Part I General Information on Grants and Assistance

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

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

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

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) MOUNT NITTANY MEDICAL CENTER HEALTH SERVICES INC 1800 EAST PARK AVENUE STATE COLLEGE,PA 16803	51-0426500	501(C)(3)	23,080,371		CASH	N/A	PROVIDE FINANCIAL SUPPORT TO AFFILIATE
(2) MOUNT NITTANY HEALTH SYSTEM 1800 EAST PARK AVENUE STATE COLLEGE,PA 16803	80-0663092	501(C)(3)	408,196		CASH	N/A	PROVIDE FINANCIAL SUPPORT TO AFFILIATE
(3) CENTRE COUNTY CHILDREN'S ADVOCACY CENTER 1800 EAST PARK AVENUE STATE COLLEGE,PA 16803	46-0871813	501(C)(3)	26,855		CASH	N/A	PROVIDE FINANCIAL SUPPORT TO AFFILIATE

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

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

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

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

Part IV **Supplemental Information.** Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Return Reference	Explanation
PART I, LINE 2	ASSISTANCE IS PROVIDED TO RELATED ENTITIES FOR FINANCIAL SUPPORT MANAGEMENT OF THE ORGANIZATION OVERSEES THE USE OF FUNDS AT THE AFFILIATED ENTITIES

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 23.**
▶ **Attach to Form 990.** ▶ **See separate instructions.**
▶ **Information about Schedule J (Form 990) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

Part I Questions Regarding Compensation

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

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

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

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

(A) Name and Title	**(B)** Breakdown of W-2 and/or 1099-MISC compensation			**(C)** Retirement and other deferred compensation	**(D)** Nontaxable benefits	**(E)** Total of columns (B)(i)-(D)	**(F)** Compensation reported as deferred in prior Form 990
	(i) Base compensation	**(ii)** Bonus & incentive compensation	**(iii)** Other reportable compensation				
See Additional Data Table							

Part III Supplemental Information

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

Return Reference	Explanation
PART I, LINE 4B	NONQUALIFIED RETIREMENT PLAN PAYMENTS RECEIVED DURING THE YEAR * STEVEN E BROWN - $319,533 * LANCE ROSE - $14,721
PART I, LINE 6	THE EXECUTIVE TEAM MEMBERS OF MOUNT NITTANY MEDICAL CENTER AND THE MOUNT NITTANY MEDICAL CENTER HEALTH SERVICES' (D/B/A MOUNT NITTANY PHYSICIAN GROUP) EXECUTIVE DIRECTOR RECEIVED A PORTION OF THEIR ANNUAL VARIABLE-PAY BASED UPON THE CONSOLIDATED OPERATING MARGIN, MOUNT NITTANY MEDICAL CENTER HEALTH SERVICES' (D/B/A MOUNT NITTANY PHYSICIAN GROUP) OPERATING MARGIN, CONTRIBUTIONS, AND OTHER CORPORATE GOALS THE CORPORATE GOALS FOCUSED ON (1) PROVIDING LOCALIZED CARE, INTEGRATED CARE, EFFICIENT CARE, AND ALIGNED CARE, (2) FINANCE, (3) QUALITY/PATIENT SAFETY, AND (4) THE WORK ENVIRONMENT

Additional Data

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
STEVEN E BROWN FACHE DIRECTOR/PRESIDENT & CEO	(I) (II)	496,383 0	151,200 0	347,687 0	19,625 0	44,923 0	1,059,818 0	319,533 0
JONATHON DRANOV MD DIRECTOR	(I) (II)	0 426,842	0 0	0 23,973	0 0	0 30,684	0 481,499	0 0
RICHARD WISNIEWSKI SR VP OF FINANCE & CFO	(I) (II)	296,137 0	61,635 0	0 0	19,625 0	34,194 0	411,591 0	0 0
JEFFREY RATNER MD SR VP OF MEDICAL AFFAIRS	(I) (II)	319,383 0	33,686 0	0 0	19,625 0	40,130 0	412,824 0	0 0
WAYNE THOMPSON EXECUTIVE VP, CORPORATE SERVICES & C	(I) (II)	223,358 0	54,000 0	11,175 0	19,625 0	34,776 0	342,934 0	0 0
JANET SCHACHTNER SR VP OF PATIENT CARE SERV	(I) (II)	230,759 0	51,169 0	0 0	19,625 0	32,251 0	333,804 0	0 0
DEBRA LINNES CHIEF OPERATING OFFICER	(I) (II)	299,363 0	30,000 0	4,449 0	0 0	31,551 0	365,363 0	0 0
THOMAS CHARLES EXECUTIVE VP SYSTEM DEVELOPMENT & CS	(I) (II)	196,015 0	42,500 0	2,633 0	0 0	26,508 0	267,656 0	0 0
HAROLD BRUNGARD III VP, FACILITIES & PLANT OPS	(I) (II)	148,982 0	27,628 0	0 0	14,671 0	12,951 0	204,232 0	0 0
GERALD DITTMANN VP OF HUMAN RESOURCES	(I) (II)	163,045 0	17,172 0	3,194 0	16,388 0	34,760 0	234,559 0	0 0
GAIL MILLER VP OF QUALITY/PATIENT SAFE	(I) (II)	137,812 0	27,642 0	2,693 0	13,820 0	28,827 0	210,794 0	0 0
PATRICIA WATSON VP NURSING/CNO	(I) (II)	131,301 0	17,489 0	2,569 0	13,181 0	28,462 0	193,002 0	0 0
MAUREEN KARSTETTER VP MKTG, COMMUNICATIONS, COMMUNITY O	(I) (II)	132,155 0	19,728 0	2,652 0	13,606 0	33,757 0	201,898 0	0 0
LANCE ROSE FORMER PRESIDENT & CEO	(I) (II)	14,721 0	0 0	0 0	0 0	1,126 0	15,847 0	0 0

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

Part I Bond Issues

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

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	1,400,000	895,000	450,000	
2	Amount of bonds legally defeased				
3	Total proceeds of issue	70,552,972	69,404,972	44,591,375	
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds			3,000,747	
6	Proceeds in refunding escrows				
7	Issuance costs from proceeds	1,033,856	811,090	537,964	
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	69,519,116		39,344,571	
11	Other spent proceeds		68,593,882		
12	Other unspent proceeds			1,708,093	
13	Year of substantial completion	2013	2013	2014	

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?		X		X		X		
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0 %		0 %		0 %			
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 %		0 %		0 %			
6	Total of lines 4 and 5	0 %		0 %		0 %			
7	Does the bond issue meet the private security or payment test?		X		X		X		
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?	X		X		X			

Part IV Arbitrage

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

Part IV Arbitrage *(Continued)*

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

Part V Procedures To Undertake Corrective Action

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

Part VI Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

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

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.
▶ Information about Schedule L (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) EDWARD BELL	SEE PART V	129,784	SEE PART V		No
(2) APRIL HARRIS	SEE PART V	27,593	SEE PART V		No

Part V Supplemental Information

Provide additional information for responses to questions on Schedule L (see instructions)

Return Reference	Explanation
SCH L, PART IV, BUSINESS TRANSACTIONS INVOLVING INTEREST PERSONS	(A) NAME OF PERSON EDWARD BELL(B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION FAMILY MEMBER OF KAREN SHUTE, BOARD MEMBER(D) DESCRIPTION OF TRANSACTION SALARY COMPENSATION(A) NAME OF PERSON APRIL HARRIS(B) RELATIONSHIP BETWEEN INTEREST PERSON AND ORGANIZATION FAMILY MEMBER OF THOMAS HARRIS, BOARD MEMBER(D) DESCRIPTION OF TRANSACTION SALARY COMPENSATION

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.
▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

990 Schedule O, Supplemental Information

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11	THE 990 WAS PROVIDED TO THE BOARD OF TRUSTEES AND TO THE MOUNT NITTANY HEALTH SYSTEM AUDIT COMMITTEE BEFORE BEING FILED WITH THE IRS
FORM 990, PART VI, SECTION B, LINE 12C	ANNUALLY, THE CONFLICT OF INTEREST POLICY IS DISTRIBUTED TO KEY MEMBERS OF THE ORGANIZATIO N INCLUDING BOARD MEMBERS, OFFICERS, AND KEY EMPLOYEES EACH PERSON MUST REPORT ANY POTENT IAL CONFLICTS OF INTEREST REPORTED CONFLICTS ARE THEN REVIEWED BY THE CORPORATE COMPLIANC E OFFICER AND THE HEALTH SYSTEM'S AUDIT COMMITTEE THE CONFLICT OF INTEREST REPORT IS THEN SUBMITTED TO THE BOARD OF DIRECTORS
FORM 990, PART VI, SECTION B, LINE 15	THE EXECUTIVE COMPENSATION COMMITTEE FROM THE BOARD OF TRUSTEES REVIEWS COMPENSATION PAID TO EXECUTIVE MANAGEMENT TEAM IN CONJUNCTION WITH AN INDEPENDENT THIRD PARTY CONSULTING FIR M TO ENSURE COMPENSATION IS REASONABLE AND APPROPRIATE FOR DUTIES AND RESPONSIBILITES ASSI GNED REVIEW AND APPROVAL OF COMPENSATION IS DOCUMENTED VIA MINUTES OF COMMITTEE MEETINGS
FORM 990, PART VI, SECTION C, LINE 19	GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE MADE AVAILABLE TO THE PUBLIC UPON REQUEST
FORM 990, PART XI, LINE 9	CHANGE IN INTEREST IN THE FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER, INC 1,112,693 PEN SION LIABILITY ADJUSTMENT -7,889,076 CHANGE IN FAIR VALUE OF DERIVATIVE 22,820

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule R (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
MOUNT NITTANY MEDICAL CENTER

Employer identification number
24-0795682

Part I **Identification of Disregarded Entities** Complete if the organization answered "Yes" on 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" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
(1) THE FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER INC 1800 EAST PARK AVENUE STATE COLLEGE, PA 168036796 57-1138956	FUNDRAISING AND SUPPORT FOR MOUNT NITTANY MEDICAL CENTER	PA	501(C)(3)	11A	MOUNT NITTANY MEDICAL CENTER	Yes	
(2) MOUNT NITTANY MEDICAL CENTER WORKMEN'S COMPENSATION SELF INSURANCE TRUST 1800 EAST PARK AVENUE STATE COLLEGE, PA 168036796 25-6440788	PROVIDE WORKMEN'S COMPENSATION BENEFITS TO EMPLOYEES OF MNMC	PA	501(C)(3)	11A	MOUNT NITTANY MEDICAL CENTER	Yes	
(3) MOUNT NITTANY MEDICAL CENTER HEALTH SERVICES INC 1800 EAST PARK AVENUE STATE COLLEGE, PA 168036796 51-0426500	PROFESSIONAL SERVICES TO SUPPORT MNMC	PA	501(C)(3)	11A	MOUNT NITTANY HEALTH SYSTEM		No
(4) MOUNT NITTANY SURGICAL CENTER INC 1850 EAST PARK AVENUE STATE COLLEGE, PA 168036796 25-1712099	HEALTHCARE	PA	501(C)(3)	11A	MOUNT NITTANY MEDICAL CENTER	Yes	
(5) MOUNT NITTANY HEALTH SYSTEM 1800 EAST PARK AVENUE STATE COLLEGE, PA 168036796 80-0663092	PROVIDE MANAGEMENT AND ADMINISTRATIVE SUPPORT TO MNMC & SUBSIDIARIES	PA	501(C)(3)	11A	N/A		No
(6) CENTRE COUNTY CHILDREN'S ADVOCACY CENTER 1800 EAST PARK AVENUE STATE COLLEGE, PA 16803 46-0871813	CHILD-FOCUSED APPROACH TO CHILD ABUSE CASES	PA	501(C)(3)	7	MOUNT NITTANY MEDICAL CENTER	Yes	

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No

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

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

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER	C	1,379,070	CASH
(2) FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER	O	378,868	COST OF SHARING PAID EMPLOYEES
(3) MOUNT NITTANY SURGICAL CENTER	O	3,303,359	COST OF SHARING PAID EMPLOYEES

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

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

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

Part VII Supplemental Information

Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference	Explanation

Additional Data

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

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) THE FOUNDATION FOR MOUNT NITTANY MEDICAL CENTER INC 1800 EAST PARK AVENUE STATE COLLEGE, PA 168036796 57-1138956	FUNDRAISING AND SUPPORT FOR MOUNT NITTANY MEDICAL CENTER	PA	501(C)(3)	11A	MOUNT NITTANY MEDICAL CENTER	Yes	
(1) MOUNT NITTANY MEDICAL CENTER WORKMEN'S COMPENSATION SELF INSURANCE TRUST 1800 EAST PARK AVENUE STATE COLLEGE, PA 168036796 25-6440788	PROVIDE WORKMEN'S COMPENSATION BENEFITS TO EMPLOYEES OF MNMC	PA	501(C)(3)	11A	MOUNT NITTANY MEDICAL CENTER	Yes	
(2) MOUNT NITTANY MEDICAL CENTER HEALTH SERVICES INC 1800 EAST PARK AVENUE STATE COLLEGE, PA 168036796 51-0426500	PROFESSIONAL SERVICES TO SUPPORT MNMC	PA	501(C)(3)	11A	MOUNT NITTANY HEALTH SYSTEM		No
(3) MOUNT NITTANY SURGICAL CENTER INC 1850 EAST PARK AVENUE STATE COLLEGE, PA 168036796 25-1712099	HEALTHCARE	PA	501(C)(3)	11A	MOUNT NITTANY MEDICAL CENTER	Yes	
(4) MOUNT NITTANY HEALTH SYSTEM 1800 EAST PARK AVENUE STATE COLLEGE, PA 168036796 80-0663092	PROVIDE MANAGEMENT AND ADMINISTRATIVE SUPPORT TO MNMC & SUBSIDIARIES	PA	501(C)(3)	11A	N/A		No
(5) CENTRE COUNTY CHILDREN'S ADVOCACY CENTER 1800 EAST PARK AVENUE STATE COLLEGE, PA 16803 46-0871813	CHILD-FOCUSED APPROACH TO CHILD ABUSE CASES	PA	501(C)(3)	7	MOUNT NITTANY MEDICAL CENTER	Yes	

Mount Nittany Health System and Affiliates

Consolidated Financial Statements
and Supplementary Information

June 30, 2014 and 2013

Mount Nittany Health System and Affiliates

Table of Contents
June 30, 2014 and 2013

ParenteBeard

Independent Auditors' Report

Board of Directors
Mount Nittany Health System and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Mount Nittany Health System and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2014 and 2013, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits We conducted our audits in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free 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 consolidated financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control Accordingly, we express no such opinion An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mount Nittany Health System and Affiliates as of June 30, 2014 and 2013, and the results of their operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole The consolidating information presented on pages 43 to 52 is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the consolidated financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole

Parente Beard LLC

State College, Pennsylvania
September 19, 2014

Mount Nittany Health System and Affiliates

Consolidated Statement of Financial Position
June 30, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	$ 17,562,221	$ 15,846,424
Short-term investments	708,315	13,451,856
Accounts receivable		
Patients (net of estimated allowance for doubtful accounts of approximately $11,394,000 in 2014 and $10,675,000 in 2013	32,103,174	30,185,165
Other	3,855,381	2,459,416
Inventories of drugs and supplies	6,875,213	6,889,307
Prepaid expenses and other current assets	3,661,313	2,960,832
Total current assets	64,765,617	71,793,000
Assets Whose Use is Limited		
Under trust indenture, held by trustee	2,435,888	27,447,820
Board designated, debt service	3,229,778	2,628,504
Workers' compensation self-insurance, held by trustee	1,368,436	1,350,268
Total assets whose use is limited	7,034,102	31,426,592
Long-Term Investments	177,521,464	122,534,333
Pledges Receivable	1,582,809	1,468,970
Property and Equipment, Net	209,152,788	193,861,691
Beneficial Interest in Perpetual Trusts	126,880	49,563
Deferred Financing Costs, Net	2,152,583	2,251,325
Goodwill	1,209,867	1,209,867
Derivative Financial Instruments	960,621	937,801
Other Assets, Net	10,411,936	12,137,574
Total assets	$ 474,918,667	$ 437,670,716

	2014	2013
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt		
Revenue bonds	$ 2,375,000	$ 2,050,000
Obligations under capital leases	242,612	247,645
Accounts payable	11,464,537	9,033,574
Blue Cross current financing advance	475,663	475,663
Estimated third-party payor settlements	9,038,935	7,805,301
Accrued expenses		
Employee paid time off	11,382,180	9,636,582
Payroll and withholdings	5,125,155	3,992,504
Interest	1,494,423	1,503,552
Construction in progress payable	906,592	3,683,291
Employee health benefit costs	2,127,138	1,676,218
Other	3,896,777	1,829,927
Deferred compensation, current	199,037	32,336
Current portion of charitable gift annuity liability	11,925	11,925
Total current liabilities	48,739,974	41,978,518
Long-Term Debt		
Revenue bonds	178,972,906	181,628,884
Obligations under capital leases	109,852	342,340
Deferred Revenue	609,543	476,134
Charitable Gift Annuity Liability	43,481	41,319
Accrued Pension Costs	16,967,177	12,228,872
Accrued Medical Malpractice and Workers' Compensation Costs	4,423,754	4,945,824
Deferred Compensation	88,361	100,767
Total liabilities	249,955,048	241,742,658
Net Assets		
Unrestricted	220,044,197	191,420,350
Temporarily restricted	4,070,047	3,786,959
Permanently restricted	849,375	720,749
Total net assets	224,963,619	195,928,058
Total liabilities and net assets	$ 474,918,667	$ 437,670,716

See notes to consolidated financial statements

Mount Nittany Health System and Affiliates

Consolidated Statement of Operations
Years Ended June 30, 2014 and 2013

	2014	2013
Unrestricted Revenues, Gains, and Other Support		
Patient service revenues (net of contractual allowances and discounts)	$ 357,516,798	$ 320,958,389
Provision for bad debts	(10,847,553)	(9,088,425)
Net patient service revenues less provision for bad debts	346,669,245	311,869,964
Other operating revenues	7,029,254	6,375,034
Net assets released from restrictions used in operations	108,586	48,289
Total unrestricted revenues, gains, and other support	353,807,085	318,293,287
Expenses		
Salaries and wages	140,403,166	126,795,528
Supplies and other	131,866,874	122,672,435
Employee benefits	34,490,712	35,117,833
Depreciation and amortization	19,167,678	16,665,475
Interest (net of capitalized interest of $724,813 in 2014 and $889,432 in 2013)	7,740,381	7,726,545
Insurance	1,680,753	786,030
Loss on sale of equipment	67,503	210,535
Total expenses	335,417,067	309,974,381
Operating income	18,390,018	8,318,906
Other Income (Loss)		
Investment income	16,715,048	10,649,849
Contributions	811,357	30,648
Non-operating grant revenue	250,000	305,259
Change in fair value of derivative financial instruments	22,820	(579,107)
Equity in (loss) income of investees	(1,600,460)	185,133
Loss on refinancing	-	(11,515,213)
Other income (loss), net	16,198,765	(923,431)
Revenues in excess of expenses	34,588,783	7,395,475
Pension Liability Adjustment	(7,889,076)	16,913,353
Net Assets Released from Restrictions Used for the Purchase of Property and Equipment	1,924,140	3,450,847
Increase in unrestricted net assets	$ 28,623,847	$ 27,759,675

See notes to consolidated financial statements

Mount Nittany Health System and Affiliates

Consolidated Statement of Changes in Net Assets
Years Ended June 30, 2014 and 2013

	2014	2013
Unrestricted Net Assets		
Revenues in excess of expenses	$ 34,588,783	$ 7,395,475
Pension liability adjustment	(7,889,076)	16,913,353
Net assets released from restrictions used for purchase of property and equipment	1,924,140	3,450,847
Increase in unrestricted net assets	28,623,847	27,759,675
Temporarily Restricted Net Assets		
Contributions	2,314,765	2,408,524
Investment income	1,049	19,616
Net assets released from restrictions	(2,032,726)	(3,499,136)
Increase (decrease) in temporarily restricted net assets	283,088	(1,070,996)
Permanently Restricted Net Assets		
Contributions	113,576	104,685
Investment income	48	-
Valuation gain	15,002	555
Increase in permanently restricted net assets	128,626	105,240
Increase in net assets	29,035,561	26,793,919
Net Assets, Beginning	195,928,058	169,134,139
Net Assets, Ending	$ 224,963,619	$ 195,928,058

See notes to consolidated financial statements

Mount Nittany Health System and Affiliates

Consolidated Statement of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Increase in net assets	$ 29,035,561	$ 26,793,919
Adjustments to reconcile increase in net assets to net cash provided by operating activities.		
Depreciation and amortization	19,448,656	16,823,442
Net amortization of premium on long-term debt	(280,978)	(157,967)
Provision for bad debts	10,847,553	9,088,425
Change in fair value of derivative financial instruments	(22,820)	579,107
Loss on refinancing, including write-off of deferred financing costs and original issue discount of $3,395,094 and decrease in investments of $8,120,119	-	11,515,213
Restricted contributions, investment income, and valuation loss/gain	(2,703,925)	(2,533,380)
Unrestricted net realized and unrealized gains on investments	(15,814,112)	(6,387,761)
Pension liability adjustment	7,889,076	(16,913,353)
Loss on sale of equipment	67,503	210,535
Changes in assets and liabilities.		
Accounts receivable	(14,161,527)	(8,028,720)
Inventories of drugs and supplies	14,094	(324,416)
Prepaid expenses and other current assets	(700,481)	(1,447,240)
Accounts payable, accrued expenses, and other liabilities	5,666,350	3,567,125
Net cash provided by operating activities	39,284,950	32,784,929
Cash Flows from Investing Activities		
Purchases of property and equipment	(32,332,189)	(44,636,576)
Increase in investments	(2,114,305)	(38,684,381)
Decrease (increase) in other assets	155,182	(827,498)
Proceeds from sale of equipment	117,204	1,669,381
Net cash used in investing activities	(34,174,108)	(82,479,074)

See notes to consolidated financial statements

Mount Nittany Health System and Affiliates

Consolidated Statement of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows from Financing Activities		
Restricted contributions and investment income	$ 2,590,086	$ 2,286,867
Repayment of long-term debt	(2,301,003)	(1,010,902)
Payment of construction in progress payable	(3,683,291)	-
Payment of financing costs	(2,999)	(1,346,055)
Change in charitable gift annuity liability	2,162	(2,550)
Proceeds from issuance of long-term debt, including premium of $5,196,347 in 2013	-	43,996,341
Payment to fund escrow account	-	(8,120,119)
Net cash (used in) provided by financing activities	(3,395,045)	35,803,582
Net increase (decrease) in cash and cash equivalents	1,715,797	(13,890,563)
Cash and Cash Equivalents, Beginning	15,846,424	29,736,987
Cash and Cash Equivalents, Ending	$ 17,562,221	$ 15,846,424
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest, net of amounts capitalized	$ 7,749,510	$ 7,299,578
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Capital lease incurred for purchase of property and equipment	$ 13,482	$ 201,976
Other obligations incurred for purchase of property and equipment	$ 906,592	$ 1,774,342
Revenue bonds refinanced	$ -	$ 70,000,000

See notes to consolidated financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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

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

The Surgical Center is a not-for-profit corporation that provides outpatient surgical services The Medical Center and Surgical Center board of directors have approved reorganization of the Surgical Center, where the Surgical Center will become a department within the Medical Center and cease to have independent governance The reorganization is pending regulatory approval

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

The Children's Advocacy Center is a not-for-profit corporation whose primary purpose is to reduce the trauma of child abuse by providing a child centered environment for the coordinated and multidisciplinary investigation, intervention, prosecution, and treatment of child abuse

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

The Medical Center, Surgical Center, Children's Advocacy Center, and Physician Group provide services to residents of their primary service area, which includes State College, Pennsylvania, Centre County, Pennsylvania, and surrounding counties

Basis of Consolidation

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

Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through September 19, 2014, the date the consolidated financial statements were issued

Use of Estimates

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

Cash and Cash Equivalents

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

Accounts Receivable, Patients

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

The Corporation's allowance for doubtful accounts for self-pay patients increased to 54% of self-pay accounts receivable at June 30, 2014, from 53% of self-pay accounts receivable at June 30, 2013 The Corporation's self-pay account write-offs (net of recoveries) increased to approximately $5,137,000 in 2014 from $5,110,000 in 2013 The increases were the result of higher deductibles, increased charges, increase in self-pay due to unemployment, and reduction in coverage The Corporation's allowance for doubtful accounts for self-pay patients increased to 53% of self-pay accounts receivable at June 30, 2013, from 49% of self-pay accounts receivable at June 30, 2012 The Corporation's self-pay account write-offs (net of recoveries) increased to approximately $5,110,000 in 2013 from $4,932,000 in 2012 The increases were the result of higher deductibles, increased rates, increase in self-pay due to unemployment, and reduction in coverage

The Corporation has not changed its financial assistance policy in 2014 or 2013 The Corporation does not maintain material allowances for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors in 2014 and 2013

Accounts Receivable, Other

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

Inventories of Drugs and Supplies

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

Investments and Investment Risk

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

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

Assets Whose Use Is Limited

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

Property and Equipment and Depreciation

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

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

Beneficial Interest in Perpetual Trust

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

Pledges Receivable

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

Deferred Financing Costs

Costs incurred in connection with the issuance of long-term debt have been deferred and are being amortized over the term of the debt using the straight-line method Amortization of deferred financing costs was $101,741 in 2014 and $130,726 in 2013 Accumulated amortization was $230,327 at June 30, 2014 and $128,586 at June 30, 2013 Deferred financing costs of $3,179,760 were written off and included in loss on refinancing during 2013 There was no refinancing of long-term debt during 2014

Goodwill

The Corporation follows Financial Accounting Standards Board ("FASB") authoritative guidance regarding goodwill with indefinite lives, which requires that such assets be reviewed annually or more frequently if impairment indicators arise The Corporation has the option not to calculate annually the fair value of an indefinite-lived intangible asset if management determines that it is more-likely-than-not that the asset is not impaired This permits the Corporation to assess qualitative factors when testing goodwill for impairment. If, after assessing the totality of events and circumstances, the Corporation concludes that it is more likely than not that the goodwill is not impaired, then the Corporation is not required to take further action. If indicators arise that further testing is needed, the review requires the Corporation to estimate the fair value of its identified reporting units and compare those estimates against the related carrying values Identifiable assets and liabilities acquired in connection with business combinations accounted for under the purchase method are recorded at their respective fair values During 2014, the qualitative factors evaluated by the Corporation included the financial performance and cash flows of the services provided by the acquired reporting units

The Corporation follows FASB authoritative guidance regarding other intangible assets Intangible assets with finite lives are included in other assets in the accompanying consolidated statement of financial position (Note 6) Amortization of such intangible assets was $1,570,456 and $1,568,056 in 2014 and 2013, respectively

Other Investments

Other assets include the Corporation's investment in several entities in which the Corporation has a financial interest Where the Corporation has the ability to influence management or has a twenty percent or more interest in the entity, the investment is recorded at cost, adjusted for the Corporation's proportionate share of their undistributed earnings or losses All other investments in such entities are recorded at cost

Deferred Revenue

Proceeds from the rental of certain property are deferred Rental revenues are recognized ratably over the term of the lease The deferred revenue associated with this lease was $222,626 at June 30, 2014 and $228,254 at June 30, 2013

The Medical Center received proceeds from The Tobacco Settlement Act that is administered through the Department of Public Welfare ("DPW") These funds are intended to partially reimburse the Medical Center for the uncompensated care services it has provided The Medical Center's claim to these funds is subject to review by the Department of the Auditor General of the Commonwealth of Pennsylvania The Medical Center has not recognized as revenue a portion of the funds received in the amount of $386,917 at June 30, 2014 and $247,880 at June 30, 2013, pending the results of a review by the Department of the Auditor General

Charitable Gift Annuity Liability

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

Deferred Compensation Arrangement

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

Derivative Financial Instruments

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

Temporarily and Permanently Restricted Net Assets

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

Net Patient Service Revenues

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

Year Ended	Third-Party Government Payors	Third-Party Non-Government Payors	Self-Pay	Total All Payors
June 30, 2014	$ 112,159,120	$ 233,543,248	$ 11,814,430	$ 357,516,798
June 30, 2013	$ 96,731,181	$ 214,190,432	$ 10,036,776	$ 320,958,389

Charity Care

The Medical Center, the Surgical Center, and Physician Group provide care to patients who meet certain criteria without charge or at amounts less than their established rates Because the Medical Center, the Surgical Center, and the Physician Group do not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenues The Medical Center, the Surgical Center, and the Physician Group maintain records to identify and monitor the level of charity care they provide The cost associated with the charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for patients receiving charity care. The level of charity care provided by the Corporation amounted to approximately $2,013,000 in 2014 and $1,553,000 in 2013

Donor-Restricted Gifts

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

Revenues in Excess of Expenses

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

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

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

Income Taxes

The System, the Medical Center, the Surgical Center, the Physician Group, and the Foundation are not-for-profit organizations as described in section 501(c)(3) of the Internal Revenue Code ("IRC") and are exempt from federal income taxes on related income pursuant to section 501(a) of the IRC The Children's Advocacy Center is in the process of filing for tax-exempt status

The Corporation accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority Measurement of the tax uncertainty occurs if the recognition threshold is met Management determined there were no tax uncertainties that met the recognition threshold in 2014 and 2013.

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

All required Federal Exempt Organization Business Income Tax Returns for the Corporation have been filed up to, and including, the tax year ended June 30, 2013 The Corporation's federal income tax returns for years ended before June 30, 2011 are no longer subject to examination by the Internal Revenue Service ("IRS")

Advertising Costs

Advertising costs are expensed as incurred Advertising costs were approximately $763,000 in 2014 and $500,000 in 2013

Reclassifications

Certain reclassifications were made to the 2013 consolidated financial statements to conform with the 2014 presentation

New Accounting Standard

In May 2014, the FASB issued Accounting Standards Update ("ASU") No 2014-09, *Revenue from Contracts with Customers (Topic 606).* ASU No 2014-09 supercedes the revenue recognition requirements in Topic 605, *Revenue Recognition,* and most industry-specific guidance Under the requirements of ASU 2014-09, the core principle is that entities recognize revenue to depict the transfer of promised goods or services to customers (patients) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services The Corporation will be required to retrospectively adopt the guidance in ASU 2014-09 for its year ending June 30, 2018, early application is not permitted The Corporation has not yet determined the impact of adoption of ASU 2014-09 on its consolidated financial statements

2. Investments

The composition of short-term and long-term investments at June 30, 2014 and 2013 is set forth in the following table

	2014	2013
Cash and cash equivalents	$ 705,966	$ 11,348,411
Mutual funds		
Equity	58,844	68,164,483
Fixed income	20,770	46,376,748
Balanced	-	1,402,967
United States government obligations	143,537	118,465
Alternative investments	7,023,588	6,422,685
Pooled investment funds, equity	94,756,863	-
Pooled investment funds, fixed income	75,520,211	-
Certificates of deposit	-	2,152,430
Total	178,229,779	135,986,189
Less short-term investments	708,315	13,451,856
Long-term investments	$ 177,521,464	$ 122,534,333

The composition of assets whose use is limited at June 30, 2014 and 2013, is set forth in the following table.

	2014	2013
Cash and cash equivalents	$ 5,061,836	$ 8,273,180
Certificates of deposit	1,345,612	1,209,976
Corporate bonds	626,654	21,943,436
Total	$ 7,034,102	$ 31,426,592

Unrestricted investment income, gains and losses for cash and cash equivalents, assets whose use is limited, and investments are comprised of the following in 2014 and 2013

	2014	2013
Investment income		
Interest and dividend income	$ 949,945	$ 4,290,402
Net realized gain on sales of securities	11,571,803	250,063
Net unrealized gain on trading securities	4,242,309	6,137,698
Fees	(49,009)	(28,314)
Investment income	$ 16,715,048	$ 10,649,849

3. Fair Value Measurements and Financial Instruments

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

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

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

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

The financial assets recorded at fair value and financial instruments disclosed at fair value were measured using the following inputs at June 30, 2014 and 2013

	2014				
	Carrying Value	Fair Value	Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets, recurring fair value measurements:					
Investments and assets whose use is limited					
Cash and cash equivalents	$ 5,767,802	$ 5,767,802	$ 5,767,802	$ -	$ -
Certificates of deposit	1,345,612	1,345,612	-	1,345,612	-
United States government obligations	143,537	143,537	-	143,537	-
Mutual funds, equity funds					
International funds	17,693	17,693	17,693	-	-
Large cap growth funds	15,133	15,133	15,133	-	-
Large cap value funds	15,887	15,887	15,887	-	-
Mid cap growth funds	3,081	3,081	3,081	-	-
Mid cap value funds	1,904	1,904	1,904	-	-
Small cap growth funds	2,353	2,353	2,353	-	-
Small cap value funds	2,793	2,793	2,793	-	-
Mutual funds, fixed income funds					
Short-term bond funds	7,649	7,649	7,649	-	-
Financial institution funds	3,359	3,359	3,359	-	-
Other	9,762	9,762	9,762	-	-
Pooled investment funds					
Equity	94,756,863	94,756,863	-	94,756,863	-
Fixed income	75,520,211	75,520,211	-	75,520,211	-
Corporate bonds	626,654	626,654	-	626,654	-
Alternative Investments	7,023,588	7,023,588	-	-	7,023,588
Investment and assets whose use is limited total	185,263,881	185,263,881	5,847,416	172,392,877	7,023,588
Beneficial interest in perpetual trust	126,880	126,880	-	-	126,880
Derivative financial instruments	960,621	960,621	-	960,621	-
Total	$ 186,351,382	$ 186,351,382	$ 5,847,416	$ 173,353,498	$ 7,150,468
Assets disclosed at fair value:					
Cash and cash equivalents	$ 17,562,221	$ 17,562,221	$ 17,562,221	$ -	$ -
Pledges receivable	1,582,809	1,582,809	-	-	1,582,809
Total	$ 19,145,030	$ 19,145,030	$ 17,562,221	$ -	$ 1,582,809
Liabilities disclosed at fair value:					
Revenue bonds	$ 181,347,906	$ 188,940,578	$ -	$ 188,940,578	$ -

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

The Corporation's investments and assets whose use is limited are reflected in the accompanying consolidated statement of financial position as follows at June 30, 2014 and 2013

	2014	2013
Short-term investments	$ 708,315	$ 13,451,856
Assets whose use is limited	7,034,102	31,426,592
Long-term investments	177,521,464	122,534,333
Total	$ 185,263,881	$ 167,412,781

The following information related to the alternative investments discusses the nature and risk of the investments and whether they have redemption restrictions as of June 30, 2014

	Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
The Weatherlow Offshore Fund I L.P	$ 7,023,588	Quarterly	65 days

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

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

	Alternate Investment	Beneficial Interest in Perpetual Trusts
Balances at June 30, 2012	$ 3,782,453	$ 49,008
Income	-	3,339
Purchases	2,000,000	-
Distributions	-	(3,339)
Valuation gain (loss)	640,232	555
Balances at June 30, 2013	6,422,685	49,563
Contribution	-	62,315
Income	-	7,760
Distributions	-	(7,760)
Valuation gain (loss)	600,903	15,002
Balances at June 30, 2014	$ 7,023,588	$ 126,880

The following is a description of the valuation methodologies used for assets measured at fair value and for financial instruments disclosed at fair value There have been no changes in methodologies used at June 30, 2014 and 2013

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

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

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

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

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

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

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

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

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

Revenue bonds and notes payable Fair value of the Corporation's fixed rate long-term debt was estimated using quoted market prices or discounted cash flows analyses based on the Corporation's incremental borrowing rate for debt instruments with comparable maturities

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

Pooled investment funds (the "Funds"). Valued at net asset value based primarily on observable inputs Net asset values are based upon the fair value of the underlying assets of the Funds derived principally from or corroborated by observable market data In regards to the Funds, there are no unfunded purchase commitments or restrictions on the sale of the investments Furthermore, the Corporation has no plans to sell the Funds or a portion of the amounts currently owned There are no restrictions related to redemption of the Funds The following represents the investment strategies of the Funds.

Funds	Investment Strategy	Fair Value at June 30, 2014	Fair Value at June 30, 2013
Russell Institutional Funds, Russell Multi-Asset Core Plus Fund	Seeks to provide long term capital growth and offers a convenient way to diversify a portfolio by combining funds and separate accounts investing in U S and non-U.S stocks, bonds, global commodities, listed real estate and infrastructure into one fund.	$ 92,802,096	$ -
Russell Institutional Funds, Russell Core Bond Fund	Provides participation in full spectrum of investment opportunities in primarily U.S debt markets Seeks to take advantage of market trading opportunities, to generate current income, as well as provide a competitive rate of return on assets	75,520,211	-
Russell Institutional Funds, Russell Large Cap U S Equity Fund	Seeks to provide long-term capital growth by investment primarily in equity securities to achieve above average results over a market cycle Portions of the fund are allocated to different money managers who employ distinct investment styles The three principal investment styles used are as follows. (1) Growth, emphasizes investments in equity securities of companies with above-average earnings growth prospects, (2) Value, emphasizes investments in equity securities of companies that appear to be undervalued relative to their corporate worth, based upon earnings, book or asset value, cash flow, or other measures, and (3) Market-Oriented, emphasizes investments in companies from the broad equity market rather than focusing on the growth or value segments of the market	1,199,055	-

Funds	Investment Strategy	Fair Value at June 30, 2014	Fair Value at June 30, 2013
Russell Institutional Funds, Russell International Equity Fund	Seeks to provide appreciation of capital by investing in international financial markets, primarily those of developed economies in Europe and the Pacific Basin The fund employees a diversified approach, combining advisors with different performance patterns and investment styles to achieve a less volatile rate of return	$ 379,711	$ -
Russell Institutional Funds, Russell Small Cap U S Equity Fund	Designed to provide maximum long-term appreciation through investments that are well diversified by industry Portions of the fund are allocated to different money managers who employ distinct investment styles. The three principal investment styles used are as follows (1) Growth, emphasizes investments in equity securities of companies with above-average earnings growth prospects, (2) Value, emphasizes investments in equity securities of companies that appear to be undervalued relative to their corporate worth, based upon earnings, book or asset value, cash flow, or other measures, and (3) Market-Oriented, emphasizes investments in companies from the broad equity market rather than focusing on the growth or value segments of the market	219,054	-
Russell Institutional Funds, Russell Emerging Markets Equity Plus Fund	Seeks to provide long-term capital appreciation in line with that of emerging market economies	156,947	-
	Totals	$ 170,277,074	$ -

4. Pledges Receivable

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

Pledges receivable are recorded as follows as of June 30, 2014 and 2013

	2014	2013
Campaign pledges before unamortized discount and allowance for uncollectible pledges	$ 1,995,572	$ 1,927,686
Less unamortized discount	102,540	112,809
Subtotal	1,893,032	1,814,877
Less allowance for uncollectible pledges	310,223	345,907
Net unconditional promises to give	$ 1,582,809	$ 1,468,970
Amounts due in.		
Less than one year	$ 730,589	$ 820,045
One to five years	1,264,983	1,107,641
Total	$ 1,995,572	$ 1,927,686

The discount rate used was approximately 3 3% at June 30, 2014 and 2013

5. Property and Equipment

Property and equipment and accumulated depreciation and amortization as of June 30, 2014 and 2013 are as follows

	2014	2013
Land and land improvements	$ 6,094,022	$ 6,079,923
Buildings	218,367,365	189,996,473
Equipment	134,706,213	119,626,742
Leasehold improvements	15,635,934	5,826,822
Equipment held under capital lease	2,220,107	2,206,338
Total	377,023,641	323,736,298
Less accumulated depreciation and amortization	174,760,374	157,784,426
Total	202,263,267	165,951,872
Construction in progress	6,889,521	27,909,819
Property and equipment, net	$ 209,152,788	$ 193,861,691

Amortization of equipment held under capital lease was $193,490 in 2014 and $239,255 in 2013 Accumulated amortization was $1,656,669 at June 30, 2014 and $1,463,180 at June 30, 2013

Depreciation expense was $17,776,459 in 2014 and $14,885,405 in 2013

Commitments for construction contracts for various projects existing at June 30, 2014 totaled approximately $5,673,000

6. Derivative Financial Instruments

The Medical Center entered into three interest rate swap agreements (the "Agreements") in connection with the 2009 Bonds (which were advance refunded by the 2012B Bonds) The interest rate swap agreements were entered into in June 2009 ("2009 Agreement"), in July 2009 ("2010 Agreement"), and July 2010 ("2011 Agreement") The fair value of agreements, which is the amount the Medical Center would receive to terminate the agreements, was $960,621 at June 30, 2014 and $937,801 at June 30, 2013 and was based upon information supplied by an independent third party valuation of the agreements No termination payments would be required if the agreements are held to maturity Because hedge accounting was not elected, gains or losses resulting from the change in fair value of the swap agreements is recognized in revenues in excess of expenses

At June 30, 2014, the summary of the agreements and the fair value as determined by an independent third party valuation, which is the amount the Medical Center would receive to terminate the agreements, are as follows

	2009 Agreement	2010 Agreement	2011 Agreement
Effective notional amount	$24,535,000	$25,000,000	$20,000,000
Strike rate - spread between the USD-SIFMA Municipal Swap Index and 67% of the 3 month LIBOR plus	0 5925%	0 69%	0.705%
Terminate date	June 15, 2029	June 15, 2029	July 23, 2030

The notional amount of the swap agreements are used to measure the interest to be paid or received and does not represent the amount of the exposure to credit loss Exposure to credit loss is limited to the receivable amount, if any, which may be generated as a result of the swap agreements Management believes that losses related to credit risk are remote The net cash paid or received under the swap agreements are recognized as an adjustment to interest expense. As a result of the swap agreement, interest expense was decreased by $541,497 in 2014 and $461,368 in 2013 The Medical Center does not utilize the interest rate swap agreements or other financial instruments for trading or other speculative purposes

7. Other Assets

Other assets as of June 30, 2014 and 2013 consist of the following

	2014	2013
Estimated medical malpractice insurance recoveries	$ 1,892,016	$ 2,569,192
Intangible asset, medical records		
Cost	7,856,284	7,840,284
Less accumulated amortization	5,574,526	4,004,070
Net	2,281,758	3,836,214
Other investments		
Community Hospital Alternative for Risk Transfer	2,347,442	2,153,662
Centre County Cancer Center	1,393,021	937,095
ADG Hospital Drive Associates	974,528	855,196
Bellefonte Medical Investors	814,397	818,685
Total	5,529,388	4,764,638
Other	708,774	967,530
Other assets, net	$ 10,411,936	$ 12,137,574

Bellefonte Medical Investors

The Physician Group holds an approximate 39% ownership in Bellefonte Medical Investors ("BMI"), a partnership, at June 30, 2014 and 2013 Approximately 61% is owned by certain current and former employees of the Physician Group The investment in BMI is included in other assets The Physician Group recognizes its proportionate share of BMI's operating results as a component of equity in (loss) income of investee on the accompanying consolidated statement of operations Such proportionate income was $49,575 in 2014 and $48,208 in 2013 Distributions received from BMI were $53,863 in 2014 and $72,207 in 2013 Additional capital of $31,440 was contributed by the Physician Group in 2013, no such capital was contributed in 2014. The Corporation paid rent of $386,718 in 2014 and $415,493 in 2013 for office space leased from BMI

Summary financial information for BMI is as follows for the years ended December 31, 2013 and 2012.

	2013	2012
Assets.		
Current assets	$ 41,586	$ 244
Property and equipment, net	1,537,357	1,614,451
Other assets	3,762	4,061
Total assets	$ 1,582,705	$ 1,618,756
Liabilities	478,235	530,250
Partners' equity	1,104,470	1,088,506
Total liabilities and partners' equity	$ 1,582,705	$ 1,618,756
Gross Rental Income	$ 418,545	$ 412,441
Net Income	$ 153,964	$ 152,077

ADG Hospital Drive Associates

The Medical Center holds an approximate 24% ownership in ADG Hospital Drive Associates ("ADG"), a limited partnership, at June 30, 2014 and 2013 The investment in ADG is included in other assets The Medical Center recognizes its proportionate share of ADG's operating results as a component of equity in (loss) income of investee on the accompanying consolidated statement of operations The Medical Center's proportionate share of income was $151,349 in 2014 and $136,925 in 2013 Distributions received from ADG were $32,017 in 2014 and 2013 No additional capital contributions were made to ADG in 2014 and 2013 This lease expires in 2021 and is renewable for seven five-year periods Rental expense was $619,022 in 2014 and $599,822 in 2013.

Summary financial information for ADG is as follows for the years ended December 31, 2013 and 2012

	2013	2012
Assets		
Current assets	$ 786,481	$ 790,890
Property and equipment, net	8,935,361	9,373,289
Deferred financing costs	91,132	109,358
Total assets	$ 9,812,974	$ 10,273,537
Liabilities and Partners' Equity		
Current liabilities	$ 1,342,775	$ 1,342,725
Long-term debt	4,452,353	5,404,958
Total liabilities	5,795,128	6,747,683
Partners' equity	4,017,846	3,525,854
Total liabilities and partners' equity	$ 9,812,974	$ 10,273,537
Gross Rental Income	$ 1,472,000	$ 1,472,000
Net Income	$ 623,992	$ 564,519

Centre County Cancer Center

The Medical Center formed a joint venture with the Penn State Milton S Hershey Medical Center ("HMC") for the purpose of enhancing the quality and availability of oncology services offered to patients in the State College community and surrounding areas The form of the joint venture is a not-for-profit corporation of which the Medical Center and HMC are each 50% members In conjunction with this, the Medical Center has a 50% interest in the Centre County Cancer Center (the "Cancer Center"), a not-for-profit corporation, which is included in other assets at June 30, 2014 and 2013 The Medical Center recognizes its proportionate share of the Cancer Center's operating results as a component of equity in (loss) income of investee on the accompanying consolidated statement of operations. The Medical Center's proportionate share of such loss was $1,800,928 in 2014 The Cancer Center began its operations during 2014, as such, there was no share of income or loss to be recorded in 2013 No distributions were received from the Cancer Center during 2014 and 2013. Equity contributions made to the Cancer Center were $2,256,854 in 2014 and $937,095 in 2013

The Corporation leases office and medical space to the Cancer Center, as well as provides certain clinical, administrative, and operational services under the terms of a Services Agreement Rental income from the Cancer Center was $467,338 in 2014, and reimbursement received under the terms of the Services Agreement amounted to $747,473 during 2014, related receivables were $158,369 at June 30, 2014. There was no rental income from the Cancer Center during 2013 nor were there any services provided under the Services Agreement during 2013, as the Cancer Center was not yet operational

Summary financial information for the Cancer Center is as follows for the years ended June 30, 2014 and 2013

	2014	2013
Assets		
Current assets	$ 2,681,006	$ 338,457
Property and equipment, net	425,884	610,962
Other assets, net	686,398	-
Total assets	$ 3,793,288	$ 949,419
Liabilities and Net Assets.		
Current liabilities	$ 1,021,612	$ 7,324
Unrestricted net assets	2,771,676	942,095
Total liabilities and net assets	$ 3,793,288	$ 949,419
Total unrestricted revenues, gains, and other support	$ 11,400,112	$ -
Revenues less than expenses	$ (3,601,856)	$ -

8. Revenue Bonds

The Medical Center's revenue bonds at June 30, 2014 and 2013 are as follows

	2014	2013
Centre County Hospital Authority Revenue Bonds, Series 2012A	$ 43,225,000	$ 43,675,000
Centre County Hospital Authority Revenue Bonds, Series 2012B	64,230,000	65,125,000
Centre County Hospital Authority Revenue Bonds, Series 2011	68,830,000	69,535,000
Total	176,285,000	178,335,000
Net unamortized bond premium	5,062,906	5,343,884
Less current maturities	2,375,000	2,050,000
Long-term	$ -	$ -

Scheduled principal repayments on revenue bonds as of June 30, 2014 are as follows

Years ending June 30	
2015	$ 2,375,000
2016	2,450,000
2017	2,535,000
2018	2,630,000
2019	2,715,000
Thereafter	163,580,000
Total	$ 176,285,000

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

In October 2012, the Centre County Hospital Authority (the "Authority") issued $108,800,000 of tax exempt Hospital Revenue Bonds (the "2012 Bonds") on behalf of the Medical Center The proceeds of the 2012A Bonds were issued for the purpose of financing and/or reimbursing the cost of the acquisition, construction, installation and equipping of certain capital projects, funding capitalized interest on the Series 2012A Bonds, and paying for the costs of issuance of the Series 2012A Bonds The Series 2012B Bonds were issued for the purpose of providing funds to advance refund the Authority's outstanding Hospital Revenue Bonds, Series 2009 and to pay the costs of issuance of the Series 2012B Bonds The 2012A and 2012B Bonds are due in varying annual installments starting November 2013 through November 2048 with interest rates ranging from 2 5% to 3 5%

Centre County Hospital Authority Revenue Bonds, Series 2011

In April 2011, the Authority issued $70,230,000 of tax exempt Hospital Revenue Bonds (the "2011 Bonds") on behalf of the Medical Center The proceeds of the 2011 Bonds were used to finance certain capital projects of the Medical Center The 2011 Bonds are due in varying annual installments starting November 2012 through November 2046 with interest rates ranging from 2 5% to 7%

Centre County Hospital Authority Revenue Bonds, Series 2009

In March 2009, the Authority issued $70,000,000 of tax exempt Hospital Revenue Bonds (the "2009 Bonds") on behalf of the Medical Center The proceeds of the 2009 Bonds were used to finance certain capital projects of the Medical Center. The 2009 Bonds were refinanced in October 2012 with proceeds from the 2012 Bonds In conjunction with this, during 2013 a loss on refinancing was recognized in the accompanying consolidated statement of operations, which is comprised of the following

Write-off deferred financing costs	$ 3,179,760
Write-off unamortized bond discount	215,334
Additional funds required to fund escrow	8,120,119
Loss on refinancing	$ 11,515,213

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

Payments of principal and interest on The Series 2012 and Series 2011 Bonds are secured by the gross revenues of the Obligated Group together with a lien on, and security interest in all property and equipment of the Obligated Group At present, the Medical Center and the Physician Group are the only members of the Obligated Group The Series 2012 and Series 2011 Bonds also require the Obligated Group to meet certain financial ratios The Obligated Group was in compliance with the ratios at June 30, 2014

9. Obligations Under Capital Leases

The Corporation's obligations under the terms of capital lease arrangements at June 30, 2014 and 2013 are summarized as follows.

	2014	2013
Capital lease obligation, interest at 1 9%, collateralized by equipment, monthly payments of $10,239 with the final Payment January 2016	$ 190,954	$ 308,113
Capital lease obligation, interest at 2 3%, collateralized by equipment, monthly payments of $5,527 with the final payment January 2016	97,960	160,859
Capital lease obligation, interest at 2 1%, collateralized by equipment, monthly payments of $5,352 with the final payment April 2015	53,254	115,800
Capital lease obligation, interest at 3 5%, collateralized by equipment, monthly payments of $183 with the final payment due March 2019	6,641	-
Capital lease obligation, interest at 1 3%, collateralized by equipment, monthly payments of $324 with the final payment due June 2015	3,326	-
Capital lease obligation, interest at 1.3%, collateralized by equipment, monthly payments of $329 with the final payment due July 2015	329	4,241
Repaid during 2014	-	972
Total	352,464	589,985
Less current maturities	242,612	247,645
Long-term	$ 109,852	$ 342,340

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

Years ending June 30.	
2015	$ 248,608
2016	106,745
2017	1,636
2018	1,636
2019	1,227
Total minimum lease payments	359,852
Less amounts representing interest	7,388
Present value of net minimum lease payments	$ 352,464

10. Pension Plan

Defined Benefit Plan

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

The following table sets forth the change in projected benefit obligation, the fair value of plan assets, and the amounts recognized in the consolidated statement of financial position at June 30, 2014 and 2013

	2014	2013
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	$ 138,378,784	$ 138,586,336
Service cost	5,539,517	5,518,998
Interest cost	6,821,190	6,158,140
Actuarial (gain) loss	16,975,232	(8,281,748)
Benefits paid	(4,505,347)	(3,602,942)
Projected benefit obligation, end of year	163,209,376	138,378,784
Change in plan assets		
Fair value of plan assets, beginning of year	$ 126,149,912	$ 107,520,754
Actual return on plan assets (net of expense)	16,360,747	14,193,990
Employer contributions	8,236,887	8,038,110
Benefits paid	(4,505,347)	(3,602,942)
Administrative expenses	-	-
Fair value of plan assets, end of year	146,242,199	126,149,912
Funded status at end of year	$ (16,967,177)	$ (12,228,872)
Accumulated benefit obligation	$ 145,706,894	$ 123,671,577
Reconciliation of amounts recognized in the consolidated statement of financial position,		
Accrued pension cost	$ 16,967,177	$ 12,228,872

The following table sets forth the components of net periodic cost in 2014 and 2013:

	2014	2013
Service cost	$ 5,539,517	$ 5,518,998
Interest cost	6,821,190	6,158,140
Expected return on plan assets	(9,211,132)	(8,271,326)
Amortization of unrecognized prior service cost	-	-
Amortization of actuarial loss	1,936,541	2,708,941
Net periodic pension cost	$ 5,086,116	$ 6,114,753

A net loss of $42,500,809 represents the unrecognized component of net periodic pension cost included in unrestricted net assets at June 30, 2014 A net loss of $34,611,733 represents the unrecognized components of net periodic pension cost included in unrestricted net assets at June 30, 2013

Estimated amortization of net loss of $2,554,309 is expected to be recognized in net periodic pension cost in the next fiscal year

The weighted-average assumptions used in the measurement of the Medical Center's benefit obligation at June 30, 2014 and 2013 are as follows

	2014	2013
Discount rate	4 50 %	5 00 %
Rate of compensation increase	2 00 %	2 00 %

The weighted-average assumptions used in the measurement of the Medical Center's net periodic benefit cost for the years ended June 30, 2014 and 2013 are as follows.

	2014	2013
Discount rate	5 00 %	4 50 %
Rate of compensation increase	2 00 %	2 00 %
Expected long-term return on plan assets	7 50 %	7 50 %

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

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

The composition of plan assets at June 30, 2014 is set forth in the following table

	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 45,332	$ 45,332	$ -	$ -
Pooled investment funds:				
Equity	97,108,454	-	97,108,454	-
Fixed income	43,993,132	-	43,993,132	-
Hedge fund	5,095,281	-	-	5,095,281
	$ 146,242,199	$ 45,332	$ 141,101,586	$ 5,095,281

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

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

The following information is related to the hedge fund discusses the nature and risk of the investments and whether they have redemption restrictions as of June 30, 2014

	Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
The Weatherlow Offshore Fund I L.P	$ 5,095,281	Quarterly	65 days

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

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

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

	Guaranteed Investment Contract	Hedge Fund	Total
Balances at June 30, 2012	$ 2,068,462	$ 4,062,063	$ 6,130,525
Actual return on plan assets	(56,277)	492,534	436,257
Sales	(3,602,942)	-	(3,602,942)
Transfers in/out	3,600,000	-	3,600,000
Balances at June 30, 2013	2,009,243	4,554,597	6,563,840
Actual return on plan assets	(147,855)	540,684	392,829
Sales	(1,982,538)	-	(1,982,538)
Employer contribution deposited	121,150	-	121,150
Balances at June 30, 2014	$ -	$ 5,095,281	$ 5,095,281

The following is a description of the valuation methodologies used for assets measured at fair value and for financial instruments disclosed at fair value There have been no changes in methodologies used at June 30, 2014 and 2013

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

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

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

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

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

Pooled investment funds (the "Funds") Valued at net asset value based primarily on observable inputs Net asset values are based upon the fair value of the underlying assets of the Funds derived principally from or corroborated by observable market data In regards to the Funds, there are no unfunded purchase commitments or restrictions on the sale of the investments Furthermore, the Corporation has no plans to sell the Funds or a portion of the amounts currently owned There are no restrictions related to redemption of the Funds The following represents the investment strategies of the Funds

Funds	Investment Strategy	Fair Value at June 30, 2014	Fair Value at June 30, 2013
Russell Institutional Funds, Russell Multi-Asset Core Plus Fund	Seeks to provide long term capital growth and offers a convenient way to diversify a portfolio by combining funds and separate accounts investing in U S and non-U.S stocks, bonds, global commodities, listed real estate and infrastructure into one fund	$ 97,108,454	$ -
Russell Institutional Funds, Russell Core Bond Fund	Provides participation in full spectrum of investment opportunities in primarily U.S debt markets Seeks to take advantage of market trading opportunities, to generate current income, as well as provide a competitive rate of return on assets	43,993,132	-
	Totals	$ 141,101,586	$ -

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

The Medical Center expects to contribute $8,000,000 to its pension plan in the 2015 fiscal year

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

Years ending June 30	
2015	$ 4,490,689
2016	4,865,857
2017	5,307,146
2018	5,791,607
2019	6,310,462
2020 - 2023	39,935,948

Defined Contribution Plan

The Corporation maintains a 403(b) qualified plan for the employees of the Physician Group and non-bargaining unit employees of the Medical Center hired after January 1, 2014 The Corporation maintains a 457(b) non-qualified plan for certain Physician Group employees Total pension expense associated with these retirement plans was approximately $1,141,000 in 2014 and $1,184,000 in 2013

11. Medical Malpractice Claims Coverage

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

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

MCARE Fund coverage - The Pennsylvania Medical Care Availability and Reduction of Error Fund ("MCARE Fund") provides coverage in accordance with the Pennsylvania law governing the MCARE Fund Pursuant to the per occurrence and aggregate limits set forth in the controlling Pennsylvania statutes, the MCARE Fund provides coverage for losses in excess of the primary coverage that was in effect on the date of the incident The cost of MCARE Fund coverage is recognized as expense in the period incurred. Increases in annual surcharges and concerns over the MCARE Fund's ability to manage and pay claims continue to result in proposals to reform or restructure the MCARE Fund MCARE Fund coverage is currently scheduled to be compressed in 2015, unless the State Insurance Commissioner determines that additional primary insurance capacity is not available at that time, and to be eliminated three years after such reduction The Medical Center, Surgical Center, and Physician Group will be required to purchase higher primary insurance limits to take the place of the MCARE Fund coverage if it is compressed Depending upon the ultimate resolution of this matter, the Medical Center, Surgical Center, and Physician Group may incur additional insurance costs

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

The primary and excess coverages are provided by Community Hospital Alternative For Risk Transfer ("CHART") CHART was formed as a reciprocal risk retention group to provide liability insurance, reinsurance, and risk management services for its subscribers The Medical Center is a subscriber in CHART and retains a 3% interest This investment totaling $2,347,442 at June 30, 2014 and $2,153,662 at June 30, 2013 is included in other assets in the accompanying consolidated statement of financial position (Note 6)

The Corporation's estimated future payments of its unasserted medical malpractice liability claims was $3,532,039 at June 30, 2014 and $4,091,814 at June 30, 2013. The insurance recoveries receivable on these claims is $1,892,016 at June 30, 2014 and $2,569,192 at June 30, 2013, which are included in other assets, in the accompanying consolidated statement of financial position (Note 6) These liabilities are determined at an undiscounted rate

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

12. Self-Funded Insurance Plans

The Corporation self-insures its employee health benefits The Corporation has accrued the estimated cost of incurred and reported and incurred but not reported claims based upon data provided by third-party administrators of the program, its historical claims experience, and its individual medical stop-loss insurance coverage There is no aggregate stop loss insurance coverage

The Corporation maintains a self-funded plan for workers' compensation insurance costs The Corporation has accrued the estimated cost of incurred and reported and incurred but not reported claims based upon data provided by the third-party administrator of the program, its historical claims experience, and the terms of its excess workers' compensation insurance policy Under the terms of this policy, the Corporation is subject to a maximum retention of $400,000 per occurrence and a per occurrence and aggregate policy limit of $1,000,000

13. Temporarily and Permanently Restricted Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2014 and 2013.

	2014	2013
Use in operations	$ 1,777,736	$ 2,524,529
Purchase of property and equipment	2,292,312	1,262,430
Total	$ 4,070,048	$ 3,786,959

Permanently Restricted Net Assets

Permanently restricted net assets are available for the following purposes as of June 30, 2014 and 2013

	2014	2013
Investments to be held in perpetuity, the income from which is expendable		
For the purchase of equipment	$ 202,329	$ 202,329
To support health care services	647,046	518,420
Total	$ 849,375	$ 720,749

14. Net Patient Service Revenues

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

- Medicare - Inpatient acute care and nonacute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge Outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors The classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Medical Center and Surgical Center. The Medical Center's Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2007 Revenue from Medicare was 28% and 29% of total net patient service revenues (net of contractual allowances and discounts) for year ended June 30, 2014 and 2013, respectively

- Medical Assistance - Inpatient acute care services and nonacute services rendered to Medical Assistance program beneficiaries are paid at prospectively determined rates per discharge These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors Outpatient services are paid based on a published fee schedule Revenue from Medical Assistance was 4% and 3% of total net patient service revenues (net of contractual allowances and discounts) for year ended June 30, 2014 and 2013, respectively

- Blue Cross - Inpatient and outpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates Revenue from Blue Cross was 41% and 44% of total net patient service revenues (net of contractual allowances and discounts) for year ended June 30, 2014 and 2013, respectively

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

15. Rental Commitments

The Medical Center, Surgical Center, and Physician Group lease equipment and facilities under operating leases expiring at various dates through 2051 Total rental expense for all operating leases was $5,535,130 in 2014 and $5,512,761 in 2013 (see Note 16 for related party portions)

The following is a schedule, by year, of future minimum lease payments under operating leases as of June 30, 2014, that have initial or remaining lease terms in excess of one year

Years ending June 30.	
2015	$ 5,572,193
2016	4,918,257
2017	3,921,332
2018	3,645,942
2019	3,638,811
Thereafter	34,171,693
Total	$ 55,868,228

16. Functional Expenses

The Corporation provides general acute care and related services to individuals within its geographic region Expenses related to providing these services for the years ended June 30, 2014 and 2013 are approximately as follows

	2014	2013
	(In Thousands)	
Health care and other related services	$ 301,284	$ 278,446
General and administrative	33,596	31,050
Fundraising	518	478
Total expenses	$ 335,398	$ 309,974

17. Significant Concentrations of Credit Risk

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

At June 30, 2014 and 2013, concentrations of receivables from third-party payors and others are as follows

	2014	2013
Blue Cross	30 %	31 %
Other third party payers	27	21
Medicare	14	16
Self pay	13	15
Medicare HMO	11	10
Medical Assistance	5	7
Total	100 %	100 %

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

Approximately 48% of the Corporation's employees are covered by a collective bargaining agreement, which expires on June 30, 2016

18. Contingencies

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

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

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

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Financial Position
June 30, 2014

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc.	The for Mount Nittany Center	Mount Nittany Physician Group	Child Advocacy Center	Consolidation Eliminations	Consolidation Consolidated
Assets								
Current Assets								
Cash and cash equivalents	$ -	$ 14,775,535	$ 225	$ 1,565,481	$ 1,205,538	$ 15,442	$ -	$ 17,562,221
Short-term investments	-	243,819	-	464,496	-	-	-	708,315
Accounts receivable								
Patients (net of estimated allowance for doubtful accounts of approximately $11,394,000)	-	28,027,509	1,267,559	-	2,781,106	27,000	-	32,103,174
Other	-	3,346,967	-	-	508,414	-	-	3,855,381
Inventories of drugs and supplies	-	6,469,724	362,452	-	43,037	-	-	6,875,213
Prepaid expenses and other current assets	-	2,695,963	4,844	-	960,506	-	-	3,661,313
Total current assets	-	55,559,517	1,635,080	2,029,977	5,498,601	42,442	-	64,765,617
Assets Whose Use is Limited								
Under trust indenture, held by trustee	-	2,435,888	-	-	-	-	-	2,435,888
Board designated, debt service	-	3,229,778	-	-	-	-	-	3,229,778
Workers' compensation self-insurance, held by trustee	-	1,368,436	-	-	-	-	-	1,368,436
Total assets whose use is limited	-	7,034,102	-	-	-	-	-	7,034,102
Long-Term Investments	-	173,285,722	-	4,235,742	-	-	-	177,521,464
Pledges Receivable	-	-	-	1,582,809	-	-	-	1,582,809
Property and Equipment, Net	-	195,710,073	3,669,163	3,337	9,704,886	65,329	-	209,152,788
Beneficial Interest in Perpetual Trusts	-	75,551	-	51,329	-	-	-	126,880
Deferred Financing Costs, Net	-	2,152,583	-	-	-	-	-	2,152,583
Goodwill	-	-	-	-	1,209,867	-	-	1,209,867
Derivative Financial Instruments	-	960,621	-	-	-	-	-	960,621
Other Assets, Net	-	5,666,339	-	-	4,745,597	-	-	10,411,936
Interest in Net Assets of Foundation for Mount Nittany Medical Center	-	8,055,100	-	-	12,844	308,182	(8,376,126)	-
Due from Affiliates	-	227,917	54,398,925	564,006	11,059	-	(55,201,907)	-
Total assets	$ -	$ 448,727,525	$ 59,703,168	$ 8,467,200	$ 21,182,854	$ 415,953	$ (63,578,033)	$ 474,918,667

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Financial Position
June 30, 2014

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Child Advocacy Center	Consolidated Eliminations	Consolidated
Liabilities and Net Assets								
Current Liabilities								
Current maturities of long-term debt								
Revenue bonds	$ -	$ 2,375,000	$ -	$ -	$ -	$ -	$ -	$ 2,375,000
Obligations under capital leases	-	242,612	-	-	-	-	-	242,612
Accounts payable	-	9,410,159	250,731	1,815	1,801,832	-	-	11,464,537
Blue Cross current financing advance	-	475,663	-	-	-	-	-	475,663
Estimated third-party payor settlements	-	4,648,069	3,875,866	-	515,000	-	-	9,038,935
Accrued expenses								
Employee paid time off	-	8,522,997	209,386	23,544	2,621,463	4,790	-	11,382,180
Payroll and withholdings	-	3,053,097	16,356	10,309	2,044,558	835	-	5,125,155
Interest	-	1,494,423	-	-	-	-	-	1,494,423
Construction in progress payable	-	906,592	-	-	-	-	-	906,592
Employee health benefit costs	-	1,798,391	-	-	328,747	-	-	2,127,138
Other	-	3,675,596	-	-	216,181	5,000	-	3,896,777
Deferred compensation, current	-	199,037	-	-	-	-	-	199,037
Current portion of charitable gift annuity liability	-	-	-	11,925	-	-	-	11,925
Refundable advance from Mount Nittany Medical Center	-	-	-	171,769	-	-	(171,769)	-
Total current liabilities	-	36,801,636	4,352,339	219,362	7,527,781	10,625	(171,769)	48,739,974
Long-Term Debt								
Revenue bonds	-	178,972,906	-	-	-	-	-	178,972,906
Obligations under capital leases	-	109,852	-	-	-	-	-	109,852
Deferred Revenue	-	609,543	-	-	-	-	-	609,543
Charitable Gift Annuity Liability	-	-	-	43,481	-	-	-	43,481
Accrued Pension Costs	-	16,967,177	-	-	-	-	-	16,967,177
Accrued Medical Malpractice and Workers' Compensation Costs	-	3,043,141	-	-	1,380,613	-	-	4,423,754
Deferred Compensation	-	88,361	-	-	-	-	-	88,361
Due to Affiliates	-	54,984,080	-	-	-	217,827	(55,201,907)	-
Total liabilities	-	291,576,696	4,352,339	262,843	8,908,394	228,452	(55,373,676)	249,955,048
Net Assets								
Unrestricted	-	152,539,589	55,350,829	3,587,184	12,274,460	(120,681)	(3,587,184)	220,044,197
Temporarily restricted	-	3,761,865	-	3,843,349	-	308,182	(3,843,349)	4,070,047
Permanently restricted	-	849,375	-	773,824	-	-	(773,824)	849,375
Total net assets	-	157,150,829	55,350,829	8,204,357	12,274,460	187,501	(8,204,357)	224,963,619
Total liabilities and net assets	$ -	$ 448,727,525	$ 59,703,168	$ 8,467,200	$ 21,182,854	$ 415,953	$ (63,578,033)	$ 474,918,667

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Operations
Year Ended June 30, 2014

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Child Advocacy Center	Consolidation Eliminations	Consolidation Consolidated
Unrestricted Revenues, Gains, and Other Support								
Patient service revenues (net of contractual allowances and discounts)	$ -	$ 301,227,839	$ 20,043,988	$ -	$ 36,217,521	$ 27,450	$ -	$ 357,516,798
Provision for bad debts	-	(10,651,807)	(351,354)	-	155,608	-	-	(10,847,553)
Net patient service revenues less provision for bad debts	-	290,576,032	19,692,634	-	36,373,129	27,450	-	346,669,245
Other operating revenues	-	10,061,086	-	-	2,193,451	-	(5,225,283)	7,029,254
Net assets released from restrictions used in operations	-	97,666	-	108,586	10,333	587	(108,586)	108,586
Total unrestricted revenues, gains and other support	-	300,734,784	19,692,634	108,586	38,576,913	28,037	(5,333,869)	353,807,085
Expenses								
Salaries and wages	-	107,162,269	-	-	33,152,180	88,717	-	140,403,166
Supplies and other	408,196	109,150,093	10,834,208	685,626	16,746,950	59,008	(6,017,207)	131,866,874
Employee benefits	-	27,989,385	-	-	6,482,513	18,814	-	34,490,712
Depreciation and amortization	-	15,694,585	457,812	934	3,005,900	8,447	-	19,167,678
Interest, net of capitalized interest of $724,813	-	7,740,381	-	-	-	-	-	7,740,381
Insurance	-	1,652,560	28,193	-	-	-	-	1,680,753
Loss on sale of equipment	-	19,707	46,336	-	1,460	-	-	67,503
Total expenses	408,196	269,408,980	11,366,549	686,560	59,389,003	174,986	(6,017,207)	335,417,067
Operating income (loss)	(408,196)	31,325,804	8,326,085	(577,974)	(20,812,090)	(146,949)	683,338	18,390,018
Other Income (Loss)								
Investment income	-	16,389,665	-	325,383	-	-	-	16,715,048
Contributions	-	791,923	-	811,357	-	-	(791,923)	811,357
Non-operating grant revenue	-	250,000	-	-	-	-	-	250,000
Change in fair value of derivative financial instruments	-	22,820	-	-	-	-	-	22,820
Equity in (loss) income of investees	-	(1,650,035)	-	-	49,575	-	-	(1,600,460)
Change in interest in The Foundation for Mount Nittany Medical Center, Inc	-	(902,034)	-	-	-	(26,855)	928,889	-
Other income, net	-	14,902,339	-	1,136,740	49,575	(26,855)	136,966	16,198,765
Revenues in excess of (less than) expenses	(408,196)	46,228,143	8,326,085	558,766	(20,762,515)	(173,804)	820,304	34,588,783
Pension Liability Adjustment	-	(7,889,076)	-	-	-	-	-	(7,889,076)
Net Assets Released from Restrictions Used for the Purchase Property and Equipment	-	1,894,161	-	1,924,140	3,711	26,268	(1,924,140)	1,924,140
Transfer of Unrestricted Net Assets	408,196	(22,136,352)	-	(1,379,070)	23,080,371	26,855	-	-
Increase (decrease) in unrestricted net assets	$ -	$ 18,096,876	$ 8,326,085	$ 1,103,836	$ 2,321,567	$ (120,681)	$ (1,103,836)	$ 28,623,847

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Cash Flows
Year Ended June 30, 2014

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Child Advocacy Center	Consolidation Eliminations	Consolidation Consolidated
Cash Flows from Operating Activities								
Increase in net assets	$ -	$ 18,200,408	$ 8,326,085	$ 1,439,999	$ 2,321,567	$ 187,501	$ (1,439,999)	$ 29,035,561
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities								
Depreciation and amortization	-	15,975,563	457,812	934	3,005,900	8,447	-	19,448,656
Net amortization of premium on long-term debt	-	(280,978)	-	-	-	-	-	(280,978)
Provision for bad debts	-	10,651,807	351,354	-	(155,608)	-	-	10,847,553
Change in fair value of derivative financial instruments	-	(22,820)	-	-	-	-	-	(22,820)
Restricted contributions, investment income, and valuation loss/gain	-	(2,368,888)	-	(2,368,888)	-	(335,037)	2,368,888	(2,703,925)
Unrestricted net realized and unrealized gains on investments	-	(15,485,473)	-	(328,639)	-	-	-	(15,814,112)
Pension liability adjustment	-	7,889,076	-	-	-	-	-	7,889,076
Loss on sale of equipment	-	19,707	46,336	-	1,460	-	-	67,503
Transfers from (to) affiliates	-	22,136,352	-	1,379,070	-	(26,855)	(23,488,567)	-
Changes in assets and liabilities								
Accounts receivable	-	(13,622,455)	90,482	-	(602,554)	(27,000)	-	(14,161,527)
Inventories of drugs and supplies	-	(9,375)	17,223	-	6,246	-	-	14,094
Prepaid expenses and other current assets	-	(581,682)	2,026	4,565	(125,390)	-	-	(700,481)
Accounts payable, accrued expenses, and other liabilities	-	12,820,386	483,567	(3,741)	1,939,018	10,625	(9,583,505)	5,666,350
Net cash provided by (used in) operating activities	-	55,321,628	9,774,885	123,300	6,390,639	(182,319)	(32,143,183)	39,284,950
Cash Flows from Investing Activities								
Purchases of property and equipment	-	(24,404,547)	(777,255)	-	(7,076,611)	(73,776)	-	(32,332,189)
Increase in investments	-	(2,066,992)	-	(47,313)	-	-	-	(2,114,305)
Decrease (increase) in other assets	-	427,085	-	-	(271,903)	-	-	155,182
Proceeds from sale of equipment	-	107,204	7,000	-	3,000	-	-	117,204
Change in interest of net assets Foundation for Mount Nittany Medical Center	-	(1,112,693)	-	-	(12,844)	(308,182)	1,433,719	-
Net cash used in investing activities	-	(27,049,943)	(770,255)	(47,313)	(7,358,358)	(381,958)	1,433,719	(34,174,108)

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Cash Flows
Year Ended June 30, 2014

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Child Advocacy Center	Consolidation Eliminations	Consolidation Consolidated
Cash Flows from Financing Activities								
Restricted contributions and investment income	$ -	$ 2,368,888	$ -	$ 2,255,049	$ -	$ 335,037	$ (2,368,888)	$ 2,590,086
Repayment of long-term debt	-	(2,301,003)	-	-	-	-	-	(2,301,003)
Payment of financing costs	-	(2,999)	-	-	-	-	-	(2,999)
Payment of construction in progress payable	-	(3,683,291)	-	-	-	-	-	(3,683,291)
Change in charitable gift annuity liability	-	-	-	2,162	-	-	-	2,162
Transfers (from) to affiliates	-	(22,136,352)	-	(1,379,070)	-	26,855	23,488,567	-
Change in due to/due from affiliates	-	(227,917)	(9,004,630)	(564,006)	(11,059)	217,827	9,589,785	-
Net cash provided by (used in) financing activities	-	(25,982,674)	(9,004,630)	314,135	(11,059)	579,719	30,709,464	(3,395,045)
Net increase (decrease) in cash and cash equivalents	-	2,289,011	-	390,122	(978,778)	15,442	-	1,715,797
Cash and Cash Equivalents, Beginning	-	12,486,524	225	1,175,359	2,184,316	-	-	15,846,424
Cash and Cash Equivalents, Ending	$ -	$ 14,775,535	$ 225	$ 1,565,481	$ 1,205,538	$ 15,442	$ -	$ 17,562,221

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Financial Position
June 30, 2013

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidation Eliminations	Consolidation Consolidated
Assets							
Current Assets							
Cash and cash equivalents	$ -	$ 12,486,524	$ 225	$ 1,175,359	$ 2,184,316	$ -	$ 15,846,424
Short-term investments	-	10,768,740	-	2,683,116	-	-	13,451,856
Accounts receivable							
Patients (net of estimated allowance for doubtful accounts of approximately $10,675,000)	-	26,047,276	1,709,395	-	2,428,494	-	30,185,165
Other	-	2,356,552	-	-	102,864	-	2,459,416
Inventories of drugs and supplies	-	6,460,349	379,675	-	49,283	-	6,889,307
Prepaid expenses and other current assets	-	2,114,281	6,870	4,565	835,116	-	2,960,832
Total current assets	-	60,233,722	2,096,165	3,863,040	5,600,073	-	71,793,000
Assets Whose Use is Limited							
Under trust indenture, held by trustee	-	27,447,820	-	-	-	-	27,447,820
Board designated, debt service	-	2,628,504	-	-	-	-	2,628,504
Workers' compensation self-insurance, held by trustee	-	1,350,268	-	-	-	-	1,350,268
Total assets whose use is limited	-	31,426,592	-	-	-	-	31,426,592
Long-Term Investments	-	120,891,397	-	1,642,936	-	-	122,534,333
Pledges Receivable		-	-	1,468,970	-	-	1,468,970
Property and Equipment, Net	-	186,386,185	3,403,056	4,271	4,068,179	-	193,861,691
Beneficial Interest in Perpetual Trusts	-	-	-	49,563	-	-	49,563
Deferred Financing Costs, Net	-	2,251,325	-	-	-	-	2,251,325
Goodwill	-	-	-	-	1,209,867	-	1,209,867
Derivative Financial Instruments	-	937,801	-	-	-	-	937,801
Other Assets, Net	-	6,093,424	-	-	6,044,150	-	12,137,574
Interest in Net Assets of Foundation for Mount Nittany Medical Center	-	6,942,407	-	-	-	(6,942,407)	-
Due from Affiliates	-	-	45,394,295	-	-	(45,394,295)	-
Total assets	$ -	$ 415,162,853	$ 50,893,516	$ 7,028,780	$ 16,922,269	$ (52,336,702)	$ 437,670,716

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Financial Position
June 30, 2013

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidation Eliminations	Consolidation Consolidated
Liabilities and Net Assets							
Current Liabilities							
Current maturities of long-term debt							
Revenue bonds	$ -	$ 2,050,000	$ -	$ -	$ -	$ -	$ 2,050,000
Obligations under capital leases	-	247,645	-	-	-	-	247,645
Accounts payable	-	7,658,111	87,936	2,132	1,285,395	-	9,033,574
Blue Cross current financing advance	-	475,663	-	-	-	-	475,663
Estimated third-party payor settlements	-	4,234,756	3,570,545	-	-	-	7,805,301
Accrued expenses							
Employee paid time off	-	6,122,414	195,501	25,077	3,293,590	-	9,636,582
Payroll and withholdings	-	2,555,763	14,790	5,920	1,416,031	-	3,992,504
Interest	-	1,503,552	-	-	-	-	1,503,552
Construction in progress payable	-	3,683,291	-	-	-	-	3,683,291
Employee health benefit costs	-	1,469,576	-	-	206,642	-	1,676,218
Other	-	1,764,842	-	-	65,085	-	1,829,927
Deferred compensation, current	-	32,336	-	-	-	-	32,336
Current portion of charitable gift annuity liability	-	-	-	11,925	-	-	11,925
Refundable advance from Mount Nittany Medical Center	-	-	-	178,049	-	(178,049)	-
Total current liabilities	-	31,797,949	3,868,772	223,103	6,266,743	(178,049)	41,978,518
Long-Term Debt							
Revenue bonds	-	181,628,884	-	-	-	-	181,628,884
Obligations under capital leases	-	342,340	-	-	-	-	342,340
Deferred Revenue	-	476,134	-	-	-	-	476,134
Charitable Gift Annuity Liability	-	-	-	41,319	-	-	41,319
Accrued Pension Costs	-	12,228,872	-	-	-	-	12,228,872
Accrued Medical Malpractice and Workers' Compensation Costs	-	4,243,191	-	-	702,633	-	4,945,824
Deferred Compensation	-	100,767	-	-	-	-	100,767
Due to Affiliates	-	45,394,295	-	-	-	(45,394,295)	-
Total liabilities	-	276,212,432	3,868,772	264,422	6,969,376	(45,572,344)	241,742,658
Net Assets							
Unrestricted	-	134,442,713	47,024,744	2,483,348	9,952,893	(2,483,348)	191,420,350
Temporarily restricted	-	3,786,959	-	3,560,261	-	(3,560,261)	3,786,959
Permanently restricted	-	720,749	-	720,749	-	(720,749)	720,749
Total net assets	-	138,950,421	47,024,744	6,764,358	9,952,893	(6,764,358)	195,928,058
Total liabilities and net assets	$ -	$ 415,162,853	$ 50,893,516	$ 7,028,780	$ 16,922,269	$ (52,336,702)	$ 437,670,716

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Operations
Year Ended June 30, 2013

	Mount Nittany Health Services	Mount Nittany Medical Center	Mount Nittany Surgical Center, Inc	The Foundation for Mount Nittany Medical Center	Mount Nittany Physician Group	Consolidation Eliminations	Consolidated
Unrestricted Revenues, Gains, and Other Support							
Patient service revenues (net of contractual allowances and discounts)	$ -	$ 266,879,593	$ 18,763,890	$ -	$ 35,314,906	$ -	$ 320,958,389
Provision for bad debts	-	(9,347,595)	(340,230)	-	599,400	-	(9,088,425)
Net patient service revenues less provision for bad debts	-	257,531,998	18,423,660	-	35,914,306	-	311,869,964
Other operating revenues	11,322,798	15,931,054	-	-	6,856,627	(27,735,445)	6,375,034
Net assets released from restrictions used in operations	-	47,329	-	48,289	960	(48,289)	48,289
Total unrestricted revenues, gains, and other support	11,322,798	273,510,381	18,423,660	48,289	42,771,893	(27,783,734)	318,293,287
Expenses							
Salaries and wages	-	97,115,028	-	-	29,680,500	-	126,795,528
Supplies and expenses	11,292,787	105,076,385	10,939,483	713,324	22,385,901	(27,735,445)	122,672,435
Employee benefits	-	29,158,870	-	-	5,958,963	-	35,117,833
Depreciation and amortization	-	13,740,213	389,182	935	2,535,145	-	16,665,475
Interest, net of capitalized interest of $889,432	-	7,726,545	-	-	-	-	7,726,545
Insurance	-	755,019	31,011	-	-	-	786,030
Loss on sale of equipment	-	207,350	3,185	-	-	-	210,535
Total expenses	11,292,787	253,779,410	11,362,861	714,259	60,560,509	(27,735,445)	309,974,381
Operating income (loss)	30,011	19,730,971	7,060,799	(665,970)	(17,788,616)	(48,289)	8,318,906
Other (Loss) Income							
Investment income	-	10,494,984	-	154,865	-	-	10,649,849
Contributions	-	-	-	30,648	-	-	30,648
Non-operating grant revenue	-	305,259	-	-	-	-	305,259
Change in fair value of derivative financial instruments	-	(579,107)	-	-	-	-	(579,107)
Equity in income of investees	-	136,925	-	-	48,208	-	185,133
Loss on refinancing	-	(11,515,213)	-	-	-	-	(11,515,213)
Change in interest in The Foundation for Mount Nittany Medical Center, Inc	-	(3,302,911)	-	-	(21,214)	3,324,125	-
Other (loss) income, net	-	(4,460,063)	-	185,513	26,994	3,324,125	(923,431)
Revenues in excess of (less than) expenses	30,011	15,270,908	7,060,799	(480,457)	(17,761,622)	3,275,836	7,395,475
Pension Liability Adjustment	-	16,913,353	-	-	-	-	16,913,353
Net Assets Released from Restrictions Used for the Purchase Property and Equipment	-	3,429,633	-	3,450,847	21,214	(3,450,847)	3,450,847
Transfer of Unrestricted Net Assets	(87,500)	(10,967,916)	-	(2,795,379)	13,850,795	-	-
Increase (decrease) in unrestricted net assets	$ (57,489)	$ 24,645,978	$ 7,060,799	$ 175,011	$ (3,889,613)	$ (175,011)	$ 27,759,675

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Cash Flows
Year Ended June 30, 2013

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

Mount Nittany Health System and Affiliates

Consolidating Schedule, Statement of Cash Flows
Year Ended June 30, 2013

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